CHILD CARE

A Timeline for Upcoming Federal Budget Decisions

September 2012

Over the next six months, Congress will face a series of decisions that will shape federal budget priorities for years to come. Here is a look at the timeline for the key decision points ahead.

KEY TERMS

- **Appropriations:** Funds allocated by Congress to individual federal agencies specifying how much money can be spent on programs in a given year.
- **Continuing resolution (CR):** Legislation that permits government agencies to continue to operate at existing funding levels if a new appropriations bill has not been enacted for a new fiscal year.
- **Debt ceiling:** The statutory limit set by Congress on the amount of total debt that the federal government can assume. If the debt amount exceeds the debt ceiling limit, the government is unable to borrow additional funds to support its operations, triggering a government shutdown and default on existing loans. Congress has the legal authority to raise the debt ceiling limit as needed, and has done so more than 70 times since 1962.
- **Discretionary programs:** Federal programs for which spending must be newly appropriated each year through the annual congressional appropriations process.
- **Mandatory programs:** Federal programs for which funding is authorized outside of the annual appropriations process. Mandatory programs include entitlement programs like Social Security, Medicaid, and the Supplemental Nutrition Assistance Program (SNAP/Food Stamps). People are entitled to receive benefits

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October 1, 2012: Fiscal year (FY) 2013 begins. Leaders in Congress have agreed on overall appropriations levels for the first six months of FY 2013, and Congress is expected to pass a continuing resolution (CR) in September, which will allow the federal government to function in the new fiscal year. Funding for most programs, including child care and Head Start, is expected to continue at current levels. Congress will also need to extend funding for the Temporary Assistance for Needy Families (TANF) program, which supports a significant portion of child care for low-income families, prior to October 1.

December 31, 2012: Multiple legislative provisions are scheduled to expire. Key provisions that will be involved in budget negotiations include:

- **Tax cuts.** Tax cuts originally enacted during the Bush administration are set to expire at the end of this year, as are tax cuts enacted as part of the American Recovery and Reinvestment Act (ARRA) of 2009. The ARRA tax cuts targeted low- and moderate-income families by, for example, expanding the Earned Income Tax Credit (EITC) and making families with lower incomes eligible for the Child Tax Credit (CTC).
- **Emergency unemployment insurance.** Since June 2008, when the national unemployment rate was at 5.6 percent, federal emergency unemployment insurance (UI) benefits have been available to supplement the typical 26 weeks of state-funded benefits. Congress has never allowed emergency unemployment benefits to expire when the unemployment rate was above 7.2 percent. Today, unemployment is over 8 percent, but federal UI benefits are scheduled to expire at the end of the year.

KEY TERMS

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from these programs if they meet certain eligibility requirements, and spending levels for the programs can vary from year to year depending on the number of people who are eligible. Mandatory programs also include the Temporary Assistance for Needy Families (TANF) program and some funding for child care, for which funds are guaranteed to the states but benefits are not guaranteed to all individuals who may be eligible.

- **Sequestration** (also referred to as "the sequester"): A series of automatic federal spending cuts that are triggered when the government fails to achieve a set of pre-determined budget goals. In the current context, sequestration refers to a set of automatic, across-the-board cuts required by the Budget Control Act (BCA) of 2011. These cuts, totaling $1.2 trillion over nine years beginning January 2013, were triggered by the failure of the bipartisan Joint Select Committee on Deficit Reduction (also established by the BCA, and often referred to as the "super-committee") to produce a plan that would reduce the deficit by the same amount.

January 2, 2013: Automatic, across-the-board spending cuts – known as sequestration (or "the sequester") – are scheduled to begin. The sequester would cut $109.3 billion from the federal budget each year between 2013 and 2021, divided equally between defense and non-defense programs.[1]

While Social Security benefits and key mandatory programs for low-income people (including Medicaid, mandatory child care funds, TANF, the Children's Health Insurance Program (CHIP), SNAP/Food Stamps, and child nutrition programs like the Child and Adult Care Food Program (CACFP)) generally would be exempt from sequestration, discretionary programs that women and their families depend on could be slashed dramatically, cutting jobs and services for millions. In 2013, sequestration would cut a total of $38.5 billion from non-defense discretionary programs – an 8.4 percent cut across-the-board.[2] Approximately 100,000 children would lose Head Start and 80,000 children would lose child care as a result.[3]

The sequester was established by the Budget Control Act (BCA), enacted in August 2011 in response to demands from far-right Members of Congress who threatened to refuse to raise the national debt ceiling. In the name of deficit reduction, the BCA requires about $2 trillion in spending cuts – but zero new revenues – over ten years. More than half of these cuts ($1.2 trillion) are to be enforced through sequestration.

February/March 2013: Congress will need to raise the debt ceiling again and will need to negotiate a spending/appropriations bill for the remainder of FY 2013.

The combination of tax cuts, UI and other provisions set to expire at the end of December, in addition to the sequester looming in January, has been described by some as a "fiscal cliff." Others describe it as a "fiscal slope," noting that the economic impact of the changes is likely to be gradual if Congress is still working to reach a budget agreement in January. However, there is widespread agreement that the fragile economic recovery will suffer a significant setback if Congress does not act relatively early in 2013 to prevent the job losses and service cuts that the sequester would produce and ensure that low- and moderate-income families do not face substantially higher taxes.

If Congress exempts defense programs from budget cuts or fails to make increased revenues a part of any deficit reduction plan, cuts to programs serving low- and moderate- income families – which would be especially harmful to women and children – are likely to be even deeper. As it has in past deficit reduction plans, Congress should not only protect supports for low-income people but include measures to reduce poverty.

1 Richard Kogan, Ctr. on Budget & Policy Priorities, How the Across-the-Board Cuts in the Budget Control Act Will Work, at 2-3 (April 2011), *available at* http://www.cbpp.org/files/12-2-11bud2.pdf. $109.3 billion/year in cuts from 2013 through 2021 amounts to $984 billion savings from direct cuts; the BCA assumes an additional $216 billion in interest savings.

2 Ibid., at 4.

3 Sen. Tom Harkin, Under Threat: Sequestration's Impact on Nondefense Jobs and Services, at 9-12 (July 2012), *available at* http://harkin.senate.gov/documents/pdf/500ff3554f9ba.pdf. Estimates of the numbers of children losing access to Head Start and child care are based on Congressional Budget Office calculations indicating that nondefense discretionary programs will be cut by 7.8 percent across-the-board in FY 2013 under the sequester. The Center on Budget & Policy priorities estimates that the across-the-board cut would equal 8.4 percent, in which case the numbers of children affected would be higher. Ibid. at 4.