

TAX & BUDGET

FACT SHEET

The Winter 2013-2014 Fiscal Fights: High Stakes for Women and Families

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In October 2013, following a costly 16-day federal government shutdown, Congress reached an agreement to fund the government for the first few months of fiscal year (FY) 2014 and temporarily suspend the debt ceiling – but new deadlines are quickly approaching. On December 28, federal emergency unemployment insurance benefits will expire. On January 15, another government shutdown looms. And on February 7, the debt ceiling suspension expires, creating a risk of default within weeks.

The October budget deal was the latest in a series of congressional showdowns resolved through last-minute, short-term funding measures.¹ It included a continuing resolution (CR) to maintain FY 2013 spending levels through mid-January 2014, which kept sequestration cuts (also known as the “sequester”) in place. Since March 2013, these automatic cuts have slashed billions of dollars from discretionary programs that women and their families depend on, including child care, Head Start, housing assistance, and women’s health services² – and cuts beginning in 2014 will be even more painful (see sidebar, next page).³ In addition to reducing services, sequestration has caused job losses, undermining the economic recovery. The Congressional Budget Office estimates that canceling sequestration would boost economic growth and generate approximately 900,000 new jobs within a year.⁴

President Obama’s budget and the budget passed by the Senate for FY 2014 call for a balanced package of revenue increases and spending cuts to replace the sequester (which is currently scheduled to be in effect through FY 2021) while protecting the federal safety net and making new investments to grow the economy.⁵ In contrast, the House-passed budget would end the sequester only for defense programs, while making Americans and giving trillions in tax cuts to millionaires and corporations.⁶ Because the agreement reached in

October maintains low, post-sequestration spending levels, government funding for the first few months of FY 2014 will be much closer to the House-passed budget than to the Senate-passed plan.⁷

House and Senate leaders agreed to meet in a conference committee on the FY 2014 budget, with the goal of reaching agreement by December 13, 2013 on a budget plan for the remainder of the fiscal year. Conferees will attempt to reconcile the FY 2014 budgets passed by the House and the Senate, including a replacement for sequestration for at least one year. Consistent with the Senate-passed budget, Senate Budget Committee Chairman Patty Murray (D-WA) – who is spearheading the conference negotiations with House Budget Committee Chairman Paul Ryan (R-WI) – has prioritized securing new revenues from closing tax loopholes that benefit wealthy corporations to replace the sequester, along with targeted spending reductions.⁸ However, Rep. Ryan – in keeping with the House-passed budget – has maintained that the sequester should only be replaced by alternative spending cuts, and has rejected any proposals to increase tax revenue.

The budget negotiations present an opportunity for Congress to move past the damage caused by the shutdown, end sequestration and consider measures that can produce a far more widely shared recovery

– but the differences between the House and Senate positions remain stark, and time is short. If the conference committee does not reach agreement by the mid-December target, Congress will have one more month to devise and pass a budget plan before FY 2014 funding runs out on January 15 – one of three key deadlines that lawmakers face in the months ahead.

- **December 28, 2013:** Federal emergency unemployment insurance (UI) benefits for long-term unemployed workers expire. Unless these benefits are extended – most likely in connection with a budget agreement – nearly 2 million workers will lose access to benefits by the spring of 2014, harming families and jeopardizing the recovery.⁹
- **January 15, 2014:** FY 2014 funding agreed to in the October budget deal expires. Unless Congress and the President agree on appropriations for FY 2014 by this date, the government will shut down. Some House Republican leaders have proposed another short-term (e.g., three months) CR to allow budget negotiations to carry into the spring, which would effectively continue the sequestration cuts.¹⁰
- **February 7, 2014:** The debt ceiling suspension expires. The Treasury Department can borrow additional funds through February 7 to ensure that the U.S. meets its obligations, and Treasury may employ “extraordinary measures” to pay the nation’s bills for a while after that date. But the debt ceiling will need to be raised or suspended again later in 2014 (most likely by March, according to Congressional Budget Office estimates¹¹). By that point, if Congress does not raise the debt ceiling to authorize the government to borrow additional funds, it will trigger a government shutdown and default on existing loans – a disastrous outcome that could send the economy into another recession.

With Congress so divided, it is difficult to predict how these budget issues will be resolved. Amid the continuing debate over deficit reduction, however, it is essential to remember that the real crisis we face today remains the economy. Long-term unemployment is near historic highs, and job growth has been sluggish since the recession ended in 2009; the Economic Policy Institute estimates that that if we gained jobs at a pace of 175,000 per month (the average job growth during the fourth year of the recovery), it would take until 2020 to fill the jobs gap.¹² At the same time, even if the sequester were repealed altogether through 2021 –

The Sequester in FY 2014

- **The cuts will be deeper.** The Budget Control Act of 2011 (BCA), which established the sequester, requires lower discretionary spending in FY 2014 than in FY 2013. If Congress does not pass a funding measure that meets (or modifies) the BCA spending caps by January 2014, additional sequestration will be required to comply with the law. Specifically, approximately \$20 billion will be cut from defense discretionary programs for the remainder of FY 2014 because Congress acted to reduce sequestration cuts to defense programs in FY 2013. (Post-sequester FY 2014 funding levels for non-defense discretionary programs are essentially the same as in FY 2013.)
- **The cuts will hurt more.** Some federal agencies have been able to draw on reserves, shift funds between accounts, and defer certain costs to temporarily mitigate the impact of the sequester – and because of the way agency budgets are structured, some FY 2013 cuts have not yet taken effect. But few short-term fixes will be available in FY 2014, and the FY 2013 cuts will have to be fully implemented as the FY 2014 cuts begin to take effect.
- **The cuts will add up.** The sequester undermines many critical government functions, from providing early learning opportunities to children in low-income families to supporting vital scientific research. While some impacts on these functions have been immediately evident (e.g., reduced Head Start services for 57,000 children), others will be felt much later, as years of inadequate funding yield, for example, fewer scientific breakthroughs and advances in medical treatment.

Source: Harry Stein, Center for American Progress, How Sequestration Gets Worse in 2014 (Nov. 2013).

without any offsetting spending cuts or revenue increases – projected budget deficits from 2013 through 2021 would be lower than what they were will expected to be when the sequester was enacted in August 2011.¹³ Battling over budget cuts is distracting at best and counterproductive at worst, since enacting more cuts will further harm the economy and the millions of families who are still struggling.

The focus of the conference committee negotiations should shift toward measures that will make the federal budget work for the women, men, and children who have been left behind in the recovery. A budget that works for women and their families would end sequestration, extend federal emergency unemployment benefits, and protect programs that lower-income Americans depend on to make ends meet. It would make the investments we need to grow

the economy and ensure that women and men who want to work can find good jobs. And it would look to new revenues – not new spending cuts – to fund those investments and maintain a sustainable fiscal path, as revenue increases account for only about 25 percent of the deficit reduction that Congress has enacted since FY 2011.¹⁴ Requiring the wealthiest Americans and corporations to pay their fair share of taxes is the key to a budget that promotes economic recovery and expands opportunity for all Americans.¹⁵

- 1 For a more detailed overview of the budget debates in late 2012 through fall 2013, see NWLC, A Roadmap to the 2013 Federal Budget Debates (Updated May 2013), available at <http://www.nwlc.org/sites/default/files/pdfs/federalbudgetroadmap.pdf>, and Julie Vogtman, NWLC, The Fall 2013 Fiscal Fights: A Political Drama with Real Consequences for Women and Families (Sept. 2013), available at http://www.nwlc.org/sites/default/files/pdfs/fall_2013_fiscal_fights.pdf.
- 2 See generally NDD United, Faces of Austerity: How Budget Cuts Have Made Us Sicker, Poorer, and Less Secure (Nov. 2013), available at http://publichealthfunding.org/NDD_report/NDD-report-digital.pdf; see also Katherine Gallagher Robbins & Julie Vogtman, NWLC, Cutting Programs for Low-Income People Especially Hurts Women and Their Families (Updated Nov. 2013), available at <http://www.nwlc.org/sites/default/files/pdfs/lowincomefactsheet.pdf>. “Discretionary programs” refer to federal programs for which spending must be newly appropriated each year through the annual congressional appropriations process. Sequestration also applies to some “mandatory” programs, including Medicare to a limited extent, but not to key safety net programs such as Medicaid, SNAP, and TANF.
- 3 See generally Harry Stein, Ctr. for Am. Progress, How Sequestration Gets Worse in 2014 (Nov. 2013), available at <http://www.americanprogress.org/wp-content/uploads/2013/11/sequestration-gets-worse-rev.pdf>.
- 4 Letter from Douglas W. Elmendorf, Director, Cong. Budget Office, to Rep. Chris Van Hollen (Jul. 25, 2013), available at https://www.cbo.gov/sites/default/files/cbofiles/attachments/44445-SpendReductions_1.pdf.
- 5 See generally NWLC, President Obama’s FY 2014 Budget: Key Provisions for Women and Their Families (April 2013), available at <http://www.nwlc.org/sites/default/files/pdfs/fy2014obamabudgetreport.pdf>, and NWLC, The FY 2014 Murray Senate Budget: A Fairer Path Forward for Women and Families (March 2013), available at <http://www.nwlc.org/sites/default/files/pdfs/murraybudgetfy2014.pdf>.
- 6 See generally NWLC, The Ryan House Budget FY 2014: Once Again, Gutting Vital Programs for Women and Families, Giving Trillions in Tax Cuts to Millionaires and Corporations (March 2013), available at <http://www.nwlc.org/sites/default/files/pdfs/ryanbudgetfy2014.pdf>.
- 7 Michael Linden & Harry Stein, Ctr. for Am. Progress, The Senate Continuing Resolution Is Already a Compromise (Sept. 2013), <http://www.americanprogress.org/issues/budget/news/2013/09/30/76026/the-senate-continuing-resolution-is-already-a-compromise> (last visited Nov. 25, 2013).
- 8 See, e.g., Patty Murray, Closing Tax Loopholes Should Be Part of the Budget Conference, Wash. Post, Nov. 8, 2013, available at http://www.washingtonpost.com/opinions/closing-tax-loopholes-should-be-part-of-the-budget-conference/2013/11/08/41df32d2-47f8-11e3-b6f8-3782ff-6cb769_story.html.
- 9 See generally Julie Vogtman & Katherine Gallagher Robbins, NWLC, Renewing Federal Emergency Unemployment Benefits: Vital for Women & Families – and the Economy (Updated Nov. 2013), available at http://www.nwlc.org/sites/default/files/pdfs/pv_fs_renewing_unemployment_benefits.pdf.
- 10 See, e.g., Tim Alberta, Congressional Vacation Set to Create Another Fiscal Crisis, Nat. Journal, Nov. 25, 2013, available at <http://www.nationaljournal.com/daily/congressional-vacation-set-to-create-another-fiscal-crisis-20131125>.
- 11 Cong. Budget Office, Federal Debt and the Statutory Limit, November 2013, at 4 (Nov. 2013), available at http://www.cbo.gov/sites/default/files/cbofiles/attachments/44877-FederalDebt_1.pdf.
- 12 Heidi Shierholz, Econ. Policy Inst., At the Current Rate, We Won’t Close the Jobs Gap Until 2020 (July 2013), available at <http://www.epi.org/publication/current-rate-wont-close-jobs-gap-2020>. See also The Hamilton Project, Closing the Jobs Gap, http://www.hamiltonproject.org/jobs_gap/ (calculator last visited Nov. 26, 2013). The “jobs gap” refers to the number of jobs that the U.S. economy needs to create in order to return to pre-recession employment levels while also absorbing the people who enter the labor force each month.
- 13 Michael Linden, Ctr. for Am. Progress, It’s Time to Hit the Reset Button on the Fiscal Debate, at 27 (June 2013), available at www.americanprogress.org/wp-content/uploads/2013/06/FiscalReset.pdf.
- 14 Id. at 6.
- 15 See generally Americans for Tax Fairness & NWLC, The High Price of Tax Loopholes (Aug. 2013), available at <http://www.americansfortaxfairness.org/files/The-High-Price-of-Tax-Loopholes.pdf>.