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# Questions and Answers

## On Automatic Spending Cuts (Sequestration)

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### **When would the automatic cuts go into effect?**

The automatic spending cuts would only take place if Congress fails to pass a comprehensive deficit-reduction measure before January 2. Although Congress recently OK'd a continuing resolution to fund government agencies through March, sequestration would override that measure and, in most cases, reduce agency budgets.



### **What government functions are exempt from the automatic cuts?**

Most mandatory spending is exempt, including Social Security, retirement programs, veterans' benefits, tax credit payments, Medicaid, the Children's Health Insurance Program, unemployment insurance, food stamps and Temporary Assistance for Needy Families. Military retirement, pay and benefits are exempt, as is funding for overseas military operations.

### **What did the Office of Management and Budget say in its September report on sequestration?**

This summer the House and Senate passed the Sequestration Transparency Act (STA), requiring OMB to provide a detailed report. OMB's outlines \$109 billion in cuts for FY 2013 across various departments, agencies and accounts. (Full sequestration, if left in place, would cut spending by \$1.2 trillion over 10 years).

OMB answers some questions – but certainly not all – about what these automatic budget cuts would look like for the federal government. The 394-page report describes cuts to both defense and non-defense accounts and calls them “deeply destructive.” However, the report does not analyze how sequestration would affect state-specific programs, activities and projects. The report contains only preliminary across-the-board estimates of the impact of the cuts. These estimates would almost certainly differ from actual results should Congress fail to pass a deficit-reduction plan and sequestration actually begins.

According to the OMB report, sequestration would result in across-the-board reductions of:

- 9.4 percent in defense discretionary funding, which would impact training, readiness, military construction and support of installations in Alaska.
- 8.2 percent in nondefense discretionary funding, including Head Start; child care block grants; most Indian Health Service programs; social services programs like AIDS assistance, cancer research and low-income heating assistance; Impact Aid for schools; rural housing grants; the Denali Commission and the Denali Commission Trust Fund; the National Oceanic and Atmospheric Administration; the Army Corps of Engineers; and research and development in the Department of Energy.
- 2 percent in mandatory payments to Medicare providers.
- 10 percent in defense mandatory funding, potentially to programs like benefits for Alaska Territorial Guard members.
- 7.6 percent in nondefense mandatory funding, including rural investment and rural energy accounts; and management of the NPRA.

### **How would the automatic cuts affect Alaska military personnel?**

Military personnel accounts are exempt from sequestration. Thus, retirement, pay and benefits for service members would not be subject to the cuts. However, military members in Alaska would see reductions in family support programs and other quality of life initiatives. Additionally they would face cutbacks in funding for equipment, training, military construction and other support. Overall defense spending in Alaska could drop significantly.

### **Should I plan my program's budget around these automatic cuts?**

Yes. If your program relies on federal funding, it would be prudent to plan on a cut. Absent Congressional action, on January 2 federal agencies will be required to cut their budgets to comply with the sequestration.

### **Will Congress reach a compromise to avoid these automatic cuts?**

With the national elections pending, no one knows for certain who will control the White House, or whether the balance of power will remain the same in Congress. This makes it nearly impossible to predict what will happen after the elections in deficit-reduction negotiations. However, Senator Begich believes that, regardless of the outcome in November, members of Congress need to step up to the plate and tackle head-on the fiscal problems facing our country.

### **What is Senator Begich's view on avoiding the automatic cuts?**

OMB called sequestration a "blunt and indiscriminate instrument," and Senator Begich agrees. He believes we must avoid these devastating automatic cuts, and he will continue working across the aisle with his colleagues to put into place responsible reductions to the budget.

He voted for a balanced budget amendment and the *Budget Control Act* – which set up sequestration as a last resort if all else fails – because he is deeply concerned about the nation's staggering budget deficit. He believes Congress must come together after the elections, put the country first, and pass a compromise deficit-reduction package that begins with budget cuts. Along with substantial reductions in federal spending, he also believes deficit reduction will require a mix of some new tax revenues and smart investments in education and infrastructure – and that all federal agencies will have to be part of the solution.

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*To learn more, view the White House OMB Sequestration Update: <http://goo.gl/Ju4xo>*