

The White House

Office of the Press Secretary

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Fact Sheet: Examples of How the Sequester Would Impact Middle Class Families, Jobs and Economic Security

Unless Congress acts by March 1st, a series of automatic cuts—called a sequester—that threaten thousands of jobs and the economic security of the middle class will take effect. There is no question that we need to cut the deficit, but the President believes it should be done in a balanced way that protects investments that the middle class relies on. Already, the President has worked with Congress to reduce the deficit by more than \$2.5 trillion, but there's more to do. The President believes we can not only avoid the harmful effects of a sequester but also reduce the deficit by \$4 trillion total by cutting even more wasteful spending and eliminating tax loopholes for the wealthy.

Unfortunately, many Republicans in Congress refuse to ask the wealthy to pay a little more by closing tax loopholes so that we can protect investments that are helping grow our economy and keep our country safe. Our economy is poised to take off but we cannot afford a self-inflicted wound from Washington. We cannot simply cut our way to prosperity, and if Republicans continue to insist on an unreasonable cuts-only approach, the middle class risks paying the price. The most damaging effects of a sequester on the middle class are:

- **Cuts to education:** Our ability to teach our kids the skills they'll need for the jobs of the future would be put at risk. 70,000 young children would be kicked off Head Start, 10,000 teacher jobs would be put at risk, and funding for up to 7,200 special education teachers, aides, and staff could be cut.
- **Cuts to small business:** Small businesses create two-thirds of all new jobs in America and instead of helping small businesses expand and hire, the automatic cuts triggered by a sequester would reduce loan guarantees to small businesses by up to \$902 million.
- **Cuts to food safety:** Outbreaks of foodborne illness are a serious threat to families and public health. If a sequester takes effect, up to 2,100 fewer food inspections could occur,

putting families at risk and costing billions in lost food production.

- **Cuts to research and innovation:** In order to compete for the jobs of the future and to ensure that the next breakthroughs to find cures for critical diseases are developed right here in America, we need to continue to lead the world in research and innovation. Most Americans with chronic diseases don't have a day to lose, but under a sequester progress towards cures would be delayed and several thousand researchers could lose their jobs. Up to 12,000 scientists and students would also be impacted.

- **Cuts to mental health:** If a sequester takes effect, up to 373,000 seriously mentally ill adults and seriously emotionally disturbed children could go untreated. This would likely lead to increased hospitalizations, involvement in the criminal justice system, and homelessness for these individuals.

The Office of Management and Budget (OMB) now calculates that sequestration will require an annual reduction of roughly 5 percent for nondefense programs and roughly 8 percent for defense programs. However, given that these cuts must be achieved over only seven months instead of 12, the effective percentage reductions will be approximately 9 percent for nondefense programs and 13 percent for defense programs. These large and arbitrary cuts will have severe impacts across the government.

More detailed explanations of these cuts as well as additional areas that will be impacted include:

Security and Safety

- **FBI and other law enforcement** – The FBI and other law enforcement entities would see a reduction in capacity equivalent to more than 1,000 Federal agents. This loss of agents would significantly impact our ability to combat violent crime, pursue financial crimes, secure our borders, and protect national security.

- **U.S. Attorneys** – The Department of Justice would prosecute approximately 1,000 fewer criminal cases nationwide, and some civil litigation defending the financial interests of the United States would not be pursued, potentially costing taxpayers billions of dollars.

- **Emergency responders** – FEMA would need to reduce funding for State and local grants that support firefighter positions and State and local emergency management personnel, hampering our ability to respond to natural disasters like Hurricane Sandy and other emergencies.

Research and Innovation

- **NIH research** – The National Institutes of Health (NIH) would be forced to delay or halt

vital scientific projects and make hundreds of fewer research awards. Since each research award supports up to seven research positions, several thousand personnel could lose their jobs. Many projects would be difficult to pursue at reduced levels and would need to be cancelled, putting prior year investments at risk. These cuts would delay progress on the prevention of debilitating chronic conditions that are costly to society and delay development of more effective treatments for common and rare diseases affecting millions of Americans.

- **NSF research** – The National Science Foundation (NSF) would issue nearly 1,000 fewer research grants and awards, impacting an estimated 12,000 scientists and students and curtailing critical scientific research.

- **New drug approvals** – The FDA’s Center for Drug Evaluation and Research (CDER) would face delays in translating new science and technology into regulatory policy and decision-making, resulting in delays in new drug approvals. The FDA would likely also need to reduce operational support for meeting review performance goals, such as the recently negotiated user fee goals on new innovative prescription drugs and medical devices.

Economic Growth

- **Small business assistance** – Small Business Administration (SBA) loan guarantees would be cut by up to \$902 million, constraining financing needed by small businesses to maintain and expand their operations and create jobs.

- **Economic development** – The Economic Development Administration’s (EDA) ability to leverage private sector resources to support projects that spur local job creation would be restricted, likely resulting in more than 1,000 fewer jobs created than expected and leaving more than \$47 million in private sector investment untapped.

- **International trade** – The International Trade Administration (ITA) would be forced to reduce its support for America’s exporters, trimming assistance to U.S. businesses looking to increase their exports and expand operations into foreign markets. In addition, ITA would not be able to place staff in critical international growth markets, where there is a clear business opportunity for many American businesses to increase their sales and create jobs at home. These staff would have been part of a key program working to promote and facilitate global investment in the U.S., supporting thousands of new jobs through Foreign Direct Investment.

Government Services

- **Food safety** – The Food and Drug Administration (FDA) could conduct 2,100 fewer

inspections at domestic and foreign facilities that manufacture food products while USDA's Food Safety and Inspection Service (FSIS) may have to furlough all employees for approximately two weeks. These reductions could increase the number and severity of safety incidents, and the public could suffer more foodborne illness, such as the recent salmonella in peanut butter outbreak and the E. coli illnesses linked to organic spinach, as well as cost the food and agriculture sector millions of dollars in lost production volume.

- **IRS customer service and tax compliance** - The cuts to operating expenses and expected furloughs at the IRS would result in the inability of millions of taxpayers to get answers from IRS call centers and taxpayer assistance centers and would significantly delay IRS responses to taxpayer letters. The IRS would be forced to complete fewer tax return reviews and would experience reduced capacity to detect and prevent fraud, resulting in an inability to collect and protect billions of dollars in revenue annually. Cuts to the IRS would ultimately cost taxpayers and increase the deficit through lost revenue from recoveries and additional fraud and abuse.
- **Native American programs** - Tribes would lose almost \$130 million in funding from the Department of the Interior. Reductions would be necessary in many areas including human services, law enforcement, schools, economic development and natural resources.
- **Workplace safety** - The Occupational Safety and Health Administration (OSHA) could have to pull its inspectors off the job for some period of time. This would mean roughly 1,200 fewer inspections of the Nation's most dangerous workplaces, which would leave workers unprotected and could lead to an increase in worker fatality and injury rates.

Education

- **Title I education funds** - Title I education funds would be eliminated for more than 2,700 schools, cutting support for nearly 1.2 million disadvantaged students. This funding reduction would put the jobs of approximately 10,000 teachers and aides at risk. Students would lose access to individual instruction, afterschool programs, and other interventions that help close achievement gaps.
- **Special education (IDEA)** - Cuts to special education funding would eliminate Federal support for more than 7,200 teachers, aides, and other staff who provide essential instruction and support to preschool and school-aged students with disabilities.
- **Head Start** - Head Start and Early Head Start services would be eliminated for approximately 70,000 children, reducing access to critical early education. Community and faith based organizations, small businesses, local governments, and school systems would have to lay off over 14,000 teachers, teacher assistants, and other staff.

Economic Security

- **Social Security applicant and beneficiary services** – The Social Security Administration (SSA) would be forced to curtail service to the public and reduce program oversight efforts designed to make sure benefits are paid accurately and to the right people. Potential effects on SSA operations could include a reduction in service hours to the public, the closure of some offices, and a substantial growth in the backlog of Social Security disability claims.
- **Senior meals** – Federally-assisted programs like Meals on Wheels would be able to serve 4 million fewer meals to seniors. These meals contribute to the overall health and well-being of participating seniors, including those with chronic illnesses that are affected by diet, such as diabetes and heart disease, and frail seniors who are homebound. The meals can account for 50 percent or more of daily food for the majority of home delivered participants.
- **Nutrition assistance for women, infants and children** – Approximately 600,000 women and children would be dropped from the Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) from March through September. At least 1,600 State and local jobs could be lost as a result.
- **Rental assistance** – The Department of Housing and Urban Development's (HUD) Housing Choice Voucher program, which provides rental assistance to very low-income families, would face a significant reduction in funding, which would place about 125,000 families at immediate risk of losing their permanent housing.
- **Emergency unemployment compensation** – People receiving Emergency Unemployment Compensation benefits would see their benefits cut by as much as 9.4 percent. Affected long-term unemployed individuals would lose an average of more than \$400 in benefits that they and their families count on while they search for another job. Smaller unemployment checks will also have a negative impact on the economy as a whole. Economists have estimated that every dollar in unemployment benefits generates \$2 in economic activity.
- **Homelessness programs** – More than 100,000 formerly homeless people, including veterans, would be removed from their current housing and emergency shelter programs, putting them at risk of returning to the streets.

Public Health

- **Mental health and substance abuse services** – Cuts to the Mental Health Block Grant program would result in over 373,000 seriously mentally ill adults and seriously

emotionally disturbed children not receiving needed mental health services. This cut would likely lead to increased hospitalizations, involvement in the criminal justice system, and homelessness for these individuals. In addition, close to 8,900 homeless persons with serious mental illness would not get the vital outreach, treatment, housing, and support they need through the Projects for Assistance in Transition from Homelessness (PATH) program.

- **AIDS and HIV treatment and prevention** – Cuts to the AIDS Drug Assistance Program could result in 7,400 fewer patients having access to life saving HIV medications. And approximately 424,000 fewer HIV tests could be conducted by Centers for Disease Control (CDC) State grantees, which could result in increased future HIV transmissions, deaths from HIV, and costs in health care.

- **Tribal services** – The Indian Health Service and Tribal hospitals and clinics would be forced to provide 3,000 fewer inpatient admissions and 804,000 fewer outpatient visits, undermining needed health care in Tribal communities.