



Not everyone will feel impact of automatic federal budget cuts

By: David Lightman – February 21, 2013

Don't be too frightened by the doomsday talk about the automatic spending cuts that look more and more likely to kick in next week.

There would be pain, to be sure, with some federal workers taking unpaid furloughs, some programs cut and as many as 700,000 jobs nationwide left uncreated.

But programs that touch millions who rely on government checks most, including Social Security recipients and the poor, will not be affected. For the rest, the impact of cutting \$85 billion from federal spending, called a sequester, won't be felt all at once and in some cases may not kick in for some time. And there may even be escape clauses: If the cuts provoke a huge public outcry, a Congress where most incumbents are seeking re-election next year can undo at least some of the damage.

Even the political fallout is hard to calculate. If the economy keeps growing, those lawmakers next year could point to the sequester as a boost. After all, constituents want the nation's debt reduced, a sizable minority is for proceeding with the cuts, and people are tired of Washington fumbling and delaying efforts to take serious steps.

So despite the White House's warning that chronic suffering is nigh, the impact will not be universal and depends on the agency, the program and the politics.

"The sequester affects different programs differently," said Sharon Parrott, a vice president at the Center on Budget and Policy Priorities, a budget research group.

Prospects for avoiding the March 1 sequestration are dimming. The Democratic-run Senate plans to vote on its partisan alternative next week, a plan that would reduce the amount of spending reductions while raising more revenue. It has no chance of winning approval in the Republican-run House of Representatives.

The impasse probably means the cuts will take effect, and many Republicans have signaled they're perfectly willing to let that happen.

What's coming first, though, is a week of more chilling scenarios and finger-pointing. But assessing the true impact depends on the answers to questions that right now are difficult to resolve with any precision:

– How and when will people feel the changes?

Macroeconomic Advisers, a St. Louis-based research firm, paints a grim, but not too grim, picture. By the end of next year, it estimates, about 700,000 fewer jobs would have been created than might have been expected.

But, the analysis added, “The macroeconomic impact of the sequestration is not catastrophic.”

Big chunks of the budget are exempt, notably Social Security, Medicaid, veterans benefits, the Children’s Health Insurance Program, Pell grants for students, and a host of programs that help the poor. Medicare spending is not subject to the entire reduction.

The cuts, which amount to about 2.4 percent of roughly \$3.55 trillion in total federal spending, are focused on a smaller part of the budget. About half come from defense, which would be trimmed about 13 percent, and half from some domestic programs, which would lose 9 percent of funding. There are lots of variables. Some agencies are said to have saved money in recent months, thereby easing the potential impact, and timing of the cuts varies.

Some big education cuts would take effect in the school year beginning this fall, though hiring decisions will be made starting in the spring. Community development and public housing funds would drop, cuts that would be felt throughout the year. Average wait times to get through airport security could go up about 50 percent.

At the Pentagon, about 800,000 civilian workers face one-day-a week unpaid furloughs for 22 weeks starting in late April.

Cuts in social benefit programs are likely to start quickly so they don’t hit all at once later in the year. That means reductions in jobless benefits for the long-term unemployed would start next month. A delay would mean bigger cuts in succeeding months.

– Can Congress quickly and easily undo the damage?

Maybe. All government funding runs out March 27, so lawmakers are working on a massive spending plan to avoid a shutdown, a plan that could restore some cuts.

Congress also could pass other, separate spending bills, called appropriations, that detail where funds should be spent. There’s hope on Capitol Hill that a defense bill will do just that, and some talk that should a program’s cuts cause an outcry, lawmakers could add money in other spending legislation.

None of that will be easy. The sequester presents three challenges to budget writers: It’s abrupt, it fails to deal with the biggest drivers of the debt and it is indiscriminate, said Marc Goldwein, senior policy director at the nonpartisan Committee for a Responsible Federal Budget.

Making the cuts more judicious would ease the short-term pain, but doing so could create new trouble. Changes probably would have to be offset with more cuts or more revenue, a difficult task to perform in a few weeks.

– Will the cuts prod government to be more efficient?

The cuts were designed as a politically unpalatable poison pill that would force the government to agree on some better way to curb soaring deficits. With Democrats and Republicans unable to agree on an alternative, Democrats say the looming cuts will wreak havoc, while some analysts say the cuts, even if poorly designed, could force needed austerity in government.

“This will force government executives to find cuts,” argued Chris Edwards, director of tax policy studies at the Cato Institute, a libertarian research group.

Republicans tend to agree. “We don’t like sequestration – it’s blunt, it’s ugly, and it just doesn’t work,” said Sen. Lisa Murkowski, R-Alaska. “But it does force us to deal with budget cuts. It forces us to deal with a \$16.4 trillion debt. . . . It does force prioritization.”

“No matter what, there is no good way out of this. There are no good choices,” said Senate Appropriations Committee Chairwoman Barbara Mikulski, D-Md.

How much the government has examined possible choices is unclear.

Sen. Jerry Moran, R-Kan., asked White House Budget Controller Danny Werfel recently about the effects on the National Institutes of Health. Moran said NIH should have a lot of discretion in handling the cuts, and he wanted details.

“I’m not sure of the exact balance,” Werfel said. NIH would have to “issue hundreds of fewer awards” that ultimately would be “setting back work on chronic illness and disease.”

Moran kept pressing. “I’d like to know what the plan is,” he said. “We will get you that,” Werfel said.

As of Thursday, Moran’s office said he had received no response.

– Will there be political fallout?

This could be the most crucial question, because if lawmakers see the impact clouding their political futures, the sequester could end fast.

There’s currently no consensus on the political impact. A Pew Research Center survey Feb. 13-18 found 49 percent said the cuts should be delayed while 40 percent said they should go into effect.

“The public is not expressing a particular sense of urgency” about the sequester, an analysis said.

No one knows how this will ultimately play. “You have to take the long view. It’s about results,” said Nathan Gonzales, deputy editor of the nonpartisan Rothenberg Political Report. If the economy stumbles, critics will point to the sequester as a contributing factor, and those who defended it could be headed for trouble.

But, he said, “If the sequester happens and the economy is better for it a year from now, it becomes a much different kind of political issue.”