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MEMORANDUM FOR EXECUTIVE APPROPRIATIONS COMMITTEE

FROM: Russell Frandsen, Analyst
DATE: May 10, 2011
SUBJECT: Impacts and Responses to Federal Budget Reductions

On April 8, 2011, Congressional leaders and the President narrowly averted a federal government shutdown by agreeing on a budget deal with two hours to spare. The deal tentatively cut \$38 billion in federal fiscal year 2011.

Prior to the deal, GOPB asked agencies for their plans if a deal were not reached and the state were to lose some federal funds. Since the federal government didn't shut down, the emphasis now is what state programs may be affected by the \$38 billion cut.

Further, although the federal government did not shut down this year, we may see another potential shutdown in federal fiscal year 2012, which starts October 1, 2011.

During the 2011 General Session, the Legislature passed H.B. 138, "Federal Receipts Reporting Requirements" that requires agencies to prepare and submit plans for agency operations in the event of a federal funds reduction of 5% or 25%.

GOPB will report during the May 17, 2011 meeting on potential impacts to the state from the \$38 billion federal reduction, lessons learned that could be applied to the next threat of a federal shutdown, and preparations for complying with provisions of H.B. 138.

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