



FEDERAL FUNDS OVERVIEW AND SEQUESTRATION

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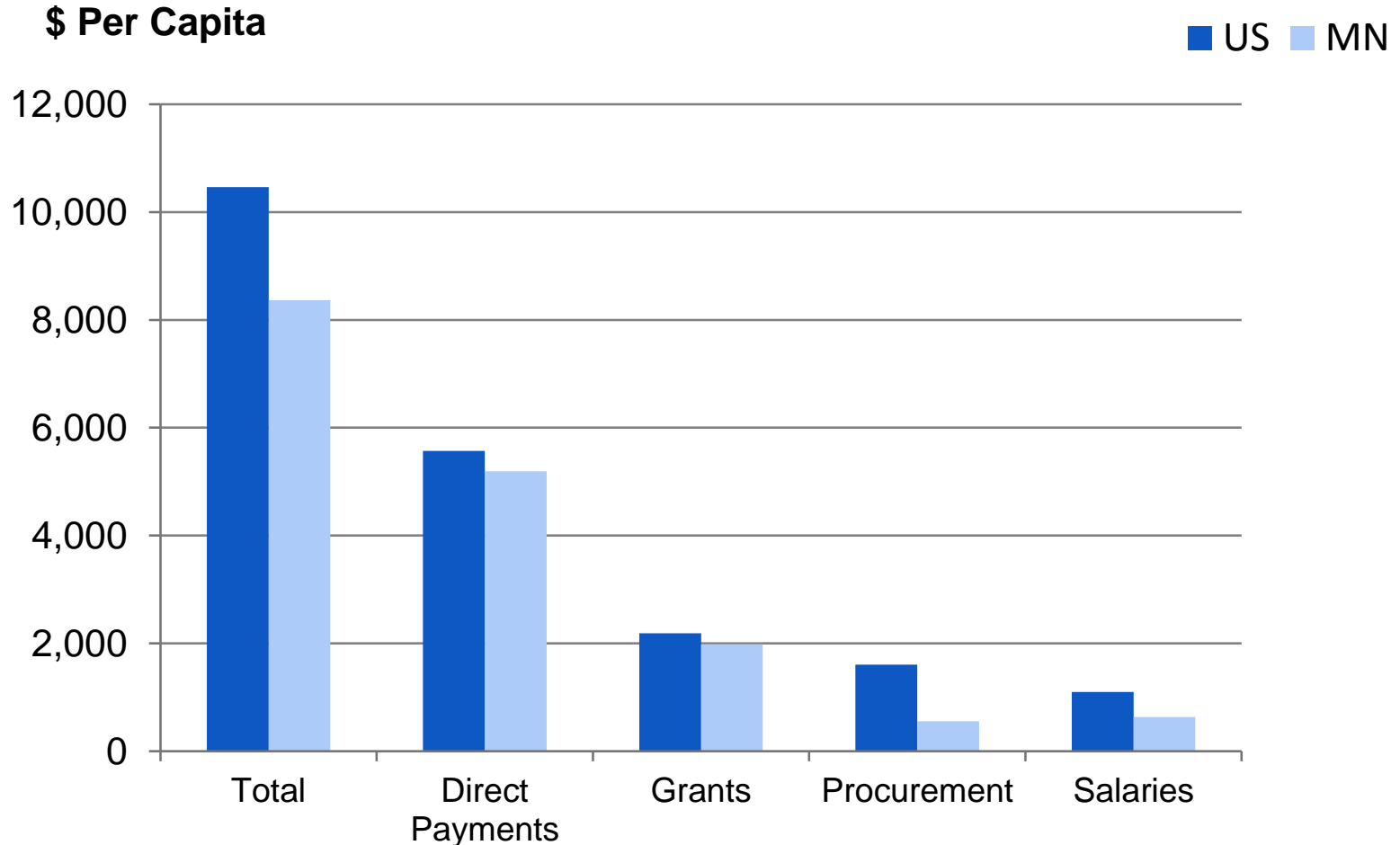
Federal Funds Overview



Federal Funds in Minnesota

- Federal spending impacts Minnesota through direct payments, grants, procurement and wages
- Not all federal grants are distributed at the state level.
 - Example – Headstart
- Some federal funds received by the state are pass-thru to other political jurisdictions
 - Examples – Title I and Special Education , Community Development Block Grant
- The four largest federal grant categories are Medicaid (Medical Assistance), highway planning and construction, cash and food assistance and education funding

Minnesota Ranks 49th Among States in Per Capita Federal Expenditures

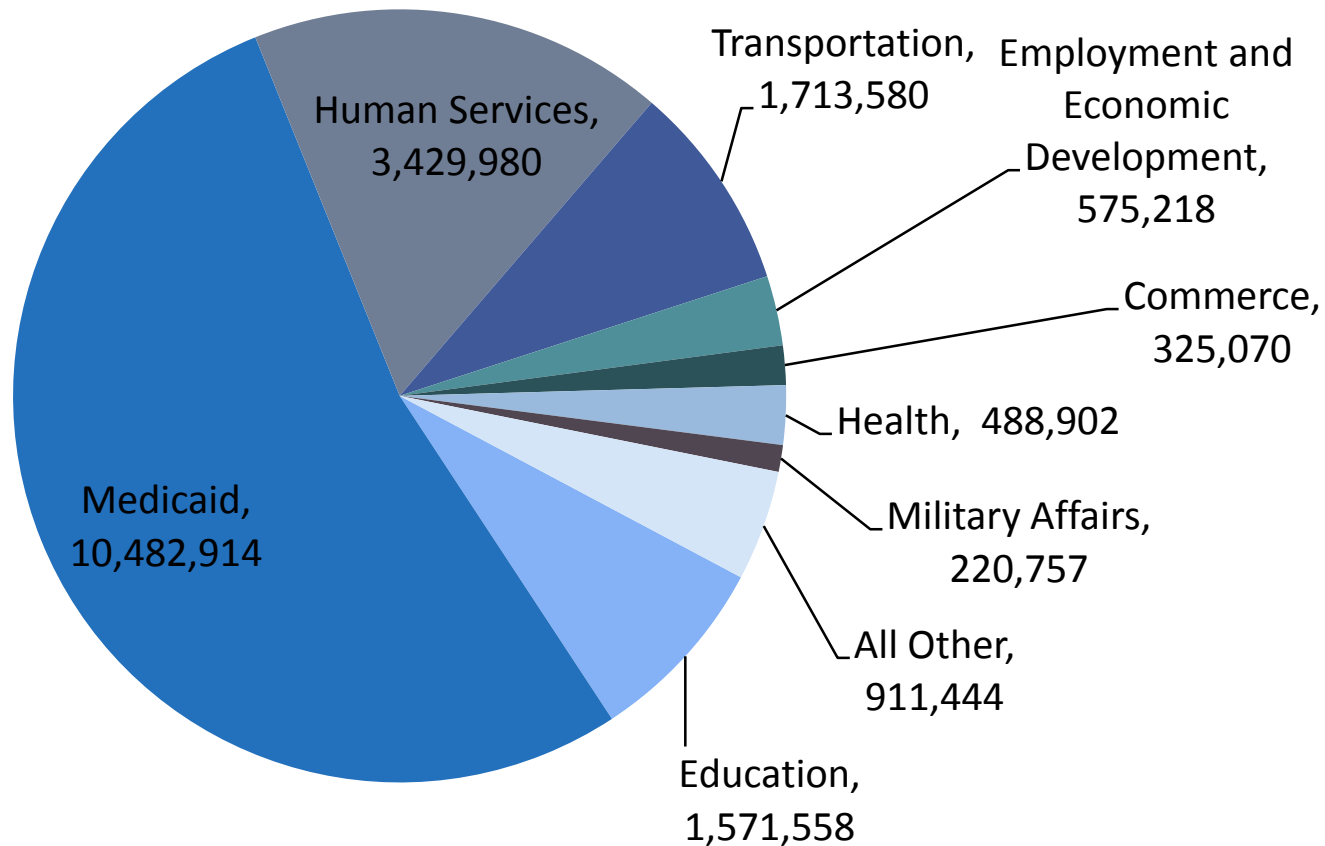


Source: FFIS 'State Policy Report', October 2011

Federal Funds in State Budget

- Approximately 30% of the FY2014-15 budget
- \$9.7 billion federal revenue in FY 2014
 - \$4.9 B Medicaid
 - \$1.1 B Human Services
 - \$0.8 B Education
 - \$0.9 B Transportation
 - \$2.0 B grant funds across the rest of state government
- Approximately 10% (3,143) of the state's full-time equivalents are federally funded (FY 2012)

Minnesota State Agencies Will Receive an Estimated \$19.7 billion in Federal Revenue in FY 2014-15



(\$ in thousands)

Source: February 2013 Consolidated Fund Statement

Sequestration

How Will MN fare?

- Many unknowns remain
 - Timing of reductions
 - Restrictions placed on state agencies
 - Final amounts of reductions
- Potential \$90 million annual reduction in programs subject to sequestration (FFIS estimate)
- Reductions could be offset by automatic or specified increases in funding

Large Federal Programs are Exempt from Sequestration

Program	FY 2013 CR Funding (in thousands)	Exempt [E] or Covered [C]
Medicaid -Vendor	\$251,463,885	E
National Highway Performance (NHPP)	21,751,779	E
Temporary Assistance for Needy Families (TANF)	17,178,026	E
Title I - Grants to Local Education Agencies (LEAs)	14,605,298	C
Special Education - Basic State Grant	11,648,712	C
Medicaid Administration	11,440,274	E
Surface Transportation Program	10,005,135	E
Head Start	8,017,311	C
Women, Infants & Children (WIC)	6,659,002	C
Foster Care	4,146,000	E

Minnesota's Response to Sequestration

- Tracking updates from Federal Funds Information for States (FFIS)
- State agencies are in communications with their federal cognizant agencies
- MMB and state agencies have met to address sequestration and its potential impacts
- MMB has been centrally tracking state agency guidance received from federal government
 - Only received guidance on roughly 1/3 of total sequestration estimate