

BUDGET CONTROL ACT ACROSS-THE-BOARD REDUCTIONS

The BCA's sequestration imposes automatic across-the-board reductions to some federal programs in FFY 2013. The BCA requires Congress to achieve savings for discretionary programs in FFYs 2014-21 by a different method than in FFY 2013. Funding levels are specified through the normal Congressional appropriations process, subject to reductions in discretionary spending caps. The Legislative Budget Board staff estimated the potential fiscal impact for the across-the-board FFY 2013 reductions using the newly released reduction percentage of 5.3% for nondefense discretionary funding by the Congressional Budget Office for the 13 state agencies that receive 97% of the federal funds in the Texas budget.

Significant Findings

- If the BCA across-the-board reductions are not delayed or modified by Congress, the reductions would total \$334.6 million for SFY 2013. Figure 1 lists an estimated \$6.3 billion in covered federal funds that would be reduced by 5.3 percent.

| Budget Control Act Across-the-Board Reductions | | | | |
|---|--------------------------|-------------------|------------------|----------------------|
| (In Millions) | | | | |
| State Agency | Budgeted SFY 2013 | Exempted | Covered | BCA Reduction |
| Texas Education Agency | \$5,019.2 | \$1,855.0 | \$3,164.2 | -\$167.7 |
| Department of State Health Services | 1,258.9 | 122.6 | 1,136.4 | -60.2 |
| Texas Workforce Commission | 974.5 | 339.0 | 635.5 | -33.7 |
| Department of Assistive and Rehabilitative Services | 479.3 | 47.6 | 431.7 | -22.9 |
| Department of Aging & Disability Services | 3,708.8 | 3,480.7 | 228.1 | -12.1 |
| Department of Housing and Community Affairs | 203.2 | 0.0 | 203.2 | -10.8 |
| Department of Public Safety | 892.0 | 727.9 | 164.1 | -8.7 |
| Department of Family & Protective Services | 724.7 | 615.9 | 108.9 | -5.8 |
| Department of Transportation | 3,641.9 | 3,555.8 | 86.0 | -4.6 |
| Department of Agriculture | 498.2 | 424.2 | 74.0 | -3.9 |
| Health & Human Services Commission | 13,657.1 | 13,583.9 | 73.2 | -3.9 |
| General Land Office | 983.1 | 979.3 | 3.8 | -0.2 |
| Office of the Attorney General | 205.0 | 201.4 | 3.6 | -0.2 |
| | \$32,245.8 | \$25,933.4 | \$6,312.5 | -\$334.6 |

Note: Education programs will not be reduced until state fiscal year 2014. Does not include funding for employee benefits.

Source: Legislative Budget Board.

- More than half (50.1 percent) of the reductions would impact the Texas Education Agency (TEA), followed by an estimated 29.6 percent of reductions to Article II agencies. These reductions will occur in SFY 2014.
- The TEA's estimated reduction of \$167.7 million is the most significant agency reduction, followed by the Department of State Health Services' reduction of \$60.2 million.

- Several of the largest federal funding programs subject to the reductions are Title I Grants to Local Educational Agencies, Special Education Basic State Grants, and the Nutrition Program for Women, Infants, and Children (WIC).
- Approximately 80 percent or \$50.2 billion of the federal funds requested are exempted from sequestration. This includes many federal safety-net programs, such as Medicaid, Children's Health Insurance Program, National School Lunch Program, and Temporary Assistance for Needy Families.
- Discretionary transportation programs are also exempted, including programs administered by the Federal Highway Administration and Federal Transit Administration. Payments to trust funds from excise taxes or other receipts are also considered exempt (e.g., Abandoned Mine payments, Boating Safety, Crime Victims Fund, and Sport Fish Restoration).