The Looming Budget Crunch and the Trust Responsibility

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Amber Ebarb
National Congress of American Indians
What is the Fiscal Cliff?

1. **Sequestration**: Automatic across-the-board cuts in defense and non-defense programs will kick in 1/2/13


If Congress does nothing, it could spark another recession.
Voice Tribal Concerns Now

• Congress must hear from tribes about the impact of sequestration.

Guiding Principles

• The federal trust obligation to Indian tribes must be honored in any deal to reduce the national debt.

• **Replace the sequester** with a plan to reduce the deficit through a balanced approach that includes new revenues and does not only rely on domestic spending cuts.
FY 13 Proposed Outlays

Most of the budget funds Defense, Social Security and health programs.
Sequester Impact for Indian Country

- Lack of Super Committee agreement last fall led to across the board spending cuts, “Sequestration,” an 8.2% cut.
- Sequestration means all deficit reduction is from spending.
- NDD already cut deeply through 10 year spending caps.
Impacts on Programs

• The blunt mechanistic savings from sequestration is not good public policy and should be averted.

• Due to declines in recent years, the ATB cuts will be worse than 8.2% compared to FY10:
  – Indian Housing Block Grant  -21%;
  – Indian Student Education, -13%;
  – Tribal Community Oriented Policing Grants, -25%;
  – BIA, Operation of Indian Programs cut by  14%;
  – Also, Indian Health Service is subjected to the higher 8.2% cut, not the 2% special rule that the CRS reported in August.
Various Approaches

• Accepting the deal reached in the Budget Control Act of 2011
• Modifying the Budget Control Act only to protect defense
• House Republican leadership’s budget proposal to replace the sequester
• The President’s budget proposal to replace the sequester
Non-Defense Discretionary Spending

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<th>Year</th>
<th>CBO Jan 2011 NDD</th>
<th>BCA Caps/Obama/Domenici-Rivlin</th>
<th>Bowles-Simpson</th>
<th>BCA with Sequester</th>
<th>Chairman Ryan's Budget</th>
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Lowest Level since 1970
CBO Jan 2011 NDD Projections
BCA Caps/Obama/Domenici-Rivlin
Bowles-Simpson
BCA with Sequester
Chairman Ryan's Budget
Tax Fiscal Cliff

• If all tax cuts expire, overall tax liability will jump 20%.
• 90% of households would face tax increases of $3,500. Mid income would face $2,000 more.
• Different tax provisions affect Indian people differently.

• **Most disputed**: expiring tax cuts for high income households and the 2009 stimulus tax credits.
• Also, the health reform law taxes are disputed.
Household Income in Last 12 months

Source: US Census Bureau
Household Income in Last 12 months

Source: US Census Bureau
Household Income in Last 12 months

Source: US Census Bureau
Expiring Taxes

- **Payroll Tax Cut**: Candidates, Congress will let lapse
- **Health Reform**: Candidates, Congress won’t repeal
- **Capital Gains, Dividends**: Pres, Rep
- **High Income deduction limitation**: Pres, Rep
- **Stimulus, EITC, CTC**: Pres, Rep
- **Extenders**: Likely to avoid
- **Estate tax**: Likely to avoid
- **Low, middle income Bush Tax Cuts**: Pres/Congress
- **Alternative Minimum Tax**: Pres/Congress
Average Federal Tax Rate by Cash Income Percentile, 2012

Source: Urban Brookings Tax Policy Center
Average Federal Tax Rate by Cash Income Percentile, 2012

Source: Urban Brookings Tax Policy Center
Tax Increases by Fiscal Cliff Components

- **Low, Middle Income Bush Tax Cuts**
- **2009 Cuts: EITC, CTC**
- **SS Payroll Tax Cut**

**High Income Bush Tax Cuts**
- AMT Patch
- Other 2001-03 Tax Provisions
- Estate Tax
- Extenders
- Stimulus Legislation EITC, CTC, and AOTC
- High Income Rates, Pease, PEP
- High Income Cap Gains/Div
- ACA

**Payroll Tax**
State of Play

• Outcome turns on elections.
• Gang of 8 working in Senate now on core of a proposal.
  – Includes a framework with some down payment and a combo of mandatory and tax break closing.
• President will veto fiscal cliff bill if it doesn’t allow tax cuts for over $250K to expire.
  – Relieves some pressure from spending cuts.
  – Pressure depends on entitlement cuts and taxes and tax reform.
Actions to Take

Message
• If deficit reduction relies entirely on spending cuts, the damage to Indian programs will be much more severe than sequestration.
• Cutting domestic programs, including tribal services, won’t balance the budget.
• They have already made most of the sacrifices so far.

Actions
• Share impact through stories of these looming reductions to your tribe. We have some data and need the stories.
• Sign on to Tribal Budget Letter today.
• Ask candidates about their support for tribal programs in the budget during campaign events.
Tribal Specific Impacts

Some tribes have released Sequester Impact Reports. For example, one large tribe finds that:

1. Food Distribution: 10,000 people wouldn’t receive food assistance.
2. IHS: 83,000 patients wouldn’t be seen, 127 jobs lost
3. JOM: 2,300 students wouldn’t be served
4. Job Training: 300 adults not trained
Upcoming Dates

• Hill Meetings in the Lame Duck
  – Let NCAI know if you’d be interested in targeted
    Hill meetings on these issues.

• NCAI Budget Taskforce
  – December 3, 2012
  – Indian Country Budget Request
Resources

- NDD United Coalition, an effort to save non-defense discretionary (NDD) programs from more devastating cuts.
- SAVE for All Campaign, Coalition on Human Needs
- NCAI website and Budget Taskforce

Contact: Amber Ebarb, aebarb@ncai.org
202-466-7767.