

The Budget Control Act

Caps, Cuts and Sequesters

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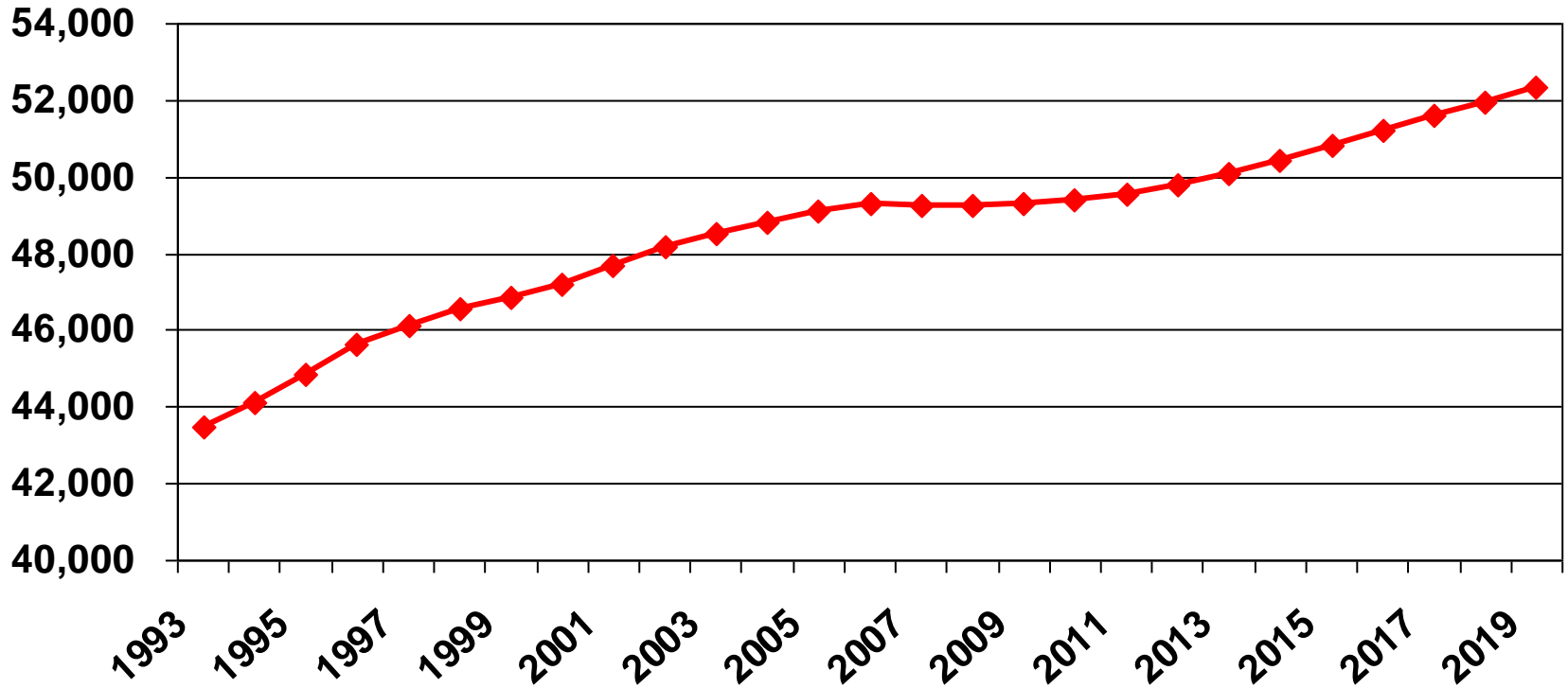
CEF

- ▶ The Committee for Education Funding (CEF) is the oldest and largest education coalition.
- ▶ We represent almost 90 national organizations and institutions from PreK through graduate education.
- ▶ For more information: www.cef.org
- ▶ Follow us on Twitter:
www.twitter.com/edfunding

Investing in Education

Rising K-12 Enrollments

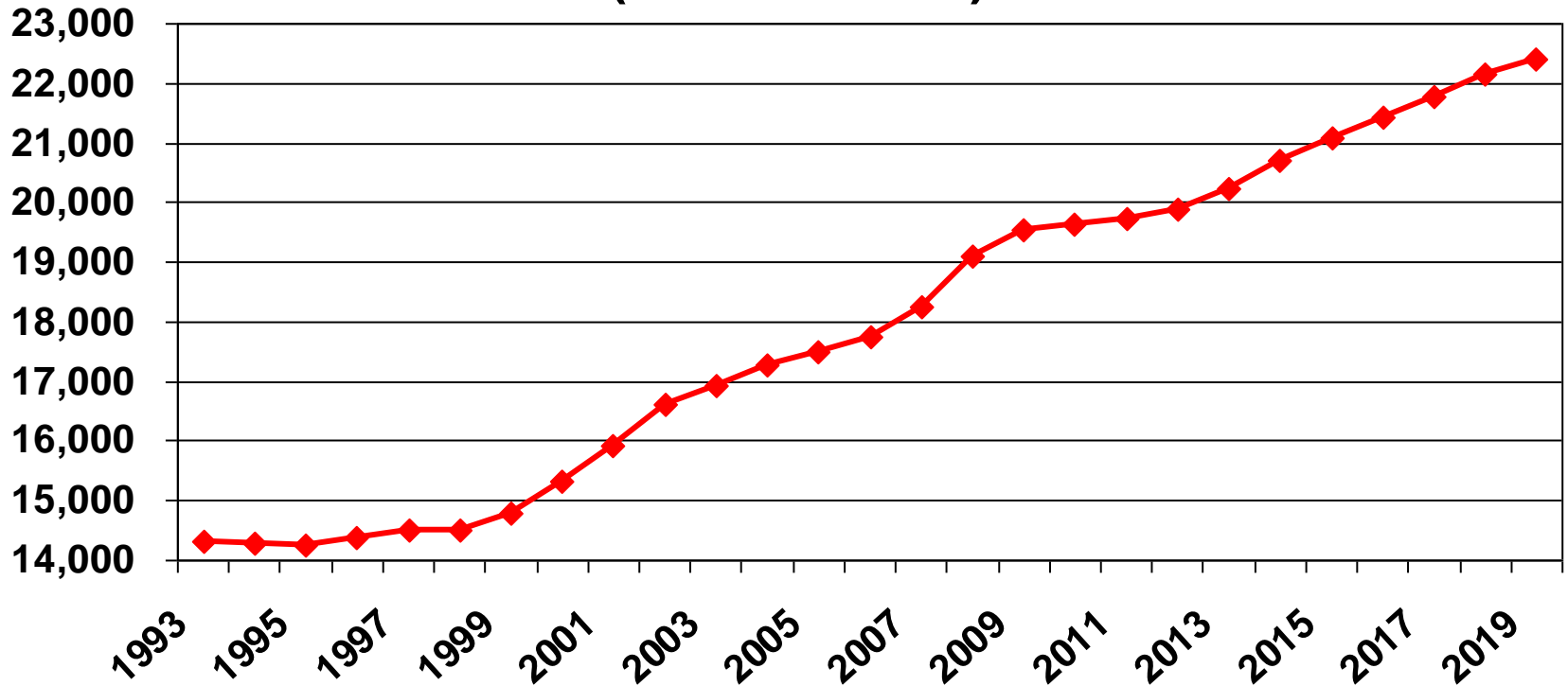
Public school enrollment (in thousands)



Source: CEF based on NCES *Projections of Education Statistics to 2019*

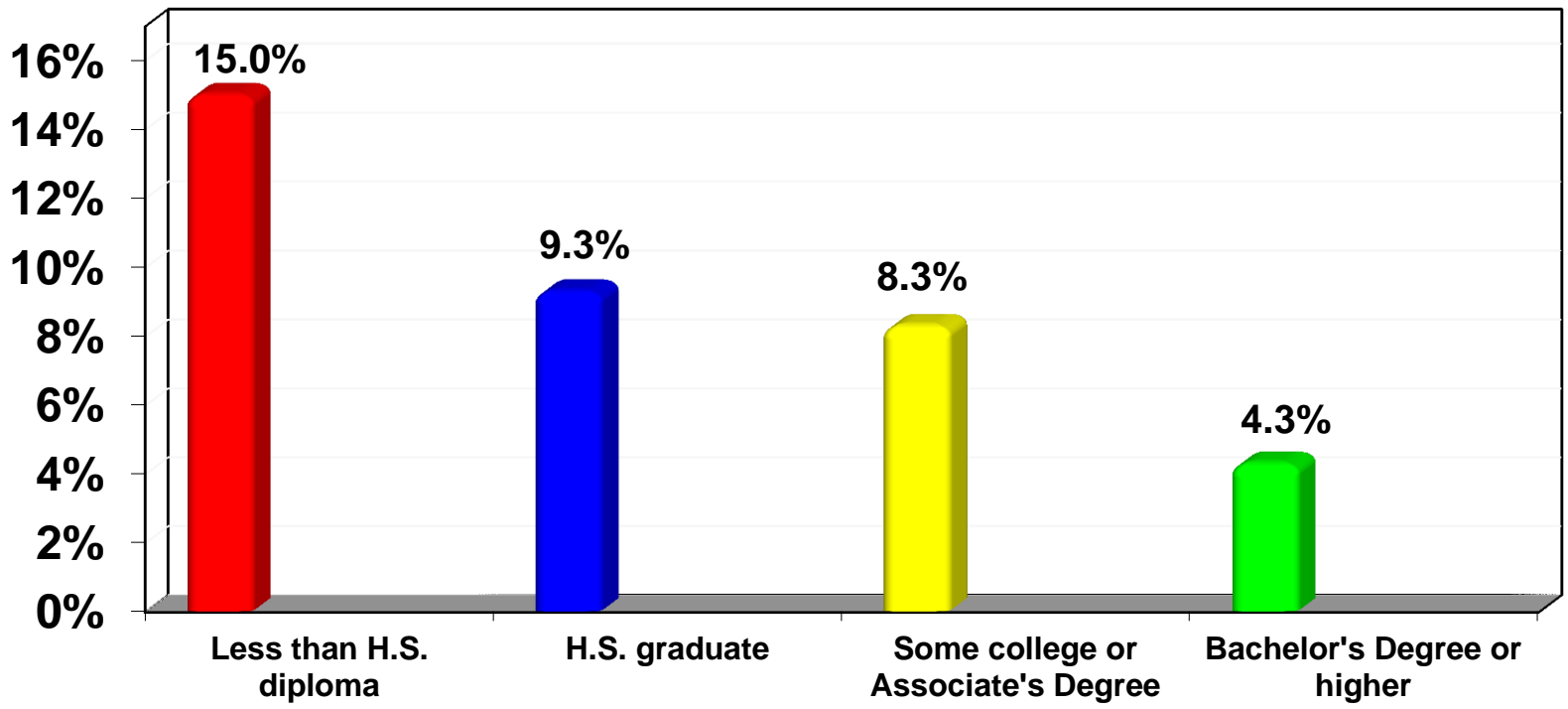
Rising Higher Education Enrollments

Enrollment in Degree-granting Institutions
(in thousands)



Unemployment Linked to Educational Attainment

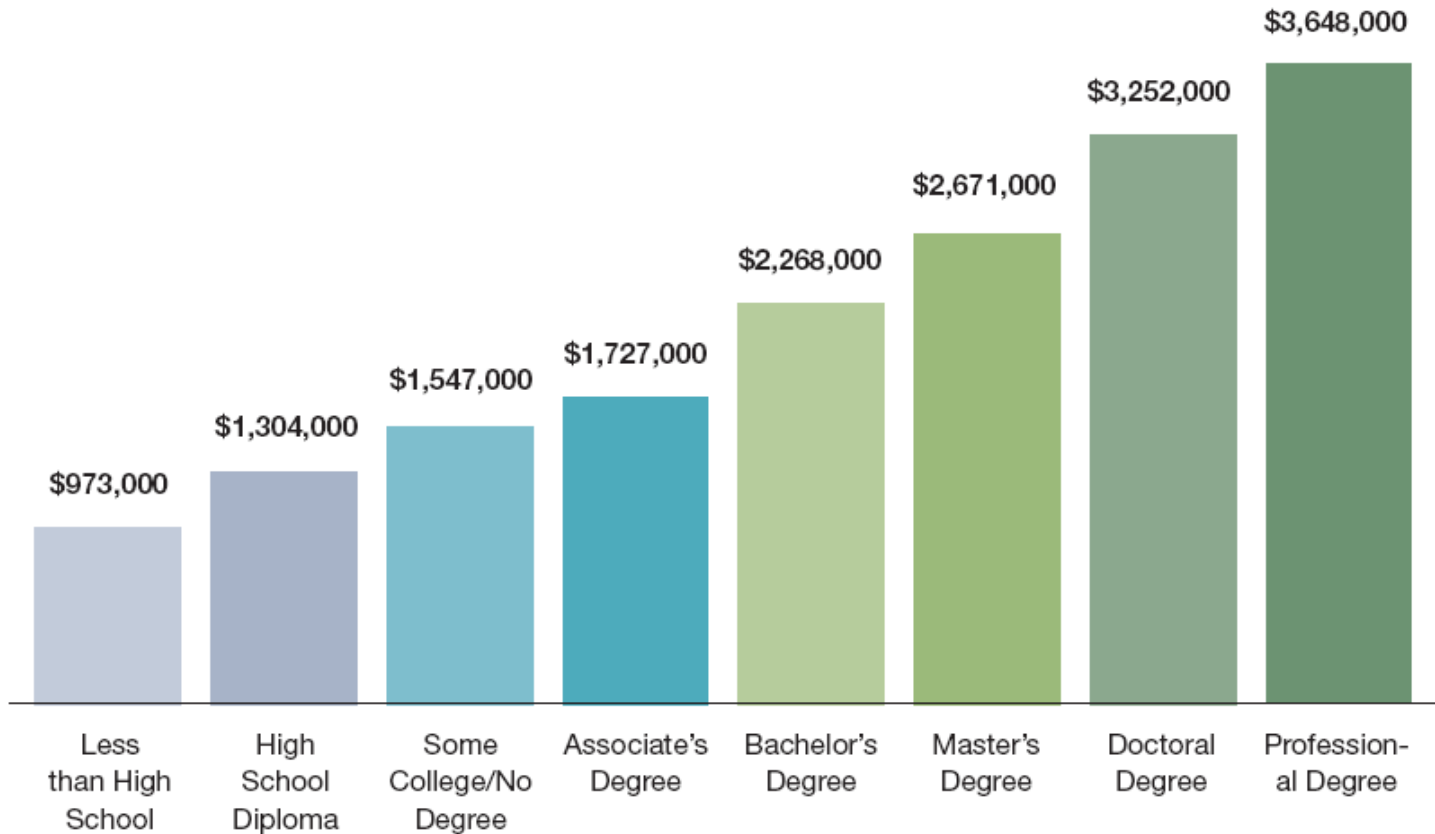
July 2011 unemployment rate



Source: CEF based on BLS seasonally adjusted data

Earnings Based on Learning

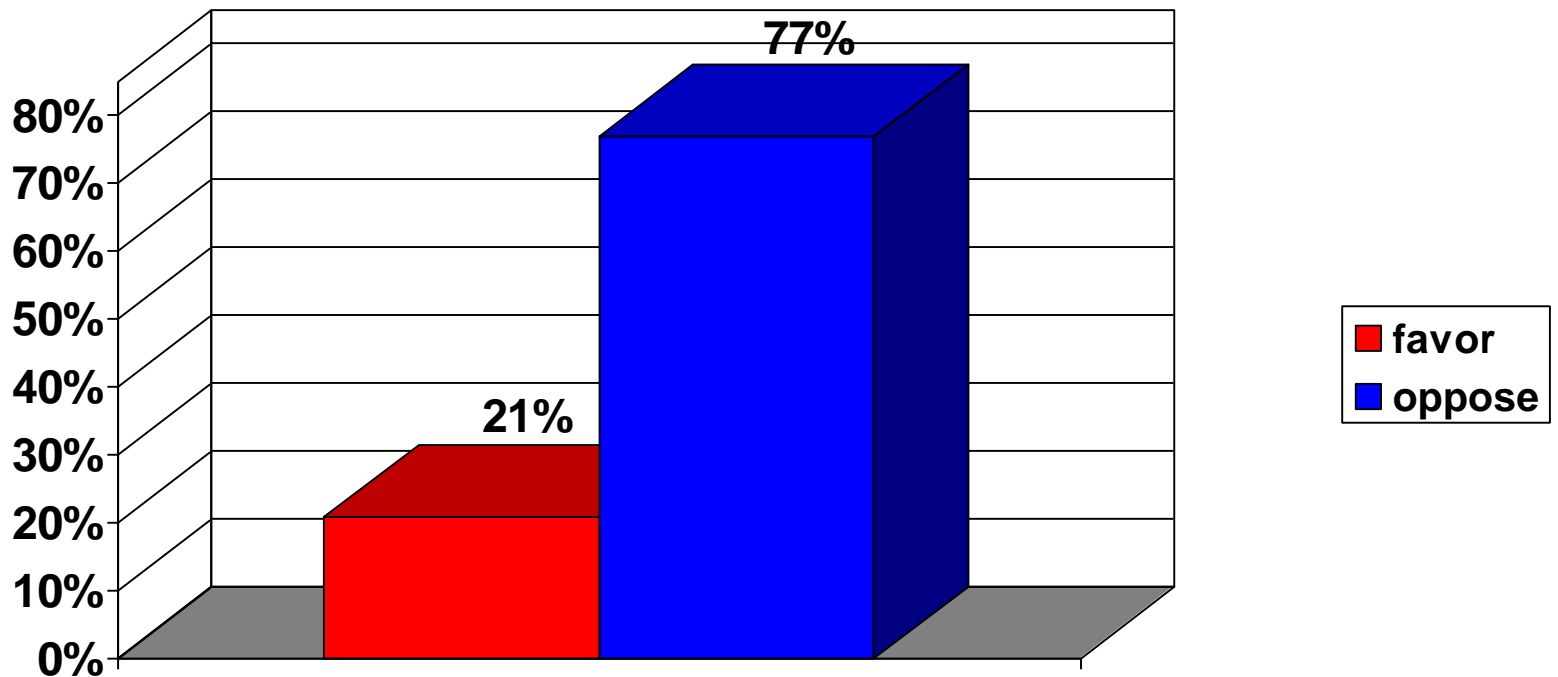
FIGURE 1: MEDIAN LIFETIME EARNINGS BY HIGHEST EDUCATIONAL ATTAINMENT, 2009 DOLLARS



Source: Georgetown University Center on Education and the Workforce, *The College Payoff: Education, Occupations, Lifetime Earnings*.

The Public Opposes Education Cuts

Please tell me if you would favor or oppose substantial changes to the program.



Significantly cut education programs, including No Child Left Behind, Head Start, and subsidies for college loans

The Need to Invest

- ▶ National Commission on Fiscal Responsibility and Reform: “...**we must invest in education**, infrastructure, and high-value research and development to help our economy grow, keep us globally competitive, and make it easier for businesses to create jobs.”

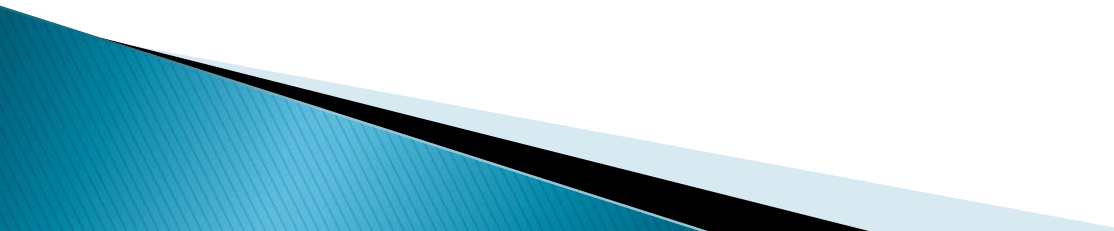
The Need to Invest

- ▶ Federal Reserve Chairman Bernanke:
“Cost-effective K-12 and post-secondary schooling are crucial to building a better workforce... Research increasingly has shown the benefits of early childhood education and efforts to promote the lifelong acquisition of skills for both individuals and the economy as a whole. The payoffs of early childhood programs can be especially high.”

Fiscal Year 2011

Over six months late

Public Law 112-10: Final CR

- ▶ Cut education (other than Pell grants) by \$1.3 billion.
 - ▶ Provided \$5.5 billion for Pell to maintain \$5,550 maximum award for FY 11; paid for by eliminating “summer Pell”.
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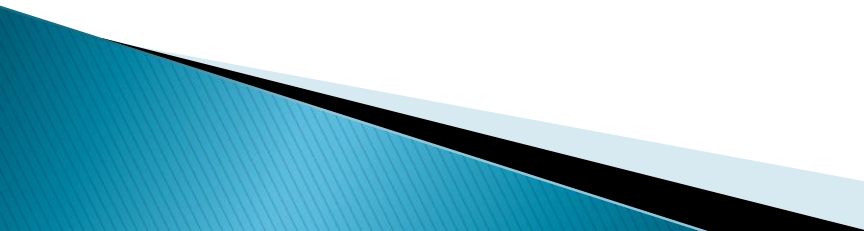
Public Law 112-10: Final CR

- ▶ **Program increases – President’s priorities:**
 - **Race to The Top** = \$700 million with \$500 million for Early Learning Challenge Fund
 - **Investing in Innovation** = \$150 million
 - **Promise Neighborhoods** = +\$20 million (total of \$30 million)
 - **Head Start (in HHS)** = \$+340 million

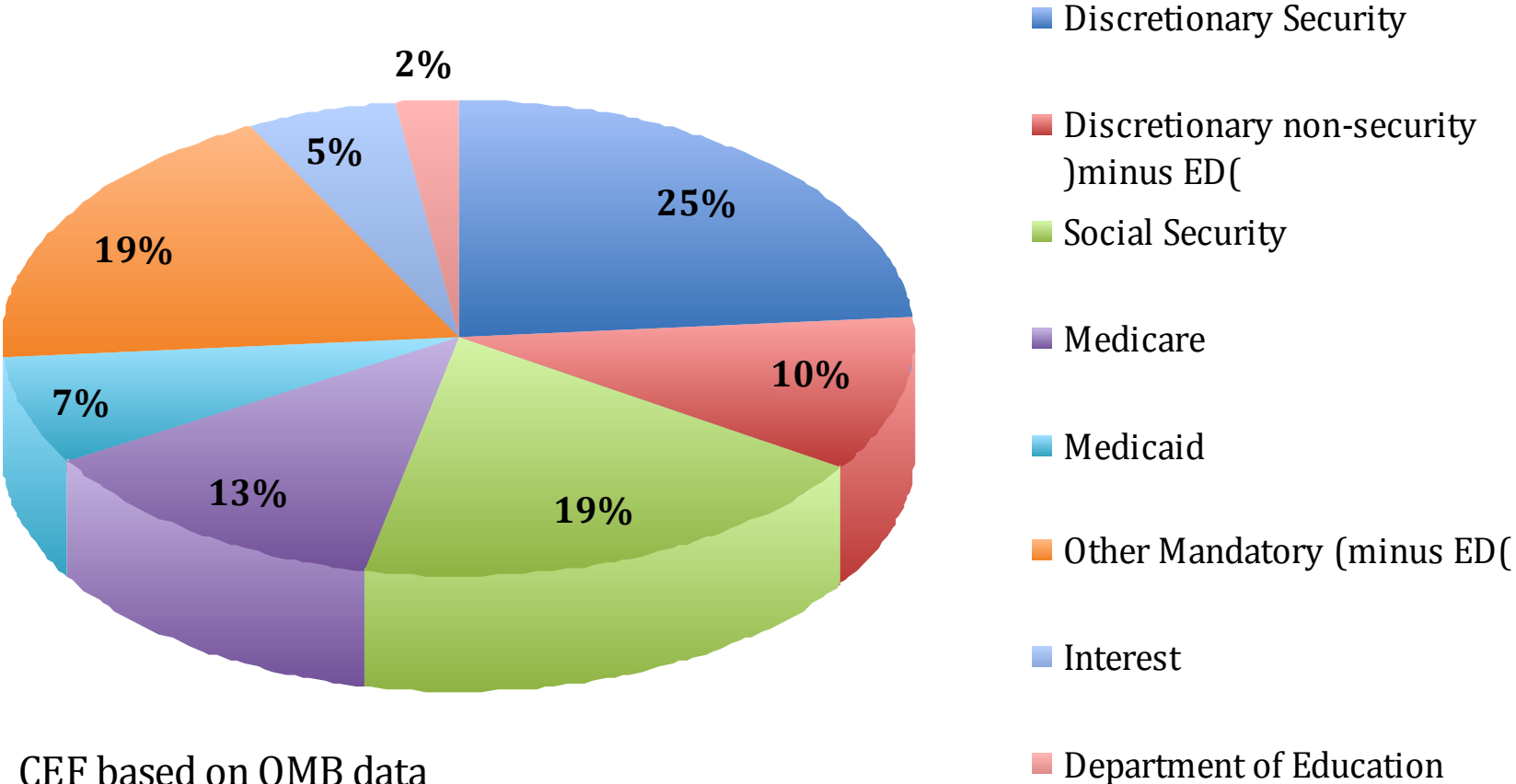
Public Law 112-10: Final CR

- ▶ All programs cut by 0.2%.
- ▶ Selected program cuts and eliminations:
 - **Striving Readers** = -\$200 million (eliminated)
 - **Even Start** = -\$66.5 million (eliminated)
 - **Literacy Through School Libraries** = -\$19.1 million (eliminated)
 - **Teacher Quality State Grants** = -\$480 million (-16.3%)

Public Law 112-10: Final CR

- **Education technology state grants** = -\$100 million (eliminated)
 - **Civic education** = -\$33.8 million (-97%)
 - **Javits gifted and talented** = -\$7.5 million (eliminated)
 - **Career and technical education** = -\$140 million (-11%)
 - **TRIO** = -\$29.6 million (-3.5%)
 - **GEAR UP** = -\$20.4 million (-6.3%)
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Fiscal Year 2011 Total Outlays



The Budget Control Act

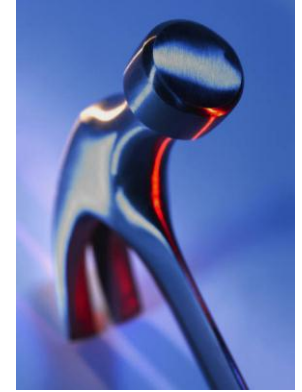
»» How small will the box be?



Six Components

1. Federal debt limit raised in stages by \$2.1 trillion; expected to last until early 2013.
Subject to Congressional disapproval
2. Set discretionary spending caps for ten years.
FY 12 and FY 13 below FY 11
3. Provided \$17 billion for Pell but cut student loans by \$21.6 billion.

Six Components



4. Established sequestration hammer.
5. Joint Select Committee on Deficit Reduction
6. Requires vote on Balanced Budget Constitutional amendment by 12/31/11.

Discretionary Caps

- ▶ Two types of Federal funding – mandatory and discretionary:
 - Mandatory – money automatically flows unless Congress changes the law (e.g. Social Security, Medicare, unemployment insurance).
 - Discretionary – No \$ unless Congress appropriates it each year. All education programs (other than student loans) are discretionary.
- ▶ Each year Congress sets a cap on total discretionary spending.

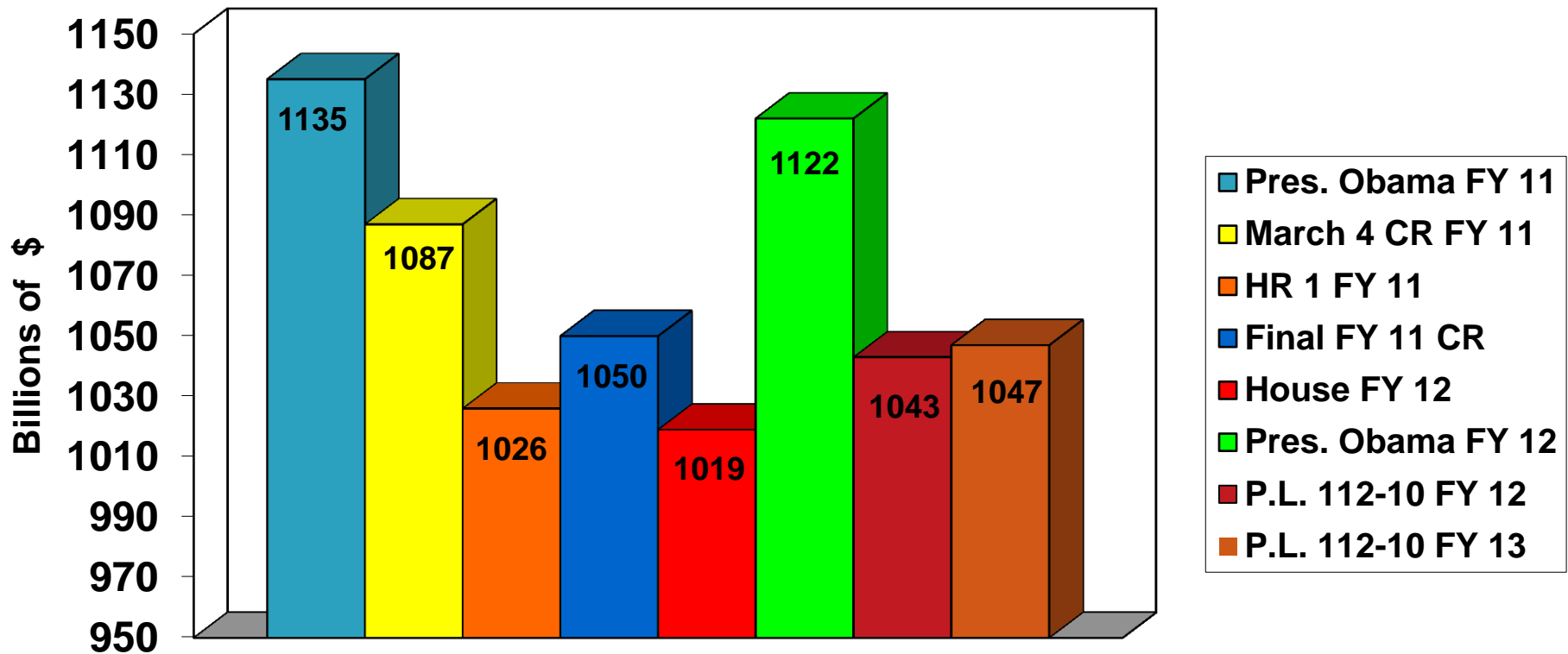
Discretionary Caps

- ▶ BCA set in law discretionary caps for ten years (FY 12–FY 21).
 - Reduces spending by \$890 billion over ten years, according to CBO.
- ▶ For FY 12 and FY 13 there are separate caps for security and nonsecurity spending.

Discretionary Caps

- ▶ The FY 12 cap of \$1.043 trillion is \$7 billion **below** FY 11 BUT \$24 billion **higher** than earlier House-passed level of \$1.019 trillion.
- ▶ House and Senate Appropriations Committees must divide total among 12 subcommittees.

Squeeze on Discretionary Spending



Source: CEF based on CBO data

Student Aid Provisions

- ▶ Pell Grants faced a \$11.3 billion shortfall in FY 12.
- ▶ BCA provided \$10 billion in FY 12 and \$7 billion in FY 13.
 - Still leaves a \$1.3 billion shortfall in FY 12
- ▶ Eliminates in-school interest exemption for new graduate/professional school student loans starting 7/1/12.
- ▶ Eliminated repayment incentives on direct loans.

Supercommittee



BCA established a 12 member “supercommittee” charged with reducing the deficit by an additional \$1.2 – \$1.5 trillion over ten years.

- ▶ Sen. Patty Murray (D-WA) – Co-Chair
- ▶ Rep. Jeb Hensarling (R-TX) – Co-Chair
- ▶ Sen. John Kerry (D-MA)
- ▶ Sen. Max Baucus (D-MT)
- ▶ Sen. Jon Kyl (R-AZ)
- ▶ Sen. Ron Portman (R-OH)
- ▶ Sen. Pat Toomey (R-PA)
- ▶ Rep. Dave Camp (R-MI)
- ▶ Rep. Fred Upton (R-MI)
- ▶ Rep. Chris Van Hollen (D-MD)
- ▶ Rep. Xavier Becerra (D-CA)
- ▶ Rep. James Clyburn (D-SC)

Supercommittee

- ▶ Can cut mandatory and/or discretionary programs.
- ▶ Can cut defense and/or domestic programs.
- ▶ Can raise revenues as well as make cuts in spending.

Supercommittee

September 8 –first meeting; September 13 – first hearing

October 14 – deadline for Congressional Committees to submit recommendations

November 23 – Committee must vote on plan

Must report out by Dec. 2

Congress must vote by Dec. 23 – no filibuster, no amendments

Supercommittee Threats

- ▶ Further lower discretionary caps?
 - would squeeze education
- ▶ Cut student loans?
 - Elimination of undergraduate student loan interest exemption would reduce deficit by some \$25 billion over ten years.
- ▶ Cut/Eliminate school-based Medicaid reimbursements?
 - Over \$3 billion/year at stake

Biggest Threat

THE SUPER COMMITTEE FAILS TO PROPOSE AT
LEAST \$1.2 TRILLION IN DEFICIT REDUCTION
OR CONGRESS REJECTS ITS PLAN!

That leads to:

Sequestration

Sequestration

- ▶ Sequestration = automatic cuts for each of nine years, FY 13–21
- ▶ If no deal is enacted by Jan. 15, 2012, auto-cuts triggered, take place starting on Jan. 2, 2013 (a year later) = \$1.2 Trillion
- ▶ Intended to “force” supercommittee to act.

Sequestration

- ▶ Defense would be cut \$55 Billion/year.
- ▶ Non-defense also cut \$55 Billion/year, including \$17B in mandatory programs and \$38B in discretionary.
- ▶ Several programs exempt (Medicaid, Social Security, SNAP, etc.)
 - Pell grants is **ONLY** education program exempt.
- ▶ Student loan cuts limited to increase in fees.

Sequestration

- ▶ FY 13 = fixed percentage across-the-board cuts.
 - Projection = 9% cut to all non-exempt programs.
 - Would be a cut of ~\$4 billion to education programs.
 - Would start in middle of FY 12–13 school year.
- ▶ FY 14–21 – will not be ACB cut; further lowers discretionary caps
 - Squeezes education \$; Pell no longer exempt.

Fiscal Year 2012 Appropriations

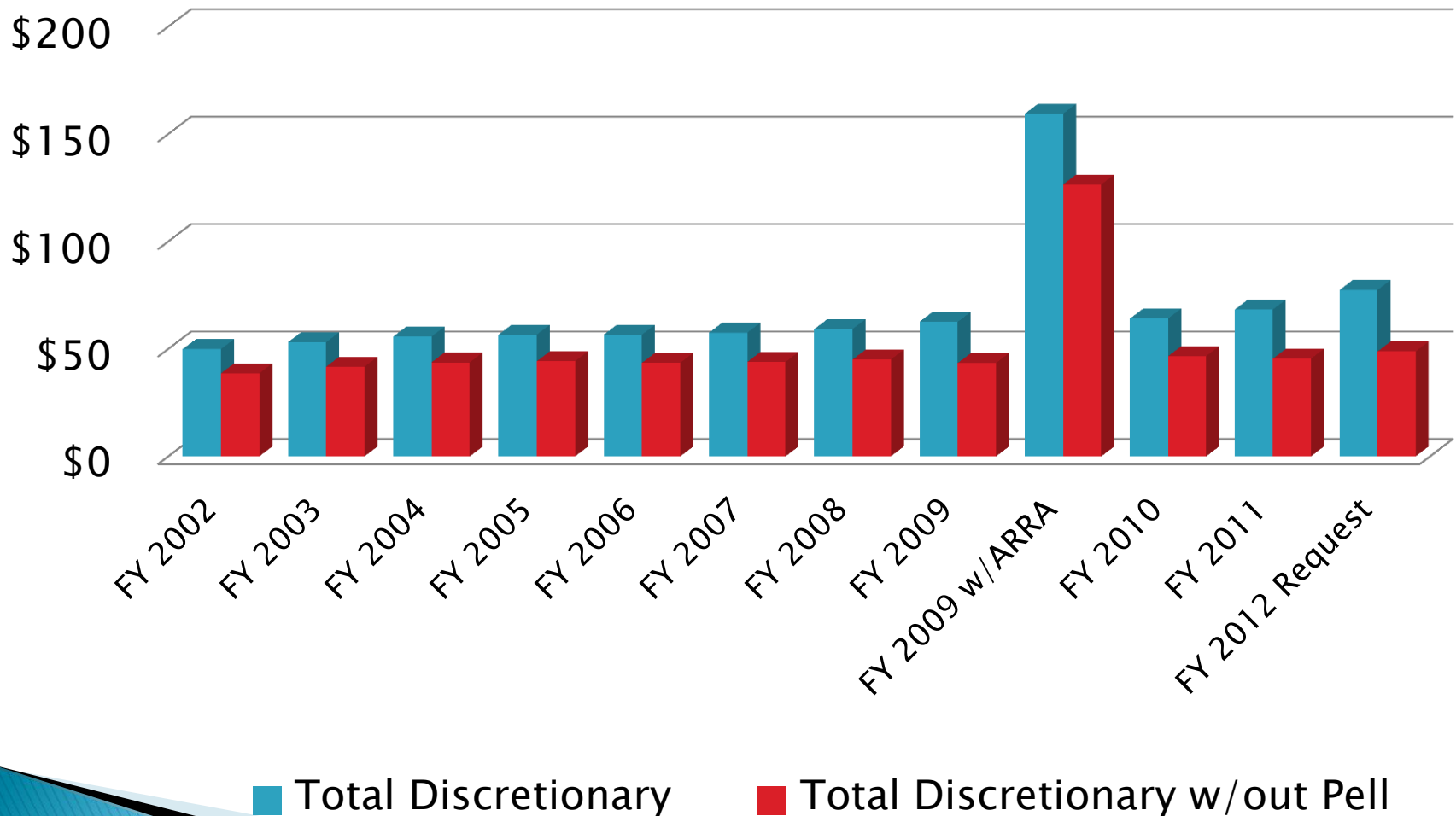
President Obama's FY 12 Budget

Compared to Final FY 11 CR:

- ▶ **Increases Education by \$9.1 billion (+13.3%)**
- ▶ Not counting Pell, increase = \$3.4 billion (+7.5%)

Education Department Funding

In billions



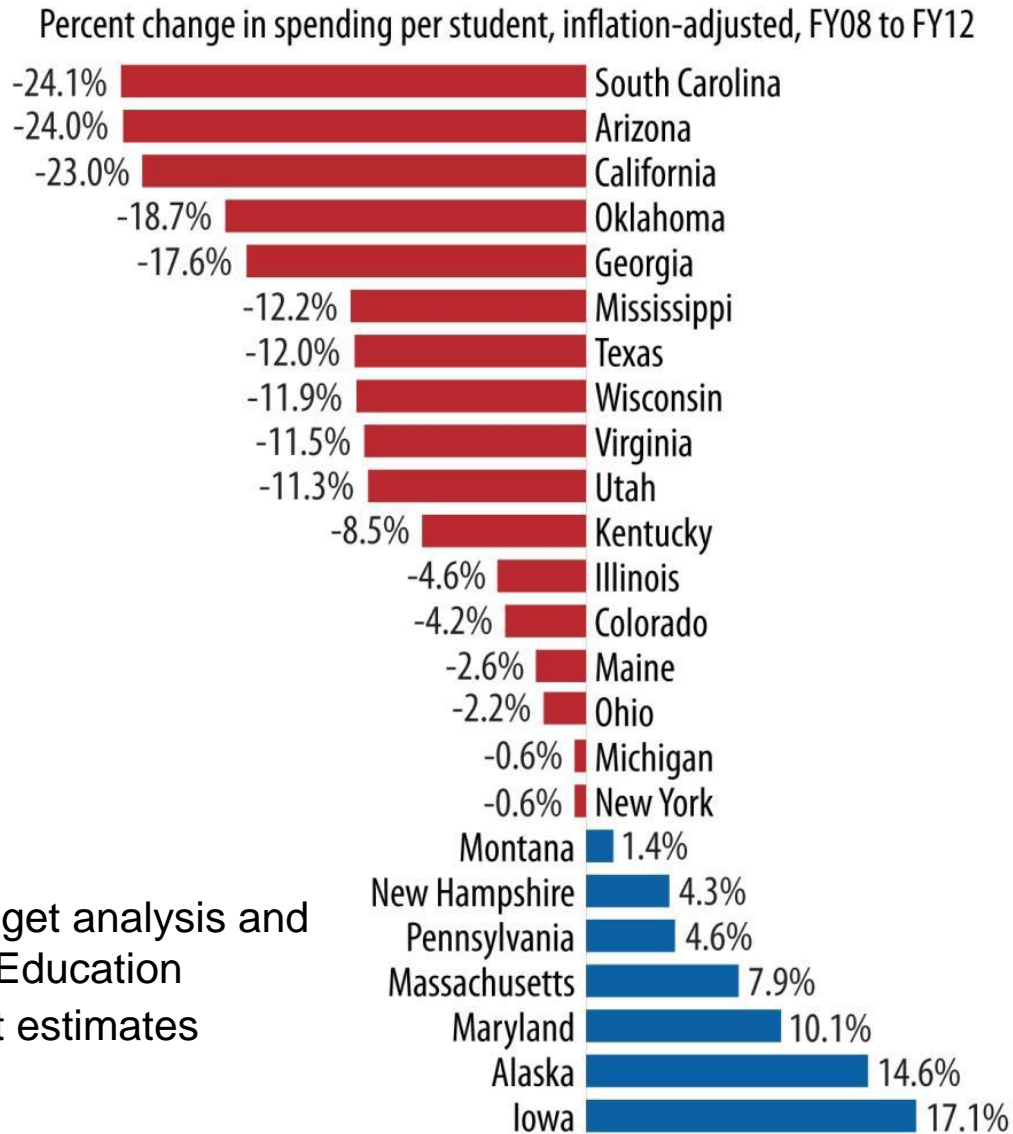
The Funding Cliff



The Funding Cliff

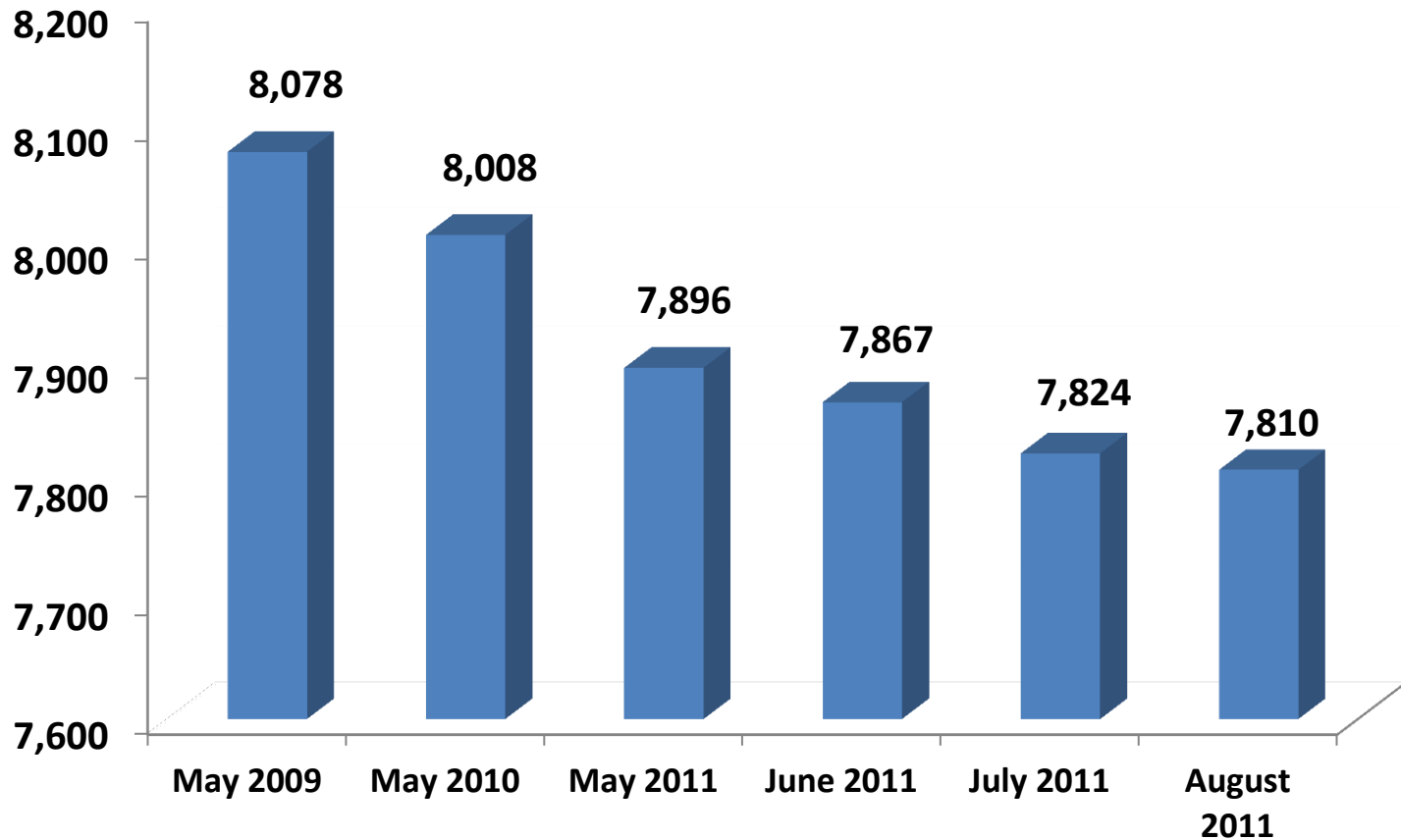
Final FY 11 ED funding is \$96 billion below FY 09 level with ARRA(-60%)!

School Funding Remains Below 2008 Levels In Many States



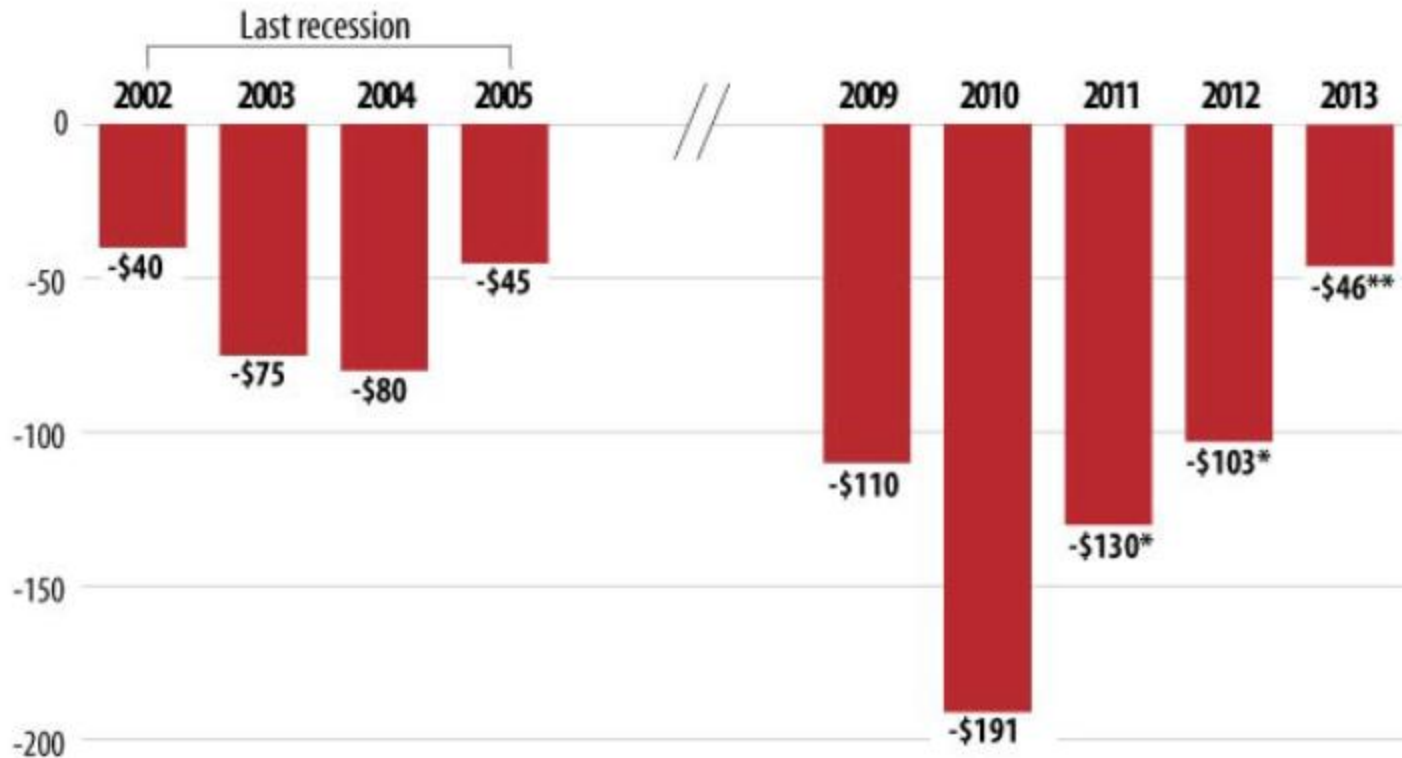
Sources: CBPP budget analysis and National Center for Education Statistics enrollment estimates

268,000 Fewer Local Government Education Employees



Largest State Budget Shortfalls On Record

Total state budget shortfall in each fiscal year, in billions

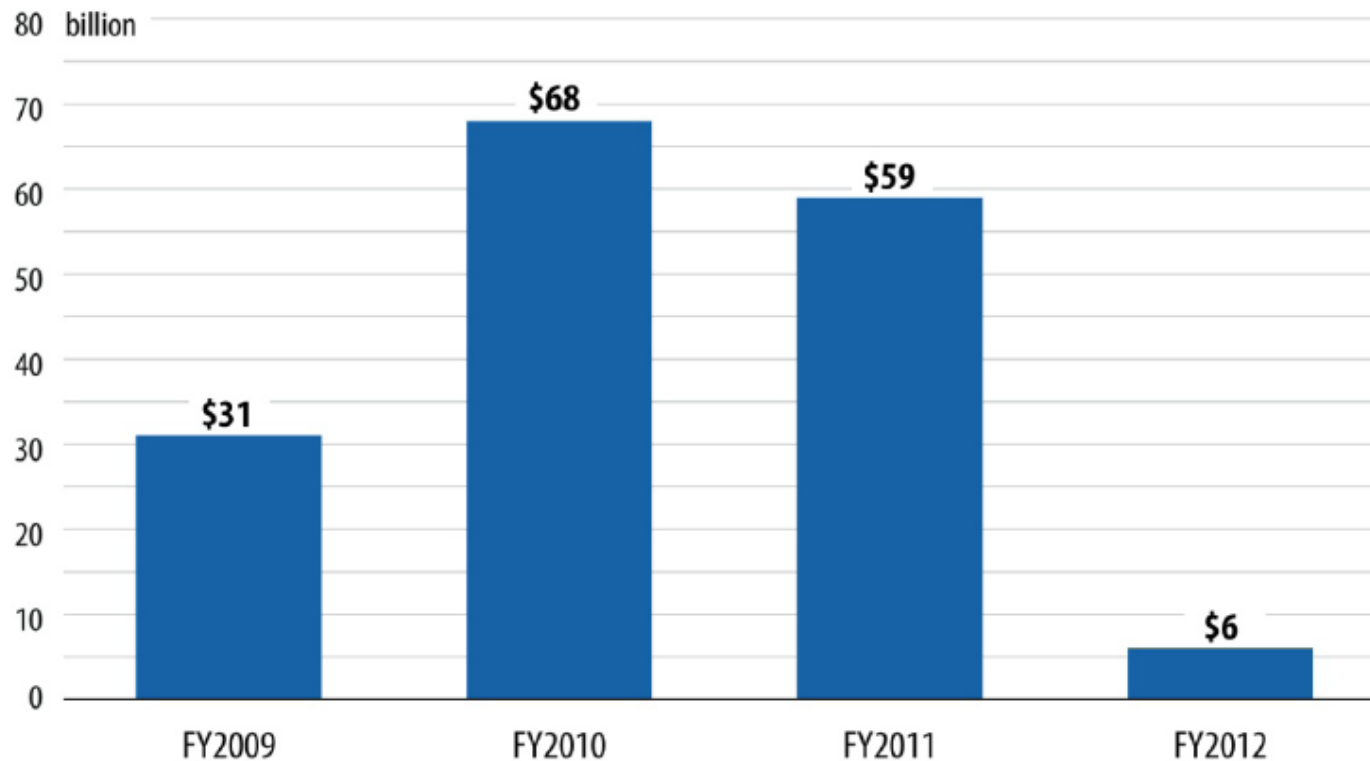


*Reported to date

**Preliminary

Source: CBPP survey, revised June 2011.

Few Recovery Act Funds (Including August Extension) Available After 2011



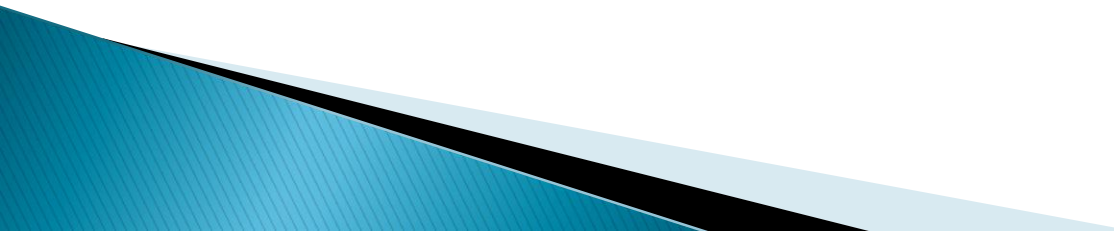
FY = Fiscal Year

Source: CBPP analysis using data from U.S. Department of Health and Human Services, U.S. Department of Education, and Congressional Budget Office.

Revised September 2010.

Next Steps

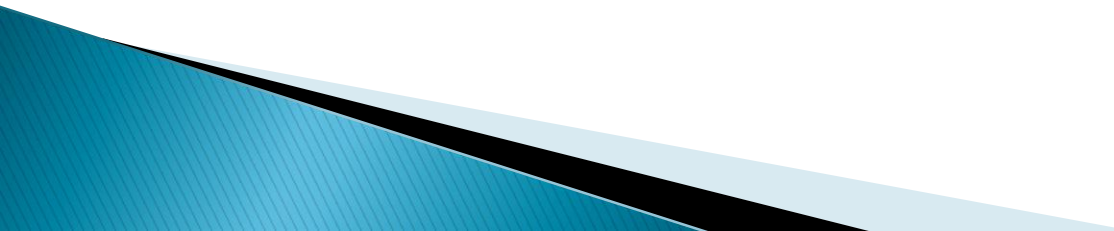
FY 12 Appropriations Bills

- ▶ FY 12 starts 10/1/11.
 - ▶ None of 12 Appropriations bills enacted.
 - ▶ Due to BCA, there is agreement on aggregate appropriations level (302(a) allocation).
 - ▶ A CR will be acted on soon, lasting until mid-November.
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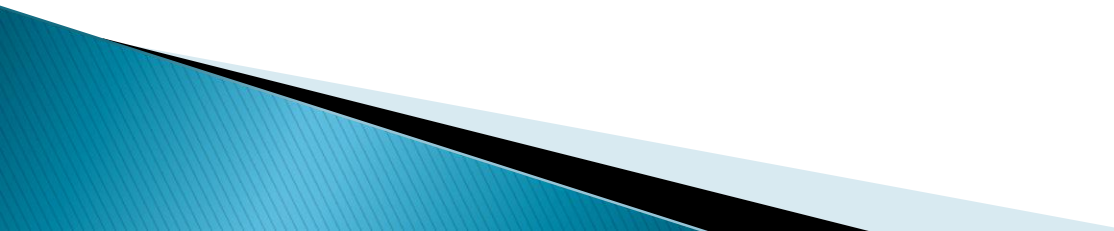
FY 12 Appropriations bills

- ▶ House Labor–HHS–Education Subcommittee postponed its planned 9/9 markup.
- ▶ Senate subcommittee may meet on 9/20.
- ▶ Original House FY 12 allocation for Labor–HHS–ED = cut of \$18 billion (11.6% below FY 11 and 3.9% below FY 08).
- ▶ New House allocation may be “only” \$3 billion below FY 11.
- ▶ Senate allocation is basically a freeze (–0.2%).
- ▶ Still need to close a \$1.3 billion Pell shortfall.

President Obama's Jobs Plan

- ▶ The President will unveil his jobs plan tonight.
 - ▶ Expected to include new funding for school modernization/repair and education jobs.
 - ▶ Republicans will likely resist both proposals.
- 

Supercommittee

- ▶ Has hired staff.
 - ▶ First meeting was this morning; first hearing on 9/13.
 - ▶ CW is that it will not be able to reach bipartisan agreement on \$1.2 trillion in deficit reduction.
- 

Balanced Budget Constitutional Amendment

- ▶ Will be voted on by end of year – needs 2/3^{rds} majority.
 - Not sure which version
- ▶ House Judiciary reported H.J. Res. 1
 - All 47 Senate Republicans cosponsored S.J. Res. 23
- ▶ Both bills cap spending at 18% of GDP and require supermajorities for any revenue increases.
 - Could result in cuts to domestic discretionary programs of 70%!

Questions?

