Final Examination Readings
WRC 1013 and 1023
Spring 2013

Please write your name on the packet of readings you have downloaded from The Writing Program’s website.

- Bring this packet to the final exam.
- You may underline, highlight, and annotate the readings.
- You **may not** bring thesis statements, outlines, prewriting, or drafts in any form to the exam.

You may bring a standard English dictionary, in print form, not electronic form, and *The Little Seagull Handbook* to the final.

Be sure to bring the Works Cited or References page to the final.

No class time will be allotted for discussion of the readings

- You may, if you wish, discuss the readings outside of class with your classmates.
- You may not discuss them with your instructor.

If you haven’t done so already, turn in two (2) blank blue or green books to your instructor.

- You will write your final essay in these blue or green books.
- Your instructor will return them to you on the day of the final.

Remember to write on only one side of each page.

Write “Final Draft” on the cover of the blue or green book(s) you want your instructor to read and evaluate.

After completing the final essay, turn in to your instructor

- This reading packet.
- All blue or green books, even those that are blank.
- The prompt.

Your final exam will be in the same room as your semester class has been held.

Be sure to confirm the day and time of your final. You can

- Check your syllabus
- Check postings around campus
- Check ASAP
- Ask your instructor
- Check outside The Writing Program office, PNB 1.118
- Check on The Writing Program’s website: [http://www.utsa.edu/twp/FinalExam.htm](http://www.utsa.edu/twp/FinalExam.htm)
CNN Explains: Sequestration

By Matt Smith; 9:28 AM EST, Tue February 19, 2013

Here we go: A new round of confrontation between the White House and Congress over the federal budget is in the offing, this time in a new attempt to avert the looming "sequestration" process.

What is sequestration?
It's a series of automatic, across-the-board cuts to government agencies, totaling $1.2 trillion over 10 years. The cuts would be split 50-50 between defense and domestic discretionary spending.

It's all part of attempts to get a handle on the growth of the U.S. national debt, which exploded upward when the 2007 recession hit and now stands at more than $16 trillion. The sequester has been coming for more than a year, with Congress pushing it back to March 1 as part of the fiscal cliff deal at the end of the last session.

By the numbers: Recent defense spending

Why does this seem familiar?
It started with the 2011 standoff over the U.S. debt ceiling, when Republicans in Congress demanded spending cuts in exchange for giving the Obama administration the needed legal headroom to pay the federal government's obligations to its bondholders. In the end, Congress and the administration agreed to more than $2 trillion in cuts. About $1 trillion of that was laid out in the debt-ceiling bill and the rest imposed through sequestration -- a kind of fiscal doomsday device that Congress would have to disarm by coming up with an equal amount of spending reductions elsewhere.

What were they thinking?
The plan was that a special congressional panel, dubbed the "super committee," would find a less painful way to cut spending. It failed in November 2011. That left federal agencies facing what outgoing Defense Secretary Leon Panetta called "legislative madness" in the form of harsh cuts that no one wanted.

"For those of you who have ever seen 'Blazing Saddles,' it is the scene of the sheriff putting the gun to his head in order to establish law and order," Panetta said in a speech at Washington's Georgetown University. "That is sequestration."

But for many conservatives, sequestration is a feature, not a bug. It's "the first chance we have for real savings and deficit reduction," the tea party-aligned lobbying group FreedomWorks tells supporters on its website.

"President Obama already agreed to the sequester savings when he signed the debt ceiling bargain into law," FreedomWorks says. "He needs to follow through."

Military pay in play in game of political poker

Where will the cuts fall?
More than $500 billion will be cut from the Defense Department and other national security agencies, with the rest cut on the domestic side -- national parks, federal courts, the FBI, food inspections and housing aid. While the Pentagon has laid out plans ranging from furloughs of hundreds of thousands of civilian workers to combat readiness training and weapons maintenance, the White House budget office hasn't specified which domestic agencies would take the biggest hits.
Panetta says that the $46 billion in spending cuts for 2013 would cut sharply into military readiness -- and the longer the cuts are pushed back, the deeper they'll have to be to achieve the required savings.

Opinion: Republicans, be smart about defense cuts

So now what?
Congress put off the sequester until March 1 as part of the last-minute fiscal cliff deal on New Year's Day. Without that agreement, economists warned that the one-two punch of sequestration and the expiration of the 2001 and 2003 Bush tax cuts could have thrown a still-struggling U.S. economy into reverse.

Even with the fiscal cliff deal, the austerity moves already were slowing the economy, Obama suggested over the weekend. The Commerce Department said a large cut in federal spending, primarily on defense, contributed to the 0.1% decrease in gross domestic product seen in the last quarter of 2012.

"Washington cannot continually operate under a cloud of crisis. That freezes up consumers," Obama said during a pre-Super Bowl interview with CBS. "It gets businesses worried. We can't afford these self-inflicted wounds."

How our tribes cause gridlock in Congress

Tuesday, Obama urged Congress to pass a short-term deal that puts off the cuts, allowing some breathing room for a long-term deficit reduction plan. But Obama said any deal should include more revenue from ending some tax breaks -- a stance that inflamed Republicans who already had to swallow a tax increase for top earners in the fiscal cliff deal.

"I don't like the sequester. I think it's taking a meat ax to our government, a meat ax to many programs that will weaken our national defense," House Speaker John Boehner, R-Ohio, said Wednesday. But, he added, "Americans do not support sacrificing real spending cuts for more tax hikes."

The Sequester Hits the Reservation

By The Editorial Board; March 20, 2013

The Congressional Republicans who brought us the mindless budget cuts known as the sequester have shown remarkable indifference to life-sustaining government services, American jobs and other programs. So what do they make of the country’s commitments to American Indians, its longstanding obligations to tribal governments under the Constitution and treaties dating back centuries?

Very little, it seems. The sequester will impose cuts of 5 percent across the Indian Health Service, the modestly financed agency within the United States Department of Health and Human Services that provides basic health care to two million American Indians and native Alaskans. It is underfinanced for its mission and cannot tolerate more deprivation.

Here lies a little-noticed example of moral abdication. The biggest federal health and safety-net programs — Social Security, Medicaid, the Children’s Health Insurance Program, the Supplemental
Nutrition Assistance Program, Supplemental Security Income, and veterans’ compensation and health benefits — are all exempt from sequestration. But the Indian Health Service is not.

The agency was supposed to be spared the worst of the automatic cuts; at least that is what its officials believed. Under a 1985 law that served as the model for the current sequester, annual cuts to appropriations for the Indian Health Service could not exceed 2 percent.

Even a cut of that amount is very bad news for the main health care provider for some of the poorest and sickest Americans, living in some of the most remote and medically underserved parts of the country. Like care for veterans, Indian health was supposed to be one area in which duty and compassion trumped cheapness.

The agency’s officials were braced for that level of cuts, but they were mistaken. The Office of Management and Budget interpreted the sequestration law to mean that the 2 percent cap did not apply to most of the Indian Health Service financing.

The agency’s director, Yvette Roubideaux, had to warn tribal leaders last September to plan for a much bigger, $220 million cut, which it expects will lead to 3,000 fewer inpatient admissions and 804,000 fewer outpatient visits each year.

The Indian Health Service operates 320 health centers, 45 hospitals, 115 health stations and 4 school health centers across the country. The vast majority of these are on reservations, where poverty, disease, substance abuse, suicide and other public health challenges are severe.

The government has been increasing its support for the service in the last decade; at a hearing on Tuesday of the House Appropriations Subcommittee on Interior, Environment and Related Agencies, the chairman, Mike Simpson, an Idaho Republican, noted that between 2000 and 2012, financing rose to $4.4 billion from $2.4 billion.

This has allowed some improvement and stability in services. But Dr. Roubideaux told Mr. Simpson that the agency’s catastrophic health emergency fund, which reimburses providers for trauma care and major surgeries, would still run out of money before the end of the year.

The federal government cannot use its budget nihilism to avoid its moral and legal obligations.

How the sequester will hit Texas

February 25, 2013

The White House last night began releasing state-by-state reports detailing how the sequester will unroll (it’s worth noting some Republicans are already challenging some of the state-specific numbers). According to the Texas fact sheet, here’s some of what we can expect to happen this year in the Lone Star State unless Congress intervenes to stop the $85 billion in automatic spending cuts set for March 1:

- **Children**: Nearly 10,000 kids won’t get vaccinations, and about 2,300 would be left without child care. On the education front, nearly 5,000 kids will lose access to Head Start and
schools are slated to lose some $68 million in education funding, putting nearly a thousand teacher and aid jobs at risk.

- **Military:** The White House report says the sequester would furlough 52,000 civilian Defense Department employees in Texas. A recent Pew Charitable Trust study puts the total jobs lost due to military cuts around 90,000. The state’s Army and Air Force bases, meanwhile, stand to receive a collective $260 million in cuts.

- **College:** Some 5,000 low-income students in the state would lose federal aid to help fund higher education. About 1,500 Texas students would no longer have access to work-study jobs.

- **Environment:** Texas stands to lose about $8.5 million in funding to ensure clean water and air funding, as well as $2.2 million in grants for fish and wildlife protection.
before most scientists feel the impacts.

The lower spending required under the 2011 Budget Control Act—an $85 billion cut for the current fiscal year that ends on 30 September—would eventually have serious consequences for the research community as well as for the general public. The federal government is now operating under a temporary extension of 2012 spending levels called a continuing resolution (CR). The sequester imposes a further cut of roughly 5% to domestic programs and 7.2% for defense programs, although the cuts will seem steeper because they must be carried out in the remaining 7 months of the 2013 fiscal year.

Although an imminent deal between Congress and the White House seems unlikely, some relief could arrive later this month if Congress passes a regular spending bill for the rest of the fiscal year. That would allow agencies to protect activities seen as most central to their mission and delay or terminate those regarded as less important. The sequester gives them much less opportunity to move money around.

A bigger factor would be the size of the new spending package. A bill that incorporated $1.2 trillion spending reduction to be spread over 10 years. The nightmare for federal science officials is that Congress will apply the lower spending ceilings stipulated by the 2011 law to future annual budgets. Those repeated cuts would hollow out federal support for science, they argue.

The differences in how agencies manage research make it hard to generalize the impact of sequestration. The National Institutes of Health (NIH) expects to squeeze existing grants, for example, while researchers applying to National Science Foundation (NSF) will face tighter competition.

Those decisions reflect each agency’s traditional approach to grantmaking. NIH tells investigators that continued funding for most multiyear awards is contingent on NIH’s future budget. And last week, NIH said investigators are likely to see their out-year budgets trimmed by three percentage points. With annual grants averaging $431,000, that’s real money.

In contrast, NSF typically makes what it calls standard awards in which all of the money for a 3-year grant is committed up front. That policy should allow current NSF

pressing societal problems such as world hunger and clean energy.

Agency heads were reluctant to go into more detail, however, because their implementation plans must first be approved by the White House Office of Management and Budget before going to Congress. The 2011 law gives agencies until 30 March to inform legislators. But a few were prepared to cite specific impacts:

- The U.S. Geological Survey plans to take offline more than 50% of its network of about 3100 stream gages. Data from the gages help in forecasting floods, studying changes in land use, and monitoring climate change as well as informing water managers in the public and private sectors.
- NSF says cuts to the agency’s big facilities account “will result in the termination” of $35 million in construction contracts for two large national networks of observatories being built to monitor ecological systems and the oceans (NEON and OOI). Managers for both projects say they are on schedule, but NSF will likely ask them to generate a new timetable and scope of operations.
- Cuts to the Census Bureau will mean that proposed cost-saving measures won’t be ready for the 2020 census. Robert Groves, who stepped down as director last summer to become provost at Georgetown University, says that now is the time to test planned alternatives to the hiring of 600,000 people to follow-up on gaps in replies to the initial census form, including the use of existing government records and the Internet. That can’t happen if the bureau’s budget is cut, he says.
- NASA plans a 5% cut in the number of awards to scientists who want to analyze the massive stream of data from a slew of current missions. “People are already getting out of the business” because of the diminishing chances in recent years of obtaining NASA funding, says Mark Sykes, director of the Planetary Science Institute in Tucson, Arizona. The latest cuts, he says, mean that NASA is “thinking of now, not the future.”

Whatever happens this week, policymakers are already talking about the next showdown. The federal government could shut down if Congress doesn’t act before the CR runs out on 27 March. And in May, the government’s authority to borrow money to pay the national debt expires. So 1 March may well turn out to have been merely the latest installment in a never-ending spending crisis.

—JEFFREY MERVIS

With reporting by Adrian Cho, Jocelyn KAiser, Richard Kerr, and David Malakoff.
J. Anthony "Tony" Tyson, director of the proposed Large Synoptic Survey Telescope (LSST), felt last month like he had won the lottery. After a decade of tough negotiations with the U.S. National Science Foundation (NSF), the agency's oversight body said the $665 million project was ready to be built. But in the months to come, Tyson, an astrophysicist at the University of California, Davis, may discover that getting a green light to seek $465 million from NSF's large facilities account is more akin to winning permission to book passage aboard the Titanic.

For U.S. scientists doing research supported by the federal government, the 2013 fiscal year, which begins on 1 October, could be catastrophic. The financial iceberg heading their way even has a name: sequestration.

The word comes from the Budget Control Act, passed in August 2011 to avert a federal default. The law created a congressional commission, which last fall came up with a long-term strategy to reduce the country's $1.5 trillion annual deficit.

But Congress failed to adopt the commission's recommendations. Its inaction triggered the second component of the act: a decade of mandatory spending cuts totaling $1.2 trillion. The first bite—$110 billion across all agencies, divided equally between military and civilian programs—is scheduled to take effect on 2 January.

It may be the most unpopular law in Washington. All the key players in last summer's high-stakes negotiations—President Barack Obama, Senate Majority Leader Harry Reid (D-NV), and Speaker of the House of Representatives John Boehner (R-OH)—have repudiated its blunt approach to deficit reduction. In particular, Republicans have tried to fence off military spending, while Democrats want to protect domestic programs.

White House budget director Jeffrey Zients says that sequestration "is bad policy, was never meant to be implemented, and should be avoided." And this month he and another senior Administration official told Congress that the law was "highly destructive" and would lead to "senseless chaos." In fact, regret runs so deep that many believe Congress will find a way to postpone or avoid the cuts it mandated.

The uncertainty has left federal agencies groping in the dark. The Administration has promised to follow the terms of the Budget Act. But on 31 July, Zients told each agency to "continue normal spending and operations since more than 5 months remain for Congress to act." In reality, meaningful negotiations aren't likely to begin until after the 6 November national elections, when legislators return for a lame-duck session. Another complication is that the cuts would apply to a FY 2013 budget that Congress is not likely to approve before next spring (Science, 10 August, p. 631).

Last week, Obama signed a measure, embraced overwhelmingly by legislators from both parties, that requires him to spell out the consequences of sequestration for each agency within 30 days. But Administration officials have already said the overall impact on science would be "devastating," translating into an immediately

week's briefing doubts that the White House will be any more specific next month. "When the other side won't say what they will cut, you don't want to make enemies by spelling out the details," says Gilbert Omenn, a professor of medicine at the University of Michigan, Ann Arbor, who served as both a budget and a science officer under former President Jimmy Carter. Omenn's biggest fear is that Congress will exempt military spending, placing an even heavier burden on civilian programs. But he thinks Congress is more likely to simply push back the start date for sequestration. In the meantime, science agencies are warning their constituents to prepare for the worst.

Yet Tyson remains optimistic. One reason is his unshakeable faith in the value of LSST. The telescope will teach science at the end of the agreement. (Private donors have already put up the remaining $40 million.) If not, he says, "other things will intrude and we won't be able to stay on schedule." And a delay would inevitably increase its overall construction cost.

Sequestration poses a serious threat to that schedule, however. At a minimum, NSF would need enough money in its large facilities account to build LSST without squeezing other projects already in the queue. NSF requested $197 million for the account in 2013 to continue work on four projects—the National Ecological Observatory Network (NEON), the Ocean Observatories Initiative, the Advanced Technology Solar Telescope, and Advanced LIGO, a second-generation interferometer—and hopes to receive $182 million more for them in 2014. That amount, if achieved,
11 States That Are Going To Get Slammed Hardest By The Sequester

By Brett LoGiurato; Feb. 26, 2013

With less than a week to go until the sequester kicks in, the White House is warning of the effects that the automatic, across-the-board cuts will have on individual states. Here, we've compiled a list of 11 states that will be hit the hardest by the cuts. For some, the pain will come in the form of military job loss and readiness. For others, it will come from educational programs like Head Start. Certain programs like nutritional assistance for seniors and funding for clean air and water projects will also be subject to the axe.

Texas is going to get totally slammed by budget cuts — especially in education.
Texas will get hit in a number of areas, coming in among the top three hardest hit states in a range of spending areas, from education to environmental funding.
The state stands to lose approximately $67.8 million in education funding, putting about 930 teacher and aide jobs at risk. Head Start services would be slashed for 4,800 children. And about 52,000 Department of Defense employees will be furloughed. The only area in which Texas won't see too many cuts is in the public health sector.

**New York's public health funding will be decimated.**
New York will lose approximately $1,070,000 in funds that help respond to public health threats like infectious diseases and natural disasters, such as Hurricane Sandy. The state will see about a $5,730,000 decline in grants to aid in the prevention and treatment of substance abuse, resulting in about 6,100 fewer admissions to substance abuse programs. And New York’s health departments will lose about $2,726,000 in HIV testing funds, which will mean around 68,200 fewer HIV tests.

**In California, 64,000 civilian defense workers will be furloughed.**
California will be subject to 64,000 civilian military furloughs. The state will lose about $87.6 million in funding for primary and secondary education, putting around 1,210 teacher and aide jobs at risk. The state will also lose $1.1 million in vaccine funding, which means 16,000 fewer children will be vaccinated. In addition, California will lose $1.6 in justice assistance grants that help beef up local law enforcement.

**Virginia's defense workforce will also take a monster hit.**
The White House warned that Virginia's military readiness could be compromised because of especially drastic cuts to some of its military programs. Around 90,000 civilian Department of Defense employees in Virginia will be furloughed if the sequester takes effect, which means a $648.4 million reduction in gross pay. The Army would have to cut base funding by around $146 million; the Air Force would cut operations by about $8 million; and the Navy would be forced to cancel the maintenance of 11 shifts in Norfolk and defer and delay other ship projects.

**Maryland will also lose lots of military money.**
Maryland is another state whose military readiness will be disproportionately affected, which is why Gov. Martin O'Malley has been sounding the alarm in recent weeks. Around 46,000 civilian Department of Defense employees would be furloughed if the sequester takes effect, amounting to a $353.7 million in gross pay reduction. The Army would have to cut base funding by around $95 million; the Air Force would cut operations by about $10 million; and $9 million in funding for a Navy project would be slashed.

**Florida stands to lose $54.5 million in education funding.**
Approximately 750 teacher and teacher-aide jobs are at-risk in Florida, which will see a $54.5 million decline in funding for primary and secondary education. Florida's Head Start program would lose funding for 2,700 children. The state will be subject to 31,000 civilian military furloughs. Florida will also see cuts in job-search assistance funding, meaning 78,960 fewer people would get help looking for employment. And it would see a $3.8 million decrease in funding to provide meals for seniors.

**Pennsylvania's child care system would be wrought by the cuts.**
Pennsylvania will take a disproportionate hit on funding for child care services. Around 1,800 disadvantaged and vulnerable children could be prevented from access to child care, which would also affect working parents with jobs.
The state would also see big cuts in funding for public health. The White House estimates Pennsylvania could lose up to $1.2 million in federal funds, which would be more than New York.

Ohio will lose tons of job-assistance funding.
Ohio will lose $1.8 million in funding for job-search assistance programs, which means 57,100 fewer people would receive help in finding employment. Ohio's public health funding will also take a big hit, with about $1.1 million in expected cuts. The state will also lose about $3.3 million in grants to help prevent and treat substance abuse, meaning 4,200 fewer people could be admitted to substance abuse facilities.

Illinois will lose lots of funding for public safety.
Obama's home state will experience big across-the-board cuts. Perhaps most significantly, the state will see a large decline in funding for law enforcement and public safety, with the loss of $587,000 in justice assistance grants. Illinois' education system will also feel the effects of sequester. The state will lose $33.4 million in funding for primary and secondary education, putting nearly 500 teacher and aide jobs at risk.

Michigan's seniors will be hit hard.
Michigan is among the top 10 states in many areas set to be cut. The sequester looms particularly large for programs that provide meals to seniors. Michigan stands to lose $1.8 million in funding for those programs, more than larger states like New York.

Alaska will lose millions in fish and wildlife protection money.
Alaska will be hit with the second-highest cut in grants for fish and wildlife protection, to the tune of $2.1 million. That's more than every other state except Texas.

Federal government faces mandatory spending cuts

By David Glickman; Tuesday, February 26, 2013

As March 1 nears, Congress still appears to be nowhere close to solving the sequester, a budgetary situation that would result in mandatory spending cuts by the federal government. If Republicans and Democrats cannot come to an agreement over budgetary matters, $85 billion in cuts to both the military and domestic programs will immediately go into effect.

The sequester was part of a deal reached during the debt-ceiling debates of 2011. Due to the parties’ disagreement on a deal to raise the debt-ceiling, they compromised on a stop gap measure, raising the debt-ceiling, but also agreeing to figure out a way to cut $1 trillion in domestic spending over the next 10 years under the Budget Control Act, according to the New York Times. A “Supercommittee” consisting of six members from each party were tasked with figuring out what form the $10 trillion in cuts would take.

However, because the “Supercommittee” was unable to agree on spending cuts by Dec. 23, 2011, no deal was reached, and nothing was proposed to Congress. As such, a clause in the Budget Control Act would have removed $85 billion in budget cuts on Jan. 1, 2013. “Together with the expiration of the Bush tax cuts and the payroll tax cut, this would have amounted to a giant fiscal contraction, almost certainly throwing the United States into another recession.” according to the Washington Post.
However, deals with the tax cuts were reached and the sequester was pushed back until March 1 of this year.

Currently, President Obama is fighting for an even split between domestic cuts and tax increases to replace the sequester cuts. Republicans have held steady against tax increases and proposed shifting the sequester cuts to programs such as food stamps and Medicare along with spreading them out over 10 years according to CBS News.

If a deal is not reached by March 1, effects will be felt within a month in the U.S., according to the Washington Post. In particular, people receiving unemployment benefits will see a likely 9.4 percent reduction in their check. The Department of Defense is expected to begin furloughing large quantities of their civilian task force due to the sequester. Payments to doctors and other medical professionals who treat Medicare patients will drop as well.

**Policy Briefing**

**Budget Cuts Loom for Infrastructure Programs Unless Congress Acts**

In the absence of congressional action before year’s end, many federal programs will see their fiscal year (FY) 2013 budgets cut by as much as 10 percent. Scheduled to take place in early January, the automatic reductions will target a wide swath of the federal budget, including numerous programs pertaining to infrastructure. Although the current Congress will have the opportunity to address the situation after the November elections, it remains to be seen whether policy makers will resolve or merely extend a long-simmering budgetary crisis of their own making.

During the summer of 2011, Congress and the Obama administration debated the merits of increasing the debt ceiling for the federal government while arguing about how to trim the nation’s spiraling annual budget deficits. Although they eventually opted to increase as sequestration in legislative parlance, the cuts will reduce federal spending by roughly $109 billion annually over the next nine years, an amount that is to be split equally between defense and nondefense areas. Scheduled for January 2, the first round of such reductions looms large, threatening federal agencies with the imminent specter of automatic, across-the-board budget cuts.

Meanwhile, the potential effects of sequestration on a given program would also vary according to the nature of the funding. Most federal programs, including most infrastructure programs, are funded by what is known as appropriated budget authority, meaning funding authorized by Congress and provided through the traditional appropriations process. By contrast, a smaller number of programs, including certain key highway and mass transit programs, are funded by what is known as contract authority. Here program funding can be obligated based on an authorization act but are not provided through an appropriations act, subject to a certain threshold known as an obligation limitation. Based on federal rules regarding sequestration that date to the mid-1980s, programs funded by means of appropriated budget authority are subject to sequestration, whereas programs funded by contract authority with obligation limitations are exempt, says Young Lee, the associate director for finance at the American Association of State Highway and Transportation Officials, of Washington, D.C.
the debt ceiling, the legislative branch and the president essentially postponed major action on deficit reduction. Instead, Congress passed and the president signed into law the Budget Control Act of 2011 (P.L. 112-25), which in part created the Joint Select Committee on Deficit Reduction to recommend measures for reducing the federal deficit by at least $1.2 trillion between FFYs 2012 and 2021. The committee’s recommendations were to be the subject of an up or down vote by Congress. However, the members of the committee were unable to agree on recommendations by the required deadline in December 2011, and so far this year Congress has failed to resolve the question of how to reduce the deficit in accordance with the Budget Control Act.

Under the law’s provisions, unless Congress and the White House enact a plan by the end of calendar year 2012 for achieving the required deficit reduction target of $1.2 trillion, significant budget cuts will occur automatically. Known as the "sequester," this provision means that a particular amount of discretionary spending will be cut across every federal program. For example, the discretionary spending for defense programs would be cut by 5.5 percent, while nondefense programs would be cut by 7.5 percent. However, the classification of exempt and nonexempt programs and the estimates of the potential budget cuts are only "preliminary," according to the OMB report. If the sequester were to occur, the actual results would differ based on changes in law and ongoing legal, budgetary, and technical analysis, the report stated.

Among federal programs involving transportation infrastructure, most are classified by the OMB as nondefense spending, meaning that they would be subject to slightly smaller reductions, in terms of percentage, than defense programs. However, environmental cleanup efforts conducted by the U.S. Environmental Protection Agency at defense sites would be treated as defense programs and, therefore, would be subject to a cut of $471 million, or 9.4 percent, according to the OMB report.

This distinction means that certain elements of discretionary funding for surface transportation would not be cut under sequestration. For example, federal aid for highways and mass transit financed through the Highway Trust Fund would indeed be spared from the sequester, Lee says, "because these are contract authority programs that receive annual obligation limitations." However, the Highway Trust Fund would not go unscarred under sequestration, he notes. As part of legislation passed in June to reauthorize the federal surface transportation program, Congress included provisions to transfer money from the general fund to the Highway Trust Fund in FYs 2013 and 2014 in an effort to maintain the solvency of the fund. These transfers, totaling $6.2 billion in FY 2013 alone, would be subject to a cut of 7.6 percent under sequestration, resulting in a reduction of $471 million next year. Meanwhile, other surface transportation programs funded by appropriated budget authority,

including funding for high-speed rail, Amtrak, and the Federal Transit Administration’s New Starts grants program, would be cut by 8.2 percent.

Aviation funding faces a similar outcome, says Brian Palladino, ASCE’s managing director for government relations and infrastructure initiatives. Although Airport Improvement Program grants would not be targeted for cuts, several other programs administered by the Federal Aviation Administration would be subject to cuts of 8.2 percent, Palladino notes. For example, the agency’s operations budget would be reduced by $377 billion, according to the OMB report.

Two major infrastructure programs administered by the U.S. Environmental Protection Agency also would be trimmed by 8.2 percent. In particular, funding for the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund would be cut by $293 million, while the Superfund program would lose $119 million. Multiple programs overseen by the U.S. Army Corps of Engineers also would see their funding drop. For example, the allocations for construction and for operations and maintenance would decline 8.2 percent, resulting in cuts of respectively $150 million and $176 million, according to the OMB report.

For infrastructure advocates, the prospect of funding cuts to key federal programs is "frustrating," Palladino says. Over the long term, any spending reductions will cause "ripple effects" that will contribute to the overall decline of the nation’s infrastructure, he says.

In its report, the OMB called on Congress to prevent the planned cuts before they take effect. "No amount of planning can mitigate the significant impact of the sequester," according to the report. "The destructive across-the-board cuts required by the sequester are not a substitute for a responsible deficit reduction plan."

This message was seconded by others outside of the federal government. "We strongly believe that the OMB report reveals the ham-handed and indiscriminate sequester cuts for what they are: an indefensible and irresponsible way to make budgetary changes," said Steve Bell, a senior director for the Bipartisan Policy Center, a think tank based in Washington, D.C., in a September 14 news release. "The message to policy makers is clear: urgent action is needed to replace the looming dysfunction of sequestration with a balanced plan to address the deficit and the nation’s perilous fiscal trajectory," Bell said.

Ominously, the Bipartisan Policy Center "believes that the practical impact of sequestration would be even more severe than that suggested by the OMB’s calculations," Bell said. Because any cuts would occur well into FY 2013, they would "result in even greater percentage reductions to the funds remaining for the rest of the fiscal year," he said.

—JAY LANDERS

Jay Landers is a contributing editor to Civil Engineering.
Economy to suffer as Congress fails to prevent sequester

By David Glickman; Tuesday, March 5, 2013

On March 1, President Obama signed into law $85 billion dollars in federal budget cuts for the current fiscal year. The cuts, known as the sequester, are part of a provision created in the 2011 debt ceiling deal. Due to the inability of Congress to agree on how $16 trillion in cuts over the next 10 years would take shape, the sequester went into automatic effect, with half the cuts to the military and half to domestic programs.

President Obama, in a press conference on March 1, referred to the cuts as “dumb” and “arbitrary.” He blamed Republicans for the sequester, saying, “They’ve allowed these cuts to happen, because they refused to budge on closing a single wasteful loophole to help reduce the deficit.”

On “Meet the Press” on Sunday, March 3, Speaker of the House John Boehner countered this argument saying “Over the last 10 months, House Republicans have acted twice to replace the sequester... we’ve known about this for 16 months. And yet even today, there’s no plan from Senate Democrats or the White House to replace the sequester.”

For months, economists have been warning of the negative effects the sequester would bring should it go into effect. While they do not think it will trigger a second recession, there are concerns that it will slow the economy further. As Henry Aaron, senior fellow of economic studies at the Brookings Institution, said, “[The sequester is] pushing policy in exactly the wrong direction. At a time when the economy still needs a stimulus to promote recovery rather than restrictive policies to prevent overheating.”

Jared Bernstein, senior fellow at the Center on Budget and Policy Priorities, said, “If the sequester takes effect and stays in effect for the year, I suspect it will lower real GDP growth by .5 percent points and lead to the loss of between 500,000 and 700,000 jobs. No, I don’t think it will lead to a recession, I just think it will lead to slower growth than would otherwise be.”

Texas and San Antonio are expected to be affected by the sequester due to the large military presence. As the San Antonio Express-News reported, at least 5,000 military personnel will lose their jobs, and furlough days for those at Joint Base San Antonio already being cut. KENS 5 reported that Texas’ military could lose as much as $1.7 billion dollars by October, and the 80,000 unemployed Texans could see their benefits drop in the coming months as well.

Currently, no new bills have been proposed to manage or change the effects of the sequester. The cuts are expected to affect the national parks, social security, jobs in both the military and public sector and in several other areas, according to the New York Times.

Sequestration Presents Uncertain Outlook for Students, Researchers, and Job-Seekers

By Allie Bidwell; March 1, 2013

As the midnight-Thursday deadline came and went, steep federal spending cuts were set in motion, leaving college students, administrators, and researchers bracing for the effects of impending reductions...
in financial-aid, research, and job-training programs. Adding to the anxiety is the fact that no one is certain exactly how or when those effects will be seen.

Advocacy groups, colleges, and President Obama have all called on Congress numerous times to come to a compromise and avoid the across-the-board reduction in federal spending, which will take place through a process known as "sequestration." Though a handful of last-minute bills were introduced in the days leading up to the March 1 deadline, legislators failed to approve a plan to avert or postpone the cuts in time, and higher-education institutions across the country are now waiting to see exactly how they will be affected.

President Obama is expected to meet with Congressional leaders on Friday to discuss possible ways to avoid the sequester, but that meeting is not expected to halt the first phase of cuts from taking effect.

The White House has warned that there will be significant reductions in some student-aid programs, in federal funds that support university research, and in college-preparatory programs, but it is difficult to nail down the immediate effects, as program administrators are not sure of how and when the administration will put the cuts into effect.

**The Student-Aid Recipient**

U. S. Education Secretary Arne Duncan warned that the reductions would have a significant impact on both the financing and delivery of federal financial aid for college students. Although the Pell Grant program is exempt from cuts for the first year of sequestration, programs like the Supplemental Educational Opportunity Grant and Federal Work-Study would be cut by millions of dollars, eliminating more than 100,000 students from participation.

But most students won't see the effects of cuts in those programs until July 1, when the financial-aid program year begins. Most colleges send out their financial-aid award letters to students in March and April, but many institutions will have to do so with an asterisk or a caveat until they are notified of new allocations of federal funds from the Department of Education, according to Justin Draeger, president of the National Association of Student Financial Aid Administrators.

Once colleges are notified of exactly how much federal money they will receive for the 2013-14 school year, institutions may need to send students revised financial-aid letters, or determine if they can help fill the gap for students out of their own budgets.

It is disappointing, Mr. Draeger said, to have such financial battles late in the academic year because it creates "an air of uncertainty" for students and their families.

"We leave them scrambling with too many unknowns at a time when they should be narrowing down how much they'll be paying for college," Mr. Draeger said.

Students should keep in close contact with their campus financial-aid offices, he said, to ask if they should expect any reduction in aid.

**The University Researcher**

The White House has also warned that sequester cuts will force research organizations like the National Institutes of Health and the National Science Foundation to make fewer research-grant awards, which could result in the loss of thousands of jobs for scientists and students.

Universities' research leaders have estimated that federal research spending will be trimmed by more than $12-billion in 2013, and by nearly $95-billion over the next nine years, which they say the economy
cannot afford. ScienceWorksforU.S., an awareness project formed by several national university organizations, projected a minimum $203-billion reduction in the country's gross domestic product over the next nine years, and 200,000 fewer jobs per year from 2013 to 2016.

In anticipation of the 5-percent reduction in federal research spending, many federal agencies have already been playing it cautiously by pre-emptively awarding fewer grants, according to J.R. Haywood, the Federation of American Societies for Experimental Biology's vice president for science policy. Many concerned researchers are looking ahead to March 27, by which time Congress must pass an appropriations bill to allow the government to function during the remainder of the 2013 fiscal year.

Fears about sequestration have been compounded by the fact that federal research agencies still don't know what their budgets are for the coming fiscal year. The situation has created a "double whammy" that makes it difficult for agencies to prepare for the future, Mr. Haywood said.

There is a "fear of the unknown" in terms of what researchers may not be able to do as a result of the cuts, Mr. Haywood said. "It's hard for us to project what we're not going to be able to discover."

Additionally, Mr. Haywood said, many people—including workers, faculty members, and average citizens—may have a hard time realizing that the sequester cuts could be in place for the next 10 years, unless Congress acts to change or repeal the law.

"A lot of people probably think the money will be restored and everything will be normal again," Mr. Haywood said. "But we're facing a new normal now."

For researchers who hold or are applying for grants from the National Science Foundation, the agency has said that sequestration is expected to affect mainly the number of new research grants it awards this year. Those are likely to be reduced by about 1,000, Subra Suresh, who is departing this month as the foundation's director, said in a letter posted on the NSF's Web site on Wednesday. The agency will continue to pay grant increments, as scheduled, to recipients of existing grants, he said.

**High-School Students**
Financial-aid programs for the neediest high-school students will also be harmed. College-preparatory programs like TRIO and Gear Up, which help prepare low-income and minority students for college, will be cut by $42.8-million and $15.4-million, respectively, this year.

Gina Henderson, a first-generation college student at the University of Alabama at Birmingham, participates in the TRIO program. Though she said her ability to pay for college depended heavily on financial aid, Ms. Henderson also relies on TRIO's support services.

Ms. Henderson has a part-time work-study job that limits her free time, and receives additional support in tutoring, mentoring, counseling, and "a home away from home" through the TRIO program. A cut in this and other college-preparatory and support programs, she said, would diminish the future of thousands of students.

"This is just unfair that I worked so hard all these years, and now my dreams could be taken away from me," Ms. Henderson said.

**Unemployed Workers**
The sequester will cut more than $450-million from federal employment and training programs, which help the unemployed gain necessary skills to re-enter the work force. As a result, nearly two million
fewer workers will have access to those services, which are often provided by community colleges, according to a statement from the National Skills Coalition.

But those programs have already lost a significant amount of federal support, according to Rachel Gragg, the coalition’s federal-policy director. More than $1-billion has been cut in the last two years. Ms. Gragg said the immediate challenge would be absorbing even more cuts on July 1, when the program year begins.

It’s hard to know for sure what consequences additional cuts will have, Ms. Gragg said, because the federal government has not identified how cuts will be distributed and overseen throughout various programs.

But some local organizations the coalition works with have said they may have to lay off staff members, cut back on training services, or close programs or centers altogether. "Once that capacity is lost, you won’t get it back," Ms. Gragg said. If the sequester cuts stay in place for the entire 10 years specified in the legislation, the results would be "catastrophic."

There are already 160,000 people on waiting lists for adult basic-education programs, and Ms. Gragg said the coalition estimates that 10,000 others will lose access to training services under the sequester.

Sequestration, she said, "will have completely dismantled the federal work-force-development system."

Sequestration cuts will impact Fiesta

By: Emily Baucum; Published: 4/08 3:21 pm; Updated: 4/08 6:56 pm

SAN ANTONIO – We’re ten days away from Fiesta, the biggest party of the year, and national spending cuts are threatening to rain on our parades.

It takes more than a year to plan the events so sequestration is the last-minute, uninvited guest to the party.

The sights, the sounds, the shoes: the Battle of Flowers Parade has been a San Antonio standard for more than 120 years.

"Such a history. Such a tradition," organizer Anne Ballantyne says. “It's really wonderful to be part of a group that really started what Fiesta is."

Every float, every dress, every sparkle you see on the parade route just wouldn’t be possible without volunteer – and in Military City, U.S.A., the volunteers include members of the National Guard.

Ballantyne says the uniformed men and women make sure the parade’s 7,000 participants are in place.

"They help us deliver things down the parade route,” she says. “We just couldn't do without them."

But they will have to this year because of the national spending cuts impacting our military.
"We’re down in military bands,” Ballantyne says. “I know that the Drum Corps, which everybody just loves and usually participates in so many Fiesta events, was just not able to come this year."

Organizers are now asking reserve units for volunteers to drive and guide the floats.

"We’ve been so fortunate to have the military helping us for all these years,” Ballantyne says.

Call it Texas teamwork combining with that Fiesta spirit to make sure this year’s parade is just as colorful as ever.

Sequestration will have an impact on the Fiesta Flambeau Parade as well. Its organizers say a popular Marine band lost the funding to travel here, but everything else should go off without a hitch.

<table>
<thead>
<tr>
<th>Non-Defense Sequester in FY 2013:</th>
<th>Amount of Funds ($B)</th>
<th>% Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>What’s In, What’s Out?(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-defense Discretionary Spending</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Size of Cut - The Sequester</td>
<td>$38.7</td>
<td></td>
</tr>
<tr>
<td>Non-Defense Discretionary Funds</td>
<td>$489</td>
<td></td>
</tr>
<tr>
<td>Pell Grants + Veterans Affairs, Exempted (estimate)</td>
<td>$73</td>
<td></td>
</tr>
<tr>
<td>Indian Health + Health Centers, 2% Limit (estimate)</td>
<td>$6</td>
<td>2.0%</td>
</tr>
<tr>
<td>Size of Cut to Non-exempt Programs</td>
<td>$38.6</td>
<td></td>
</tr>
<tr>
<td>Additional Resources Subject to Sequestration</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Integrity + Disaster Funding</td>
<td>$7</td>
<td></td>
</tr>
<tr>
<td>Likely to be Exempted, but Uncertain(b)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>War Funding</td>
<td>$8</td>
<td></td>
</tr>
<tr>
<td>Resources Subject to Sequestration w/ War Funding</td>
<td>$425</td>
<td>9.1%</td>
</tr>
<tr>
<td>Resources Subject to Sequestration w/o War Funding</td>
<td>$417</td>
<td>9.3%</td>
</tr>
<tr>
<td>On Jan. 2, 2013(c)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Remaining Sequester Base w/ War Funding</td>
<td>$319</td>
<td>12.1%</td>
</tr>
<tr>
<td>Remaining Sequester Base w/o War Funding</td>
<td>$313</td>
<td>12.3%</td>
</tr>
</tbody>
</table>
CANT WASHINGTON DO ANYTHING RIGHT DISFUNCTIONAL D.C. used to be able to contrive a crisis that would roil financial markets and then, and only then, would it patch together some solution to a clear and pressing problem. Of course, that could have been done without the Sturm und Drang from the hiatrionics of the drama kings and queens on Capitol Hill and in the White House. But by constructing an absurd set of circumstances and an artificial deadline, the approaching catastrophe would force the actors to come up with a solution seconds before the time bomb would explode. And they’d all look like heroes, at least in their minds.

But just as Hollywood has wrung one too many sequels out of a hit, Washington’s script has gotten really tired. So, in the tradition of Godfather Part III, D.C. Friday rolled out its version of the sequel entitled “Sequestration.” The specter of an indiscriminate, $85 billion slash in federal spending authority on March 1 was supposed to concentrate the minds of our august representatives and impel them to reach a well-considered alternative at the 11th hour and 59th minute. Just as they had before, as when the cliché fiscal cliff was avoided on Jan. 1 (even if they went a few hours past the deadline on New Year’s Day) and a federal default was averted when a deal to raise the debt ceiling was reached in August 2011 after much wrangling.

All of which has resulted in the opposite of the desired effect. Both sides have dug in; one depicts the spending cuts as a disaster imperiling the nation; the other deems them a joke. Extremists at either end of the spectrum hope for a real crisis that will advance their agendas, but odds are that they will be disappointed, as they have been in past cliffhangers.

After the deadening effect of having seen this picture too many times, the financial markets are buying none of it. As Friday’s sequestration deadline hit, the Dow Jones Industrial Average tacked on 35 points to close at 14,089.66—splitting distance from its record of 14,164.53. And amid the supposed fiscal chaos, the dollar strengthened while yields on long-term U.S. Treasury securities extended their stealthy decline. That hardly qualifies as a vote of no-confidence in America’s economy and political system.

But, according to Greg Valliere, the longtime Washington watcher who’s chief political strategist for the Potomac Research Group, “The widespread view that this is a non-event may be too simplistic. It most definitely is a big event for the defense and health-care sectors, both of which will be under pressure until this gets resolved. And while the level of cuts is not huge in the overall economy, there could be hundreds of thousands of layoffs and a hit to [gross domestic product] growth,” he adds.

As pointed out last week in this space, the spending cuts under sequestration would amount to about 0.5% of GDP. Still, that seemingly small nick comes on top of the impacts of the end of the payroll-tax holiday and the boost in tax rates at the top end, which are estimated to shave 1% or more off GDP growth.

Apparently, Washington is intent on violating the Colbert principle (that’s Jean Baptiste, the minister of finance under Louis XIV, not Stephen), to wit: “The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the smallest possible amount of hissing.” Sequestration seems to exact as much inconvenience and misery as possible from the American public, in the form of government employee furloughs, even more tortuously long delays getting through airport security, and less food inspection, for relatively minimal shrinkage in the federal budget gap. Which apparently was by design, since the assumption was that not even Washington is dumb enough to do this.

Wrong.

As their constituents start hissing in the days and weeks ahead, perhaps our solons will come up with a more balanced and reasoned approach to reduce the deficit. Or maybe not. What’s certain is that they face another, arguably more important deadline, with the lapse on March 27 of the continuing resolution under which the federal government has operated in the absence of an actual budget. Failure to renew the CR (better get hip to that D.C. lingo because you’ll be hearing it in coming days) would force another disruptive shutdown of the government—in the middle of Passover and Holy Week ahead of Easter, when Congress wants to be home. Well, maybe the cherry blossoms will bloom if the polls are stuck in Washington during everybody else’s spring break.

THERE IS ANOTHER CLEAR MARKET IMPLICATION OF sequestration, says Valliere: “Still another repudiation of the bond bears. The long-anticipated spike in interest rates once again will be deferred, thanks to sequestration, the payroll-tax hike, the falling budget deficit, and the incredibly dovish Fed,” he observes. The last
Up & Down Wall Street continued

point was underscored by Federal Reserve Chairman Ben Bernanke's semiannual congressional testimony last week. Notwithstanding mandates voiced by a minority of the central bank's officials, the Fed board made clear that there wouldn't be a deviation from its planned path of buying $85 billion of Treasury and agency mortgages backed securities every month, or about $1 trillion a year. Bernanke's testimony Tuesday and Wednesday helped reverse the bipolar stock market's mood to the bright side.

Moment: the market's move in the dumps after Italy's election produced a chaotic result, with the party of Silvio "BMike-Bum" Berlusconi and populist former comic Beppe Grillo preventing center Left favorite Pier Luigi Bersani from gaining enough votes to form a government. More importantly, the result were a clear repudiation of the austerity policies of technocrat Mario Monti, thus thrusting the euro crisis back into the market's focus. That it had faded from view is eroded by the real "Super Mario" Mario Draghi, the president of the European Central Bank, who turned psychology around with the simple declaration last July to do "whatever it takes" to save the euro.

To WallStreet's point about the bond market, Treasury yields have steadfastly declined amid near-universal bearishness on the sector, most recently with Ron Holtson's multibillion-dollar "CGM Focus Fund" (CGMVF) reportedly having 33% of its portfolio in a short position on Treasuries. But contrarians who took the opposite tack and bought the ProShares 25% Year Zero Coupon Treasury Index Exchange Traded Fund (ZNF0), an aggressive but underleveraged play on the long end of the Treasury market, are up 4.5% since July 20. Over the same span, the popular SPDR S&P 500 ETF (SPY) is up just 0.5%.

Other ETFs also show recent gains, even as Bubbler's rally to the seemingly inevitable new high for the Dow. The PowerShares QQQ Trust (QQQ), which tracks the 100 biggest Nasdaq nonfinancial stocks, and the iShares Russell 2000 Index ETF (IWM), which tracks the small-capitalization stock benchmark, are basically flat over the span. Obviously, the Nasdaq has been hit by Apple (AAPL) and a $2 week loss which also flattens the Dow, which doesn't include what had been the world's most valuable stock.

The markets have to a large extent reverted to a "risk-off" mode, with Treasuries and the dollar outperforming. The benchmark 10-year note's yield has pushed decisively through 3% while the 30-year bond has nearly passed 3%. So much for the vaunted "recession" into stocks from bonds. Meanwhile, weak economic data on the other side of the pond have pushed the euro below $1.30 and sterling through $1.50.

These technical moves are backed by the fundamentals. "Corporate guidance is poor and has deteriorated more in the last month," this earnings glissagery 2013 earnings estimates lower," wrote Stan Shipton of International Strategy and Investment in his Capital Markets Chronicle research note. "Even though quarterly earnings reports are being released through analysts' estimates by 3% to 5% per quarter, corporate guidance has been dragged estimates lower. For instance, the bottom-up analysts' estimate for 2013 S&P 500 earnings is down nearly 9% in the last 10 months, to $111.25. The recent completed guidance season was poor, at best, as the ratio of upgrades to downgrades was only 0.4:1, which was 48% below the long-term average, he adds.

In all of politics, the markets' key barometer of the economy will be the monthly employment data, due Friday morning. Economists estimate nonfarm payroll rise by 180,000 and the jobless rate stayed at 7.9%, continuing the labor market's modest recovery. That's consistent with the Economy of the Fed's current policy of QE-for.

That is the main force pushing stock prices higher. The effects of the payroll tax hike and marginal rates increases from the "fiscal cliff" fix on Jan. 1, plus the impact of sequestration on March 1, will keep growth subdued in the first half—but, though Mors, estimates only about half the sequestration cuts will hit this year.

Even with the Fed at the market's back, there's a subtle shift in the market winds. Bonds and the dollar are firming, while stocks are lagging. The groups that are lagging are key telltale—industrials, materials, and especially commodity-related issues, such as metals and oil service stocks. That's a curious counterpoint to the champagne popping over a new high in the Dow industrials.

Dick Appelson is out this week.

America's Storied History Is a Compelling Budget Story

by Shelly McAllister

For public managers at all levels of government, a well-rounded grasp of the federal budget situation is a must. In one way or another, the federal budget affects most other governmental bodies and the pocketbook of every American. David Wessel's recent book, Red Ink: Inside the High-Stakes Politics of the Federal Budget (Crown Business, 2012), succinctly highlights a few points. While his material is very current, he effectively reaches back for context and provides a brief, engaging trip down America's memory lane by weaving the chronology of major events and trends with statistics and the associated price tags.

The author begins his civics lesson with the serious reminder that the federal government's power comes in three forms:
1. its physical force, both foreign and domestic
2. its ability to make and enforce rules that govern our lives
3. its power to tax and spend.

In many respects, America's story is a budget story, the ongoing struggle to allocate limited resources between worthy and competing demands, all balanced against the ability to generate and collect revenue. George Washington understood this when he was trying to feed, clothe, and arm the Continental Army. Thomas Jefferson also understood this as he, a limited-government advocate, bargained for the Louisiana Purchase. On the revenue side, average Americans in that era had strong sentiments, too: reference the Boston Tea Party of 1773 and the Whiskey Rebellion in 1794.

"email: nellief@baron.com"
Though the author is very much an “insider” (economics editor for the Wall Street Journal, contributor to the “Morning Edition” on National Public Radio, and winner of two Pulitzer Prizes), he makes these often-complex topics accessible to the average publicly aware American.

Spending $400 Million an Hour
In fiscal year 2011, the federal government spent $3.6 trillion, the equivalent of $400 million per each hour of the year. How can one comprehend the magnitude? The sheer scale of federal spending is often difficult to fully grasp: as the author notes, if millions, billions, and trillions are hard to grasp because they all sound alike, then use this illustration: golf balls to watermelons and watermelons to hot-air balloons. He sets the stage by offering a few observations:

- Nearly two-thirds of annual federal spending is on autopilot and doesn’t require an annual vote by Congress.
- The U.S. defense budget is greater than the combined defense budgets of the next 17 largest spenders.
- Firing every federal-government employee wouldn’t save enough to even cut the deficit in half.
- About $1 of every $4 the federal government spends goes to healthcare today, and that share is rising inexorably.
- The $700 billion bank bailout didn’t cost taxpayers nearly as much as initially feared.
- The share of income most American families pay in federal taxes has been falling for more than 30 years. Today, Americans pay less of their income in taxes than citizens of nearly every other developed country.

- The federal government gives up almost as much money from tax loopholes, deductions, credits, and all other tax breaks as it collects in individual and corporate income tax.

Most federal programs are funded by a relatively small portion of the budget (just 18 percent), and this is the only portion subject to the annual political review and decision-making process.

- For every dollar the U.S. government spent in 2011, it borrowed 36 cents, much of it from China, where the income per person is about one-sixth of that in the United States.
- Today’s budget deficit is not an economic problem—tomorrow’s is.

How We Got Here
The current budget situation has been building for years, an amalgamation of economics, politics, insatiable appetites, and the reluctance of everyone (individually and collectively) to pay more taxes. The author briefly highlights a few significant events: the end of World War I, the Great Depression, World War II, The Great Society (guns, butter, plus Medicare), 9/11, the new Medicare prescription drug benefit, and the ongoing heated battles over tax cuts: all things that make America American.

Where the Money Goes
Where does the money go? Imagine a really big apple pie: in 2011, Social Security, Medicare, Medicaid, state and local spending are an additional large pie.

Though this is a snapshot of one year, the percentages are fairly representative and indicative of where spending is headed. Entitlements, especially healthcare, are driving the train; most federal programs are funded by a relatively small portion of the budget (just 18 percent), and this is the only portion subject to the annual political review and decision-making process.

Even though federal spending is frequently in the news in communities across the country, many Americans are still misinformed about where the money goes. The author cites examples from polls, including the perception that food stamps account for about 10 percent of federal spending (rather than the actual of 2 percent; though in 2011, more than 46 million Americans were using food stamps, one in every seven people) and that the federal budget could be balanced if we eliminated waste, fraud, and abuse.

Another interesting poll: 44 percent of those who receive Social Security checks and 40 percent of...
those covered by Medicare say they "have not used a government social program."

**Where the Money Comes From**

According to Wessel, the other side of the federal budget equation is revenue, and the big questions include: Who pays? And how much do they pay? In the federal government's case, it also borrows significant amounts to cover annual expenses.

The largest tax shares come from individual income taxes (about 47 percent) and payroll taxes (that help fund such programs as Social Security and Medicare—36 percent); corporate income taxes are presently about 8 percent. In 2011, the top 1 percent of earners contributed about 25 percent of taxes collected, but 46 percent of households paid no federal tax.

As Wessel points out, a discussion of the revenue side also needs to mention revenues that are foregone because of a tax code provision: think tax break, loophole, deduction, credit, exclusion (many Americans benefit from the home mortgage interest deduction and the Earned Income Tax Credit, among others). Compared to the spending side of the budget equation, the legislation that governs the revenue side is even less subject to annual review.

This is also the side that many Americans profess expertise based on personal experience (each time a paycheck is received, minus a large chunk) and observation (a quick comparative analysis of the nice cars and houses we see in our daily commutes). Many experts agree that tax revenue increases must be part of the solution, but reaching agreement on who should pay how much more is the political sticking point.

**Why This Spending Can't Go On Forever**

Economists, policy wonks, and political officials have reached consensus on only one item: that we cannot continue on our "red ink" path. While they do not agree on a path forward or the timing, they do share concerns about who holds our debt (American citizens and American businesses versus foreign governments and foreign businesses), the growing cost of borrowing when interest rates eventually rise, the appetite of investors (foreign or domestic) to buy more debt, rising healthcare costs, and that even fewer dollars will be available for the day-in-day-out activities we all expect of government.

**Becoming Part of the Solution**

This book will not leave readers feeling better about the budget situation, but it will raise the general level of "budget literacy" and perhaps even spur more citizens to increased engagement and civic discussion. The budget situation has been building for years and reflects the cumulative policy decisions of our country—it is both our shared past and our shared future.

The humble public manager, both in our civil service roles and our personal lives, can do little individually to influence the outcome, but there are things we can do to lessen the impact and stress. A first step is gaining knowledge: this book is an excellent starting point because the author is masterful at making the material engaging and accessible.

A second step could be increased situational awareness: How does federal funding affect your programs and constituents (such as grants, transfer payments, cost sharing, and others)? How do changes to the tax code affect your personal monthly balance sheet?

Even though federal spending is frequently in the news in communities across the country, many Americans are still misinformed about where the money goes.