

Public Policy Notes

Southern Early Childhood Association

All Bets are Off! Deficit Reduction Leads the Way

As this newsletter is being written, the U.S. House of Representatives is moving aggressively forward to reduce the 2011 federal budget by cutting \$61 billion from discretionary spending.

What's Discretionary Spending?

Discretionary spending is that portion of the federal budget that is allocated each year. That means all major domestic programs, including education, health and human services, the arts and sciences, operation of the federal agencies and the U.S. Military.

What Does This Mean for Us?

During the last few years, we

have seen appropriations for our programs such as Head Start increased and those monies have been utilized to increase the scope of programs and the number of children served. As budget cuts are discussed in the House, no program is "off the table" and everyone is going to feel some pain in the Republican proposal that should pass the House.

If the House Passes the Budget Cuts, What Comes Next?

The legislative process dictates that when one chamber of Congress passes a bill, it must go to the other chamber for consideration. That means a House bill will go to the Senate next for consideration and passage. The

Senate can:

- Choose to pass the bill in the form transmitted by the House and then send to the President for his signature or veto.
- Amend the bill and return it to the House for their concurrence and approval of the changes.

What Happens if the Senate Amends the Bill and the House Won't Approve the Changes?

If the House fails to pass the bill, there is a real possibility of a federal government shut-down. Spending authority expires on March 4th.

Read below for more.

February 2011

Volume 4, Issue 2

This issue of *Public Policy Notes* is an abbreviated issue because of the historic significance of current Congressional action. What's happening in Washington D.C. will affect all of us, and it's important to share the latest data and information that we don't have yet.

For information about anticipated trends in 2011, go to *Public Policy Notes, January 2011, Volume 4, Issue 1*. See below for information about a special edition next week.

Watch for a special edition of *Public Policy Notes* next week.

We'll put together an analysis of the House budget bill and the potential impact on programs.

We'll also update you on where we stand with the March 4th deadline and what you may expect from the U.S. Senate and President.

It's going to be a rocky few weeks!

March 4th: The Deadline is Looming

In 2010, the U.S. Congress failed to pass appropriations bills that would adopt a federal budget for 2011. (The 2011 federal budget starts on October 1st of each year.)

The federal government cannot operate without an approved budget and appropriations, and a measure called a "continuing resolu-

tion" has been used to provide a short-term extension of last year's budget to avoid closing the doors of government. **That resolution expires March 4, 2011.**

In the spring of 2010, Congressman Steny Hoyer (D-MD) announced that the Democrats would not attempt to adopt a 2011

budget. Democrats chose to defer the budget negotiations until the President's Deficit Commission issued their report in December.

That report has come and gone and the budget process has remained stalemated.

Southern Early Childhood Association

1123 S. University, Ste 255
Little Rock, AR 72204
PO Box 55930
Little Rock, AR 72215-5930

Phone: 800-305-SECA
Fax: 501-227-5297
E-mail:

info@southernearlychildhood.org

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"A Voice for Southern Children"

We're on the Web!
www.southernearlychildhood.org

How to Use This Newsletter

If you're interested in advocacy, one of the most effective tools that you can have is access to information. This newsletter is provided as a service to locate and share information that we think will be helpful to you in your work at the state level and to keep you updated on what's happening in public policy.

You'll find information that:

- **Compares your state to other SECA states**—how you're doing, what issues you have in common, what the hot topics are in your states.
- **Brings the national scene to your fingertips** and gives you a perspective on how national events might impact you...You'll also receive information about where to find additional information.

We hope you'll find it helpful. Children need you to be their "voice" in your community and state.

Interest on the Federal Debt: Why It's Driving Budget Decisions

According to figures in President Obama's budget plan that was released this week, **the national debt will quadruple in the next 10 years.**

What Does That Mean?

Interest payments, beginning in 2014, will exceed the amount spent on education, transportation, energy and all other discretionary programs (not including defense). In 2018 they will exceed Medicare spending.

Why Should We Be Concerned About Interest Payments?

Just like any family, the federal government must pay interest on any money it borrows. Currently, we're able to borrow at very low interest rates; however, with the amount of debt that the US is now carrying, it is estimated that entities that loan us

money will be unwilling to continue to finance our debt at those levels. President Obama's budget estimates that interest rates on money the federal government borrows will climb from 3% this year to 5.3% by 2020. **That's almost double what we're paying now.** By 2017 net interest payments are expected to reach \$627 billion, up from \$207 billion in the current fiscal year. Source: AR Democrat Gazette, 2-18-11

How Does This Affect the Federal Budget and Discretionary Spending?

You know how your family budget works. If you're paying interest on a loan (perhaps your home mortgage or car), the interest has to be paid each month. The federal government is basically in the same position and the

amount of interest that must be paid is money that cannot be allocated to other programs. As the amount of interest owed grows, the pot of revenue available to allocate to domestic programs such as education shrinks. The only way to keep funding programs at continuing levels (what you have now) is to borrow more money, which increases the interest and principal that we owe.....a vicious cycle.

The lack of economic growth in the recession (with the resulting downward trend in federal revenue) has made the problem worse. We've got some hard decisions to make and children's advocates are going to have to work hard to make the case for keeping their programs intact.