



Fiscal Cliff and Sequestration: Risks for Early Care and Education



Outline

- What do they mean by Fiscal Cliff and Sequestration?
- What are the consequences on early care and education at Federal level?
- What are the consequences on early care and education in California?
- What can the Congress do?
- What can we do?

What is the Fiscal Cliff?

Many major fiscal events set to occur all at once:

- The expiration of the 2001/03/10 tax cuts
- The expiration of unemployment insurance
- The reduction in Medicare physician payments
- The end of current Alternative Minimum Tax patches
- The activation of the “sequester”

What happens if we back away from the Fiscal Cliff?

Lawmakers repeal the sequester and extend expiring policies

Consequences:

- Debt increases by about \$1 trillion in 2013-2014 and \$7.5 trillion by 2022
- from 70% of GDP today to 88% by 2022 to 100% in 2027
- Loss of confidence in government



What happens if we jump off the Fiscal Cliff?

- Debt reduced by over \$6.8 trillion
- Debt reduction obtained in a very anti-growth way
- Sequestration takes off = huge cuts to defense, health and social services
- A set of automatic, across-the-board cuts of \$1.2 trillion between 2013 and 2021 = \$109.3 billion/year
- Cuts equally divided between defense and non-defense programs.

How did we get here?

- Some members of the Republican-held Congress threaten to refuse to raise the national debt ceiling
- Budget Control Act (BCA) imposes caps on discretionary programs reducing their funding by more than \$1 trillion through 2021
- BCA establishes the “Supercommittee” to come up with a plan to reduce the national deficit by \$1.2 trillion
- BCA establishes a backup “sequestration” procedure
- Supercommittee fails to produce a plan

Consequences on Early Care and Education – Federal Level

\$38.5 billion cut from non-defense discretionary programs = 8.4% cut

- 100,000 children would lose Head Start services
- Child Care and Development Block Grant would be cut by \$187 million in 1 year serving 800,000 fewer children
- 198,748 fewer teachers would receive professional development

Consequences on Early Care and Education – California

	FY12 FUNDING	FY13 SEQUESTER CUT	FEWER CHILDREN SERVED	JOBS LOST
HEAD START	961,007,656	74,958,597	11,902	2,480
Child Care Development Block Grant	244,004,509	19,032,352	5,172	
Maternal Child Health Block Grant	41,389,219	3,228,359	396,019	
Childhood Immunization Grant	21,604,000	1,685,112	24,665	
Title1 grant to local ed agencies	1,653,520,233	139,618,811	296,172	1,920
Improving teacher quality state grants	270,253,991	22,736,783	2,554	129
Special Education grants to states	1,224,661,066	99,380,923		1,199
Special ed preschool state grants	37,657,903	3,233,960		39
Special ed grants for infants and families	54,039,265	4,229,182	2,407	

Source: Sen. Tom Harkin, Under Threat: Sequestration's Impact on Nondefense Jobs and Services, July 2012.



What can the Congress do?

- Take the approaching fiscal cliff as both a challenge and an opportunity
- Avoid indiscriminate cuts
- Take a gradual and “balanced approach”:
 - Increase revenues: tax reform
 - Reduce spending: entitlement reform and discretionary spending reform



What can we do?

- Talk to your legislators!
- Support the campaign Be Careful What You Cut at <http://www.childrensdefense.org/be-careful-what-you-cut/>
- Join the conversation on twitter #NDDUnited and #my2k

References

The Committee for a Responsible Federal Budget (29 March, 2012). *Between a Mountain of Debt and a Fiscal Cliff. Finding a Smart Path Forward.*

Center on Budget and Policy Priorities (April 27, 2012). *How the Across-the-Board Cuts in the Budget Control Act Will Work*

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Sen. Tom Harkin, *Under Threat: Sequestration's Impact on Nondefense Jobs and Services*, July 2012.