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

<table>
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<tr>
<th></th>
<th>FY12 FUNDING</th>
<th>FY13 SEQUESTER CUT</th>
<th>FEWER CHILDREN SERVED</th>
<th>JOBS LOST</th>
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<td>Head Start</td>
<td>961,007,656</td>
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<td>Improving teacher quality state grants</td>
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<td>Special Education grants to states</td>
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</table>

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!**


- **Join the conversation on twitter #NDDUnited** and **#my2k**
The Committee for a Responsible Federal Budget (29 March, 2012). Between a Mountain of Debt and a Fiscal Cliff. Finding a Smart Path Forward.


The Fiscal Cliff explained, New York Times, 11/15/2012