

# Sequester Summary: Most Recent Estimates...

FFIS: Estimated Impact of Two FY 2013 Sequesters on All Programs in FFIS Database (000s)*						
Released March 2013						
State	FY 2012	FY 2013 CR	FY 2013 Post-Sequester		Both	Loss of FY 2013 Funding from Sequesters
			March 1**	March 27***		
Florida	28,401,774	29,763,241	29,512,075	29,751,167	29,500,001	-263,240
<b>Total</b>	<b>\$592,278,913</b>	<b>\$607,104,874</b>	<b>\$601,652,668</b>	<b>\$606,849,090</b>	<b>\$601,396,884</b>	<b>-\$5,707,990</b>
*FFIS database includes 216 programs, some of which are exempt from one or both sequesters.						
**March 1 sequester stems from failing to achieve \$1.2 trillion in deficit reduction. OMB calculates percentage reductions of -5.0% for nondefense discretionary programs and -5.1% for nondefense mandatory programs in FY 2013 due to delay & BCA changes.						
***March 27 sequester is a result of Congress exceeding the FY 2013 spending caps for discretionary spending. Figures assume annualized levels in current Continuing Resolution and are estimated at -0.85% for security funding and -0.26% for nonsecurity funding.						
Percent to Florida	4.8%	4.9%	4.9%	4.9%	4.9%	4.6%
<b>Federal Grant-in-Aid Programs:</b>					<b>Total</b>	<b>\$ (263,240,263)</b>
					State	\$ (203,694,093)
					Local	\$ (12,405,710)
					Individual	\$ (47,140,460)
FFIS: Potential Impact of BCA Defense Sequester (dollars in thousands)						
Released February 2013						
State	Procurement	Wages	Grants	Loss of FY 2013 Funding from Sequesters		
				Defense Programs	Total	
Florida*	-935,437	-95,287	-10,700		-1,041,424	
<b>Total</b>	<b>-\$23,514,249</b>	<b>-\$2,242,091</b>	<b>-\$352,437</b>		<b>-\$26,108,777</b>	
Percent to Florida	4.0%	4.2%	3.0%		4.0%	
*Lower than original \$1.877 billion impact due to delay & BCA changes.					<b>Total</b>	<b>\$ (1,041,424,000)</b>
<b>GRAND TOTAL:</b>					<b>\$</b>	<b>(1,304,664,263)</b>

The CBO estimates that the combined federal fiscal tightening taking place in 2013 is knocking 1.5 points off GDP growth for the year. Of that, about 5/8 of a percent (or 0.565%) is due to the sequester. According to their data, the impact to Defense Outlays will impact the economy faster: the defense discretionary budget reduction is 1.48 times the level of the nondefense discretionary budget reduction; however, the impact on outlays is 1.69 times higher in 2013.

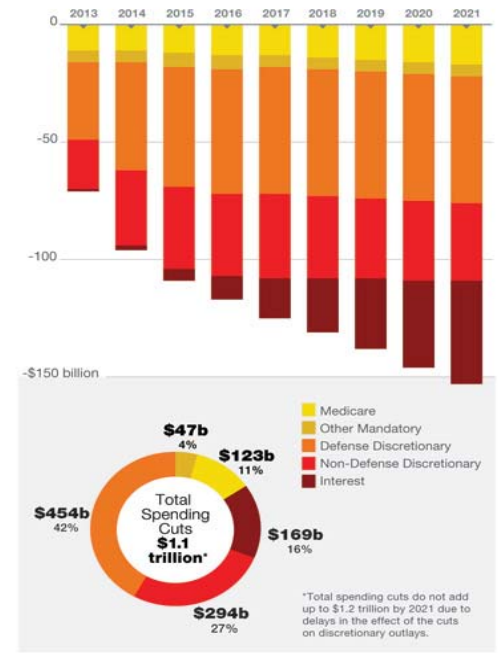
Macroeconomic Advisers similarly estimates that the sequester will shave off 0.6 points from real GDP growth CY 2013, but -- assuming investors expect the FOMC to delay raising the Federal Funds Rate -- increase growth by 0.1% in CY 2014. See Chart 2 for details. The largest impact occurs in the second quarter, when growth is reduced by roughly 1¼ percentage points. Their fiscal multiplier is higher for direct purchases than it is for subsidies.

IHS Global Insight expects GDP growth to rebound to 2.3% in the first quarter from just 0.1% growth in fourth quarter, but to slow to 0.7% in the as the sequester bites. They assume the sequester remains in effect until June 30th, taking just a 0.3 percentage point off 2013 growth. A full-year sequester would cut growth another 0.2 percentage point.

Moody's / Dismal Scientist expects that sequestration will shave approximately 0.5 percentage point from real GDP growth in CY 2013. They indicate that sequestration adds to the already-considerable fiscal drag on the economy, which will reach full force this spring and summer.

George Mason economist Stephen Fuller's estimates are more dramatic, putting the loss of 2013 GDP at \$215 billion, reducing the growth rate of GDP by two thirds. However, Fuller's estimates precede the shrinking of the sequester. Their original impact to Florida from the full Sequester (including direct, indirect, and induced effects) was \$7.998 billion.

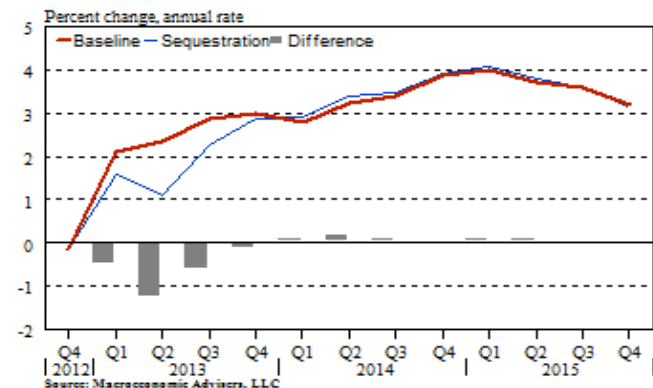
**Chart 1**  
The Automatic Sequester  
Annual and Cumulative Spending Cuts Under \$1.2 Trillion BCA Sequester, Fiscal Years 2013–2021



SOURCE: Pew analysis of Congressional Budget Office data.  
NOTES: See chart 8 in the notes section of 10 Essential Fiscal Charts at pewtrusts.org



**Chart 2**  
Impact of Sequestration on Real GDP Growth



Year	GDP	TaxSal
1997	394959	204933.3
1998	420569	220054.9
1999	450555	238186.4
2000	481239	256782
2001	506509	261154.9
2002	536061	258123.6
2003	574382	268375
2004	621417	295832.7
2005	681225	333729.2
2006	731467	354783.8
2007	760936	341032.7
2008	748117	315322.5
2009	726184	283666.8
2010	736065	287904.9
2011	754255	301613.8

Dependent Variable: LOG(TAXSAL)

Method: Least Squares

Date: 03/12/13 Time: 12:48

Sample: 1997 2011

Included observations: 15

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.328886	1.02616	4.218531	0.001
LOG(GDP)	0.617375	0.07718	7.999171	0
R-squared	0.83114	Mean dependent va	12.53613	
Adjusted R-squared	0.81815	S.D. dependent var	0.158362	
S.E. of regression	0.067532	Akaike info criterion	-2.42887	
Sum squared resid	0.059287	Schwarz criterion	-2.33447	
Log likelihood	20.21655	Hannan-Quinn criter	-2.42988	
F-statistic	63.98673	Durbin-Watson stat	0.507929	
Prob(F-statistic)	0.000002			

If GDP decreases by .6%

TaxSal will decrease by  $(0.6 \times 0.62) = .372\%$

	Sales Tax
2012-13	24867.6
2013-14	26028.4
2013 CY	25448.0
	94.7

**Statewide Economic Model Impact Projections of the Sequester - One Year Shock - Calendar Year 2013 - 0.6% Reduction in Real GDP Growth**

		FY2012 - 2013	FY2013 - 2014	FY2014 - 2015	FY2015 - 2016	FY2016 - 2017	FY2017 - 2018	FY2018 - 2019	FY2019 - 2020	FY2020 - 2021	FY2021 - 2022	Total	
Personal Income	Nominal \$ (M)	(4,036.9)	(4,179.8)	(325.6)	(400.4)	(465.3)	(521.4)	(571.0)	(615.4)	(654.8)	(689.4)	(12,460.0)	
Disposable Personal Income	Nominal \$ (M)	(4,009.5)	(4,150.0)	(323.4)	(403.3)	(471.9)	(530.4)	(581.2)	(625.8)	(664.7)	(698.9)	(12,459.1)	
Real Gross Domestic Product	Fixed 2009 \$ (M)	(2,058.4)	(2,049.8)	(21.6)	(94.0)	(154.8)	(205.0)	(247.2)	(283.1)	(313.1)	(337.9)	(5,764.9)	
Consumption by Households and Government	Fixed 2009 \$ (M)	(3,112.6)	(3,279.8)	(347.0)	(373.0)	(399.6)	(426.0)	(452.8)	(479.6)	(505.3)	(529.3)	(9,905.0)	
Real Output	Nominal \$ (M)	(2,688.3)	(2,674.7)	(24.9)	(124.9)	(213.6)	(289.3)	(353.8)	(408.7)	(454.2)	(491.7)	(7,724.1)	
Total Net State Revenues	Nominal \$ (M)	(74.3)	(71.3)	3.1	(2.0)	(6.0)	(9.2)	(11.6)	(13.5)	(15.0)	(16.2)	(216.0)	
		FY2012 - 2013	FY2013 - 2014	FY2014 - 2015	FY2015 - 2016	FY2016 - 2017	FY2017 - 2018	FY2018 - 2019	FY2019 - 2020	FY2020 - 2021	FY2021 - 2022	Minimum	Maximum
Total Employment	Jobs	(13,881)	(10,910)	4,658	2,348	546	(792)	(1,745)	(2,395)	(2,819)	(3,083)	(13,881)	4,658
Private Non-Farm Employment	Jobs	(13,418)	(10,793)	4,093	2,007	379	(833)	(1,699)	(2,293)	(2,684)	(2,929)	(13,418)	4,093
State and Local Government Employment	Jobs	(509)	(202)	497	289	133	23	(52)	(98)	(126)	(140)	(509)	497
Population	Persons	0	(1,324)	(3,617)	(5,077)	(5,761)	(5,985)	(5,969)	(5,857)	(5,734)	(5,634)	(5,985)	0