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.


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

1. **August 2, 2011**: President Obama signed the [Budget Control Act of 2011](https://en.wikipedia.org/wiki/Budget_Control_Legislation). This act provided that, if the [Joint Select Committee](https://en.wikipedia.org/wiki/Armed_Services%E2%80%93Domestic_Security%20Joint%20Select%20Committee) did not produce bipartisan legislation, across-the-board spending cuts would take effect on January 2, 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](https://en.wikipedia.org/wiki/Continuing_resolution) and to enable defense and veterans programs to adjust to the cuts brought on by sequestration.
Breakout of Sequestration Cuts

- Entitlement Spending: $26.1 trillion
  - Entitlement Spending: $171 billion
  - Share of total sequestration cuts: 14.8%

- Non-Defense Discretionary Spending: $11.3 trillion
  - Non-Defense Discretionary Spending: $322 billion
  - Share of total sequestration cuts: 27.9%

- Defense Spending: $5.3 trillion
  - Defense Spending: $492 billion
  - Share of total sequestration cuts: 42.6%

- Net Interest: $3.6 trillion
  - Net Interest: $169 billion
  - Share of total sequestration cuts: 14.6%
Estimated Sequestration Job Losses

Estimated Sequestration Job Losses by State

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

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

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.


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

—President Richard Trumka, AFL-CIO
Sequestration - Impacts

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

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 shrunk, 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
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
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
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.

Panetta Notifies Congress DOD Preparing for Furloughs
By Jim Garamone
American Forces Press Service
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
Challenges: Sequestration Target Changed Multiple Times

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

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 upon 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

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

*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, specifically
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” (Attachment). 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).” Acquition 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

5 Day Courses

<table>
<thead>
<tr>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Week Course | Monday Start

Courses that Begin at the Start of a Pay Period

<table>
<thead>
<tr>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 Week Course | Tuesday Start

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

<table>
<thead>
<tr>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Mon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

2 Week Course | Tuesday Start

<table>
<thead>
<tr>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Mon</th>
<th>Tue</th>
<th>Wed</th>
<th>Thu</th>
<th>Fri</th>
<th>Sat</th>
<th>Sun</th>
<th>Mon</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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 day.
## Impacts of Sequestration on DAU

<table>
<thead>
<tr>
<th>Impact on DAU</th>
<th>Impact on DAU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintains Budget Uncertainty &amp; could drive program delays</td>
<td></td>
</tr>
<tr>
<td>Civilian Morale</td>
<td></td>
</tr>
<tr>
<td>Options to take the $12.486M Sequestration Reduction - Gets worse as decisions keep getting pushed off</td>
<td></td>
</tr>
<tr>
<td>DAU Course Schedule Disruption</td>
<td></td>
</tr>
<tr>
<td>Training the Acquisition Workforce</td>
<td></td>
</tr>
</tbody>
</table>
Sequestration Scenarios

WHAT'S NEXT?
# 7 Days vs 0 Days

DAU Sequestration Furlough Scenario

<table>
<thead>
<tr>
<th></th>
<th>7 Day Furlough</th>
<th>% of Total</th>
<th>0 Day Furlough</th>
<th>% of Total</th>
<th>Delta</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Civilian Pay Savings</td>
<td>$3,740,800</td>
<td>30%</td>
<td>$ -</td>
<td>0%</td>
</tr>
<tr>
<td>2</td>
<td>Hiring Freeze</td>
<td>$1,892,800</td>
<td>15%</td>
<td>$1,892,800</td>
<td>15%</td>
</tr>
<tr>
<td>3</td>
<td>Travel</td>
<td>$2,208,000</td>
<td>18%</td>
<td>$2,208,000</td>
<td>18%</td>
</tr>
<tr>
<td>4</td>
<td>Contracts</td>
<td>$4,644,400</td>
<td>37%</td>
<td>$8,385,200</td>
<td>67%</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>$12,486,000</td>
<td></td>
<td>$12,486,000</td>
<td></td>
</tr>
</tbody>
</table>

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
Oh, good! I think we're getting closer...