



CALIFORNIA  
DEPARTMENT OF  
EDUCATION

**TOM TORLAKSON**

STATE SUPERINTENDENT OF PUBLIC INSTRUCTION

February 11, 2013

Dear County and District Superintendents, Direct-Funded Charter School Administrators, and County Chief Business Officers:

### **SEQUESTRATION AND CALIFORNIA PUBLIC SCHOOLS**

Recent federal legislation has modified the system of automatic budget cuts known as sequestration. While the final outcome of this fiscal discussion remains uncertain, the following information is intended to update you regarding the sequestration process and the projected amount of cuts, as it currently stands.

In August of 2011, Congress passed the Budget Control Act. This legislation directed a Congressional "supercommittee" to reduce federal spending by at least \$1.2 trillion over the next decade. The supercommittee's failure to present a specific program of spending reductions triggered automatic cuts through a process known as sequestration, which applies an across-the-board percentage cut to most federal spending streams in federal Fiscal Year (FY) 2013. Cuts will be applied through reductions in annual appropriations during the FYs 2014–21.

Final passage of the American Taxpayer Relief Act of 2012, commonly referred to as the "fiscal cliff bill," on January 1, 2013, averted scheduled income tax rate increases and the spending reductions required by the sequestration process. Automatic cuts were modified in two notable ways: First, the effective date of sequestration was delayed until March 1, 2013. Secondly, the amount of cuts to be taken **from FY 2013 funds only** was reduced by \$24 billion. In order to achieve the \$24 billion spending cut reduction, Congress agreed to raise \$12 billion in new taxes and to cut \$12 billion from Congressional spending caps.

In addition to these changes, in FY 2013 and future years, some modifications will be made to how sequestration cuts are calculated. **It is estimated the net effect of sequestration cuts on FY 2013 will be to redirect funding by approximately 5.9 percent.**

Despite all of these changes, funding for the 2012–13 school year should remain unaffected. In a July 20, 2012, memorandum to Chief State School Officers, Deputy Secretary of Education Anthony Miller stated that funds for programs which receive advance appropriations, including Titles I and II of the Elementary and Secondary Education Act and the Individuals with Disabilities Education Act, would not be subject

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to sequestration when initially awarded to states in October 2013. Instead, those cuts will count against the funds the states receive in July 2013 and will represent approximately 5.9 percent of the program's total annual funding.

After FY 2013, spending reductions are going to be implemented through cuts to annual Congressional appropriations. This will give lawmakers more discretion regarding how they want to distribute the cuts and which programs they might protect. However, it does mean future funding for education programs will continue to remain uncertain.

The fiscal future is still unclear while Congress discusses numerous fiscal issues, including the debt ceiling (expected in mid-February), the new scheduled implementation of sequestration cuts on March 1, 2013, and the expiration of the current Continuing Resolution which funds the federal government through March 27, 2013.

In the event that sequestration is not repealed or an alternate plan agreed to by Congress makes significant cuts to education, we continue to urge districts to create a contingency plan. All estimates of federal funding we may provide are only preliminary and may be adjusted to align with the final federal award to the state.

If you would like additional information or have any questions regarding this matter, please contact Erika Webb-Hughes, Federal Policy Liaison, Government Affairs Division, by phone at 916-319-0821 or by e-mail at [ehughes@cde.ca.gov](mailto:ehughes@cde.ca.gov).

Sincerely,



Tom Torlakson

TT:ewh

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