Webinar: FY 2014 Budget Update

April 18, 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.
Closing the Book on 2013 (already?/finally!)
Closing out 2013

- Congress approved a “continuing resolution” in March
- Funds the government through September 2013
- Included slight decrease from FY 2012
Closing out 2013

• Sequestration went into effect on March 1
• Effects likely won’t be felt in the immediate term
• For advance appropriated, cuts will come out of first quarter PY allocation
The FY 2014 Federal Budget
What is the Federal Budget?

• Budget sets spending priorities
  - House, Senate, and WH each develop their own budgets, set their own priorities
• It’s a rule, not a law
• Sets broad spending levels for Appropriations Committees
• Can include major policy changes
On-going Austerity Frame

• In FY 2011 House passed HR 1, $4B in cuts (including elimination of WIA)—eventually cut more than $1B

• In FY 2012 House proposed more than $2B in cuts to DOL + $44B in Pell cuts—eventually cut about $11B from Pell
Key Budget Dates

- **March**: Budget Committees release *Budget Resolution*;
- **April**: Congress adopts Budget Resolution
- **April**: White House releases budget (3 months late)
<table>
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<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>January</td>
<td>Debt ceiling deal reached. Suspends debt ceiling through May 18.</td>
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<td>February-March</td>
<td>U.S. hits debt ceiling (est.)</td>
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<td>March 1</td>
<td>Automatic across-the-board cuts (&quot;sequesters&quot;) under Budget Control Act take effect</td>
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<td>March 27</td>
<td>FY 2013 Continuing Resolution expires</td>
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<td>March-April</td>
<td>Committees submit &quot;views and estimates&quot; to the Budget Committee</td>
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<td>April</td>
<td>Obama Administration sends fiscal year (FY) 2014 budget proposal to Congress</td>
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<td>March-May</td>
<td>&quot;Member request&quot; letters (expressing funding priorities for individual MOCs) due to Appropriations Committees</td>
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<td>April 15</td>
<td>House and Senate must pass budget resolution (&quot;no budget, no pay&quot;)</td>
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<td>May 15</td>
<td>House may begin work on annual appropriations bills</td>
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<td>May 18</td>
<td>Congress must address debt ceiling.</td>
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<td>Summer</td>
<td>Congress completes actions on reconciliation (if instructions included in budget resolution)</td>
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<td>Late Summer/Early Fall</td>
<td>Congress takes up appropriations bills</td>
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<td>September 30</td>
<td>Fiscal Year 2013 ends</td>
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<td>Fiscal Year 2014 begins October 1</td>
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Senate Budget Resolution

- Senate Budget Chair Patty Murray’s (D-WA) budget proposal includes:
  - $10B in new training investments
  - $1.85T in new deficit reduction
  - Eliminates all nine years of sequestration
House Budget Resolution

• House Budget Chair Paul Ryan’s (R-WI) budget includes:
  ➢ $1.1T reduction in NDD below existing budget caps
  ➢ Endorsement of the SKILLS Act, which would consolidate workforce programs
  ➢ Significantly cuts funding for Pell, primarily by narrowing eligibility
  ➢ Replaces defense side of the sequester, not NDD
The President’s Budget Proposal

• $79M funding increase for WIA formula programs
• Relative level-funding for most workforce programs
• New proposals:
  ➢ Community College to Career
  ➢ Pathways Back to Work
  ➢ Universal Dislocated Worker Program
Three budgets, Three Visions: What Now?

• Congress won’t likely agree on a joint resolution
• Budgets may serve as a starting point for “grand bargain” negotiations this spring
Questions?
Big Picture

• Sequesters and budget caps are now current law—set for next nine years unless Congress takes action
• Debt ceiling set to turn back on May 15th
• Congress and Administration must find a way out of current cycle of endless fiscal crises
Conversation Will Move Forward on Two Tracks

- Track #1: Regular order (appropriations)
- Track #2: "Grand bargain"
Track #1: Appropriations

• Unlikely Senate and House will be able to reach an agreement on budget resolution
• Will almost certainly just begin appropriations
• Senate planning to use $1.06T overall level, House planning to use $940B overall level
Track #1: Appropriations

• Can begin on May 15 (even without a budget resolution)

• Senator Mikulski, new Appropriations Committee chair, has said publicly she plans to finish marking-up all 12 bills in June and July

• House will likely try to follow similar timeline
Track #1: Key Facts

• Sequester still in place BUT no longer across-the-board cut
• Instead, overall NDD cap lowered by $55B
• That means appropriators will decide which programs to cut and which to protect
• Pell grants now also in the mix (program was exempt from cuts in 2013)
Track #2: Grand Bargain

• About $2.5T in cuts so far, looking for about $1.5T more to “stabilize” the debt
• Idea is to stop lurching from fiscal crisis to fiscal crisis
• House, Senate, Administration’s budget proposals largely seen as “opening bids” in this conversation
Track #2: A Balanced Approach

• Obama budget includes specific deficit reduction proposal
  ➢ new revenue (about $580B, mainly closing loophole for upper income households);
  ➢ entitlement reform (about $400B from health care programs + chained CPI);
  and
  ➢ Eliminates sequester, instead cuts about $200B in discretionary cuts (equally divided between defense and non-defense)
Track #2: A Less Balanced Approach

• House-passed budget also includes deficit reduction proposal:
  - Keeps current NDD sequester, ends defense sequester (shifts to NDD)
  - $1T in cuts below caps, $700B below sequester
  - Entitlement cuts (SNAP and Medicaid)
  - Very, very deep cuts to job training
Track #2: Debt Ceiling

- Debt ceiling turns back on May 15 (currently suspended)
- Will hit default sometime in late July/early August
- Key leverage point—policymakers will use this to try to force a deal
Track #2: The “Boehner Rule”

- Boehner rule says you must have $1 in spending cuts for every $1 increase in debt ceiling
- This is in *addition* to any deficit reduction effort
- Budget Control Act (created sequester) enacted Boehner rule
So What’s Going to Happen?

• It depends…
• How do current cuts (including sequesters) impact local communities?
• Is there pressure on Members of Congress to fix the cuts?
• Who’s going to blink first?
Very Important to Document Impact
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