



Michigan feels bite of federal budget cuts: Furloughs, lost benefits, dwindling research funds



Alexander Delorey and sister Kylie hang on to dad Andrew Delorey, 29, of Livonia, on Friday. Adabelle is standing on the porch. Delorey, who works at Tank Automotive Command, faces furloughs for the next 11 weeks. / Ryan Garza/DFP

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WASHINGTON — Four-and-a-half months after the federal budget cuts known as the sequester got started, the effects aren't widely apparent: The economy hasn't tanked, unemployment hasn't risen, air travel hasn't ground to a halt. But that doesn't mean the effects aren't there, in Michigan and across the nation. It just depends on your situation. More than 75,000 unemployed Michiganders have seen a 10% drop in their benefit checks, and more than 1,800 Head Start and Early Head Start slots have already been lost in the state.

At the University of Michigan — one of nation's top research institutions — there has been a fall-off in research contracts as federal partners at the National Science Foundation and National Institutes of Health tighten their belts. And hundreds of thousands of civilian Defense Department workers — including some 8,700 in Michigan — are beginning unpaid, day-a-week furloughs for the next three months.

"They're not at the high end of the pay scale, the people being furloughed," said Henry Sachs, president of the Selfridge Base Community Council, a group of businesspeople who support the Air National Guard base in Harrison Township. "It's a big thing. We're concerned." Some 650 civilians — office staff, technicians, commissary workers and others — will lose about 20% of their pay between now and the end of September at Selfridge. At the Detroit Arsenal in Warren, home to the Army's Tank Automotive Command (TACOM), as many as 7,000 civilians are looking at day-a-week furloughs. The ripple effects are expected to hit family budgets, community giving and local businesses.

But as bad as it's been, or soon will be for some, it could get a lot worse in the near future. Even as the effects of \$80 billion in sequestration cuts this year are beginning to be felt, Congress is confronting a Sept. 30 deadline to deal with a second round of reductions which could cut \$90 billion more. House and Senate appropriators have the luxury of deciding what should be cut — but that's only if they can agree. So far, there are few signs that they can. So far, the House and Senate can't even decide how much should be budgeted: Democrats say Republicans want to slash social programs and protect high-wage earners. Republicans say President Barack Obama won't cut wasteful programs and insist on raising taxes. "I'm concerned — I'm not encouraged by the ability of Congress to sit down and do what needs to be done in a proper fashion," said U.S. Rep. Gary Peters, a Bloomfield Township Democrat. "There's a real crisis of leadership right now."

"The impact is dependent on how the Obama administration implements the sequester that they proposed," said U.S. Rep. Candice Miller, a Harrison Township Republican. "All the president has proposed is more tax increases to support higher spending. I feel for the hard-working people at Selfridge." Last week, Defense Secretary Chuck Hagel wrote Senate Armed Services Chairman Carl Levin, D-Mich., to say \$52 billion in reductions the military would have to absorb in 2014 would lead to more furloughs and layoffs. Training would be cut and equipment reductions would hurt Michigan's defense contracting base. Such a cut, Hagel said, "would have severe and unacceptable effects" and it and other across-the-board sequester cuts could fall squarely on workers, parents, researchers and families. "We're not millionaires; I don't know any millionaires who work here," said Paul Veselenak, president of the American Federation of Government Employees Local 1658, which represents about 4,000 of the civilians at Detroit Arsenal. "This is not frivolous stuff we do," he said. "This is good work."

'This is Step 1'

As the sequester began March 1, Republican advocates of deep spending cuts said the Obama administration was vastly overstating the impact. They still agreed to some changes: They let defense move some funding around and restored funding to some other agencies. Just as airport delays were beginning to be felt, the Federal Aviation Administration got a break that allowed traffic to run smoothly, just as members of Congress were leaving Washington for a break. Those changes had the effect of largely hiding, for the time, the impact of the sequester. But other cuts, like those to Head Start, were largely left in place. Across the U.S. there have been reports of public defender cutbacks. A 2% cut to Medicare has been cited as a factor in the layoffs of hundred of employees at the Detroit Medical Center and St. John Providence Health System.

In a YouTube video in March, U.S. Rep. Kerry Bentivolio, a Milford Republican, likened the federal budget to a tricked-out Ford truck, and the sequester no more than a request to "give up the hood reflector and the DVD players in the backseat." Last week, Bentivolio — who says he's all for avoiding across-the-board cuts "if we can find better, smarter cuts of the same value" — said he hasn't "really seen or heard of any impacts" of sequestration. But in Bentivolio's own

district, the effects can be seen: Andrew Delorey, 29, of Livonia is a blue-collar worker who fabricates parts at TACOM. He was looking to buy a home — he rents now — for his family and replace a 1997 Jeep Wrangler with 262,000 miles on it. Not anymore. “This is Step 1,” he said of this year’s cuts. “When Step 2 comes they’re going to be laying people off left and right.”

The sequester isn’t a one- or even two-year program of budget cuts. It’s nine years’ worth of mandated budget caps that would trim \$1 trillion in federal spending, half of it from defense. Contractors aren’t complaining of slowdowns attributable to the sequester as yet — drawdowns in Afghanistan and Iraq were already under way. But those, including Lansing-based Peckham, are keeping a wary eye out, said President and CEO Mitchell Tomlinson. L-3 Communications’ Combat Propulsion Systems, which makes transmissions for the Bradley Fighting Vehicle in Muskegon, has already cut back by 24 employees to 292, at least in part because of sequestration. “These were difficult but necessary decisions,” the company said, “in the current defense budget environment.”

Uncertainty a factor

The sequester’s implementation is, in many cases, still being worked out. Some agencies are slowing spending on existing contracts and grants; others are cutting back on new awards. The uncertainty, for this year and next, is itself leading to slowdowns.

Stephen Forrest, vice president for research at the University of Michigan, said it’s impossible to quantify the impact at U-M because there are thousands of different grants to monitor. But he said there has no doubt been a slowdown in contracting, which is not surprising since the NIH, a major supporter of U-M research, has cut competitive research grants by 700 this year. As NIH says on its website, fewer grants could mean a delay in new research, on a new drug and new technology. That puts the nation at a competitive disadvantage, Forrest said. “You’ll see an impact that is far more damaging than longer lines at the airport in the end,” he said.

But research isn’t the only investment in the future taking its lumps under sequestration, say Head Start officials. Michigan’s losing at least 1,831 slots for preschool kids in Head Start. Some providers have already been forced to cut staff, said Robin Bozek, executive director of the Michigan Head Start Association. Others have closed.

Mary Cunningham Deluca, at the Community Action Agency in Jackson, said her organization had to cut 45 slots. A regional child care network helped provide funding to get some children into private care centers. But if more cuts are coming, the reductions in slots could be far deeper with far greater consequences. Head Start’s overall mission is pretty straightforward: Help children from impoverished families get prepared for school, providing health, nutrition and educational services, said Cunningham Deluca. “When you look at Congress, it can go and change the rules so they don’t have to be delayed by an airplane,” she said. “I’ve got kids who aren’t going to eat all weekend.”

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