

NASDCTEc: Sequestration Talking Points

Overview of topics covered in this webinar:

- What is sequestration?
- What was sequestration necessary?
- What impact will sequestration have on federal funding for the Carl D. Perkins Career and Technical Education Act?

What is sequestration?

- Sequestration is the formal term for mandatory cuts to federal programs.

How did sequestration come about?

Debt Ceiling:

- The federal government can only spend money it has received from tax revenue or from borrowing by the U.S. Department of the Treasury. Once the government has reached its credit limit, or debt ceiling, it can spend no further unless Congress authorizes an increase.
- In mid-2011, the government confirmed that it would reach the debt ceiling in a matter of months. Without an increase in the debt ceiling, the government would default on its obligations to its creditors. To raise the debt ceiling, both the House of Representatives and the Senate must approve the increase.

Budget Control Act:

- In July 2011, the Republican-led House argued to reduce future debt by raising the debt ceiling coupled with a plan to reduce spending on social programs. Democrats in Congress also wanted to raise the debt ceiling, but they opted to prevent future debt with a plan that would increase taxes. After months of debate, Congress approved the Budget Control Act of 2011. This Act was signed into law by President Obama on August 2, 2011.

Supercommittee:

- The Budget Control Act also created the Joint Select Committee on Deficit Reduction, also known as the supercommittee. The supercommittee consisted of three Democrats and three Republicans from the House, with the same number from the Senate. As you can see, the supercommittee was charged with developing recommendations to reduce the deficit by \$1.5 trillion over ten years. The Budget Control Act specified that if Congress could not agree upon the proposals developed by the supercommittee, sequestration would be triggered in order to reduce public spending.
- The supercommittee failed to reach a compromise by the prescribed deadline and sequestration was set to go into effect on January 1, 2013. Sequestration applies both to

mandatory and discretionary spending from 2013 to 2021, with the discretionary cuts to be applied equally between defense and non-defense spending.

- Leading up to January 1, 2013, both political parties remained against sequestration, and a new round of negotiations began in an effort to find a compromise. With the political landscape remaining the same after the November 2012 election, negotiations ensued and Congress passed the American Taxpayer Relief Act of 2012 which led to an extension of income tax cuts, an extension of tax credits for less affluent families, and an extension on some corporate taxes. The Act also led to a delay of sequestration until March 1, 2013.

What impact will sequestration have on federal funding for the Carl D. Perkins Career and Technical Education Act?

- Since Congress was unable to reach a compromise, sequestration went into effect on March 1, 2013. Sequestration triggered automatic spending cuts for both defense and non-defense discretionary programs. The Carl D. Perkins Career and Technical Education Act, or Perkins, the federal investment in CTE is part of the non-defense discretionary spending and as such, is impacted by sequestration.
- Because Perkins and many other education programs are forward-funded, which is when money is made available in the last quarter of the federal fiscal year so grants can be made on a school year basis, sequestration cuts will go into effect July 1, 2013. While it was originally expected that Perkins funding and all other nondefense discretionary programs would be reduced by 5%, Perkins funding will be reduced by 0.2%, *then* by 5%. The extra 0.2% was as a result of differences in methodology used by the Office of Management and Budget and the Congressional Budget Office to ensure the discretionary spending caps weren't breached. Because the OMB has the final say on the matter, the 0.2% cut was included.
- Perkins funding will be reduced by 5.2%, from \$1.123 billion to \$1.065 billion.
- However, this does not translate into a 5.2% cut for each state. Why? There are two provisions in the Perkins Act that establish a floor for the level of funding states receive for Title I of Perkins. The first is the minimal allocation rule. This ensures that no state shall receive less than ½ of 1% of the total Perkins allocation. The second provision is the hold harmless provision which ensures that states cannot receive an allocation lower than what it received for fiscal year 98. To bring the states up to the funding levels ensured via the minimal allocation rule and hold harmless provision, other states' allocation must be ratably reduced. Therefore, the effect of sequestration may mean more or less than the 5.2% cut for each state.

Conclusion

- Sequestration has begun. The sequestration cuts will have serious consequences for all education and workforce programs, including Perkins. On July 1, 2013 allotments to states for Perkins were reduced by sequestration.

- Even though it has gone into effect, the future of sequestration is uncertain. Debates are still occurring in Congress and many advocacy groups are still fighting to have sequestration repealed.
- As it currently stands, future fiscal years, through 2021, would be impacted by sequestration cuts. Annually, the amount of the cut would be determined. However, unlike this year, the cuts would not be required to be across-the-board. This means that each federal agency head would be given an amount the agency funding would need to be reduced by and that agency head would determine how to achieve the reduction in spending. Future sequestration cuts may or may not be applied in a uniform manner to all programs within an agency and CTE could receive a greater or smaller cut, as compared to other education programs.
- NASDCTE is working hard to secure funding needed to support CTE programs across the country.

Additional Resources:

- For more information, sign up for our blog and visit our website, www.careertech.org, for more on-demand webinars and regular updates about policy and legislative action.