

DEPARTMENT OF EDUCATION
Statement by
Arne Duncan
Secretary of Education
on the
Possible Impact of Sequestration of Fiscal Year 2013
Funds Under the Budget Control Act

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to talk about the impact on America's students and teachers of a sequestration of fiscal year 2013 funds under the Budget Control Act of 2011. That Act created a bipartisan Joint Select Committee charged with developing a plan for comprehensive deficit reduction, in order to avoid the prospect of deep and indiscriminate across-the-board cuts in Federal spending, including both defense and non-defense programs. We all hoped that the breadth and depth of these prospective cuts would spur the Joint Committee to complete its task, through a balanced approach to deficit reduction, and stave off the blind and damaging cuts that would result from sequestration.

Unfortunately, the Joint Committee did not succeed in coming up with a deficit reduction plan, and our day of fiscal reckoning is drawing near. President Obama has been clear that Congress must avoid sequestration by passing a balanced measure that includes at least as much deficit reduction as the \$1.2 trillion that was required of the Joint Committee by the Budget Control Act.

The President's 2013 Budget contains such a balanced proposal, and we will continue to work with the Members of this Committee as well as others in Congress to pursue legislation that would implement the President's proposal and cancel sequestration. There would still be deficit reduction, but not the mindless and harmful across-the-board cuts that could be required by sequestration.

With the beginning of fiscal year 2013 just around the corner and no sign of meaningful progress toward a deficit reduction agreement, we can no longer afford to ignore the dire impact of sequestration. As you will hear from others at today's hearing, the public is appropriately worried about sequestration, and both the business community and State and local governments—including our school districts and institutions of higher education—are now posing questions about what sequestration could mean for their students, teachers, and faculty and how to plan for this possibility. In this context, and since there is both uncertainty and some misinformation regarding how sequestration would work and the impact that it could have, we think it will be helpful to outline, in broad terms, how the Department of Education and, by implication, the Federal Government as a whole, would implement a sequestration of fiscal year 2013 funds.

CBO ESTIMATE OF SEQUESTRATION IMPACT

The Congressional Budget Office (CBO) has estimated that sequestration would require a 7.8 percent reduction in funding for non-defense discretionary programs that are subject to the sequester under the Budget Control Act. The cuts would be applied to the funding levels available in fiscal year 2013, with most reductions coming from 2013 appropriations bills, which have not yet been enacted.

The Administration believes that such a large, across-the-board reduction in spending would be extremely harmful. This should not come as a surprise, because sequestration, by design, is bad policy. The resulting deep cuts carry the very real threat of significant harm to the ongoing economic recovery and our current and future competitiveness in the global economy.

It's also important to note that even without sequestration, domestic discretionary spending has already been declining. Non-security discretionary spending is now on a path to reach its lowest level as a share of GDP since the Eisenhower Administration. In addition, State and local spending has been cut due to the recent financial crisis and economic downturn. At a time when we are just starting to see signs of renewed economic growth, as well as the positive impact of historic education reforms in programs like Race to the Top and School Improvement Grants that will contribute to future growth and prosperity, it just makes no sense at all to undermine this progress through sequestration of Federal funds.

The long-term impact of sequestration could be even more damaging, as it would jeopardize our Nation's ability to develop and support an educated, skilled workforce that can compete in the global economy. Indeed, it would be hard to overstate the devastating impact of sequestration as a signal not just to the Nation, but to the world, that we are no longer able or willing to prioritize investment in the best guarantee of our future success and prosperity: the education of our children.

Before I talk about some specific examples of how sequestration would affect Federal education programs, I want to clarify that because four of our largest elementary and secondary programs are forward-funded, most cuts in funding resulting from sequestration next January would not hit classrooms until the 2013-2014 school year. Most Federal support for education in the 2012-2013 school year is funded through the fiscal year 2012 appropriation, which would be unaffected by sequestration. This means that if sequestration occurs, States and school districts would have roughly the first half of next year to plan for the impact of reduced Federal funding beginning in the 2013-2014 school year. We have communicated this information in a letter to Chief State School Officers from Deputy Secretary Tony Miller.

IMPACT ON STATE FORMULA GRANT PROGRAMS

However, I want to be clear that the delay in impact does not make the prospect of sequestration any less harmful to students, families, teachers, or schools: a recent poll showed that 80 percent of school districts would not be able to make up the funding lost to sequestration. And the effect of the funding lost would be significant. For example, a 7.8 percent reduction in funding for large State formula grant programs that serve over 21 million students in high-poverty schools and 6.6 million students with special needs could force States, school districts, and schools to lay off teachers and reduce services to these needy children.

More specifically, a \$1.1 billion reduction to Title I could mean cutting off funding to over 4,000 schools serving more than 1.8 million disadvantaged students, and more than 15,000 teachers and aides could lose their jobs. Similarly, for the critical Part B Grants to States program under the Individuals with Disabilities Education Act, a 7.8 percent reduction in funding would mean the loss of over \$900 million, eliminating Federal support for about 11,000 special education teachers, aides, and other staff providing essential instruction and other support to children with disabilities.

IMPACT ON STUDENT AID ADMINISTRATION

Another area where students, families, and schools would feel the impact of sequestration is in the administration of Federal student aid. A cut to Student Aid Administration could affect the processing of the Free Applications for Federal Student Aid (FAFSAs), which millions of students and families use to apply for postsecondary student financial assistance. Our student aid contractors would likely have to lay off or furlough many of the contract employees who work for the Department in States with contractor facilities—such as Alabama, Arizona, Georgia, Iowa, New Mexico, and New York—that provide customer services to students and borrowers. This could mean that many students would not receive financial aid determinations and awards in time to make enrollment decisions. In addition, students who do enroll could experience delays in the processing and origination of Federal student loans, since the Department also could be forced to slash spending on contracts that support these essential activities. And the Department could be hampered in its ability to collect student debt and provide quality services to borrowers once they are out of school, due to cuts in the contracts with the private-sector entities that service Federal student loans. Just to be clear about the magnitude of the risks here, during the 2011-2012 award year the Department delivered or supported the delivery of approximately \$172 billion in grant, work-study, and loan assistance to almost 15 million postsecondary students attending more than 6,000 postsecondary institutions. In addition, since the Department would likely need to furlough many of its own employees as well, sequestration would significantly harm the Department's ability to prevent fraud, waste, and abuse in these very large, complex student financial assistance programs.

IMMEDIATE EFFECT ON IMPACT AID AND VOCATIONAL REHABILITATION

It is also important to point out that the impact of sequestration would not be delayed until the 2013-2014 school year for all Federal education programs. Sequestration would have a more immediate effect on individuals and schools served through programs like Impact Aid and the Vocational Rehabilitation (VR) State Grants, which are not forward-funded.

The \$1.2 billion Impact Aid Basic Support Payments program would lose almost \$90 million under sequestration, a significant blow in the middle of the school year for districts that serve federally connected children, including military dependents and Native American students. For example, in Texas, the Killeen Independent School District receives about \$53 million in Impact Aid support for 23,000 federally connected children—including 18,000 military dependents—who make up half of the student population in the district. Sequestration would cut Killeen's Impact Aid payment by more than \$4.6 million.

The Gallup-McKinley County Public Schools in Gallup, New Mexico, receives about \$35 million from the Impact Aid program, or about 35 percent of the district's total budget, to help meet the needs of 7,500 federally connected children, including 6,700 students who live on Indian lands. Sequestration would result in a mid-year cut of more than \$3 million to Gallup-McKinley's Impact Aid payment.

In the Vocational Rehabilitation (VR) State Grants program, sequestration would require an immediate reduction of approximately \$240 million for activities that help about 1 million individuals with disabilities at any given time to prepare for, obtain, or retain employment. Sequestration of VR funding would likely result in higher counselor caseloads and increased wait times for individuals to receive essential services. At a time when the unemployment rate for people with disabilities is significantly higher than the general population, this cut would be devastating.

While it is our hope and intention that we avoid sequestration, the Department of Education, along with all other agencies, will be prepared to implement sequestration if necessary. Reductions of this magnitude in critical Federal education programs would betray our longstanding commitment to improving educational opportunity for the neediest students and their families, and are absolutely the wrong way to address our Nation's fiscal challenges. Support for disadvantaged elementary and secondary students in high-poverty schools; efforts to turn around thousands of low-performing schools, including so-called "dropout factories" that help put nearly a million teenagers a year at risk of social failure and a lifetime of poverty; programs that help students and adults with disabilities meet educational and independent living goals; work-study jobs for college students, many of them first-generation college students—all would be put at risk by sequestration.

I hope you will agree that sequestration is no way to achieve our shared goal of fiscal responsibility, and no way to set priorities for Federal spending, either in education or any other area of the Federal budget. I also hope that this hearing will help to jumpstart renewed discussions, both here in the Congress and outside the beltway, on how we can work together to achieve comprehensive deficit reduction while continuing to make the investments we need to safeguard our people and our future.

Thank you, and I will be happy to take any questions you may have.