

Sequestration and its Potential Effect on Arizona's Economy



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Maricopa Association of Governments
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Sequestration



Automatic, across-the-board spending reduction

- Budget Control Act (BCA) of 2011
 - Caps on discretionary spending, FY2012 - FY2021
Effective October 1, 2011
 - Congressional Joint Select Committee (JSC)
Automatic spending cuts
Effective March 1, 2013

Sequestration: Key dates

(Actions subject to change)

- Jan 2, 2013 : American Tax Relief Act (ATRA), 2012
- March 1, 2013: Sequestration
 - *\$85 billion FY2013 (March 1 to September 30)*
 - *\$109 billion in reduced spending limits, FY2014-FY2021*
- March 27, 2013: Continuing Resolution ends
- May 19, 2013: Debt ceiling limit suspension ends

Economic Impact on Arizona

Table 5: Initial Year (12 months) Economic Impact, FY2013*

	DoD	non-DoD	Total Impacts
United States			
<i>Jobs</i>	1,090,359	1,047,349	2,137,708
<i>Labor Income (\$b)</i>	\$ 46.5	\$ 62.9	\$ 109.4
<i>Gross Domestic Product (\$b)</i>	\$ 94.5	\$ 120.5	\$ 215.0
Arizona			
<i>Jobs</i>	35,248	13,941	49,189
<i>Labor Income (\$b)</i>	\$ 1.5	\$ 1.0	\$ 2.5
<i>Gross State Product (\$b)</i>	\$ 3.1	\$ 1.9	\$ 4.9

*Effect of sequestration is for the 9 months starting January 2, 2012 and ending September 30, 2013

Source: George Mason University, 2012

Potential Effects on Defense- FY2013

(7 months)

Arizona's Defense Sectors

Civilian job furloughs	Gross pay reduction	Army funding cuts	Air Force funding cuts
10,000	\$52.5 million	\$43.0 million	\$6.0 million

- Reduced spending in FY2013 (7 months):
 - Procurement and defense contracts
 - Research and development



Source: White House

GPEC – Market Intelligence Analysis

Pre-sequestration Status Aerospace and Defense

- Report released February 26th
- Findings:
 - 24 percent expanding
 - 52 percent stable
 - 26 percent contracting (mostly Tier 2)

“Arizona had the 6th largest share of DOD contracts in 2012 ~ \$13 billion”

Potential Effects on Non-Defense - FY2013

(7 months, Select programs)

Arizona's Teachers and Schools

<i>Decrease in funding for</i>	
Primary and secondary education	\$17.7 million
Education for children with disabilities	\$10.0 million
<i>Decrease in number of</i>	
Students served	19,000
Schools receiving funding	70
Staff for education for children with disabilities	120
Teachers and aides jobs at risk	240

Source: White House

Potential Effects on Non-Defense - FY2013

(7 months, Select programs)

Arizona's Children and Elderly

<i>Decrease in funding for</i>	
providing meals for seniors	\$ 1,000,000
Vaccines funding	\$ 176,000
<i>Decrease in number of</i>	
children with access to early education	1,000
children with access to child care	500
children receiving vaccines	2,570

Source: White House

Total Potential Sequestration Impacts, City of Phoenix Departments

Programs	Funding Reductions
Human Services	Approximately \$5,810,950
Neighborhood Services	Approximately \$2,600,000
Housing	Approximately \$4,256,000
Community and Economic Development	Approximately \$906,944
TOTAL	Approximately \$13,573,894

Impossible to predict whether deficit reduction/budget action will reduce or increase sequestration cuts



For More Information Contact:

Lora Mwaniki-Lyman
lmlyman@azmag.gov
(602) 452-5003
www.azmag.gov

