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March 18, 2013

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Gloria Molina
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

**MOTION ON FEDERAL BUDGET SOLUTIONS AND SEQUESTRATION IMPACTS
(SUPPLEMENTAL AGENDA ITEM NO. 46-A, MEETING OF MARCH 19, 2013)**

Item No. 46-A on the March 19, 2013 Supplemental Agenda is a motion by Supervisor Knabe to instruct our Washington representatives to advocate for sensible Federal budget solutions and work to avoid further sequestration impacts on the safety net and on our economy, warning our Congressional delegation and HUD officials in particular of the impact sequestration could have on up to 1,800 Section 8 housing recipients, and urge them to work towards effective solutions.

Approval of this motion is consistent with an existing Board policy to oppose across-the-board Federal sequestration cuts for Fiscal Year (FY) 2013 and urge President Obama and Congress to work together to develop a sensible long-term budget compromise, which was adopted on September 18, 2012, pursuant to a motion by Supervisor Knabe.

The County's Washington, D.C. advocates subsequently have been opposing the across-the-board sequestration cuts for FY 2013 and supporting alternative budget solutions. Moreover, since the Board took its action to oppose sequestration cuts last September, the American Taxpayers Relief Act, commonly known as the "fiscal cliff" bill, amended Federal law to reduce FY 2013 sequestration cuts from \$109.3 billion to \$85.0 billion and postpone their effective date from January 2, 2013 to March 1, 2013.

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The Act also reduced the percentage reductions of discretionary programs from 8.2% to 5.0% for non-defense programs and 9.4% to 7.8% for defense programs. As reported previously to the Board, most of the Federal revenue received by the County is exempt from sequestration cuts because Medicaid, Temporary Assistance for Needy Families, Title IV-E Foster Care and Adoption Assistance, Supplemental Nutrition Assistance Program, and Child Support Enforcement, which account for most of the County's total Federal revenue, are exempt from such cuts.

Federal programs and activities currently are being funded through a FY 2013 Continuing Resolution (CR), which expires on March 27, 2013. Before starting a two-week recess at the end of this week, Congress is expected to complete action on a CR that will fund Federal programs and activities through the balance of FY 2013, which ends on September 30, 2013. A CR (H.R. 933), which has bipartisan support and currently is on the Senate floor, would fund the vast majority of programs at or near their FY 2012 levels and also would not reverse the FY 2013 sequestration cuts. However, this CR includes additional funding that would reduce the net impact of the sequestration cuts to below 5% for some programs of County interest, such as the State Criminal Alien Assistance Program, Justice Assistance Grants, and Child Care and Development Discretionary Block Grants. A few programs including, Homeless Assistance Grants and the Public Housing Operating Fund, would end up receiving a net increase in funding.

The CR also would require each Federal department and agency to submit a detailed spending or operating plan for FY 2013 for each program or activity, which reflects sequestration cuts, to Congressional Appropriations Committees within 30 days of the bill's enactment. This requirement is included because the CR will not specify funding levels for the vast majority of Federal programs and activities, and the exact dollar amount of sequestration cuts for individual programs and activities is subject to interpretation by the Executive Branch.

We will continue to keep you advised.

WTF:RA
MR:MT:ma

c: Executive Office, Board of Supervisors
County Counsel