

Government Relations Update

September 2012

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State and Federal Overview

While the Rice campus is bustling with activity now that students have returned, Congress has left town after passing a continuing resolution that keeps the federal government funded. With the Republican and Democratic conventions behind us, all focus has turned to the presidential debates and the upcoming election. Before leaving, Congress did not address any of the major funding issues like sequestration, expiring tax cuts or deficit reduction. Failing to address any of these major items before the new Congress convenes in 2013 is pushing the country to what pundits are calling the fiscal cliff.

On the state level, tax collections are up nearly 14 percent since last fiscal year, which could mean additional revenue for the state budget, which will be set during the upcoming legislative session. In addition, the Texas redistricting debate is still far from over. The last ruling on Aug. 28, 2012, by a U.S federal court stated that Texas' legislative redistricting maps were discriminatory, but the court-ordered interim maps will remain in effect through the election. That means that when the Legislature meets in January, lawmakers will need to revisit redistricting.

WASHINGTON UPDATE

Sequestration

During the summer of 2011, Congress, in an effort to reach a compromise on raising the debt ceiling, passed the Budget Control Act of 2011 (BCA), which President Obama signed into law. The BCA established the Joint Select Committee on Deficit Reduction — the Super Committee — set with the task of identifying \$1.5 trillion in savings over 10 years. It also required a series of automatic spending cuts, known as sequestration, in the event the Super Committee failed to come to agreement. To read more about the BCA and its impact on the federal budget, click [here](#) to read a Rice Community Action Network memo.

Unfortunately the Super Committee did not reach an agreement on deficit reduction. Therefore, an automatic sequestration of \$1.2 trillion will be triggered on Jan. 2, 2013, unless action is taken by Congress and the president to prevent the automatic cuts. Should the sequestration happen, \$109 billion (out of a \$1.047 trillion discretionary budget) ,will be sequestered from discretionary programs for FY 2013 alone -- half from Department of Defense agencies and half from non-security agencies. Overall, the percentage reduction is expected to be in the range of 8-10 percent, with deeper cuts in defense funding.

To add to the level of uncertainty, the BCA did not lay out specific guidelines on how the sequestration should impact specific programs. That means the Office of Management and Budget (OMB) is responsible for determining how sequestration will be administered across all federal agencies. On Sept. 14, OMB issued a [report](#) that provides limited details on the impact that the scheduled budget sequester would have on federal agencies and programs. To read a more detailed analysis of the OMB report, click [here](#).

There are multiple scenarios that could unfold between now and the Jan. 2 sequestration deadline, all of which will materialize after the November elections. Possible scenarios include: Congress could repeal the BCA sequestration; lawmakers could reduce the sequester for just FY 13, or they could allow it to happen in January and leave it to the new Congress to deal with it when they convene on Jan. 3, 2013, one day after sequestration is supposed to take place. Much depends on the outcome of the elections.

This uncertainty is proving to be a challenge for the higher education community and others because it is difficult to anticipate future federal research and student aid funding levels. In an effort to prepare for those scenarios, a planning group has drafted some core principles that should guide planning as Rice attempts to deal with this uncertainty. It is important to note that, even if sequestration is avoided, the escalating federal budget deficit and debt will likely have consequences for research funding and student aid for years to come.

Continuing Resolution (CR)

Before adjourning, both the House and Senate passed a continuing resolution (CR) which will sustain federal appropriations for the first six months of FY13, which begins on Oct. 1. The measure is based largely on the \$1.047 billion FY13 spending level agreed to in last year's Budget Control Act (BCA), but reflects an extra \$8 billion from higher-than-expected federal revenues. The CR is largely an extension of current funding, with a few "anomalies," or spending increases — none in research or higher education — and no controversial policy riders. Because of the extra funding, most appropriations accounts would rise by 0.6 percent over what they would have been otherwise. You can [read more](#) about the six-month continuing resolution.

TEXAS UPDATE

Additional state revenues

As the Texas 2012 fiscal year came to a close at the end of August, it was announced that there has been an increase in sales tax revenues -- up 12.6 percent from the previous year - according to Texas Comptroller Susan Combs. This means Texas collected about \$1.6 billion more in sales taxes than projected. This was largely due to the growth in the energy sector and a job market that is thriving more than the rest of the nation.

Eva DeLuna Castro of the Center for Public Policy Priorities estimates that the increase in revenues will generate a \$5 billion to \$7 billion surplus over previous estimates. Despite the optimistic budget projections, the state is still expected to face some difficult funding decisions during the upcoming legislative session. You can read more about this [here](#) and [here](#)

Texas Redistricting

A federal court in Washington, D.C., ruled that Texas lawmakers did not comply with the Voting Rights Act with their newly drawn district map, but the current interim maps will remain for the current elected. The section of the voting law that is under dispute involves the ability of minority voters to elect candidates of their choice. The court also decided that crossover districts and coalition districts, where racial majorities have to align with other groups to win, are protected. Although many maps have been suggested, there is no clear end to the redistricting battle, making it yet another issue the Legislature must address when it convenes in January. You can read more about the situation [here](#) and [here](#).