

Sequestration: What it is and Why it Matters

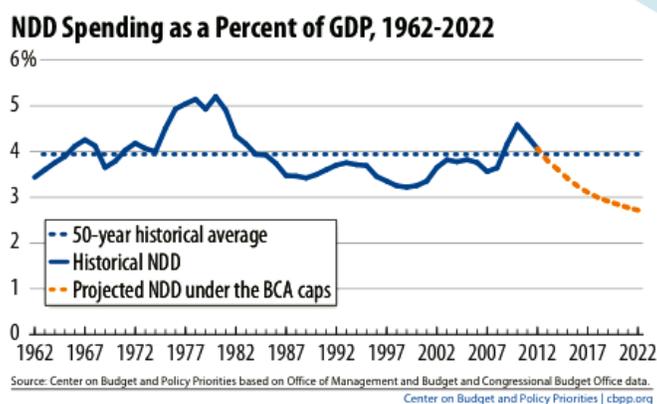
In the coming months Congress will deal with several complicated budget issues. One of particular importance to federal grant recipients is the issue of “sequestration” which could lead to substantial cuts to all federal grant programs unless Congress takes action this year. Below is a summary of what sequestration is and how your grant programs could be affected.

Last August, Congress passed the Budget Control Act which sought to put a framework in place for reaching a high-level agreement on overall federal spending and deficit reduction. The Budget Control Act (BCA) raised the debt ceiling, set caps on discretionary spending for FY12 and FY13 at levels almost \$1 trillion lower than FY10, and established the Joint Select Committee on Deficit Reduction. Known as the Super Committee, it was tasked with recommending at least \$1.2 trillion in reductions from federal spending by November 23, 2011 which would have to be passed into law by December 23, 2011.

The Super Committee did not reach agreement on a plan to recommend to the full Congress. This has triggered cuts in federal spending, known as sequestration, which are set to begin in the second quarter of FY13, or January 2013. All of these cuts would be taken from the discretionary portion of the budget. Most “entitlement programs” including Social Security, Medicare and Medicaid are excluded from sequestration.

Spending for discretionary programs—determined annually at Congress’ “discretion”—is divided into two categories, defense and nondefense. Defense discretionary includes funding for our nation’s military. Nondefense discretionary or “NDD” supports all other core functions the government provides, including public safety and law enforcement; medical and scientific research; education and job training; infrastructure; public health; weather monitoring and environmental protection; natural and cultural resources; housing and social services; and international relations.

According to the BCA, one-half of the savings from sequestration are to come from defense programs; the other half from non-defense discretionary programs. However, it is important to note that NDD programs represent a small and shrinking share of the federal budget and of the overall economy (see figure).



In 2011, NDD spending represented less than one-fifth of the federal budget and 4.3 percent of the Gross Domestic Product (GDP). Under the discretionary caps set in the BCA, by 2021 NDD spending will decline to just 2.8 percent of GDP, the lowest level in at least 50 years. If the sequestration provision is not amended, cuts to NDD programs will be even deeper.

Also, non-defense discretionary programs have already contributed considerably to deficit reduction – in FY11 and FY12, Congress imposed across the board and targeted cuts on many federal programs. ***The Department of Justice's justice assistance programs have been reduced by \$1.3 billion, or almost 40 percent, in the past two years and, therefore, enter the sequestration process at vastly-reduced funding levels.***

Most congressional observers expect Congress to spend the next several months trying to come to agreement on a comprehensive budget deal which will include completion of the FY13 appropriations bills, an increase in the federal debt ceiling, whether (and how) to modify the Bush-era tax cuts which are set to expire at the end of this year, and whether (and how) to amend sequestration. Stakeholder groups concerned about continued funding for the justice assistance programs should not assume any change in the sequestration process will ameliorate the risk of future reductions in funding. Bills have been introduced which would extract defense programs from sequestration, thereby shifting the entire burden of deficit reduction to NDD programs.

As Congress begins debate on these overall budget challenges, they should be reminded of the contributions justice assistance programs have already made to deficit reduction and encouraged to work toward a balanced approach that addresses the nation's long-term debt while recognizing the important role non-defense discretionary programs play in the economic stability and life of our nation.

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