Before adjourning for a two-week recess last week, the U.S. House of Representatives passed a budget proposal along party lines. The bill, sponsored by Rep. Paul Ryan of Wisconsin, outlines the House majority’s funding priorities for the 2013 fiscal year. The legislation paints a much different picture than many expected, and took a sharp turn from last summer’s debt ceiling wrangling. The proposal also could forecast dark days for states.

House and Senate budget resolutions do not dictate federal spending; rather, they serve as a blueprint for the House and Senate appropriations committees as they assemble their various spending bills, slated for a vote later this year. When the House and Senate are not on the same page with their budget resolutions, it usually means the chances of the appropriations committees passing new funding bills are slim at best. This year, they are certainly not on the same page.

In broad terms, the House budget resolution rolls back the sequestration deal hatched last summer, walling off defense spending from mandatory cuts and making additional cuts to non-defense discretionary and mandatory programs.

As you may recall, part of the deal to raise the debt ceiling last summer under the Budget Control Act was that Congress and the president had to agree to a long-term spending plan that cut the deficit by at least $1.2 trillion, and pass the plan by the end of 2011. If Congress could not do this—and it did not—then a process known as sequestration would occur in early 2013 that made automatic cuts to defense and domestic discretionary programs.

This year’s House proposal is most striking not just because it eliminates the automatic defense cuts and makes up for the difference by further cutting domestic programs, but also because it would make the total discretionary spending limit smaller than the one agreed to in last summer’s debt deal.

For states, this means substantial cuts in federal grants. According to Federal Funds Information for States, or FFIS, data, “transportation; community and regional development; and education, training, employment, and social services—are slated for double-digit percentage reductions.” The largest cuts would be in transportation, and community and regional development funding, where the budget resolution calls for 35.5 percent and 47.1 percent in cuts, respectively.

The transportation cuts would stem largely from the elimination of federal funding for high-speed rail, the elimination of so-called New Starts and Small Starts programs (primarily public transit grants), and lastly, restructuring how the Highway Trust Fund is paid for and reducing its size. As for the community and regional development cuts, the proposal calls for the elimination of Community Development Block Grants, and reforms how Federal Emergency Management Agency grants are
awarded to states, including making it more difficult for states to qualify.

The Ryan budget resolution also would substantially change Medicaid by converting it from an entitlement program into a block grant. The House Budget Committee estimates that this will save $810 billion during the next 10 years. According to FFIS, the proposal would eliminate federal program requirements and enrollment criteria, however, the resolution leaves the details of how this change would work up to the House committees.

The Senate has chosen to use the Budget Control Act deal as its model for funding programs in 2013, meaning the Ryan proposal is dead on arrival. It also means that since the House Appropriations bills are going to take a much different shape than the Senate bills, the two houses will need to reconcile their differences or pass a continuing resolution to avoid a government shutdown, a showdown that will occur right before the November elections.

Stay tuned.

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