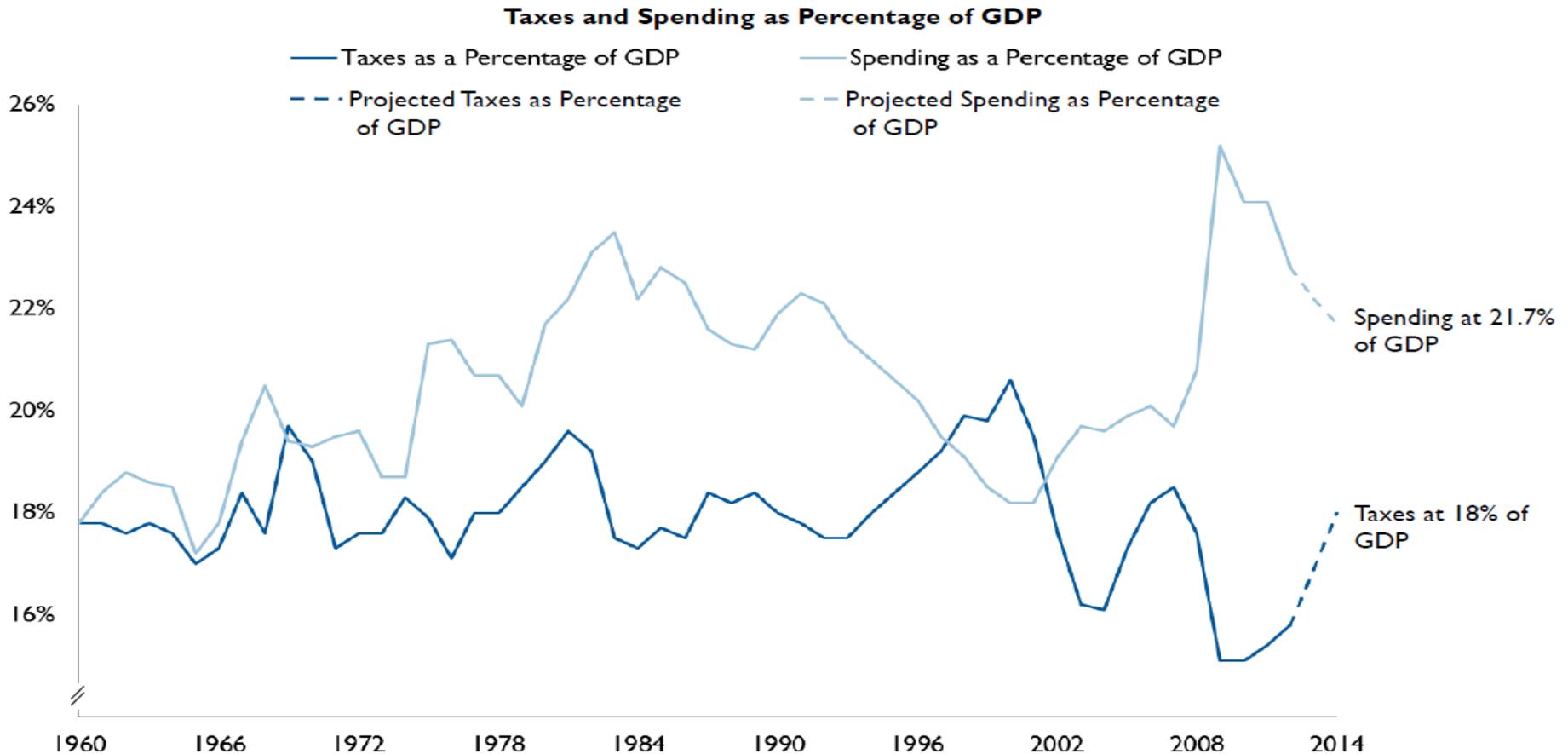


**Federal Actions – or Lack Thereof –  
Impacting Counties**  
North Carolina Association of County  
Commissioners Annual Conference  
August 23, 2013

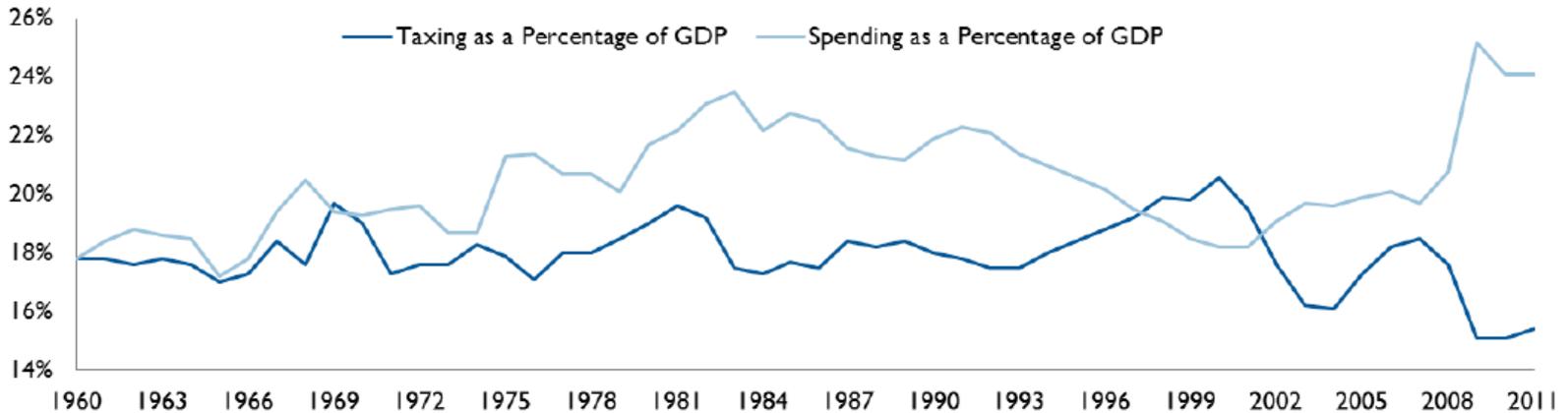
# Federal Budget Picture

## Gap Between Spending and Revenue to Decrease Slightly in Short Term

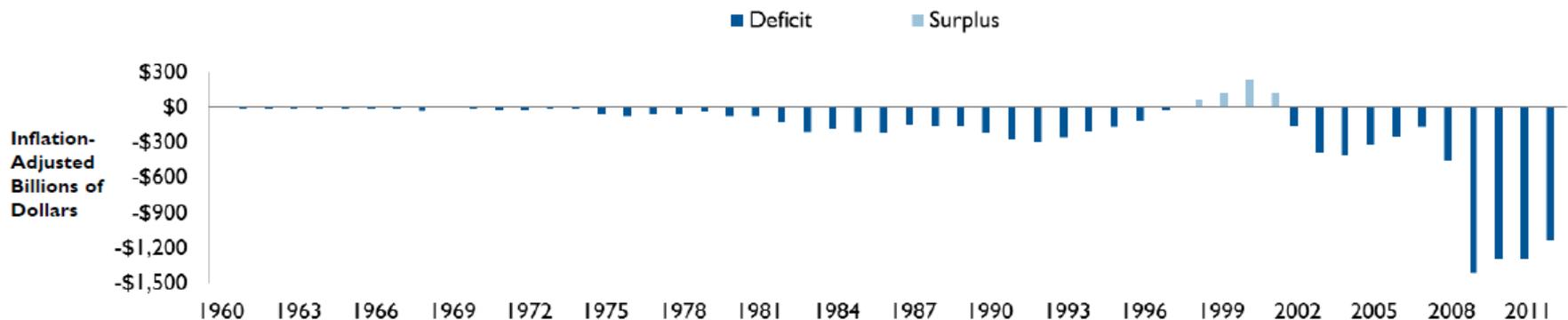


# Federal Budget Picture

## Gap Between Taxing and Spending Creates Deficit or Surplus U.S. Taxing and Spending as Percentage of GDP



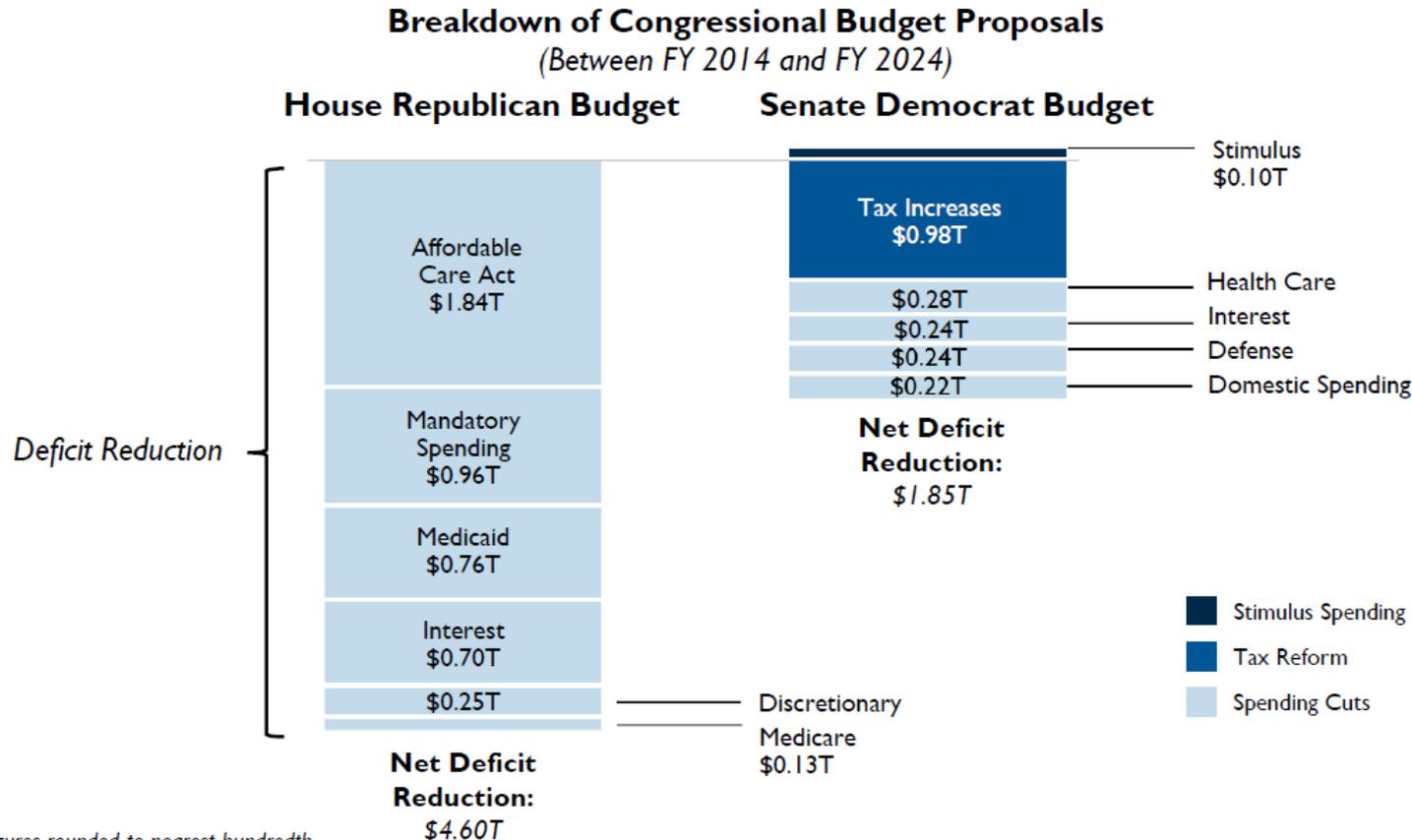
## U.S. Deficit and Surplus



Source: Office of Management and Budget, Historical Tables, 2012

# Federal Budget Picture

## Budget Proposals Highlight Partisan Divide



\*Figures rounded to nearest hundredth

### Analysis

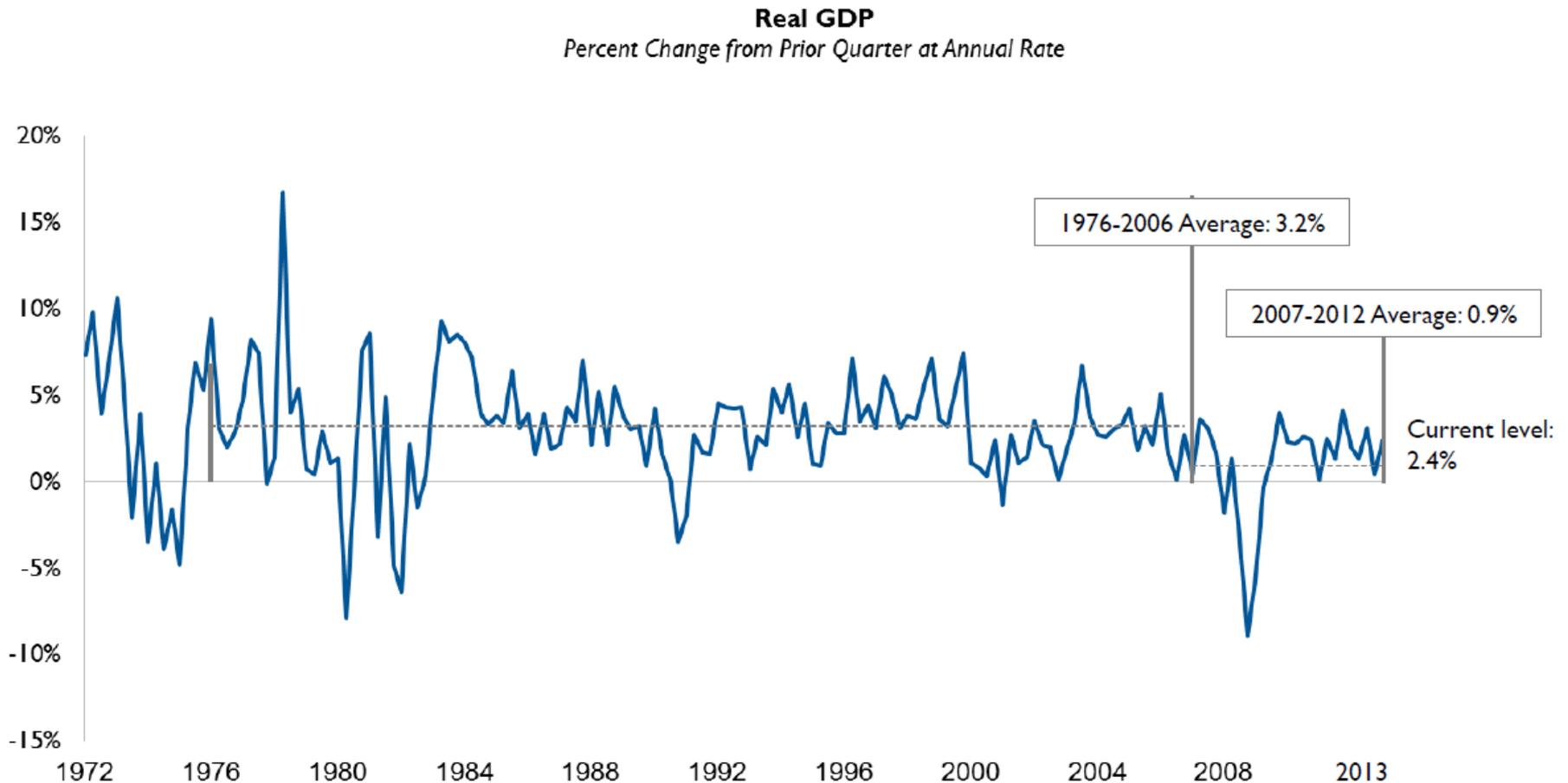
- House budget proposal is revenue neutral with respect to tax reform; it relies on spending cuts to lower the deficit
- In contrast, Senate budget raises revenue by ending tax breaks and entitlements and closing loopholes in tax code

## Key Issues and Timelines

- **Sequestration in Effect:** Across-the-Board Cuts (Began March 1, 2013)
- **FY2013 Federal Appropriations:** Process Completed for FY2013
- **President's FY2014 Budget:** Release Delayed Until April 10, 2013
- **FY2014 Appropriations Process:** Congress has Started, No Major Accomplishments Yet
- **Tax and Entitlement Reform:** Hearings/Information Gathering Mostly Completed, Member Discussions Occurring, Possible Drafts Out???
- **Federal Debt Ceiling Deal:** Debate Delayed to Fall 2013

# Economic Context

## Economic Growth Stunted in Last Five Years



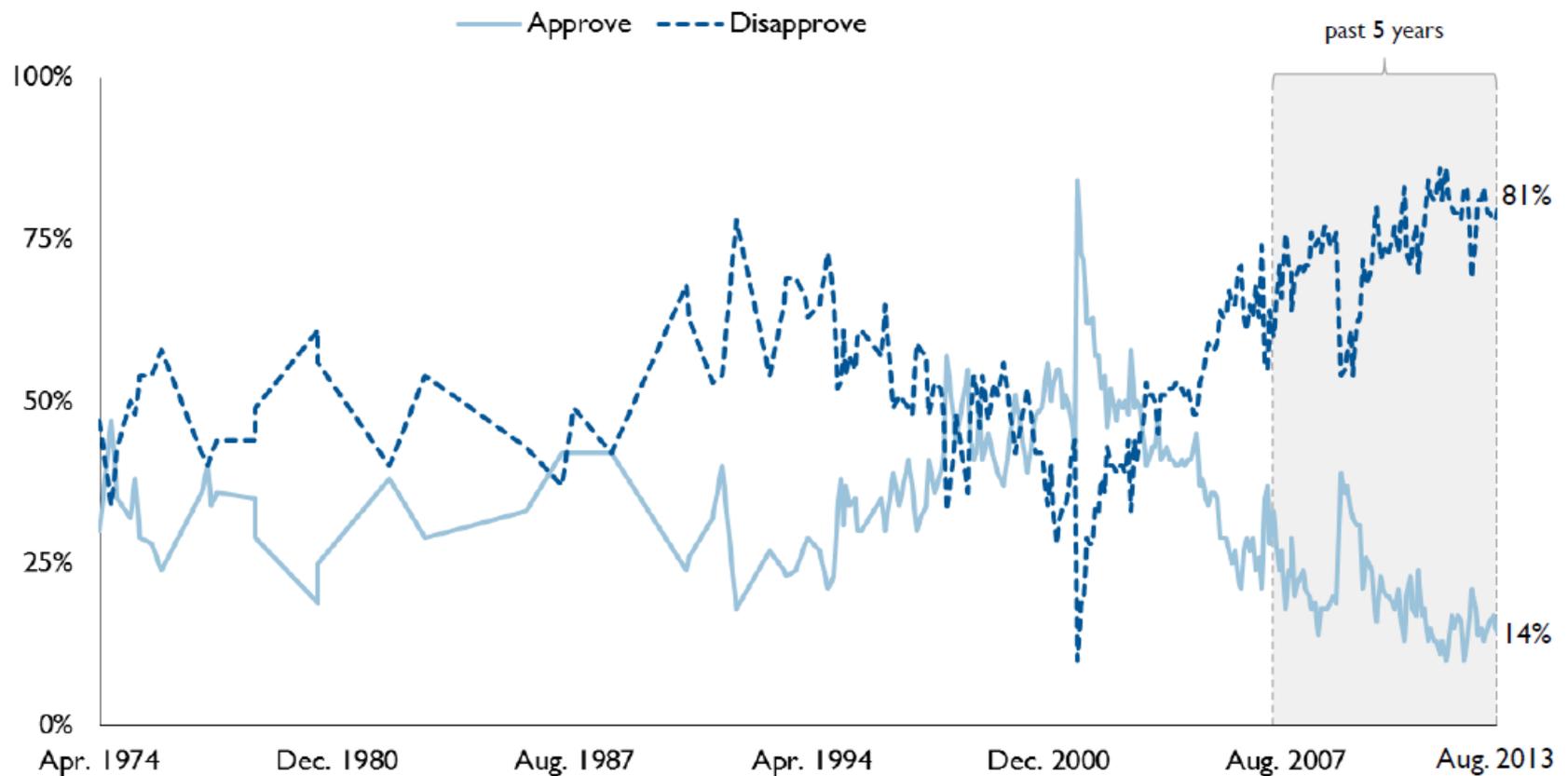
## State and Local Government Finances...Some Good News

- Total revenue for state and local governments reached an all-time high of \$3.4 trillion in 2011, up 8.4% from 2010
- Individual income tax revenue increased 9.5% to \$284.9 billion
- Corporate income tax revenue increased 10.7% to \$48.5 billion
- Tax revenue also reached a record high in 2011, increasing 5.3% to \$1.3 trillion collected
- Education was the largest single expense (\$861.1 billion) for 2011, followed by public welfare spending (\$492.0 billion) and insurance trust expenses (\$361.4 billion)

# Political Context

## Congressional Approval Hovers Near Three-Decade Low

Congressional Approval Rating



# Political Context

## Increased Polarization...

### A House Divided

#### 1982

In the first year *National Journal's* vote ratings were conducted, the scores revealed a House in which both Republicans and Democrats spanned the ideological spectrum. Liberal Republicans and conservative Democrats were common.

#### 1997

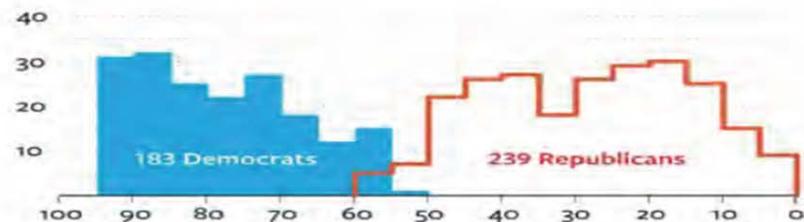
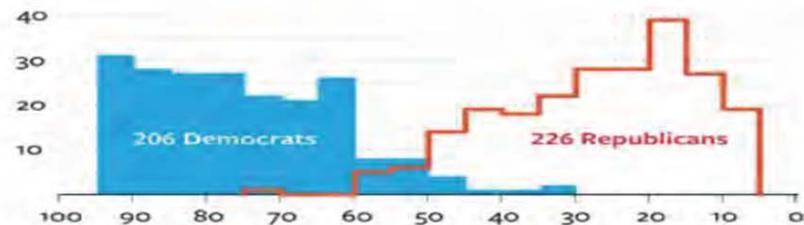
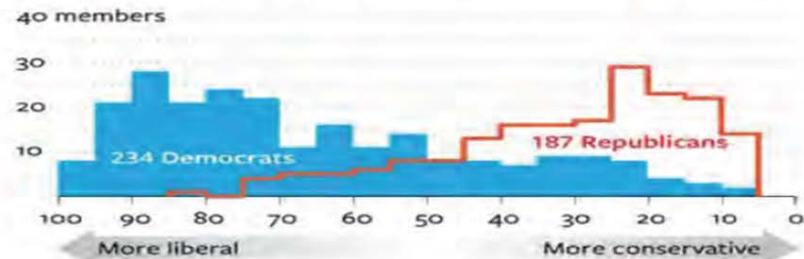
After the 1994 Republican Revolution, the parties achieved a greater degree of ideological cohesiveness. Compared to 1982, more Republicans gravitated to the conservative end of the scale, and more Democrats to the liberal end.

#### 2012

Thirty years on, the dividing line between the parties has dramatically sharpened. There are only a handful of Republicans with scores more liberal than the most conservative Democrat, and vice versa.

Thirty years of vote ratings show the sorting out of the two parties by ideology.

Distribution of liberal composite scores, by party



# Federal Policy Agenda

## Issues Impacting Counties

### ◆ Entitlement Reform

- ☑ **Medicaid** cuts and cost shifts to states and counties

### ◆ Tax Reform

- ☑ Elimination/reforms to **tax-exempt municipal bonds**
- ☑ Elimination of **state and local property, income and sales tax deductions** on federal income tax forms
- ☑ Marketplace Fairness? Digital Goods? Wireless?

### ◆ Sequestration and Annual Appropriations

- ☑ **Federal aid cuts** to state and local governments

### ◆ Other fiscal issues – Detroit, pensions

# NACo Update

**Debt Limit and Ongoing Fiscal Debate: County Risks and Opportunities**

NACo News You Can Use  
Legislative Edition

January 2013  
www.naco.org

**NACo** National Association of Counties  
The Voice of America's Counties

**SEQUESTRATION 2.0**  
Through the County Lens

WWW.NACO.ORG | MARCH 2013

**NACo** National Association of Counties  
The Voice of America's Counties

**LEGISLATIVE BRIEF**  
The County Perspective: The Fiscal-Cliff Deal

On New Year's Day, Congress approved legislation (H.R. 4) to address the year-end tax hikes and spending cuts known as the "fiscal cliff." The measure passed the U.S. House of Representatives late on January 3 after the U.S. Senate had overwhelmingly approved it earlier that same day.

The measure, the "American Taxpayer Relief Act of 2012," is expected to be signed into law by President Barack Obama, guaranteeing the first increase in income tax rates in almost two decades and setting up another

many aspects of the fiscal cliff that would adversely impact their budgets and the millions of people and local communities they serve.

**What is the Fiscal Cliff?**

The term "fiscal cliff" is used to describe the risk of \$607 billion in U.S. taxes and spending that expired on December 31, 2012. The mix of tax provisions and spending cuts include the Bush era tax cuts, the 2010 Obama payroll tax holiday, the partial expensing of investments and the sunset of tax provisions to support the implementation of the 2010 Affordable Care Act (ACA), the expiration of emergency unemployment insurance (EUI) benefits, a scheduled reduction

**Elements of the Fiscal Cliff**

- Sequestration or automatic, across-the-board cuts
- Budget caps for annual appropriations process
- Addressing federal debt ceiling
- Tax cut extensions for 2011, 2013, and 2010 provisions
- Tax reform of corporate and individual tax provisions
- 2 percent payroll tax holiday
- Tax reform of corporate and individual tax provisions
- Extended unemployment benefits
- Medicare physician ("doc" fix)
- AMT patch (maximum tax increase for 30 million Americans)
- Entitlement and Tax Reform
- Affordable Care Act taxes

While the passage of this measure will temporarily avert and delay various elements of the fiscal cliff, counties will continue to be confronted with significant negative risks associated with the

in Medicare payment rates for physicians, and the start of sequestration—the across the board cuts in discretionary and defense spending under the 2011 Budget Control Act.

1 | NACo Legislative Brief: The Fiscal-Cliff Deal  
www.naco.org

**President's FY2014 Budget: Outlook for Counties**

FISCAL YEAR 2014  
**BUDGET**  
OF THE U.S. GOVERNMENT

WWW.NACO.ORG | APRIL 2013

**NACo** National Association of Counties  
The Voice of America's Counties

**CALL TO ACTION:**  
PROTECT MUNICIPAL BONDS

NACO.ORG | MARCH 2013

**NACo** National Association of Counties

**WASHINGTON WATCH**  
Federal News for the Nation's Counties

Issue #12 - May 17, 2013

This week's highlights:

- FY2014 Appropriations Process Moves Forward Despite Budget Uncertainty
- Senate Passes Water Resources Development Act
- Positive Developments for NACo's Farm Bill Priorities
- CMS Issues Medicare DSH Cut Rule
- U.S. Department of Interior Releases Updated Draft Rule for Hydraulic Fracturing

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**Upcoming Events**

WSR Conference  
May 21-24, Coconino County, AZ  
Register >

Western  
Midwest  
South  
2013  
Conference  
Coconino/Flagstaff Areas  
May 22-24

LUCC Annual Meeting  
June 19-21, Franklin County, GA

**Federal Budget Sequestration 101**  
Perspectives through the County Lens

NACo News You Can Use  
Legislative Edition

NACo VIRTUAL LEARNING COMMUNITY

**National Association of Counties**

**U.S. Election Insight | 2012**  
November 12, 2012  
www.naco.org

NACo News You Can Use  
Legislative Edition

\*Data in this report current as of Nov. 9. Content will be updated as results become available.

NACo VIRTUAL LEARNING COMMUNITY  
LEGISLATIVE EDITION

# Questions?



## Contact Us!

*For questions or more information, feel free to contact us*

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