

# The Looming Budget Crunch and the Trust Responsibility

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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
- 2. Tax cuts expiring:** The 2001/2003/2010 tax cuts will expire, 12/31/2012.
- 3. Expiration of Unemployment Insurance,** 12/31/2012.

**If Congress does nothing, it could spark another recession.**

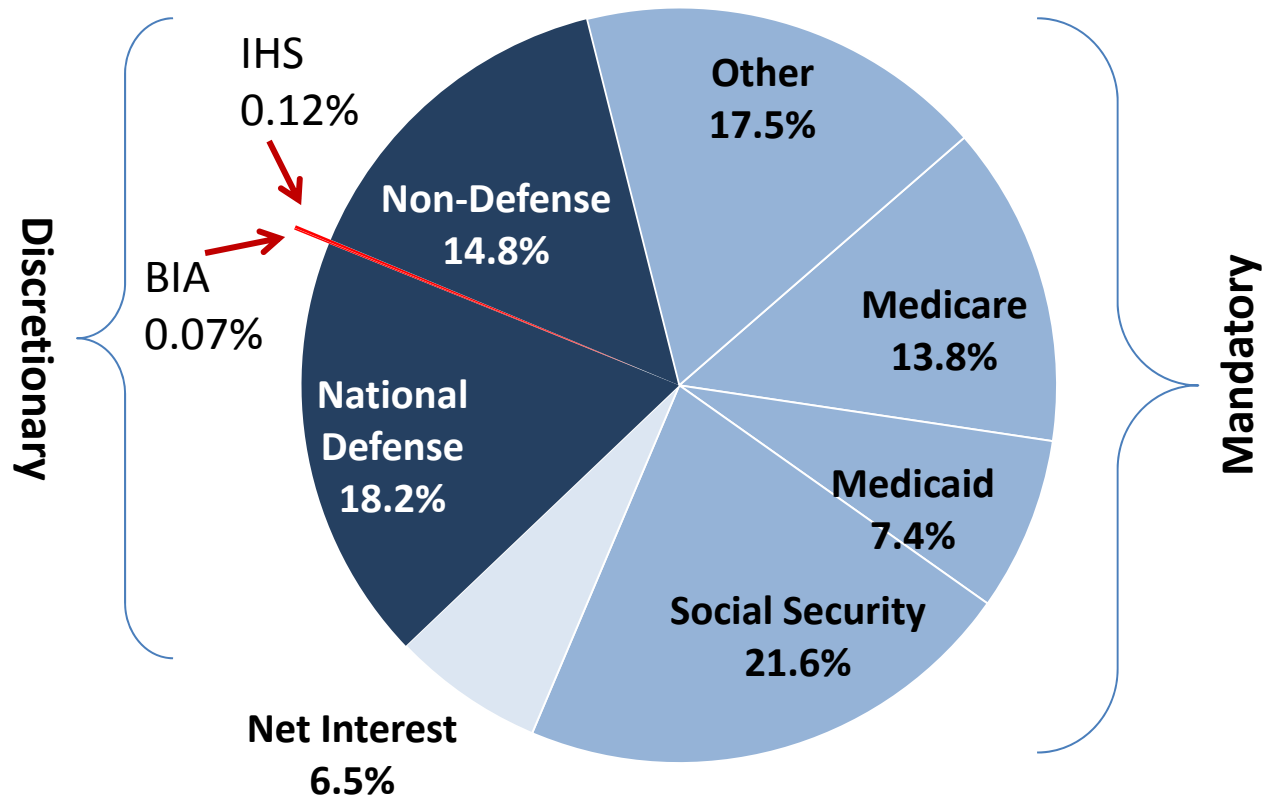
# Voice Tribal Concerns Now

- 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.

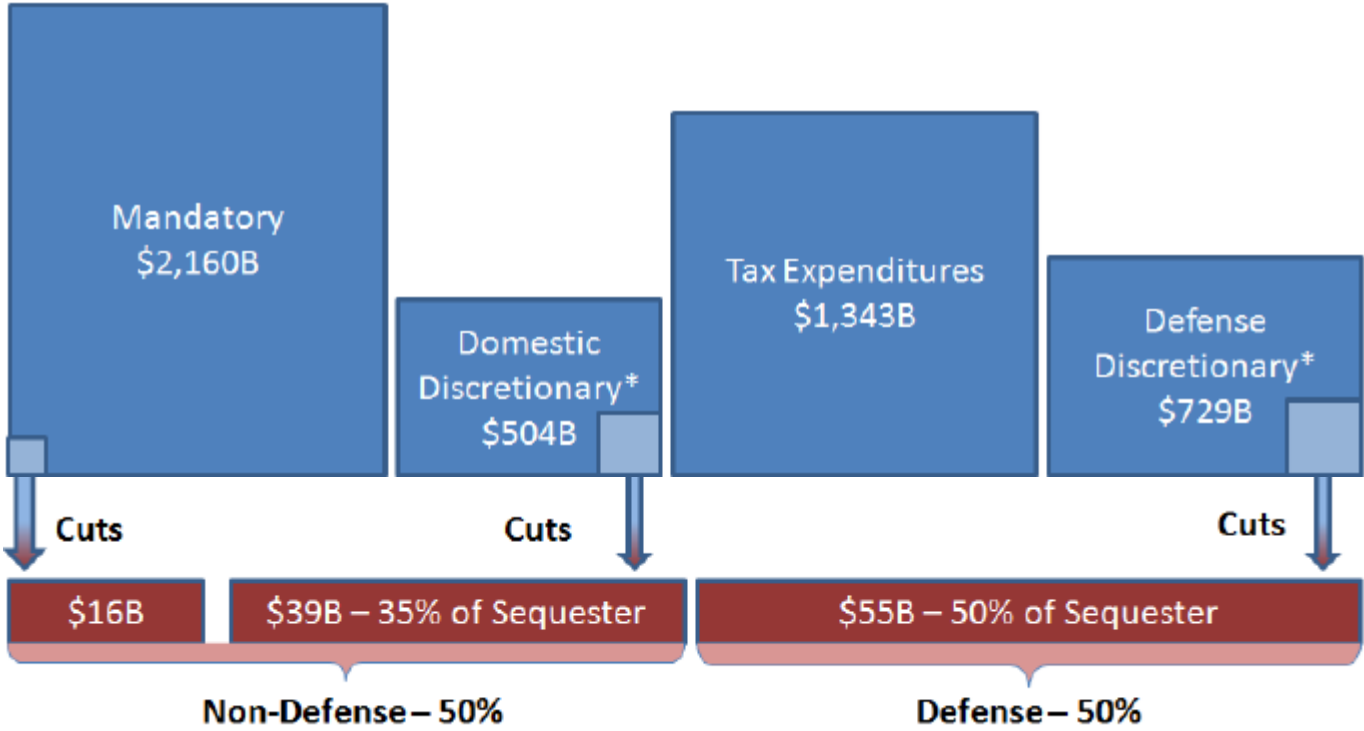
# FY 13 Proposed Outlays



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.



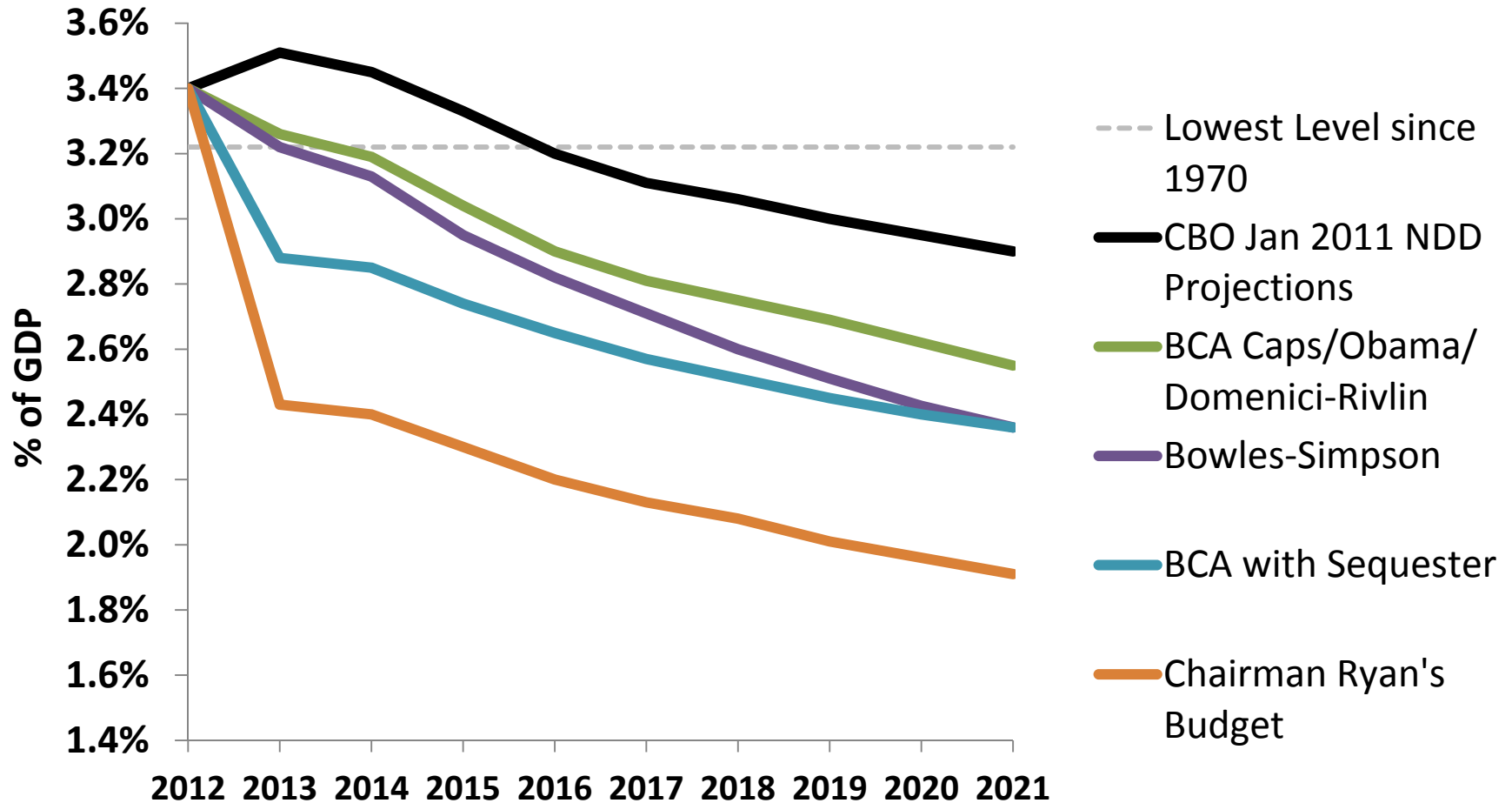
# Impacts on Programs

- 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

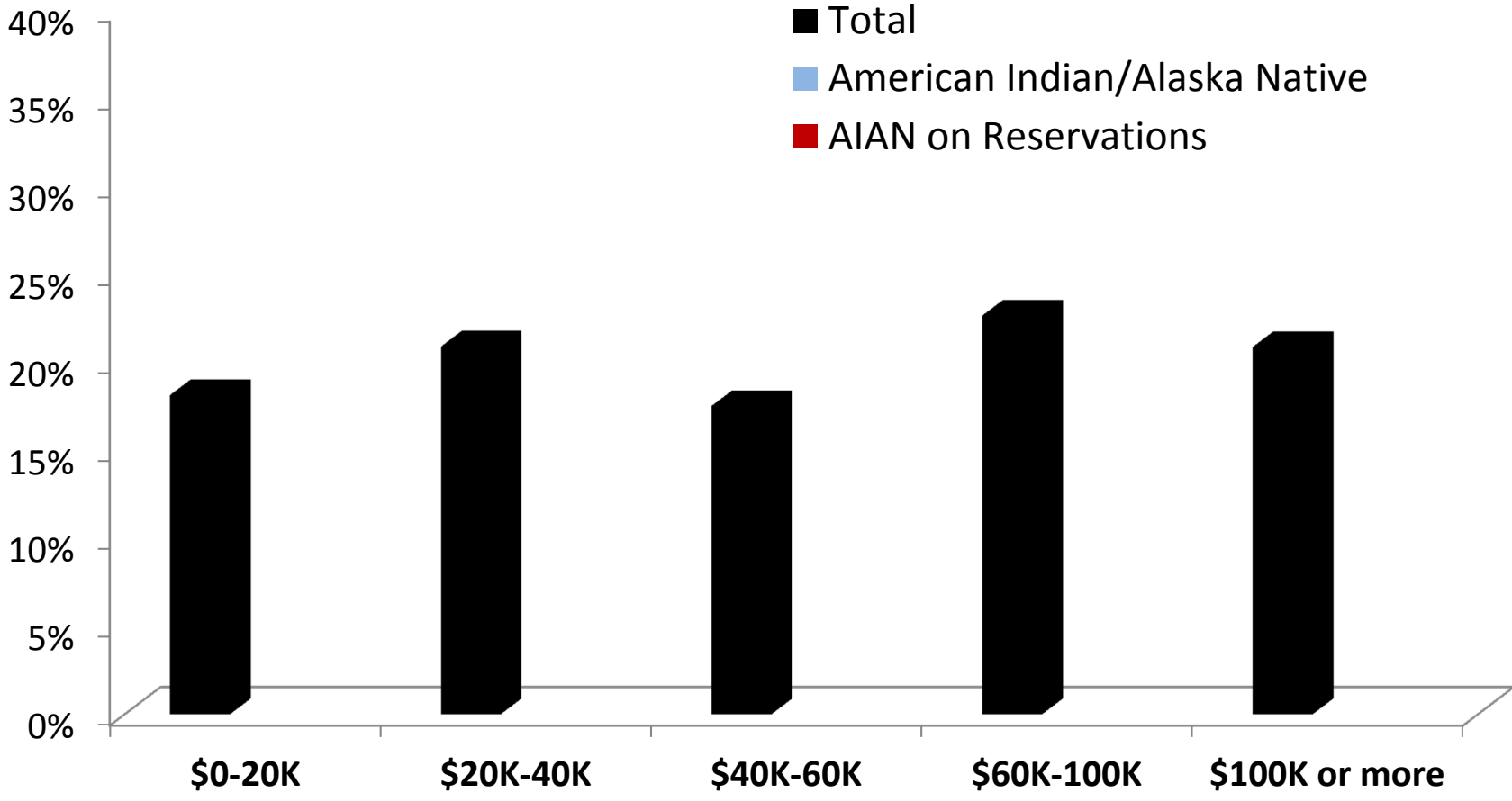




# Tax Fiscal Cliff

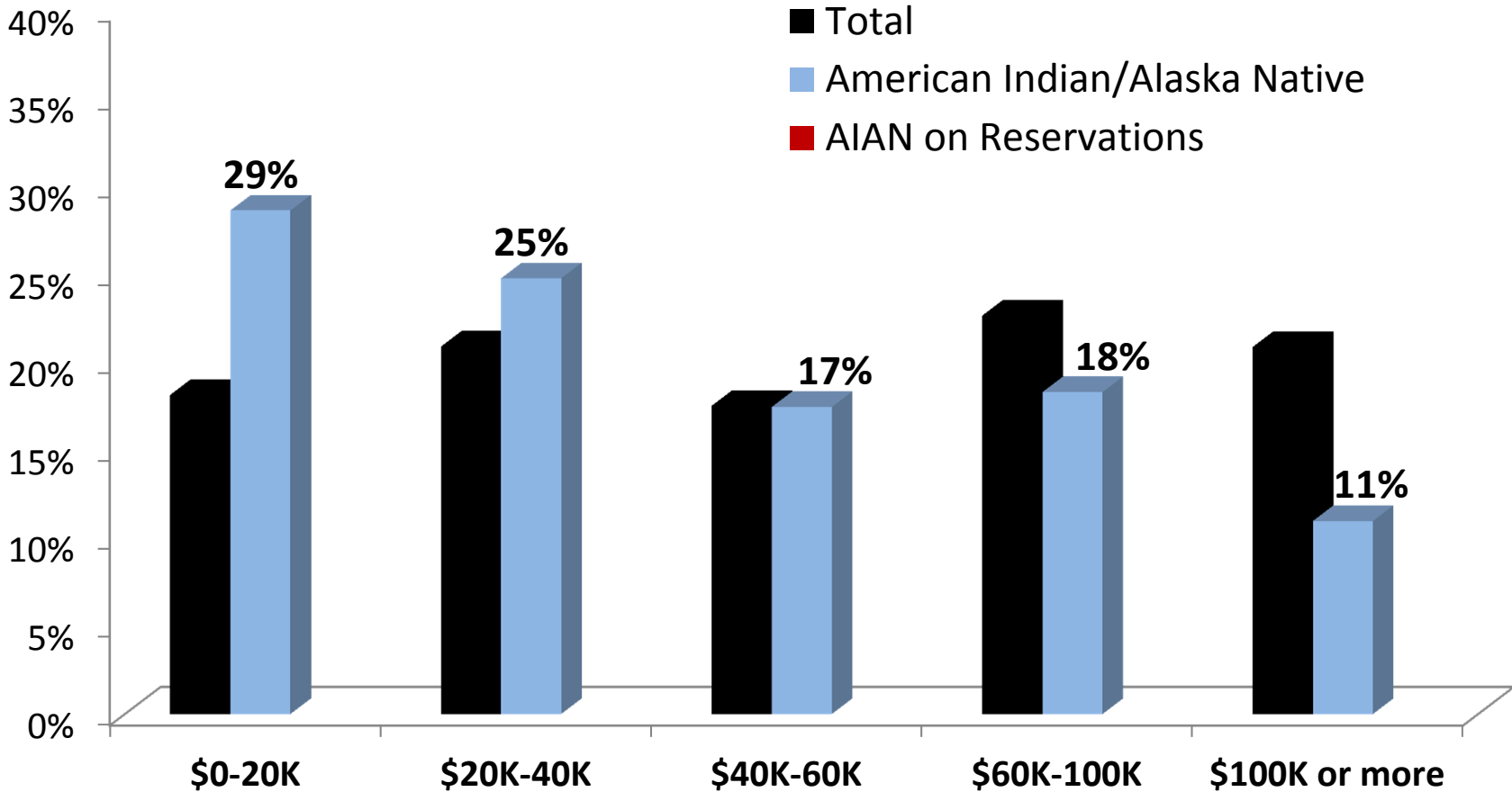
- If all tax cuts expire, overall tax liability will jump 20%.
- 90% of households would face tax increases of \$3,500. Mid income would face \$2,000 more.
- Different tax provisions affect Indian people differently.
- **Most disputed:** expiring tax cuts for high income households and the 2009 stimulus tax credits.
- Also, the health reform law taxes are disputed.

# Household Income in Last 12 months



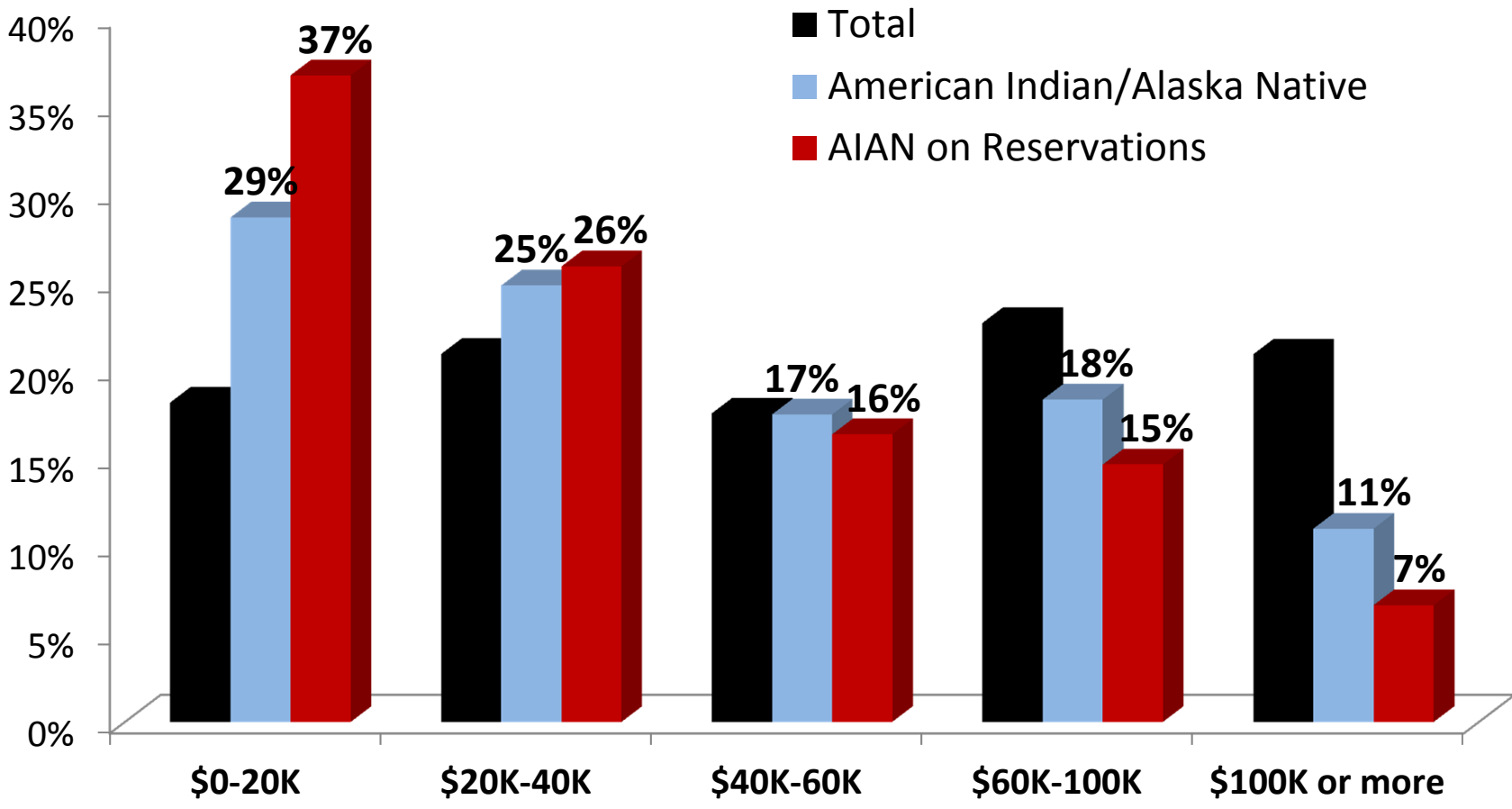
Source: US Census Bureau

# Household Income in Last 12 months















Source: US Census Bureau

# Household Income in Last 12 months

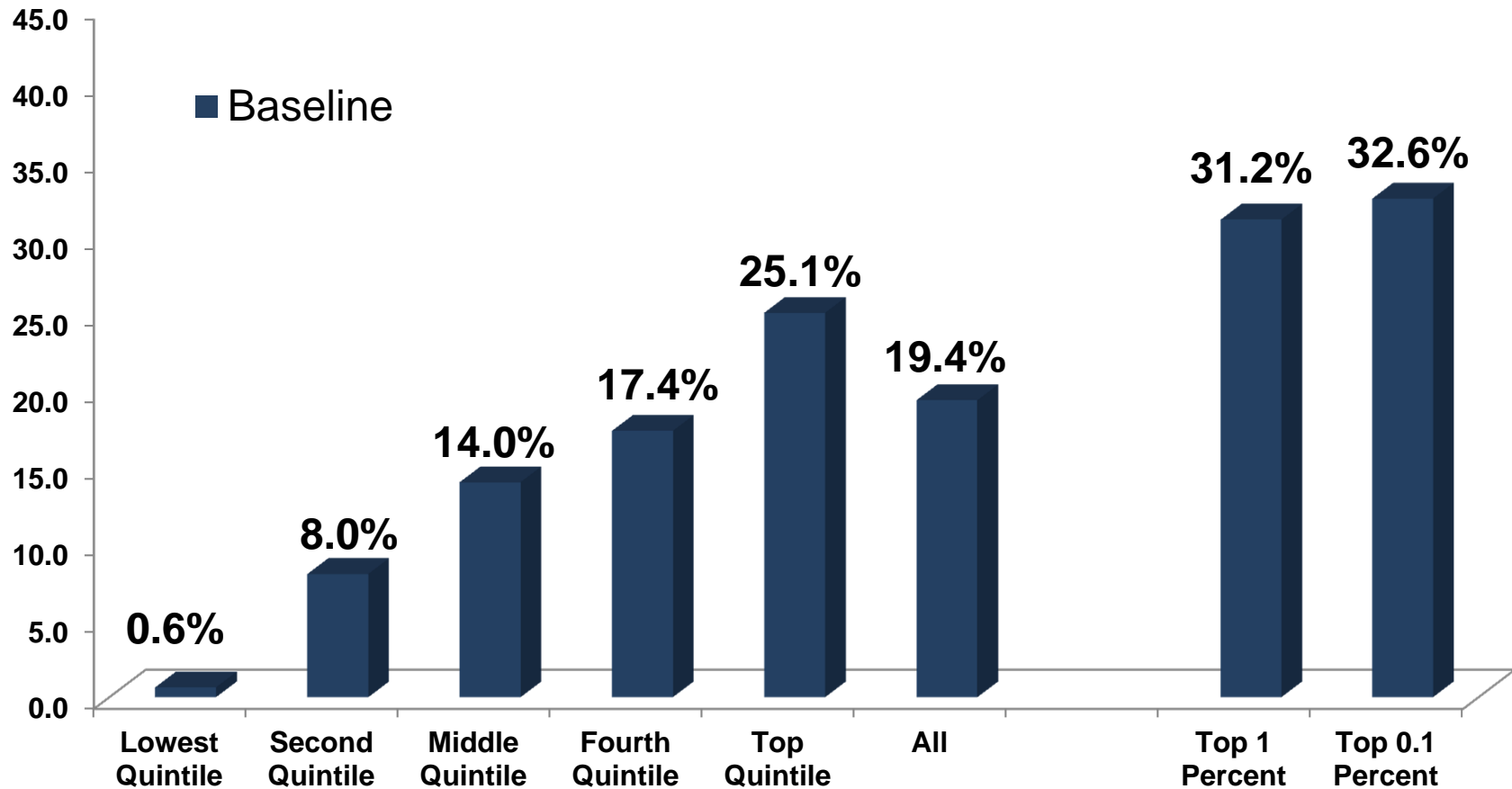


Source: US Census Bureau

# Expiring Taxes

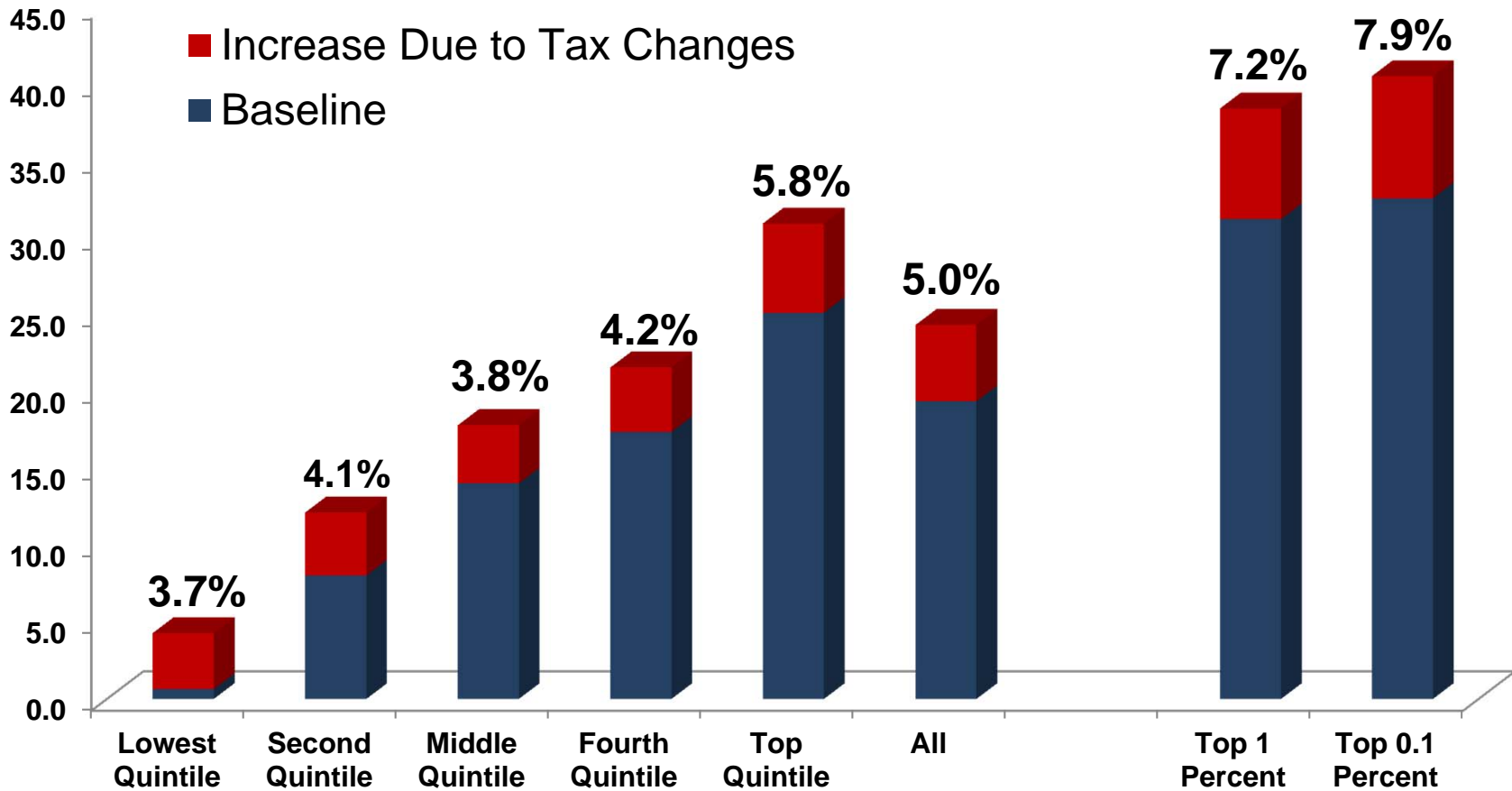
- Payroll Tax Cut: Candidates, Congress will let lapse 
- Health Reform: Candidates, Congress won't repeal 
- Capital Gains, Dividends: Pres  Rep 
- High Income deduction limitation: Pres  Rep 
- Stimulus, EITC, CTC: Pres  Rep 
- Extenders: Likely to avoid 
- Estate tax: Likely to avoid 
- Low, middle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

# Average Federal Tax Rate by Cash Income Percentile, 2012



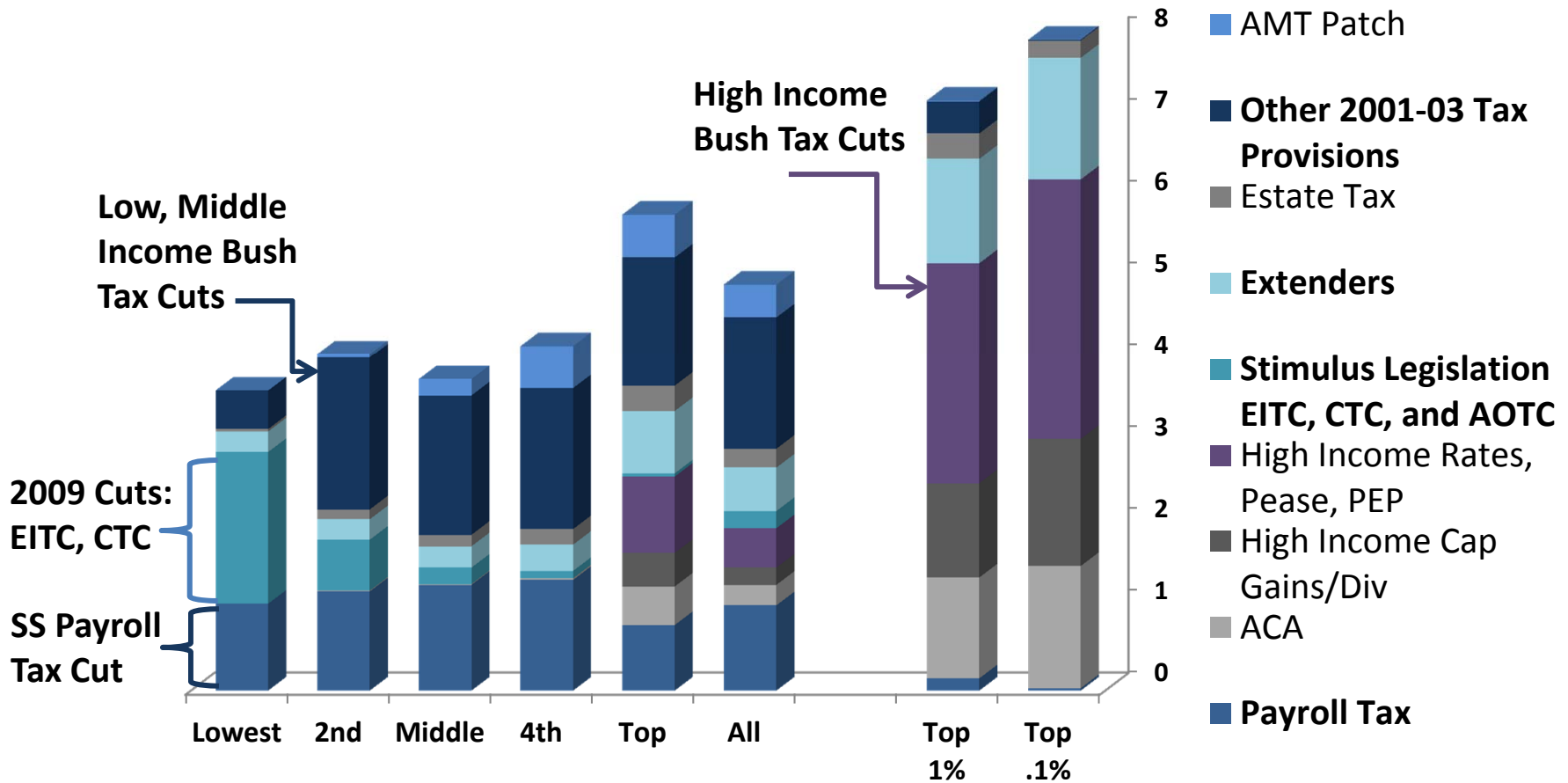
Source: Urban Brookings Tax Policy Center

# Average Federal Tax Rate by Cash Income Percentile, 2012



Source: Urban Brookings Tax Policy Center

# Tax Increases by Fiscal Cliff Components





# 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

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