



Defense Acquisition University

BOV Briefing
Sequestration Impacts
May 15, 2013

Mark Whiteside
Director PRM

FY13 Sequestration

- How did this start?
- Furloughs
- DAU O&M Budget Impact
- DAU FY13 Training Schedule Impact
- What's Next / **Questions**

Sequestration – How Did it Get Here?



Budget Control Act of 2011

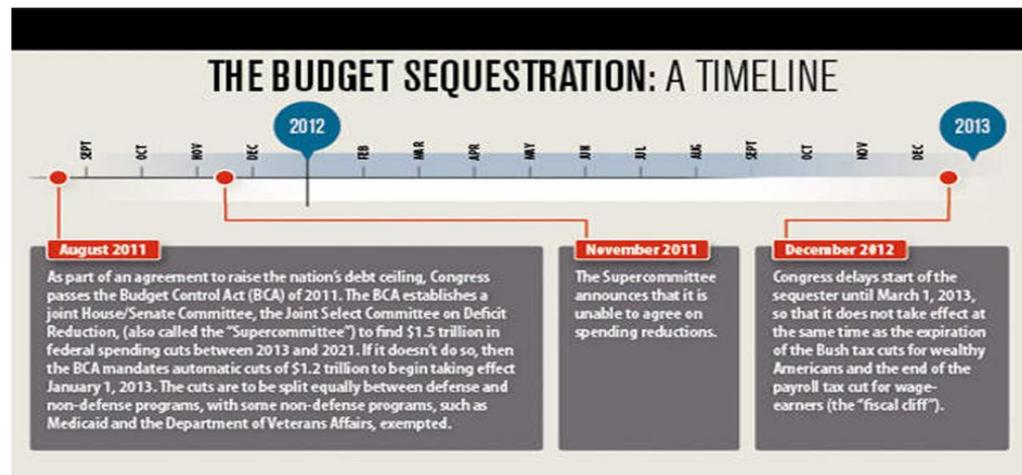


The Budget Control Act Increases the Debt Limit by \$2.1 Trillion

The Budget Control Act of 2011—the product of debt limit negotiations in August 2011—allows Congress and the President to raise the debt limit in three tranches. The first \$900 billion increase has already occurred. Because the Super Committee failed to reach an agreement, automatic budget cuts totaling \$1.2 trillion will be triggered beginning in 2013. Then the debt limit can also be increased by \$1.2 trillion to \$16.394 trillion.

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“Since the Joint Committee failed to formulate a reduction plan, automatic cuts are scheduled to begin January 2, 2013.”



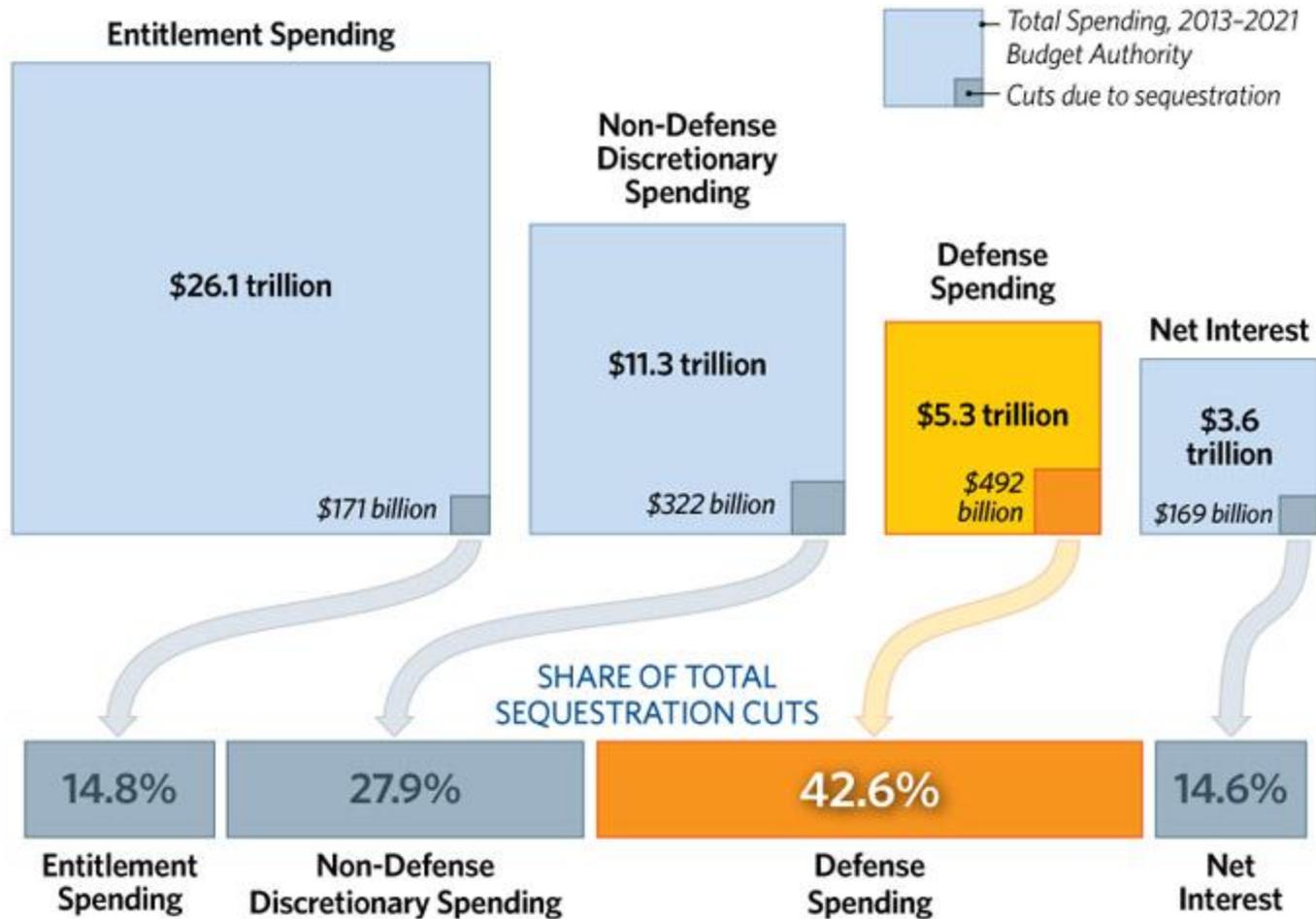
Sources: U.S. Department of the Treasury, Office of Management and Budget, and Congressional Research Service.

Sequestration Timeline

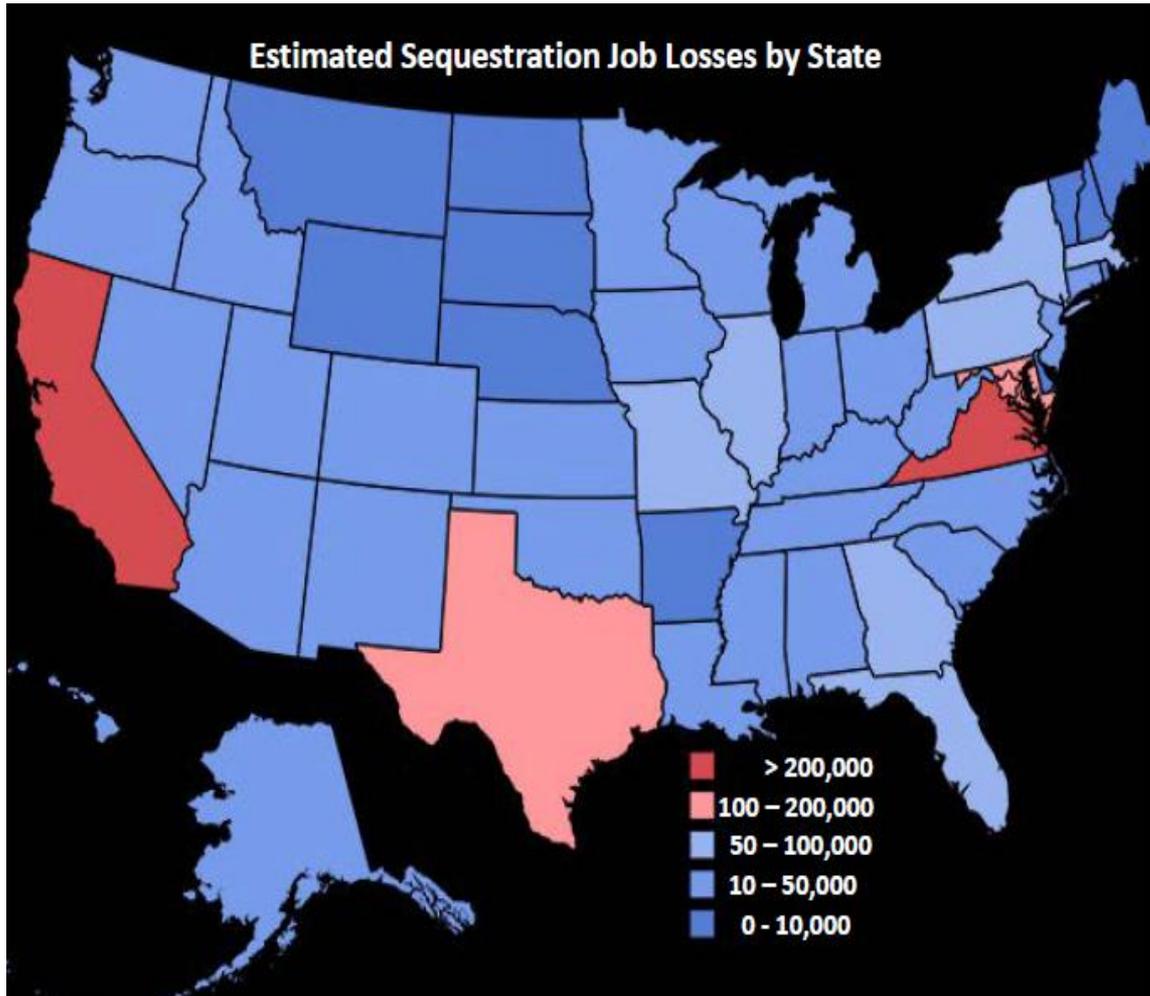
1. **August 2, 2011:** President Obama signed the [Budget Control Act of 2011](#). This act provided that, if the [Joint Select Committee](#) did not produce bipartisan legislation, across-the-board spending cuts would take effect on January 2, 2013.
2. **January 2, 2013:** President Obama signed the [American Taxpayer Relief Act of 2012](#), delaying the sequestration until March 1, 2013.
3. **February 4, 2013:** President Obama signed the [No Budget, No Pay Act of 2013](#), temporarily suspending the debt ceiling until May 18, 2013.
4. **March 1, 2013:** With no deal reached, all parties concerned seemed resigned that *sequestration cuts would take effect at midnight*. Later in the day, President Obama signed an order putting the cuts into effect. He referred to them as being "deeply destructive"
5. **March 6, 2013:** The House of Representative passed a bill to extend the [continuing resolution](#) and to enable defense and veterans programs to adjust to the cuts brought on by sequestration.



Breakout of Sequestration Cuts



Estimated Sequestration Job Losses



Top Ten State Employment Impacts of the Budget Control Act of 2011
Fiscal Years 2012 and 2013

State	Job Losses* DOD Cuts	Job Losses* Non-DOD Cuts	Total Job* Losses
California	135,209	90,255	225,464
Virginia	136,191	71,380	207,571
Texas	98,979	60,494	159,473
DC	15,169	112,238	127,407
Maryland	39,395	75,400	114,795
Florida	41,905	37,554	79,459
Pennsylvania	39,941	38,513	78,454
New York	28,809	41,201	70,010
Massachusetts	41,469	19,028	60,497
Georgia	27,609	26,903	54,512

Sources: GMU Center for Regional Analysis, Chmura Economics & Analysis. *Direct, indirect and induced job losses resulting from BCA-mandated federal spending reductions during FY 2012 and FY 2013; excludes impacts from cuts in entitlement programs.

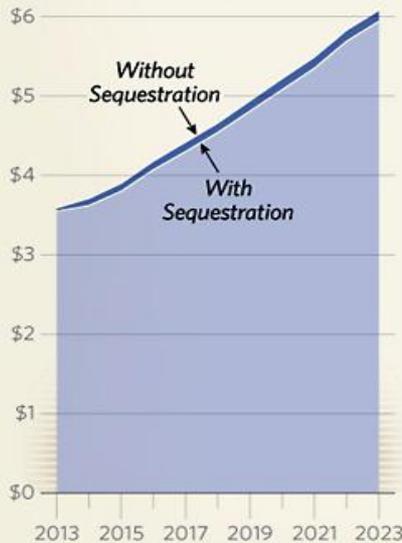
Will Sequestration Help the Debt?

Spending and Debt Will Continue to Grow Despite Sequestration

FIGURES ARE IN TRILLIONS OF CURRENT DOLLARS

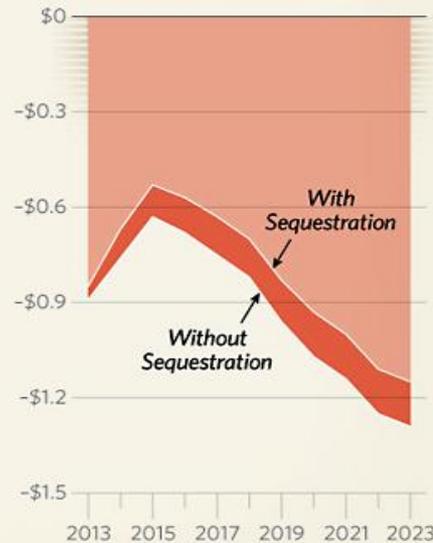
TOTAL FEDERAL SPENDING

Much larger spending cuts are needed to rein in growing federal spending.



BUDGET DEFICITS

Sequestration trims only 12 percent off of the total deficit over 10 years.



Source: Congressional Budget Office, "The Budget and Economic Outlook: Fiscal Years 2013 to 2023," February 5, 2013, <http://www.cbo.gov/publication/43907> (accessed February 6, 2013).



"SEQUESTRATION:
A FANCY WORD FOR
A DUMB IDEA."

—PRESIDENT RICHARD TRUMKA, AFL-CIO 8

Sequestration - Impacts

U.S. automatic cuts send Pentagon contract awards down 52 percent



Charles Dharapak/AP - The Pentagon is seen in this aerial view in Washington.

SEQUESTER HITS PENTAGON CONTACT AWARDS

From the Washington Post: "Pentagon contracts **tumbled 52 percent in April** from a month earlier as across-the-board federal budget cuts took hold. The Defense Department announced awards with a maximum value of \$19 billion in April, about 22 percent lower than a year earlier, according to procurement data. The biggest contract, a \$6.9 billion network equipment deal, was won by a group of eight companies led by General Dynamics. The military is scheduled to absorb \$37 billion in cuts this year under the reductions known as sequestration. The contract slowdown is 'undoubtedly tied to sequestration' and reflects an even sharper drop in awards than mandated under the cuts, said Larry Allen, president of Allen Federal Business Partners, a consulting company in McLean. In March, the Pentagon awarded \$39.4 billion in contracts

Federal Daily News

Federal employment slides

By [FederalDaily Staff](#)

May 06, 2013

Federal civilian employment dropped by nearly 5,000 civilian positions last month, according to new statistics.

The federal workforce had about 4,900 fewer civilian employees in April than in March, not including postal employees, according to new **preliminary employment numbers** from the Bureau of Labor Statistics.

The postal workforce also shrank, with 3,500 fewer employees reported in April than in March.

The combined federal and postal workforce, which stood at about 2.8 million employees, lost far more employees over the one-month period than the much larger 14 million-employee local government workforce, which lost 2,000 positions, and the larger 5 million-worker state government workforce, which lost 1,000 positions, according to the BLS statistics.

Furloughs



DoD Furlough Changes



Hagel to Make Furlough Decision Soon, Press Secretary Says

By Jim Garamone
American Forces Press Service

No Decision as of Today

1 May 13

WASHINGTON, May 1, 2013 – Defense Secretary Chuck Hagel will make a decision soon on the scope of civilian furloughs in response to sequestration spending cuts, Pentagon Press Secretary George Little said today.

Hagel Announces Fewer Furlough Days for Civilians

By Nick Simeone
American Forces Press Service

14 Furlough Days

28 Mar 13

WASHINGTON, March 28, 2013 – The Defense Department has revised from 22 to 14 the number of days hundreds of thousands of civilian employees could be furloughed this year because of the budget sequester, Defense Secretary Chuck Hagel announced today.

Pentagon Delays Sending Furlough Notices to Civilian Workforce

American Forces Press Service

WASHINGTON, March 21, 2013 – Pentagon officials have put off sending furlough notices to civilian employees until they've had a chance to analyze how pending legislation that would fund the federal government for the rest of the fiscal year will affect the Defense Department.

21 Mar 13

Panetta Notifies Congress DOD Preparing for Furloughs

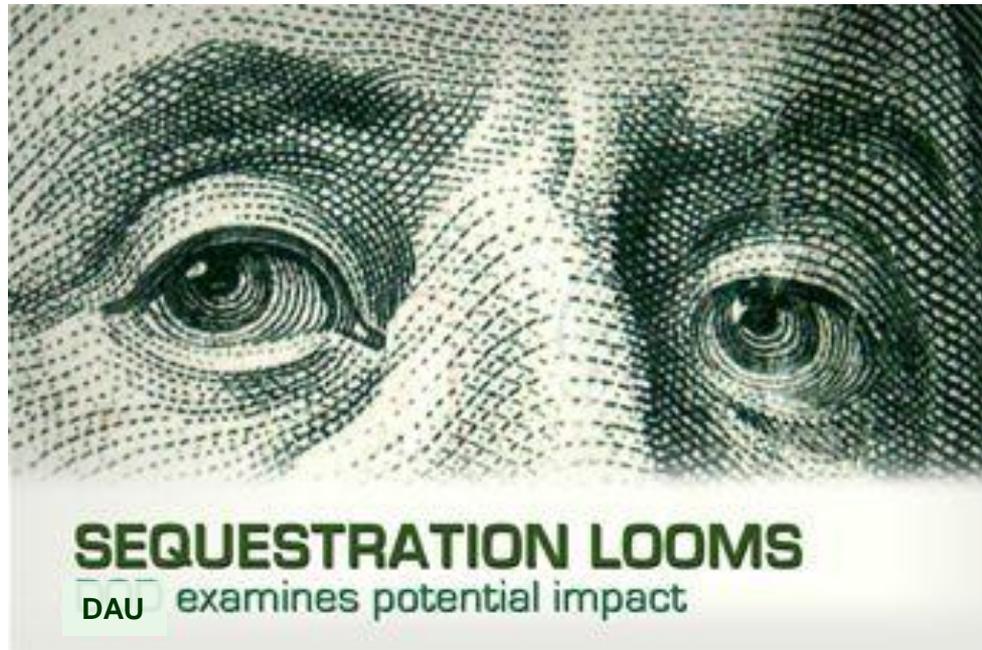
By Jim Garamone
American Forces Press Service

22 Furlough Days

20 Feb 13

WASHINGTON, Feb. 20, 2013 – Defense Secretary Leon E. Panetta has notified Congress that the Defense Department is prepared to implement furloughs for civilian personnel in response to the threat of sequestration.

DAU Budget Impact



DAU Sequestration Target **\$12.486M**

Challenges: Sequestration Target Changed Multiple Times

Date	Version	Before Seq DAU Budget	Budget	Sequestration Reduction Target	# of Civilian Furlough Days	Civ Pay Savings (w/Freeze)	% of Civ Pay
Jan-13	1	\$ 124,579,000	FY13 CRA O&M Funding	\$ 11,212,000	22	\$ 7,198,000	9%
Feb-13	2	\$ 124,579,000	FY13 CRA O&M Funding	\$ 11,212,000	15	\$ 5,600,000	7%
Mar-13	3	\$ 147,210,000	FY13 O&M Appropriated	\$ 12,383,000	14	\$ 7,053,200	7%
Apr-13	4	\$ 147,210,000	FY13 O&M Appropriated	\$ 12,486,000	14	\$ 5,600,000	7%

Sequestration Final Reduction:

- 9% reduction from \$147.2M Budget = **\$12.5M cut**
- Other Reductions \$768K:
 - Congressional \$406K
 - OSD Withhold \$362K
- **Total DAU Reductions \$13.3M**

**Revised FY13 O&M Budget
\$133.9M**

DAU – Near Term Actions Taken

– Implemented Hiring Freeze

- Currently 34 positions not filled

– No Cash Awards/Overtime

– Reduced Travel, Conferences

- DACM Student Travel
- DAU General Travel

– Review/Delayed Contracts

DAU FY13 Sequestration Plan

Sequestration Reduction: **\$12.486M**
Revised DAU O&M Budget = **\$133.959M**

Hiring Freeze

15%

Est. **\$1.9M** savings based upon 20 FTE's

* Furlough

45%

Est. **\$5.6M** savings based upon 14 days all civilians

Travel

18%

Est. **\$2.2M** savings based DACM Student Travel Reduction

Contracts

17%

Est. **\$2.18M** savings based upon curtailing Contract Obligations and delaying funding for contract options

IT Software

3%

Est. **\$0.420M** savings based cutbacks to IT Software

Pro Dev.

1%

Est. **\$0.185M** savings based curtailing outside PD

March – September 2013

*DAU will follow DoD Guidance w/respect to Furloughs.

*DAU – Furloughs

- **Notice to Employees: 17 May 2013**
- **# of Employees Affected: 638**
- **Furlough Start Date: Week of 17-21 June 2013**



*Note: Dates based upon the current guidance provided.
Could be subject to Change



DAU O&M Budget

<u>BA Subactivities</u>	<u>FY 2012</u>	<u>FY 2013 Budget Request</u>	<u>*FY 2013 Current Budget</u>	<u>FY 2014</u>
Teaching	90,914	108,198	98,725	111,341
Curriculum Development	12,456	13,668	12,471	19,238
Mission Assistance	12,456	13,725	12,523	14,061
Knowledge Sharing	6,365	8,171	7,456	8,598
Research	1,374	1,448	1,321	1,502
Acquisition Workforce	1,235			
Human Capital		2,000	1,825	2,657
Total	124,573	147,210	134,321	157,397



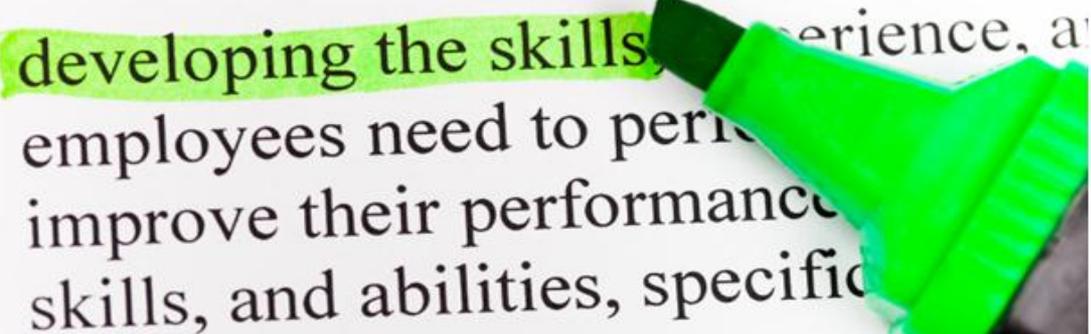
***Note: FY2013 Current Budget is After Sequestration Reduction**
\$134,321 does not reflect the OSD Withhold of \$362K.
\$133,959 = FY13 DAU O&M Budget (after OSD withhold reduction)

Impact of Sequestration

DAU FY13 Training Schedule

Training

developing the skills, experience, and
employees need to perform
improve their performance
skills, and abilities, specific



DAU Memo to DACMS – 29 Jan 13



DEPARTMENT OF DEFENSE

DEFENSE ACQUISITION UNIVERSITY
OFFICE OF THE PRESIDENT
9820 BELVOIR ROAD
FORT BELVOIR, VA 22060-5566

JAN 29 2013

MEMORANDUM FOR DIRECTORS OF ACQUISITION CAREER MANAGEMENT

SUBJECT: Status of Travel Funding for the Defense Acquisition University (DAU) Training in FY2013

Deputy Secretary of Defense Dr. Ashton Carter issued guidance on how to mitigate budget execution risks during this period of uncertainty in his January 10, 2013, memo, "Handling Budgetary Uncertainty in Fiscal Year 2013" (Atch). In response to Dr. Carter's guidance, the Services and DoD Agencies have implemented various actions to slow spending in preparation for the impact of a possible sequestration and the potential for a yearlong Continuing Resolution.

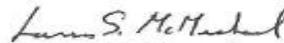
In Dr. Carter's memorandum, Table 1 Categories of Approved Near-Term Actions, cites one potential action to take: "Curtail travel, training, and conferences (**all with exceptions for mission-critical activities including those required to maintain professional licensure or equivalent certifications**)". Acquisition workforce member's travel for DAU acquisition certification training is being adversely impacted and in some instances cancelled by the Services and DoD Agencies in their current interpretation of their budget execution mitigation efforts.

Defense Acquisition Workforce Improvement Act (DAWIA) and its implementing regulations require coded workforce members to meet training requirements for certification and professional currency within their grace period. Therefore, DAU certification, assignment specific and currency training, centrally funded by DAU funds, is entirely separate from budgetary actions within a Service or agency to mitigate budget execution issues in FY2013.

Deputy Secretary Carter specifically addressed this issue in his memorandum, "Approvals [to travel] will be granted by Component heads or by senior officials designated by the Component head". Accordingly, for DAU funded student travel to attend DAU courses that are required for mandatory DAWIA certification (Priority One travel); Component Directors of Acquisition Career Management are the designated specific approval authority in this regard for FY2013 training. Components must allow their acquisition workforce members to continue critical training as scheduled, when using DAU central funds following the guidelines stated below:

- DAU course registration processes provide strict procedures to ensure the most cost effective location (CEL) is selected by each student and approved for acquisition training travel funding—those CEL guidelines should be followed by the Component.
- NDAA FY2013 Sec 955 provides for management discretion with regard to cost cutting actions to exempt expenses related to mission critical functions and certification training.

We appreciate the opportunity to continue to provide the critical acquisition training for the Defense Acquisition Workforce in FY2013. DAU will strive to keep the Components and agencies apprised of the FY2013 budget execution status.


James S. McMichael
Acting

Communication Venues

FY13 Scheduling Rules of Engagement

1. DAU website updated for Sequestration impact of Furloughs on the FY13 Academic schedule
2. Information provided to the DACM's for input on their training application system bulletin boards
3. All student welcome letters adjusted to inform students of new class schedule and noting course/class furlough days
4. Two (2) weeks prior to class start a reminder e-mail is sent to students. This e-mail will reinforce the furlough information and new class schedule dates, etc.
5. DAU faculty may engage with class roster prior to start of class on pre-course work, course material and other details

Furlough

FY13 Scheduling Rules of Engagement

1. **Students Attending a DAU Course**
 - will assume the furlough schedule of DAU
2. **If Students Can't Travel on their Furlough Day**
 - They may be required to travel the day prior to their first furlough day
3. **Students must receive per diem compensation**
 - On their furlough day(s) if in a TDY status
4. **Communicate! Communicate! Communicate!**



DAU Academic Schedule During Furlough Period

Defense Acquisition University

5 Day Courses

		Mon	Tue	Wed	Thu	Fri
1 Week Course	Monday Start					

Courses that Begin at the Start of a Pay Period

		Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	
2 Week Course	Tuesday Start													Bookend

Courses that Begin at the Start on the Second Week of the Pay Period

		Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon
2 Week Course	Tuesday Start															

		Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon	Tue	Wed	Thu	Fri	Sat	Sun	Mon
4 Week Course	Double Bookend															

19 course days less 3 furlough days = Net 16 course days

PMT 401	Will adjust as necessary based on military and civilian participation
PMT 402	Will adjust as necessary based on military and civilian participation
RQM 310	Will adjust as necessary based on military and civilian participation

All Courses less than 5 days will be conducted as scheduled around a Friday Furlough

Impacts of Sequestration on DAU

	Impact on DAU
Maintains Budget Uncertainty & could drive program delays	
Civilian Morale	
Options to take the \$12.486M Sequestration Reduction - Gets worse as decisions keep getting pushed off	
DAU Course Schedule Disruption	
Training the Acquisition Workforce	

Sequestration Scenarios

**WHAT'S
NEXT?**



7 Days vs 0 Days

DAU Sequestration Furlough Scenario

		A	B	C	D	E=A-C
		7 Day Furlough	% of Total	0 Day Furlough	% of Total	Delta
1	Civilian Pay Savings	\$ 3,740,800	30%	\$ -	0%	\$ (3,740,800)
2	Hiring Freeze	\$ 1,892,800	15%	\$ 1,892,800	15%	\$ -
3	Travel	\$ 2,208,000	18%	\$ 2,208,000	18%	\$ -
4	Contracts	\$ 4,644,400	37%	\$ 8,385,200	67%	\$ 3,740,800
Total		\$ 12,486,000		\$ 12,486,000		\$ -

Un-Executable

Steps - Sequestration

1. DAU submitted *Near-Term* Sequestration Plan

- To OSD Comptroller
- Due: 1 Feb 13 (DAU submitted on time)



2. DAU *Long-Term* Sequestration Plan

- Due: 8 Feb 13 (Completed)



3. Awaiting DoD Guidance with respect to:

- Furloughs

NEXT



