

Center for American Progress



National Gay and Lesbian
Task Force



Caught in the Budget Battle

How the 'Fiscal Showdown' Impacts Gay and Transgender Americans

Center for American Progress and The National Gay and Lesbian Task Force November 2012

Foreword by the Human Rights Campaign

Introduction and summary

If Congress fails to act during the lame-duck session, a series of onerous automatic federal spending cuts and tax hikes will go into effect on January 2, 2013.¹ This budget battle has two major components:²

- Significant cuts to the federal budget under a process known as “sequestration”
- Expiration of a number of tax cuts

Sequestration in particular would result in draconian cuts to federal programs that support the health, wellness, and livelihood of gay and transgender Americans and their families. From workplace nondiscrimination protections to health care coverage to supporting our nation’s elders, cuts in these programs would seriously harm gay and transgender Americans.³

The fiscal showdown is looming, with a little longer than one month remaining before it possibly goes into effect. While policymakers work to hammer out an eleventh-hour deal to avoid devastating budget cuts, it is important to remember that we did not get to the edge of this metaphorical fiscal cliff by accident.

In 2011 Congress passed the Budget Control Act of 2011 as part of a deal to raise the ceiling on our nation’s debt.⁴ As part of that deal, congressional Republicans held the nation’s credit worthiness and economic recovery hostage to force painful and immediate spending cuts on the country,⁵ totaling more than \$1 trillion over the 10-year period from 2012 through 2021.

In addition to these immediate cuts, the Budget Control Act also left Congress with the task of finding an additional \$1.2 trillion to cut from the budget over the same 10-year period. In the fall of 2011 the congressional super committee, tasked with designing a plan to reduce the deficit by this amount, failed to produce an agreed-upon proposal.⁶ Unless Congress acts during the upcoming lame-duck session, automatic cuts to the federal budget—known as sequestration—will be

triggered and will go into effect beginning in January 2013 so as to achieve the \$1.2 trillion in deficit reduction as mandated by the Budget Control Act.⁷

Additionally, a number of tax cuts are set to expire at the same time that sequestration is set to go into effect at the beginning of 2013, potentially creating a perfect storm that would simultaneously mandate across-the-board cuts to the federal budget and raise taxes on nearly all Americans.⁸ Economists agree: Failure to reach a resolution would hurt job growth, weaken our economic recovery, and impact all Americans.⁹

Avoiding sequestration remains a critical policy goal for Congress. Doing so is important for all Americans, including gay and transgender Americans and their families. As this report details, many federal programs, both directly and indirectly, function to support and serve the gay and transgender population. If across-the-board budget cuts go into effect, this population will experience a host of negative outcomes, including the following:

- Sequestration would hurt gay and transgender workers and threaten their employment security because federal agencies would have fewer resources to investigate claims of employment discrimination.
- Sequestration would compromise gay and transgender health by reducing programmatic funding used to address the health care needs of gay and transgender Americans.
- Sequestration would remove critical resources from government agencies currently working to combat bullying and school violence against gay and transgender youth.
- Sequestration would limit the federal government's ability to address the high rates of homelessness among gay and transgender youth.
- Sequestration would limit the government's capacity to prevent discrimination in housing against gay and transgender renters, tenants, and potential homeowners.
- Sequestration would hamper the government's efforts to prevent violent crime against gay and transgender people through enforcement of hate crimes legislation and other similar federal initiatives aimed at preventing violence in this community.

The bottom line: Gay and transgender Americans simply cannot afford to be caught in the middle of the fiscal showdown. Reductions to federal programs under sequestration would be particularly harmful to gay and transgender people of color, a population that already experiences significant health disparities and economic vulnerabilities due to their double minority status.

While there has been significant research and speculation on the possible effects of sequestration on federal programming, it remains to be seen exactly how the full impact and extent of the potential budget cuts will play out. Still, it is clear that sequestration in any form would have a devastating impact for gay and transgender people, as well as their families. Congress can and must work to reach a deal before this year's end to ensure that this does not happen.

Fortunately, congressional lawmakers from both sides of the aisle are doing just that. As negotiations proceed, lawmakers must lay the foundation for a rational, long-term solution to the fiscal challenges facing our country. Legislators can achieve this by considering a balanced approach of spending reductions and revenue increases similar to what has been proposed by a number of bipartisan commissions and what is reflected in the White House's budget proposals.¹⁰ If lawmakers cannot agree to a comprehensive deficit deal by year's end, Congress should at the very least pass a short-term delay so that sequestration does not go into effect at the beginning of 2013. A delay would then provide the newly elected class of congressional leaders with the opportunity to immediately craft a viable, bipartisan, and long-term solution, and prevent devastating cuts to federal programs.

Congress must act swiftly to put our country back on a stable fiscal path that strengthens the current economic recovery. But Congress must do so while avoiding across-the-board spending cuts that would be harmful to millions of Americans, including those who are gay and transgender. The clock is ticking.

How sequestration works

In 2011 Congress passed the Budget Control Act of 2011 as part of a deal to raise the ceiling on our nation's debt. As part of this deal to ensure that we would not default on our debt, congressional Republicans required Congress to make sweeping across-the-board cuts to government spending, resulting in the fiscal predicament we find ourselves in today.

If Congress fails to strike a deal before the end of this year, sequestration will go into effect in two phases. First, in 2013 sequestration will trigger an automatic 8.4 percent across-the-board cut in most nondefense discretionary programs, an automatic 7.5 percent cut in affected defense programs, and an automatic 8 percent cut in mandatory programs. Under the federal government's existing budget, these cuts will be split evenly between defense and nondefense programs. There will be approximately \$54.7 billion in across-the-board cuts to both defense and nondefense programs in 2013.¹¹

In the second phase of sequestration—from 2014 through 2021—there are no across-the-board cuts to defense program budgets. Instead, those budgets are capped to reduce projected appropriations funding, which will achieve savings of \$54.7 billion per year through 2021 and leaves reduction and allocations decisions to congressional appropriations committees.¹² For nondefense programs there is a distinction between how mandatory programs and nondefense discretionary budgets will experience cuts.¹³ Mandatory programs will experience the same across-the-board budget cuts per year that they will face in 2013. Discretionary programs, on the other hand, will be capped in a way similar to defense programs, leaving it to Congress to determine the exact nature of the discretionary cuts.

Some programs are spared the axe under both phases of sequestration. These programs include Social Security, Medicaid, the Children's Health Insurance Program, the Supplemental Nutrition Assistance Program, Temporary Assistance to Needy Families, and numerous tax credits for low-income families.¹⁴ All programs that fall under the jurisdiction of the Department of Veteran's Affairs, including veterans' compensation, are exempt from sequestration.¹⁵

In addition to sequestration, the fiscal showdown has a number of other components. First and most importantly, a number of tax cuts are set to expire at the same time sequestration is set to kick in. This includes the expiration of the Bush tax cuts for both high- and middle-income Americans, the expiration of the payroll tax cut, the expansion of the Alternative Minimum Tax back to 2000 levels, and a number of other expiring tax provisions.¹⁶ In conjunction with the expiration of these tax cuts, the emergency unemployment insurance extension for the nation's long-term jobless would also expire. Unemployed workers are entitled to 26 weeks of unemployment compensation payments that are provided for through state taxes and are exempt from sequestration. The federal government has been providing unemployment compensation after the state obligation has been exhausted, but this extension is set to expire at the end of 2012.¹⁷

Note: These figures are based on projections from the Center on Budget and Policy Priorities. The exact figures for budget cuts are unknown and are subject to a number of variables.

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