Audio Update: Fiscal Cliff and the 113th Congress

January 23, 2013
Our Vision

We seek an America that grows its economy by investing in its people, so that every worker and every industry has the skills to compete and prosper.
Our Mission

• We **organize** broad-based coalitions seeking to raise the skills of America’s workers across a range of industries.

• We **advocate** for public policies that invest in what works, as informed by our members’ real-world expertise.

• And we **communicate** these goals to an American public seeking a vision for a strong U.S. economy that allows everyone to be part of its success.
The “Fiscal Cliff”
What was the Fiscal Cliff About?

• Three (huge) things all happening at the same time:
  ✓ Expiring tax provisions (Bush-era tax rates, low-income tax credits, AOTC, “extenders,” etc.)
  ✓ Deep, automatic across-the-board cuts
  ✓ Hitting the debt ceiling
What Did the Fiscal Cliff Deal Do?

- Main focus on taxes (about 2/3 of cost of bill tax-related provisions); raised about $600B in new revenue
- Extended expanded federal UI program through 2013, keeps requirement that individuals receiving EUC must report to one-stop center for reemployment eligibility assessment

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## What Did the Fiscal Cliff Deal Do?

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<td><strong>Taxes</strong></td>
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<tr>
<td>Income Taxes</td>
<td>• Raises tax rates on individuals/households earning $400k/$450k or more&lt;br&gt;• Makes Bush-era tax cuts permanent for all other taxpayers</td>
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<tr>
<td>Capital Gains and Dividends Taxes</td>
<td>• Raises tax rates from 15% to 20% for individuals/households earning $400k/$450k or more&lt;br&gt;• Keeps tax rates at 15% for all other taxpayers</td>
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<tr>
<td>Estate Taxes</td>
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<td>Raises estate tax from 35% to 40%, with first $5M in assets exempted</td>
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<td>Personal Exemptions</td>
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<td>Phases out personal exemptions for individuals making over $250k and limits itemized deductions for individuals/households earning $250k/$300k</td>
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<td>Alternative Minimum Tax (AMT)</td>
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<td>Permanently indexes AMT to inflation</td>
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<td>Tax Breaks</td>
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<td>• Extends American Opportunity Tax Credit, Child Tax Credit, and Earned Income Tax Credit for five years&lt;br&gt;• Preserves &quot;extenders,&quot; business tax breaks for research and development</td>
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<td>Payroll Tax Holiday</td>
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<td>Allows temporary 2% payroll tax cut to expire</td>
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<td><strong>Spending</strong></td>
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<td>Sequester</td>
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<td>Delays automatic spending cuts for two months</td>
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<td>Unemployment Benefits</td>
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<td>Extends unemployment insurance for one year</td>
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<td><strong>Other</strong></td>
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<td>Pay Cuts for Physicians (a.k.a. “Doc Fix”)</td>
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<td>Puts off scheduled cuts in Medicare payments to physicians for one year</td>
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<td>Farm Bill Extension</td>
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<td>Extends certain portions of the Farm Bill for 9 months</td>
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<td>Congressional Pay Freeze</td>
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<td>Freezes congressional pay for the remainder of 2013</td>
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What Did the Fiscal Cliff Deal Not Do?

• Did not address the debt ceiling (Treasury Dept. currently operating under “extraordinary measures”)
• Did not permanently turn off sequesters—only delayed by 2 months
So What Does That Mean?

• Still have three major hurdles to get over in next 3-4 months
  ✓ Increase the debt ceiling
  ✓ “Turn off” or “buy down” the sequester
  ✓ Finish FY 2013 appropriations

(will also spill over into FY 14 budget and appropriations)
Timing: Post-Fiscal Cliff Calendar

- **December 2012**
  - 31st: Expiring Tax Policies, Debt ceiling reached

- **January 2013**
  - 1st: Original sequester date (delayed)
  - 2nd: Congress passes fiscal cliff legislation

- **February 2013**
  - 18th: U.S. defaults on debt obligations unless debt ceiling raised

- **March 2013**
  - 27th: Sequestration takes effect after 2-month delay
  - 1st: Current CR expires; government shuts down unless new bill adopted

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Debt Ceiling

• House voting today to suspend the debt ceiling until May 19
• Requires Senate to pass a budget resolution by April 15 (“No budget, no pay”)
• Seems likely to easily pass in both chambers
Debt Ceiling

- Unclear how debate will ultimately play out
- Good news: at least in short terms pulls apart debt ceiling and spending cuts
- Bad news: Syncs debt ceiling with budget process. House will likely try to use reconciliation to force even deeper spending cuts
- Reorders timeline. Have to deal with sequesters and CR first
Sequestration

• Unclear how debate will ultimately play out
• Most policymakers agree that sequesters are the wrong way to reduce deficit, disagree how to fix
• Less urgency in Congress to undo sequestration?
Continuing Resolution (Finish FY 13)

• Appropriations committee has been working on finishing FY 13 appropriations bills
• Seems relatively non-controversial so far
• A little extra wiggle-room because of fiscal cliff deal, so not expecting deep cuts
FY 14 Budget

- Administration’s budget delayed until March
- Much greater focus on budget this year (b/c of debt ceiling bill)
- Expect House budget resolution to include very deep cuts, to both entitlement and discretionary programs
- Include reconciliation instructions?
Other Policy Issues

• Administration in particular wants to deal with issues other than just budget and deficit
• Several very big ticket items (gun control, immigration)
• But we also expect attention to skills and workforce development
Workforce Development Policy

• Expect Administration to include several proposals in FY 14 budget
• Likely to revisit “Community College to Career Fund” and “Pathways Back to Work” proposals
• New skills agenda?
Lots of Potential Legislation in Congress

• WIA, TANF, CTE, HEA, and TAA all up for reauthorization in 2013

• Immigration reform may present important opportunity to address ESL/ABE issues

• Lots of interest in data issues, especially transparency/“informed consumer” issues
So What Does That Mean?

• Debate about reducing federal funding not ending any time soon
• Still may be opportunities (or necessity) to address policy issues
• Lots (and lots) of new members of Congress making huge decisions pretty quickly
• Very important to continue to educate Members of Congress
What Can I Do?

- Lots of work going on in DC
- Broad coalitions around budget issues (NDD Summit, Budget Coalition, SAVE for All)
- Campaign to Invest in America’s Workforce focused on workforce funding issues
- Everyone has materials available that you can use to help raise visibility of workforce programs
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