

**UNITED STATES DEPARTMENT OF THE NAVY
ADMINISTRATIVE RECORD
FY 2013 FURLOUGH APPEALS
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**UNITED STATES OF AMERICA
MERIT SYSTEMS PROTECTION BOARD**

DECLARATION OF ROBERT F. HALE

Personal Background

I, Robert F. Hale, having personal knowledge of the facts contained in this declaration and being competent to testify to them, hereby state as follows:

1. I currently serve as the Under Secretary of Defense (Comptroller)/Chief Financial Officer in the United States Department of Defense (“DoD” or “the Department”). I have held this position since February 2009 following my nomination by President Barack Obama, confirmation by the United States Senate, and appointment by President Obama.

2. Prior to my appointment, I served as the Executive Director of the American Society of Military Comptrollers (ASMC), the professional association of Defense financial managers. As Executive Director, I led the ASMC’s certification program (the Certified Defense Financial Manager program), and oversaw other training programs, the society’s professional journal, and the ASMC’s National Professional Development Institute, an annual conference attracting more than 3,500 participants. Prior to my ASMC tenure, from 1994 to 2001, I served in the Pentagon as the Assistant Secretary of the Air Force (Financial Management and Comptroller), where I was responsible for annual budgets in excess of \$70 billion, efforts to streamline Air Force financial management, and compliance with the Chief Financial Officers Act. In addition, from 1982 to 1994, I headed the National Security Division at the Congressional Budget Office, developing quantitative analyses of major defense budget issues and testifying frequently before congressional committees. During my career, I was also a senior fellow and head of the acquisition and grants management group at LMI, a consulting firm

specializing in service to the Federal government. I also spent 3 years as an active duty officer in the U.S. Navy and served as a staff analyst and study director at the Center for Naval Analysis.

3. I graduated with honors from Stanford University with a Bachelor of Science (B.S.) in mathematics and statistics. I also hold a Master's degree in operations research from Stanford and a Master of Business Administration (MBA) degree from the George Washington University. I am a Certified Defense Financial Manager (CDFM). I am a fellow of the National Academy of Public Administration and a past member of the Defense Business Board, a high-level Pentagon advisory panel. In addition, I am the recipient of the Department of Defense Exceptional Public Service Award, the Air Force Distinguished Service Award, and the National Defense Medal.

4. In my current position as Under Secretary of Defense (Comptroller), I am the principal advisor to Secretary of Defense Hagel on all budgetary and fiscal matters, including the development and execution of DoD's annual budget of more than \$500 billion, which pays for day-to-day and wartime requirements. As Chief Financial Officer, I also oversee the Department's financial policy, financial management systems, and business modernization efforts. I served in the same capacity for former Secretaries of Defense Panetta and Gates.

Overview of Sequestration and Its Impact on the Department of Defense

5. As the Department's Comptroller, I have advised both Secretary Hagel and former Secretary Panetta regarding the Department's reduced funding levels and the impact of sequestration on the Department's budget and the various options, including furloughs, for addressing such impact. I advised that an administrative furlough was a management tool that would result in a predictable, recurring amount of money being available for use by the

Department to contribute to addressing the negative fiscal impacts of sequestration, operating for a full-year under a continuing resolution, and increasing war requirements.

6. By way of background, the Budget Control Act (BCA) of 2011, which was enacted in August 2011, provided for a projected \$1.2 trillion in automatic spending cuts, if Congress failed to enact deficit reduction legislation by adopting the recommendations of the Joint Select Committee on Deficit Reduction by January 15, 2012. The cuts were to be evenly divided: (1) over a 9-year period beginning in 2013 and ending in 2021, and (2) between defense spending and discretionary domestic spending. Known as sequestration (or sequester), the above process of automatic spending cuts was intended as a means of encouraging compromise on deficit reduction efforts. When no such compromise was reached, however, the mandatory budget cuts (including \$109 billion in total cuts for fiscal year 2013) were scheduled to go into effect on January 2, 2013. Passage of the American Taxpayer Relief Act on January 2, 2013, delayed the mandatory budget cuts until March 1, 2013.

7. As of February 2013, the Department anticipated, absent another postponement or a compromise, that by the end of the following month, its share of the sequester for fiscal year 2013 would result in an approximate \$42 billion reduction in the Department's total discretionary budgetary topline (later recalculated by the Office of Management and Budget at \$37 billion) with virtually every budget account in the Department's budget – including wartime funding but excluding military personnel accounts – cut by as much as 9 percent.

8. In addition to sequestration, the Department anticipated further budgetary constraints if the funding levels for the remainder of fiscal year 2013 were to stay in effect at the then-current funding levels allowed by the continuing resolution (CR). A CR is an appropriations act that funds specified Federal agencies or the entire Federal government until a

specified date or for the remainder of the fiscal year when agreement cannot be reached on one or more of the regular appropriation acts. Typically it proportionally allocates budget authority into accounts based on amounts appropriated in the prior year appropriations acts. Thus, the lack of a regular DoD appropriations act for fiscal year 2013 created, among other things, the additional constraint of having money in the wrong appropriation accounts. Specifically, under the then-existing CR, the Department had too many dollars in the investment accounts and too few dollars in the operation and maintenance (O&M) accounts.

9. Finally, by February 2013 the Department faced costs of wartime operations in excess of those that were estimated two years earlier when budgets were prepared. At that point we estimated that we could be short as much as \$10 billion in wartime operating costs.

10. These various factors – sequestration, misallocation of funds under the CR, unexpectedly high wartime costs – all affected the DoD budget, especially the Operation and Maintenance (O&M) portion of the budget, which funds the costs for many of our civilian employees. Taken together, these factors left us facing shortfalls of \$40 billion or roughly 20 percent of O&M funding for active forces.

Initial Considerations Regarding the Furlough of Department of Defense Civilian Employees

11. In response to sequestration and other shortfalls, the DoD determined that if it had to operate under reduced funding levels for an extended period of time, it would have to consider furloughs and other actions to ensure it could execute its core mission and to bring its expenditures down to appropriated levels. As an initial overriding objective, the Department had to protect the warfighter. This objective meant, however, that there would be larger and more disproportionate cuts in the Military Departments' O&M accounts supporting the base budget for

the active forces and from which most civilian positions are funded. The need to protect warfighter funds added to the Department's O&M problems.

12. As of late February 2013, the Department had already begun taking many near-term actions in an attempt to slow spending and avoid more draconian cuts at a later time. Such actions included severe cutbacks in travel and training conferences; civilian hiring freezes; layoffs of more than 7,500 temporary and term employees; sharp cutbacks in facilities maintenance (by as much as 90 percent in the remainder of the year); cutbacks in base operations; reduction of the number of aircraft carriers, embarked air wings, and accompanying defensive and support ships deployed to the Persian Gulf; reductions in the scope of and period of performance of contracts; and delay of contracting actions until the next fiscal year. However, the Department recognized at that time that if sequestration and the CR were to last throughout fiscal year 2013, many more far-reaching changes would be required, including cutbacks and delays in virtually every investment program in the Department (some 2,500 of them) and the furlough of civilian personnel.

13. As a result, on February 20, 2013, Secretary of Defense Panetta notified DoD civilian employees and the Congress about the potential for such furloughs for up to 22 days (176 hours). As I noted that same day in a DoD Press Briefing on "Civilian Furlough Planning Efforts," although the Department would strongly prefer not to impose furloughs, the Department believed that it had no choice but to do so absent further action by Congress, given the severe budget constraints outlined above. As I then stated,

We're more than 20 percent short in O&M, with 7 months to go, much higher in some of the services, particularly the Army. Civilian personnel make up a substantial part of DoD O&M funding. We can't do reductions in force, especially at this point in the year. They'd cost us money in this year because of unused leave and severance pay, so furloughs are really the only way we have to quickly cut civilian personnel funding.

14. During the planning for possible furloughs, the Secretary determined that, as a matter of policy, there would be only limited exceptions to any furloughs that were imposed. Exceptions would include civilians directly involved in support of wartime operations, those needed for protection of life and property, and those involved in a few programs of particularly high priority (especially programs directly and significantly affecting military readiness). Remaining furloughs would be implemented in a fair and even manner across the breadth of the Department (including the Military Departments). We estimated that furloughs of 22 days would reduce DoD expenditures by \$4 to \$5 billion.

15. On March 21, 2013, Congress passed H.R. 933, the “Consolidated and Further Continuing Appropriations Act, 2013,” (hereafter referred to as “the Act”) which, in part, provided fiscal year 2013 full-year appropriations through September 30, 2013, for various Federal agencies, including the Department of Defense, and which modified some aspects of sequestration. Although it retained the overall sequestration spending cuts and their across-the-board nature, and did not provide sufficient funding to cover the OCO shortfalls, it aligned funding closer to the fiscal year 2013 budget request for DoD and provided limited transfer authority to the Department, which is an authority to move money from one account (*e.g.*, Procurement) to another (*e.g.*, O&M) in order to provide some flexibility during budget execution. In anticipation of the President’s signing Public Law No. 113-6, on March 21, 2013, the Department delayed issuance of furlough notices to allow the Department to analyze carefully the impact of the Act on the Department’s resources. After March 26, 2013, when President Obama signed H.R. 933 into law as Public Law No. 113-6, the Department no longer operated under the CR terms and conditions. This corrected approximately \$11 billion of the

shortfall in the Military Departments' base O&M accounts that resulted from operating under the CR at the fiscal year 2012 funding levels and authorized a total of \$7.5 billion in general and special transfer authority under sections 8005 and 9002, respectively.

16. However, even after enactment of this appropriations legislation, the Department still faced an O&M shortfall in excess of \$30 billion. In efforts to minimize the adverse effects of the sequester, and of the overall O&M shortfall, the Department pursued various courses of action. In addition to the short-term actions mentioned above, the Department imposed far-reaching cutbacks in training and maintenance. In April the Air Force began shutting down all flying at 12 combat-coded fighter and bomber squadrons and curtailed exercises, acts that seriously reduced military readiness. By April the Army had already cancelled seven combat training center rotations – culminating training events that are necessary to ready units for deployment – and five brigade-level exercises. The Department of the Navy also cut back steaming days and flying hours across the Navy and Marine Corps. The military services also cut back funding for weapons maintenance. In addition, the Department of the Navy delayed deployment of the USS TRUMAN carrier strike group to the Persian Gulf, curtailed the sailing of the USNS COMFORT to the United States Southern command area of responsibility, and cancelled four other ship deployments.

17. By late April these various actions had reduced the estimated O&M shortfall to about \$11 billion, mostly in our wartime budget and mostly in the Army. Faced with a limited number of options to close this gap, and with uncertainty about the Department's ability to identify and gain Congressional acceptance of further budget cuts, on May 14 the Secretary announced his intention to impose furloughs on civilian personnel rather than making even larger cuts in training and maintenance that would have further eroded military readiness. Overall, the

furloughs impacted approximately 650,000 (or about 85%) of the Department's approximately 767,000 civilian employees paid directly by DoD funds. Rather than the 22 days estimated earlier, the Secretary reviewed budget projections and decided that furloughs could be limited to a maximum of 11 days (88 hours). We estimated that furloughs of 11 days would save DoD about \$2 billion, avoiding substantial further cuts in training and maintenance. The Department began the required "impact and implementation" bargaining with unions and began the process of issuing required notifications to employees and furloughs began during the week of July 8.

Inclusion of Working Capital Fund Employees

18. On June 21, 2013, a bipartisan group of 31 Members of Congress sent a letter to the Secretary of Defense expressing "concern about the determination that civilian workers at entities funded through Defense Working Capital funds are subject to furlough." Specifically, the members inquired as to the legality of furloughing civilians in these funds in light of section 129 of title 10 of the United States Code.

19. On July 5, 2013, acting based on the Advice of the DoD Office of General Counsel, I responded on behalf of Secretary Hagel. In my letter, which is attached hereto as Attachment 1, I noted that the short-term furlough directed by the Department of Defense does not contradict any of the various prohibitions which are set forth in section 129. As I further explained, to the contrary,

Section 129 directs the Department to manage our civilian workforce based on workload and on the "funds made available to the department for such fiscal year." The \$37 billion reduction levied on the Department by sequestration is a major cause of these furloughs, and therefore our actions satisfy the requirements of section 129. Indeed, section 129 directs the Department to manage our civilian workforce based on workload and funding.

As for your cost concerns, furloughs of all DoD civilians will save about \$2 billion in fiscal year 2013, including more than \$500 million associated with

reduced personnel costs in working capital fund activities. These working capital fund personnel savings provide us the flexibility to adjust maintenance funding downward to meet higher-priority needs. The Air Force, for example, currently expects to reduce funded orders in their working capital funds by about \$700 million to meet higher-priority needs while the Army expects to reduce orders by \$500 million.

See Attachment 1.

20. Having imposed furloughs, the Department undertook extensive efforts to identify budget changes that would close the remaining gap and, if possible, reduce cutbacks in training and impose fewer furlough days. In mid-May the Department prepared and submitted two Omnibus reprogramming requests that sought permission from the congressional defense committees to move funds totaling about \$9.6 billion from lower priority budget lines to higher priority budget lines. When the congressional committees did not approve all of the Omnibus reprogramming requests, the Department submitted two additional reprogramming actions on July 22, 2013, that included about \$1 billion of replacement sources for those sources that one or more of the committees had denied or deferred. These reprogrammings moved furlough savings and funds for lower-priority activities to areas of highest budgetary need. The law limits the amount of funds that can be transferred annually under reprogrammings, and these two reprogramming actions used almost all of DoD's transfer authority for FY 2013. Second, pursuant to existing authorities, the Department transferred responsibilities for some specific programs and missions from one Department of Defense component to another and used other available means to reallocate the financial burden for supporting the warfighter. For example, on July 15, 2013, pursuant to section 165(c) of title 10 of the United States Code, the Deputy Secretary of Defense assigned to the Secretary of the Navy the responsibility for providing up to \$450 million for support to U.S. Forces in Afghanistan that previously had been the responsibility of the Army under the Logistics Civil Augmentation Program (LOGCAP). The

Navy ultimately provided \$310 million for the support to U.S. Forces in Afghanistan using the Army's LOGCAP contract. On July 15, 2013, pursuant to section 2571(b) of title 10 of the United States Code, the Deputy Secretary also directed the Director for the Defense Logistics Agency to reduce the standard prices for jet and ground fuel procured under the authority of section 2208 of title 10 of the United States Code and provided to DoD customers in connection with military operations conducted in Afghanistan, retroactive to March 1, 2013 (to coincide with the President's sequestration order). This effectively tapped funds available to the Defense Logistics Agency to support the warfighting costs that would otherwise have been borne by the military departments.

The Furlough Outcome

21. Since Congress approved most of the Department's large reprogramming requests that were submitted in mid-May and late-July, giving the Department flexibility to move funds across accounts, together with the facts that the Military Departments were aggressive in identifying ways to hold down costs, and that the Department was able to transfer some responsibilities for funding specific programs and missions using existing authorities, the Department was successful in shifting savings (including furlough savings) to meet its highest priority needs. As a result, the Department was able to close the remaining budgetary gap and abide by legally binding spending caps. DoD was also able to accomplish two high-priority goals: a reduction in furlough days, and modest improvements in training and readiness. Specifically, DoD was able to reduce furloughs from a maximum of 11 days to 6 days (48 hours) for most DoD civilian employees.

I certify under penalty of perjury that the foregoing is true and correct.

Dated: September 16, 2013

Handwritten signature of Robert F. Hale in cursive script.

Robert F. Hale

DECLARATION OF ROBERT T. CALI

Personal Background

I, Robert T. Cali, having personal knowledge of the facts contained in this declaration and being competent to testify to them, hereby state as follows:

1. I currently serve as the Principal Deputy Assistant Secretary of the Navy (Manpower and Reserve Affairs) (PDASN (M&RA)) in Washington, DC. I assumed this position on October 11, 2009. As the PDASN (M&RA), I serve as the Secretariat focal point on all matters pertaining to the Department of the Navy's Human Capital Strategy, total force management and human capital transformation. I lead the Department of the Navy's (DON's) transformational efforts to modernize and improve human capital management including active duty, reserve, civilian and contractor personnel.

2. Prior to my current position, I served as the Assistant General Counsel (M&RA) beginning in March 2003. In that position, I provided the full range of legal services to the Assistant Secretary of the Navy (M&RA) and his staff and directed the practice of law on behalf of the DON in the fields of Military and Civilian Personnel Law and Equal Employment Opportunity. I also advised the General Counsel and the Navy Secretariat on all matters concerning manpower and reserve affairs policy and administration arising at the Headquarters level. Prior to my AGC (M&RA) tenure, from January 2000 to March 2003, I served as Counsel for the Naval Facilities Engineering Command (NAVFACENGCOM). In that position, I served as the senior legal advisor to the Commander and other top officials at the NAVFACENGCOM and was responsible for areas such as procurement, environmental, land use, labor law and all other matters in the business and commercial law arena. I also was responsible for management

and supervision of approximately 90 attorneys in offices throughout the United States, Guam, Japan and Italy. In addition, from May 1989 to January 2000, I served as Deputy Counsel for the Commandant of the Marine Corps at Headquarters Marine Corps in Washington, DC. In that position, I served as an advisor to the Commandant and other top officials of the Marine Corps on a wide variety of legal issues. I also functioned as "Acting" Counsel for the Commandant when Counsel was absent. Earlier in my career, upon entry into federal service in 1980, I served with the Office of Counsel, Naval Air Systems Command in Washington, DC where I was counsel to the Sidewinder missile, P-3 and S-3 aircraft programs. In December 1983, I moved to the Navy Special Projects Division. As Counsel of that division, I was the senior attorney for the DON's highly classified procurement programs.

3. I graduated with honors (cum laude) from the University of Rochester with a B.A. in political science and psychology in 1976. I received my juris doctor degree from Case Western Reserve University School of Law in 1979, and I am a member of the District of Columbia Bar. I have been a member of the Senior Executive Service since January 1995. In addition, I am the recipient of the Presidential Rank Award of Meritorious Civilian Executive and the DON's Distinguished (twice), Superior and Meritorious Civilian Service Awards.

4. In my current position as PDASN (M&RA), I participated in the decision-making process, in conjunction with the Department of Defense (DoD), regarding the furlough of civilian employees. Specifically, I have knowledge of the process whereby certain exceptions were made to the furlough as well as the DON's implementation of the furlough mandated by the Secretary of Defense (the Secretary) on May 14, 2013.

Exceptions to the Furlough

5. As set forth in the Secretary's May 14, 2013 memorandum announcing the DoD-wide furlough of civilian employees, a decision was made to except several categories of employees, primarily for mission-specific reasons, including the following eight categories applicable to DON personnel: (a) employees deployed to a combat zone; (b), employees necessary to protect safety of life and property (but only to the extent necessary to protect life and property), including selected medical personnel; (c) all employees in Navy shipyards; (d) Foreign Military Sales (FMS) employees funded entirely from FMS administrative and case funds; (e) all employees excluded by application of law (*i.e.*, individuals appointed by the President, with Senate confirmation, who are not covered by the leave system in 5 U.S.C., chapter 63, or an equivalent formal leave system); (f) all employees funded by non-appropriated funds; (g) all Outside Contiguous United States foreign national employees; and (h) all employees who are not paid directly by accounts included in the DoD-Military (subfunction 051) budget (*e.g.*, certain positions at the Naval Postgraduate School.)

6. The exception for "employees necessary to protect safety of life and property" was intended to be limited in application. Specifically, Budget Submitting Offices (BSOs) were instructed to identify positions where 80% manning would create unacceptable risk. This focused on 24/7 shifts and emergency response requirements. As the Secretary specifically noted in his May 14, 2013 memorandum:

The exceptions approved for the safety of life and protection of property category are granted with the understanding that these are the minimum exceptions needed to maintain operations and provide security on a 24/7 basis and that furloughing these employees would result in the Department incurring additional costs for premium pay. Similarly, the exceptions for the medical category are approved with the understanding these exceptions preserve the minimum level of personnel needed to maintain quality care in 24/7 emergency rooms and other critical care areas such as behavioral health, wounded warrior support, and disability

evaluation. Furloughing these employees would result in unacceptable care being provided, and the Department would incur increased costs for premium pay or TRICARE.

7. The exception for “employees in Navy shipyards” (which covered: (1) Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility (IMF), (2) Portsmouth Naval Shipyard, (3) Norfolk Naval Shipyard, (4) Puget Sound Naval Shipyard and IMF, and (5) the Naval Submarine Base Kings Bay) was included due to the particular difficulty in making up delays in maintenance work on nuclear vessels critical to mission success. In implementing this exception, DON leadership determined that it would apply only to those individuals who worked directly for the above facilities. (Thus, not all positions geographically located at a shipyard were necessarily covered by the exception.) Rather, this determination was made based on Unit ID Codes unique to each of the above facilities.

8. With respect to civilian intelligence positions, a distinction was made based on the source of and authority over the funding. Thus, as noted in the Secretary’s May 14, 2013 memorandum, the Secretary determined that civilian intelligence positions funded through Military Intelligence Program (MIP) funds (controlled by the Secretary) would be included in the furlough. The memorandum also noted that the Director of National Intelligence (DNI), (whose authority derives from the Intelligence Reform and Terrorism Prevention Act of 2004, and who has authority over National Intelligence Program (NIP) funds), would determine whether NIP-funded positions would be subject to furlough. Following issuance of the Secretary’s May 14, 2013 memorandum, DNI James Clapper determined that civilian intelligence positions funded through NIP would not be furloughed.

9. Following issuance of the May 14, 2013 memorandum, the DoD also excepted several other categories of civilian employees. First, on May 22, 2013, DoD excepted

approximately 500 sexual assault prevention personnel including sexual assault response coordinators, sexual assault victim advocates and program management. This exception was created in order to ensure responsive victim care and swift and efficient implementation of new initiatives (including DoD-wide training) directed by Secretary Hagel to prevent such assaults which is a priority for the President and Secretary. In addition, DoD excepted certain child care workers in order to meet regulatory requirements and the DON excepted 13 Naval Criminal Investigation Service (NCIS) agents who were supporting the Department of Justice (DOJ) in on-going high profile fraud cases.

10. With respect to the above 13 NCIS agents, their positions were deemed critical to the mission because these special agents were heavily engaged in preparing for the final phase of a wide-spread fraud and corruption investigation spanning multiple time zones within the United States and abroad with respect to DON civilian and United States Navy active duty personnel, foreign nationals, and corporate subjects. Based on information obtained from the DOJ, which was on a fast track for requesting indictments, the DON determined that inclusion of these special agents in the furlough would severely impact DOJ's ability to successfully indict the case as planned.

Implementation of the Furlough by the DON

11. In accordance with the Secretary's May 14, 2013, memorandum, implementation of the furlough generally proceeded pursuant to the following schedule for DON employees. First, between May 28 and June 5, the DON issued a DoD-mandated standardized Notice of Proposed Furlough to employees who were subject to furlough and who, based on their employment status, were entitled to such notice. This notice informed employees of: (1) the basis for the furlough; (2) the procedures and conditions to be applied with respect to the

furlough; (3) various rights associated with responding to the proposed furlough (*e.g.*, specifics as to the rights to respond orally or in writing, to review supporting material, and to be represented by counsel); and (4) the identity of the individual designated to hear oral replies, and if different, the identity of the deciding official (DO).

12. Prior to issuance of the above notice, the DON had designated approximately 750 DOs across its commands to consider any replies received and issue a final decision. (Some commands, especially those with numerous employees, also designated a separate official to hear oral replies and provide a summary to the relevant DO.) The DON instructed its DOs that they had the authority to: (1) modify the furlough if they determined that an individual held a position subject to one of the previously established exceptions; (2) recommend modification of the furlough if they concluded that the position at issue should be subject to an exception not previously recognized; and (3) adjust furlough schedules.

13. Second, following completion of the seven-day period designated for replying to the proposed furlough (which typically occurred between June 4 and June 12, 2013), the DON's designated DOs issued the Notices of Decision to Furlough, or, where applicable, Notices of Decision to Modify the Proposed Furlough between June 5 and July 5, 2013. Across the DON, in approximately 270 instances, DOs granted relief from the Proposed Furlough based on their conclusion that the position at issue was covered by an established exemption.

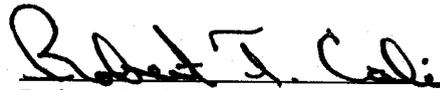
14. The Notices of Decision to Furlough informed employees that the reasons for the proposed furlough remained valid, reiterated the procedures and conditions previously outlined including information regarding scheduling, and set forth applicable appeal rights. Third, following issuance of the notices, the furlough period began for DON employees on July 8, 2013

15. On August 6, 2013, Secretary Hagel announced that, "due to a combination of Congressional approvals and Departmental budget management efforts, I am directing that furloughs for most DoD civilians be reduced from 11 days (88 hours) to six days (48 hours)." See August 6, 2013, Hagel Memorandum. By August 17, 2013, the vast majority of DON employees had achieved the required six days of furlough.

16. Overall, the furloughs impacted approximately 160,000 out of approximately 250,000 DON civilian employees.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Dated: September 13, 2013


Robert T. Cali



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

AUG 6 2013

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARIES OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Reducing Furlough Days

I am pleased to announce that, due to a combination of Congressional approvals and Departmental budget management efforts, I am directing that furloughs for most DoD civilians be reduced from 11 days (88 hours) to six days (48 hours).

When I announced furloughs on May 14, I promised that we would try to reduce the number of days. In early May we faced a residual shortfall in our operating budget of \$11 billion. Furloughs of 11 days, which would have saved \$2 billion, were one of the limited number of options we identified to close this gap. Since then, Congress has approved most of a large reprogramming request that we submitted in mid-May, giving us flexibility to move funds across accounts. The military services have been aggressive in identifying ways to hold down costs, and we have been successful in shifting savings (including furlough savings) to meet our highest priority needs.

As a result, we are able to accomplish two goals: a reduction in furlough days, and modest improvements in training and readiness. However, even with these improvements, this is a military whose readiness remains seriously degraded as we head toward the budgetary uncertainties of FY 2014.

Assuming that the majority of employees were furloughed one day per week beginning the week of July 8, this reduction in the number of furlough days will mean that most employees will have achieved six days (48 hours) of furloughs by August 17. However, all civilian employees, unless exempted from furloughs or governed by special rules, must complete six days (48 hours) of furloughs. If they have not accomplished this by August 17, they must do so in a timely manner and before the end of this fiscal year.



One specific exception to be implemented immediately is the cancellation of all furloughs for Department of Defense Education Activity (DoDEA) instructional and support staff on 10-month contracts. These personnel were already subject to only five days of furloughs in order to ensure a creditable year of schooling for our students; now the teaching year will not be reduced at all. Newly hired civilian employees whose furlough period began after the week of July 8 must complete an equivalent of two furlough days per full pay period between the starting date for their furloughs and August 17. All other special circumstances will be adjudicated by the Under Secretary of Defense (Personnel and Readiness) and the Under Secretary of Defense (Comptroller).

I want to thank our civilian workforce for their patience and continued dedication to our mission during these extraordinarily tough times and for their continued service and devotion to our Department and our country. Our civilian personnel are essential to ensuring our Department and our military can provide for the nation's defense. I regret the difficulties they and their families had to face during this furlough period. Thank you.

*Charles
L. Hager*

Hagel Meets With Troops on Fort Bragg, Discusses Budget

By Claudette Roulo
American Forces Press Service

WASHINGTON, July 15, 2013 – In an uncertain and dangerous world, American service members are helping to build a better future for all mankind, Defense Secretary Chuck Hagel said today during a town hall meeting at Fort Bragg, N.C.

“We are truly defining a future for our country and helping others define their futures around the world,” Hagel told troops, civilians and family members at the event.

Service members do more than just put on a uniform, and civilians do more than just show up to work, the secretary said. Everyone connected to the Defense Department is part of something bigger than themselves -- bigger than even the nation, Hagel added.

“I think occasionally we all can drift a bit and define ourselves, define our work, and define our missions in a more narrow channel,” the defense secretary said. “But we are helping build a new world, a better world, a fairer world, a freer world, [and] we can't do it alone.”

The world looks to the United States not because it's bigger, better or prosperous, Hagel said, but because of what the nation represents.

“That's a heavy burden to carry,” he said, one that can't be carried alone. Over the years, through many difficult lessons, the United States has learned —it must rely on partnerships and relationships to solve some of the world's biggest problems, Hagel said.

Tolerance, respect and dignity still anchor the human condition, the secretary said. “That's what we try to address every day and what we try to protect every day, and hopefully give people opportunities to live that kind of life.”

This effort is not without its challenges, the defense secretary said.

The nation is unwinding from the longest war it has ever been in, but it still has responsibilities and commitments around the world, Hagel said. The question -- not for the first time in the nation's history -- is how to balance these competing needs with the department's more direct responsibilities for the nation's fiscal health, he said.

“This time is probably more dramatic for some of the reasons I've already mentioned, but also if these dramatic [defense spending] reductions continue on the course they're on through the current budget cap sequestration,” Hagel said. “This is forcing us to take deeper, steeper, and more abrupt reductions than we've ever had to do.”

Hagel said his role as defense secretary is to prepare the department for the future based on today's realities, and that includes the possibility that sequestration will continue. “I could not stand back as secretary of defense and try to lead this institution based on -- ‘Well, I hope we'll get a change’ [or] ‘Well, I think maybe something will change,’” he said.

“You can't lead based on hope and thinking and maybes,” the secretary continued. “You have a responsibility of leading ... with the reality of what's in front of you, and you do the

best you can to repair your institution. In the end, that's the definition of each of our lives."

That reality forced the department to prioritize, Hagel said, adding that he had to make some difficult choices. And while budget isn't directing national security strategy, he said, it's an important part.

"You can have all the strategy you want," the defense secretary said, "but you better be able to assure the president of the United States, commander in-chief, and the people of this country and your families that, in fact, we can implement that strategy -- that, in fact, the president has the options when he calls [the chairman of the Joint Chiefs of Staff] or me, and we call [commanders] and say, 'Can we do it? Do we have the capacity to do it?'"

One vehicle for addressing budget limitations, the recently announced force structure changes, is predicated on preserving combat power and readiness, Hagel said. The military's only responsibility is the defense of the nation, he added, and everything else has to fit within that framework.

"That's not always an easy assemblage of pieces to have to come together to assure that one responsibility, especially during a time of ... significant reductions in our budget," the defense secretary said. Preserving current readiness is coming at a cost to future readiness, "but I have to preserve as much as I can preserve with the resources I have," he said. If sequestration continues into fiscal year 2014, an additional \$52 billion in cuts will occur across the department, Hagel added.

As he sought additional ways to protect readiness, furloughs for the Defense Department's civilian employees were the last thing he wanted to do, Hagel said, but he told the Fort Bragg audience he had no other options. Congress was unwilling to authorize the reprogramming of funds that would have prevented the need to furlough about 650,000 defense civilian employees, he explained.

"I could not take down that readiness line any further than where we were," he said. "We've essentially cut [and] frozen everything we can in order to maintain those numbers."

This may be the most difficult time to be serving the nation, Hagel said, "but we have no choice but to get through it, and we will get through it."

Though some of the services were in better fiscal shape than others going into the sequestration period, Hagel said, he was determined for the department to stay unified. "It's the whole point of the joint command," he said. "I couldn't as secretary of defense get into a situation where I was going to allow each service to make their own decisions on this. ... I thought that everybody had to come into this together and go out together.

"If [for] no other reason," he continued, "I did that because I just think it's the fair way to do it, as fair as you can be in this business."

When people are treated unfairly, the secretary said, it does damage to the institution.

"This is bigger than the Defense Department. It's people. We as individuals -- as human beings -- each want to be treated fairly, with some dignity and some respect," Hagel said.

“And if you think you're not treated fairly, there will be a residue of a problem there. And I thought it would be a mistake for me to make a decision [to] allow each of the services to figure out, ‘Well, I've got more money in my budget, and maybe he squandered his budget, and so therefore, I should be in a higher position because of my budget.’”

Hagel said a great deal of credit belongs to the service chiefs for maintaining departmental unity and not allowing budget constraints to drive the services into “tribal warfare.”

Despite the department’s efforts, the fiscal future remains uncertain, the defense secretary said. Following a departmentwide Strategic Choices and Management Review, Hagel said, the department has mapped out three options: the president’s proposed budget for fiscal year 2014, full sequestration and some compromise in between.

“But I think it's fair to say if we're going to be living with an additional \$52 billion cut, there [is] going to continue to be bad news with every aspect of our budget,” the defense secretary said.

Though he doesn’t yet know what Congress will do about the fiscal year 2014 budget request, Hagel said, he has a responsibility to work closely with the president, Congress and the people of the United States. “That’s the way our Constitution is built, and we work best when we’re working together,” he added.

“We're going to work through this,” the defense secretary said. “In the end, we are defining a new force structure, a new institution, not unlike after Vietnam, not unlike after every conflict, not unlike every sequence of the historic cycle of world affairs.”

Biographies:

[Chuck Hagel](#)

Related Sites:

[Fort Bragg](#)

[Special Report: Travels With Hagel](#)

[Special Report: Sequestration](#)

[Remarks by Defense Secretary Chuck Hagel to Soldiers & Civilians on Fort Bragg, Fayetteville, N.C.](#)



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

JUL - 5 2013

The Honorable Derek Kilmer
U.S. House of Representatives
Washington, DC 20515

Dear Congressman Kilmer:

Thank you for your letter of June 21, 2013 concerning the furlough of working capital fund civilians of the Department of Defense (DoD). Secretary of Defense Hagel asked me to respond on his behalf. I can say in summary that in FY 2013 DoD faced a budget cut of \$37 billion caused by sequestration, in addition to shortfalls in wartime funding. The Department does not want to furlough any of its valued civilian employees but must do so to help meet these budgetary shortfalls. Furloughs of civilians at working capital fund activities are legal and result in personnel cost savings.

Secretary Hagel regrets having to furlough any DoD civilian employees, whether they serve in the Department's working capital fund activities or elsewhere. Unfortunately, in FY 2013 DoD faces a large shortfall in our operating budgets both because of sequestration and a lack of funds to meet all our wartime operating requirements. The Department has taken many steps to close this shortfall including sharp cuts in facilities maintenance, hiring freezes, and layoffs of temporary and term employees. DoD has asked Congress to let us "reprogram" or move money from our investment accounts into operating accounts to help pay DoD's wartime bills, though our Congressional Committees have not yet approved a significant part of that request. The Department has also cut back sharply on training and maintenance, actions that have led to serious damage to our readiness. Finally, and reluctantly, DoD has imposed furloughs for up to 11 days on most of its civilian employees.

You requested the Department's views on the legality of furloughing civilians in working capital fund activities, in particular with respect to section 129 of title 10, United States Code. The Department believes short-term furloughs of working capital fund civilians -- who are indirectly funded Government employees -- are permissible under that statute. Indirectly funded Government employees may not be subjected to constraints or limitations based on the number of such personnel who may be employed on the last day of a fiscal year, and may not be managed on the basis of man years, end strength, full-time equivalent positions, or maximum number of employees. They also may not be controlled under any policy of a Military Department Secretary with respect to civilian manpower resources. A short-term furlough directed by the Secretary of Defense does not contradict these prohibitions. Further, Section 129 directs the Department to manage our civilian workforce based on workload and on the "funds made available to the department for such fiscal year". The \$37 billion reduction levied on the Department by sequestration is a major cause of these furloughs, and therefore our actions satisfy the requirements of section 129. Indeed, section 129 directs the Department to manage our civilian workforce based on workload and funding.

As for your cost concerns, furloughs for all DoD civilians will save about \$2 billion in FY 2013, including more than \$500 million associated with reduced personnel costs in working capital fund activities. These working capital fund personnel savings provide us the flexibility to adjust maintenance funding downward to meet higher-priority needs. The Air Force, for example, currently expects to reduce funded orders in their working capital funds by about \$700 million to meet higher-priority needs while the Army expects to reduce orders by \$500 million. Because Congress has not yet approved about \$2.5 billion of our reprogramming request as of the date of this letter, it is unfortunately possible that these maintenance cutbacks may have to be increased.

The Secretary and the Department appreciate and share your concerns for the efficiency of our operations, the welfare of our civilian employees, and the impact of furloughs on our defense communities. The Department is also seriously concerned with the adverse effects on readiness caused by cutbacks in training and maintenance. The best way for Congress to address all these concerns is to pass a balanced deficit reduction plan that the President can sign and then repeal sequestration.

An identical letter is being provided to the other signatories to your letter.

Sincerely,

A handwritten signature in cursive script that reads "Robert F. Hale".

Robert F. Hale

Congress of the United States
Washington, DC 20515

June 21, 2013

The Honorable Chuck Hagel
Secretary of Defense
The Department of Defense
Washington, D.C. 20301

Dear Secretary Hagel:

We are writing to express our concern about the determination that civilian workers at entities funded through Defense Working Capital funds are subject to furloughs. It appears that there are substantial legal and economic questions surrounding the decision to impose furloughs on these employees.

We request an explanation as to whether the Department considers civilian employees at Working Capital fund entities to be "indirectly funded Government employees of the Department of Defense," as defined in 10 USC 129. If so, we further request an explanation of the legal justification the Department is using to impose furloughs on these civilian workers, despite the explicit protections afforded them under this statute.

Furthermore, while the Department sought to alleviate a shortfall in its operating funds for fiscal year 2013, we request the Department clarify its rationale in determining that furloughing these workers would reduce its operating expenses. Specifically, please provide the Department's estimate of the reduction in FY 2013 spending as a result of furloughing civilian workers at entities funded through Working Capital funds.

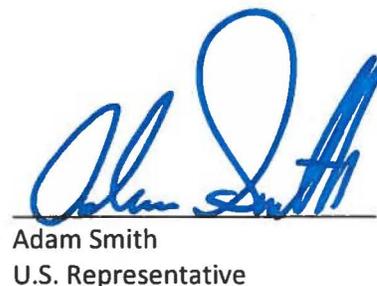
We are concerned that, in addition to the loss of pay these civilian employees now face and the subsequent impact this will have on our local communities, moving forward with these furloughs will reduce the ability of our civilian workforce to complete workload which is already funded. Further restricting available workforce resources will result in mission delays, eventual overtime, and greater cost to the Department and taxpayers.

We respectfully request your prompt attention to this important issue.

Sincerely,



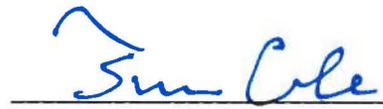
Derek Kilmer
U.S. Representative



Adam Smith
U.S. Representative



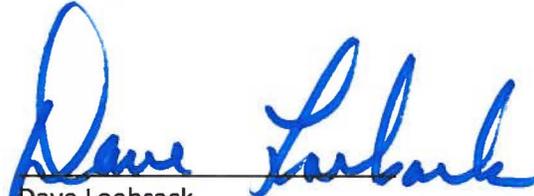
Scott Rigell
U.S. Representative



Tom Cole
U.S. Representative



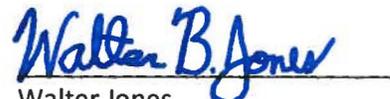
Betty McCollum
U.S. Representative



Dave Loebsack
U.S. Representative



Rob Bishop
U.S. Representative



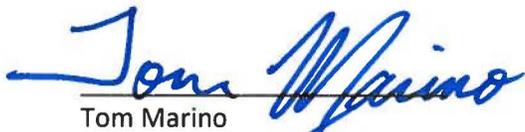
Walter Jones
U.S. Representative



James Lankford
U.S. Representative



Austin Scott
U.S. Representative



Tom Marino
U.S. Representative



Mo Brooks
U.S. Representative



Mike Rogers
U.S. Representative



Cheri Bustos
U.S. Representative



Blake Farenthold
U.S. Representative



Bill Shuster
U.S. Representative



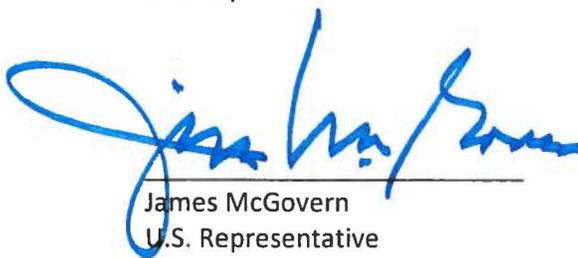
Matt Cartwright
U.S. Representative



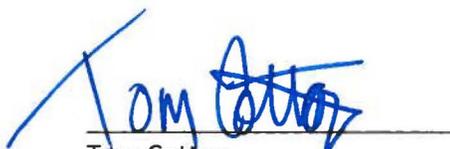
Lou Barletta
U.S. Representative



Tim Griffin
U.S. Representative



James McGovern
U.S. Representative



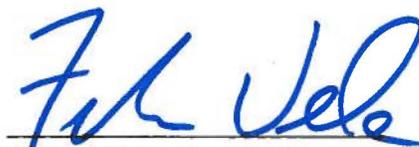
Tom Cotton
U.S. Representative



Todd Young
U.S. Representative



Mike Turner
U.S. Representative



Filemon Vela
U.S. Representative



Sanford Bishop
U.S. Representative



Emanuel Cleaver
U.S. Representative



Julia Brownley
U.S. Representative



Ralph Hall
U.S. Representative



Paul Cook
U.S. Representative



Markwayne Mullin
U.S. Representative

A handwritten signature in blue ink that reads "Paul W. Tonko". The signature is fluid and cursive, with a long horizontal stroke extending to the right from the end of the name.

Paul Tonko
U.S. Representative

Administrative Furlough Guidance for Proposing & Deciding Officials

Department of the Navy

24 May 2013





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The Secretary of Defense has made a determination that the Department’s sequestration-imposed budgetary shortfalls are forcing him to direct the furlough of most Department of Defense (DoD) civilians for up to 11 days. As the head of the Agency, the Secretary of Defense made his decision after considering the input of the Secretary of the Navy, which included inputs from the CNO and the Commandant, regarding our efforts to meet our budgetary shortfalls, our mission requirements and priorities, as well as our budget projections for the remainder of the year and beyond.

Furloughs are adverse actions governed by the requirements enumerated in 5 U.S.C., Chapter 75. A furlough is defined in 5 U.S.C. § 7511 as “the placing of an employee in a temporary status without duties and pay because of lack of work or funds or other nondisciplinary reasons.” DON employees have a constitutionally-protected interest in their employment and, as such, are entitled to due process before their property right can be adversely affected. The process that is due requires that each employee receive advanced written notice of the proposed furlough, followed by an opportunity to reply to that notice to a deciding official who has the authority to change the outcome of the proposed furlough, followed by a written final decision from that deciding official. Furlough proposal and decision letters must have physical signatures from the appropriate proposing and deciding officials. Following the final decision, a furloughed employee is entitled to challenge the furlough by filing an appeal with the Merit Systems Protection Board (MSPB). The MSPB, through an administrative hearing, will review the bona fides of the furlough (i.e., is it based upon a “lack of work or funds or other nondisciplinary reasons”), as well as whether the above-described due process requirements were met and whether the furlough was implemented fairly.

Guidance for Proposing Officials

Overview

The Proposing Official signs and issues Notices of Proposed Furlough letters (proposed furlough notice) to the affected employee. The Proposing Official should be the employee’s Department Head, supervisor or manager who has alignment to the Deciding Official. Proposing Officials should be in the employee’s chain of command. Proposing officials should work with their Command HR offices and/or the Director Civilian Human Resources (DCHR) throughout the notification process. Unlike in a misconduct or performance-based adverse action where the proposing official is, in fact, recommending some type of adverse action (e.g., a suspension without pay or downgrade or removal from Federal service), in the furlough setting, the “proposing official” is merely delivering the required notice and securing an acknowledgement of receipt from the employee.

Delivering/Acknowledging Notices of Proposed Furlough

Proposing Officials are responsible for delivering or ensuring delivery of the proposed furlough letter. There is no statutory or regulatory requirement for an employee to acknowledge receipt of the proposed furlough notice. However, if challenged, the DON may have to prove an employee received the letter or that the DON exercised due diligence.



Notices provided to employees in person should include a sign/date acknowledgment on the notice or on a memo for the record. Proposing officials should retain a copy of the signed proposed furlough notice for the record. If employee refuses to sign, notate the refusal and indicate date/time of service.

Email Delivery

Commands may send signed proposed furlough notices to employees as a Word or Adobe pdf attachment using a government email account. (The email language must include whether the notice is a Microsoft Word or Adobe PDF file.)

The DON recommends using the read receipt and delivery notification feature in the email system when issuing email notification. When using email, proposing officials should also request that the employee reply to the email, acknowledging receipt of the proposed furlough notice. Proposing officials should retain a copy of the read receipt from the employee. The employee's email of record will be used to send the proposed furlough notice.

Proposing officials should avoid using email in an industrial setting where employees may not have ready access to a computer. NMCI outlook may block read receipts from outside e-mail service providers such as Gmail, Yahoo, AOL, Comcast, etc.

Mail Delivery

Commands may send proposed furlough notices to employees using first class postal mail to the mailing address of record. The employee's mailing address of record is found in DCPDS-MyWorkplace or Total Workforce Management System (TWMS). Delivery confirmation service can be used to confirm the date and time the first-class letter was delivered, but is not required. Commands do not need to use certified mail.

Official Time to Review Material

First-line supervisors must allow the employee a reasonable amount of official time to review the materials relied on to support the proposed action, to prepare and answer orally and/or in writing and to secure affidavits – this is situation driven but typically 2-3 hours is sufficient. Supporting material is available at <http://www.public.navy.mil/donhr/Documents/supportingmaterial.pdf>

Note: If the employee is covered by a collective bargaining agreement (CBA), the provisions of that agreement must be followed.

If employee asks the Deciding Official to consider any medical documentation, the employee must be given a reasonable amount of time to furnish medical documentation.



Overview

The Deciding Official is responsible for rendering a final decision regarding the furlough. The Deciding Official usually hears and receives oral and written replies presented by affected employees or their representatives. If an oral reply is presented, the Deciding Official listens to and captures a written summary. An individual other than the Deciding Official may be delegated as the Reply Official, particularly in situations such as a proposed DON-wide administrative furlough where numerous replies may occur. If so, the delegated Reply Official should be a supervisory or management official with the authority to hear and receive replies and make recommendations.

The following guidance is provided for carrying out the responsibilities of the Deciding Official. The Deciding Official should:

- Generally be in a higher position than the official who proposed the action (N/A for SES)
- Be the Activity's Commanding Officer, Executive Officer or senior civilian equivalent (applicable for SES and non-SES)
- Consider only the reason(s) specified in the advance written proposal notice; materials relied upon in support of that proposal notice; and any and all replies made by the employee and/or the employee's representative (N/A SES)
- Weigh any replies that invalidate the procedures used or the reasons for the proposed furlough (*N/A SES*), for example:
 - DoD declares a budget crisis no longer exists
 - Employee falls under a furlough exemption
 - Proposal notice is procedurally defective (*N/A SES*)
- Sign decision notice specifying reasons for and effective date of the decision in consultation with the HR advisor/counsel using appropriate template

Administrative Record

The following make up the administrative record the Deciding Official must consider before rendering a decision on the proposal to furlough. It should be noted that consideration is limited to the administrative record only.

Notice of proposed action

- Notifies employee of proposed administrative furlough, identifies reason(s) for the furlough, including the basis for selecting a particular employee for furlough when some but not all employees in a given competitive level are being furloughed
- Includes the effective date, duration and anticipated number of furlough days/hours, and due process rights – including the right to reply orally and/or in writing, the right to representation, the right to review the information relied upon to support the proposed action, and the right to official time to prepare answers to the proposal notice



<http://www.public.navy.mil/donhr/Documents/supportingmaterial.pdf>.

Oral Reply Process

The individual designated to receive the employee's oral reply and location where written replies should be delivered (or emailed) must be clearly identified. The Deciding Official or the designated Reply Official should arrange for an appropriate and private space to hear oral replies and must consider and respond in writing to any requests for an extension to the reply period. Generally, requests for an extension received within the initial reply period should be granted unless precluded by compelling reasons; requests received after the initial replay period elapses may be granted unless precluded by compelling reasons.

During the meeting, the Deciding/Reply Official shall:

- Listen and take notes (or have a note taker present) during the employee's presentation of the oral reply – summarize only what the employee said (and/or representative on behalf of employee); avoid any suggestion of judging or characterizing the employee's remarks
- Remain noncommittal, nonjudgmental and non-challenging during the reply meeting
- The oral reply must not become an adjudication session or quasi-hearing, or a justification session of why a furlough is necessary or why the employee is covered by the furlough
- Do not argue or make statements or engage in a discussion of the relative merits of the case
- Seek clarification of reply where necessary
- The employee should not be confined solely to addressing matters of the reasons for the furlough (by law, the employee may make any reply and the official is required to hear any and all replies)
- The employee may also plead extenuating circumstances, such as personal or medical problems
- Under no circumstances should any indication of a decision be given or the situation be used to censure or otherwise discourage the employee from making any reply
- At the termination of the reply meeting, inform the employee that the oral and written reply, if any, will be given full consideration in making the final decision regarding the proposed furlough
- Ensure a written summary of the oral reply is preserved for the record and provided to the designated Deciding Official for the Deciding Official's consideration in rendering a decision, with a copy to the employee and the employee's representative
- Deciding Official should direct any technical questions about the reply to the servicing HR advisor



The Secretary of Defense has directed that furloughs be imposed for the reasons stated in his 14 May 2013 memorandum. The policy established by the Secretary of Defense to furlough employees, other than those employees that are a member of one of the approved categorical exceptions, for the purpose of minimizing the adverse effects on the military mission, including military readiness, of the Department of Defense, shall be applied by deciding officials.

The deciding official must be someone who has the authority to change the proposed action (i.e., furlough) consistent with the Secretary of Defense's decision. All Deciding officials should be advised to follow the review/decision process outlined below which provides guidance to implement the Secretary of Defense's 14 May 2013 memorandum on furloughs:

- Deciding officials should consider any and all replies and determine whether the reply (ies) forms a basis for granting relief from the furlough. Deciding officials must also make final decisions in cases where an employee does not submit a reply.
- In accordance with chapter 75 of Title 5 of the United States Code, its implementing regulations, the 14 May 2013 memorandum from the Secretary of Defense and any subsequent supplemental guidance provided by the Office of the Secretary of Defense pursuant to the 14 May 2013 memorandum, a deciding official shall determine if the employee is a member of one of the approved categorical exceptions and should have been excluded from the furlough, or if there is another basis under those authorities to grant relief to the individual employee. If so, grant relief. Deciding officials must ensure that the furlough is applied fairly across all employees.
- The deciding official must avoid consideration of any information outside of the administrative record (i.e., outside of that which was relied upon to support the proposed furlough notice, the proposal letter itself, the reply(ies) presented by the employee or the employee representative on the employee's behalf); or ensure the employee has an opportunity to reply to any additional information considered beyond that outlined in the proposal letter.
- When a deciding official obtains new and material information that is not in the record, they should consult with their HR advisor or counsel to determine how best to convey that new and material information to the employee and provide an additional opportunity to reply.



Note – Consult your command DCHR, local HR advisor or counsel with any questions regarding this guidance or the administrative furlough process in general.

5 CFR 752.404 (c)(2), **Employee's answer.** The agency will designate an official to hear the employee's oral answer who has authority either to make or recommend a final decision on the proposed adverse action. The right to answer orally in person does not include the right to a formal hearing with examination of witnesses unless the agency provides for such hearing in its regulations. Under [5 U.S.C. 7513\(c\)](#), the agency may, in its regulations, provide a hearing in place of or in addition to the opportunity for written and oral answer.

(5 CFR 752.404 (f)), **Agency review of medical information.** When medical information is supplied by the employee pursuant to paragraph (c)(3) of this section, the agency may, if authorized, require a medical examination under the criteria of § [339.301](#) of this chapter, or otherwise, at its option, offer a medical examination in accordance with the criteria of § [339.302](#) of this chapter. If the employee has the requisite years of service under the Civil Service Retirement System or the Federal Employees' Retirement System, the agency must provide information concerning disability retirement. The agency must be aware of the affirmative obligations of the provisions of 29 CFR [1614.203](#), which require reasonable accommodation of a qualified individual with a disability.

*DON Civilian HR Manual Subchapter 752, **Appealable actions.*** An appealable action (removal, suspension for more than 14 days or indefinite suspension, reduction in grade or pay, or furlough for 30 days or less) entitles the affected employee to a written decision... signed by an official in a higher position than the official who proposed the action, unless the activity head/commander issued the advance notice, in which case the activity head/commander may issue the written decision (5 CFR 752.404(f)).

5 CFR 752.404 (g) **Agency decision. (1)** In arriving at its decision, the agency will consider only the reasons specified in the notice of proposed action and any answer of the employee or his or her representative, or both, made to a designated official and any medical documentation reviewed under paragraph (f) of this section.

See Horner v. Schuck; 843 F.2d 1368, 1375 (Fed. Cir. 1988) [[88 FMSR 7013](#)] ("if [an] employee can show that [a] furlough was not in accordance with the terms of his appointment, [the] employee is entitled to invoke [5 U.S.C.] section 7513's adverse action procedures"); *see also Prior v. Department of the Air Force* [[93 FMSR 5072](#)].

Clark v. Office of Personnel Management, [84 FMSR 5945](#) , [24 MSPR 224](#) (MSPB 1984).

For more information or questions email DONhrFAQ@navy.mil.



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

MAY 23 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Additional Guidance for Handling Budgetary Uncertainty in Fiscal Year 2013

- References:
- (a) Deputy Secretary of Defense's memorandum on "Handling Budgetary Uncertainty in Fiscal Year 2013," dated January 10, 2013
 - (b) USD(C) Memorandum "Additional Guidance on Handling Budget Uncertainty in Fiscal Year 2013," March 5, 2013 - **Rescinded**
 - (c) DoD Directive 4515.12, DoD Support for Travel of Members and Employees of Congress
 - (d) Title 10, United States Code § 1051, "Bilateral or regional cooperation programs: payment of personnel expenses"
 - (e) DoD Instruction 1015.15, Establishment, Management and Control of Non-appropriated Fund Instrumentalities and Financial Management of Supporting Resources
 - (f) Title 10, United States Code § 1491, "Funeral honors functions at funerals for veterans"
 - (g) Title 31 United States Code § 1353, "Acceptance of Travel and Related Expenses from Non-Federal Sources"

The purpose of this memorandum is to provide additional guidance to reference (a) to ensure consistency in the treatment of issues across the Department of Defense (DoD) as the Department implements sequestration and the funding provided in the Consolidated and Further Continuing Appropriations Act, 2013 (Public Law 113-6). All DoD Components need to ensure that funding for wartime operations is protected and critical priority requirements for national security are funded within the limited resources and flexibilities provided. Effective immediately, the guidance in this memorandum supersedes the guidance provided in reference (b), and subsequent clarifications, which are hereby rescinded.

Congressional Travel Support

The Department will strictly enforce DoD's policies in its support of travel by congressional delegations (CODELs) and congressional staff delegations (STAFFDELS). It is DoD policy that support for approved travel of members and employees of Congress shall be provided on an economical basis upon request from Congress, pursuant to law or where necessary to carry out DoD duties and responsibilities. Organizations shall ensure that travel of members and employees of Congress is sponsored by the DoD *only* where the purpose of the travel is of primary interest to and bears a substantial relationship to programs or activities of DoD and is not solely for the purpose of engendering goodwill or obtaining possible future benefits. Specific guidance is included in reference (c). Some specific policies worth highlighting include:

- Military airlift will not be used for CODELs if commercial airlift is reasonably available.
 - Within the Continental United States (CONUS), no CODELs may use military airlift as commercial airlift is readily available.
 - Military airlift may be authorized for CODELs Outside the CONUS if commercial airlift is limited or unsafe; every effort must be made to minimize costs.
 - Spouses may accompany members if there is an official function as long as they pay their own expenses and do not increase the number or size of aircraft required.
- Minimum number of congressional members for military airlift originating in CONUS.
 - No less than five members for large aircraft.
 - No less than three members for small aircraft.
- Tickets purchased by DoD for CODELs, STAFFDELS, and liaison escorts.
 - Must be economy class; individuals may upgrade at their own expense.
 - DoD does not pay for a member's personal staff traveling to his/her home State/District; this includes travel, lodging, meals, or escorts.
- All itineraries for CODELs/STAFFDELS must be approved by the escorting Service's 2-star Legislative Affairs Director to ensure that the itinerary is an efficient use of taxpayer funds.

Tuition Assistance

The Services are to restore funding for tuition assistance to the budgeted level for the remainder of Fiscal Year 2013, without reduction for sequestration. In addition, the Services will not implement any management controls/restrictions that did not exist prior to the tuition assistance stoppage. This will meet, and exceed, the requirement in section 8129 (Requirement to Continue Provision of Tuition Assistance for Members of the Armed Forces) of division C of Public Law 113-6 (Department of Defense Appropriations Act, 2013).

Discretionary Monetary Awards for Civilians

In the Office of Management and Budget (OMB) Bulletin #M-13-11, Ongoing Implementation of the Joint Committee Sequestration, dated April 4, 2013, the Controller provides the following guidance with regard to discretionary monetary awards:

“OMB Memorandum 13-05 [Agency Responsibilities for Implementation of Potential Joint Committee Sequestration] directs that discretionary monetary awards should not be issued while sequestration is in place, unless issuance of such awards is legally required. Discretionary monetary awards include annual performance awards, group awards, and special act cash awards, which comprise a sizeable majority of awards and incentives provided by the Federal Government to employees. Until further notice, agencies should not issue such monetary awards from sequestered accounts unless agency counsel determines

the awards are legally required. Legal requirements include compliance with provisions in collective bargaining agreements governing awards.¹

Consistent with past guidance, certain types of incentives are not considered discretionary monetary awards for the purposes of this policy. These include quality step increases (QSIs); travel incentives recognizing employee savings on official travel; foreign language awards for mission-critical language needs; recruitment, retention, and relocation incentives (3Rs); student loan repayments; and time-off awards. While these items are permitted, in light of current budgetary constraints, they should be used only on a highly limited basis and in circumstances where they are necessary and critical to maintaining the agency's mission. In addition, consistent with the policy set forth in the Guidance on Awards for Fiscal Years 2011 and 2012, jointly issued by the Office of Personnel Management (OPM) and OMB on June 10, 2011, spending for QSIs and 3Rs should not exceed the level of spending on such incentives for fiscal year 2010.

With respect to Federal political appointees, agencies should continue to follow the policy set forth in the August 3, 2010 Presidential Memorandum, Freeze on Discretionary Awards, Bonuses, and Similar Payments for Federal Political Appointees. OPM previously issued guidance on implementation of this memorandum.”

The Office of the Under Secretary of Defense for Personnel and Readiness will be issuing supplemental guidance on award limitations for DoD civilians.

Participation in International Events

The Department should limit its participation in international events except in those instances where individuals are supporting Foreign Military Sales and the funds supporting these efforts are not being sequestered because the accounts are exempt from sequestration.

Components may continue to participate in military exercises and to conduct military-to-military engagement activities, including participation by DoD personnel in bilateral or regional conferences, seminars, or similar meetings if the appropriate conference approval authority determines that the attendance of such personnel at such conference, seminar, or similar meeting is in the national security interests of the United States. In addition, Components may continue to use - in accordance with established guidance and approval procedures - the authority provided by reference (d) to pay travel and subsistence costs for defense personnel from developing countries in order for them to attend conferences, seminars, or similar meetings considered in the interest of U.S. national security. In this period of sequestered budgets, however, Component Heads should take particular care to ensure that any military-to-military engagement activities, including conferences, seminars, or similar meetings, are mission critical and that the goals of the

¹ Consistent with legal requirements, agencies may consider engaging in discussions with employees' exclusive representatives to explore revisions to such provisions in existing collective bargaining agreements, in recognition of this guidance.

activity cannot be deferred or met through other means. We also ask that you take into account factors that could result in special scrutiny of an event, including size, cost, and location. Utilization of military musical units or ceremonial units in military-to-military engagement activities will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Demonstration Flying

All aerial demonstrations, including flyovers, jump team demonstrations, and participation in civilian air shows and military open houses were to cease as of April 1, 2013, consistent with previous direction. Flyovers in support of military funerals will be given special consideration. To ensure consistency across the Department all exceptions and waivers for demonstration flying will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Support to Non-DoD Organizations and Special Events

All military support to non-DoD organizations and special events for outreach purposes beyond a military installation's local area is prohibited. Military support to outreach activities in the local area is permitted so long as the support is provided using only local assets and personnel, and is at no cost to the Department. This includes, but is not limited to, military equipment displays at civilian air shows, military open houses, Fleet and Service weeks, and CONUS-based ship homeport visits, and in parades and civic events. The use of non-appropriated funds (NAF) to host military installation open houses in support of authorized NAF programs is permitted in accordance with reference (e). To ensure consistency across the Department, all exceptions and waivers for support to non-DoD organizations and special events will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval. This section does not apply to DoD Component Recruiting Marketing activities using Recruiting assets, National Guard outreach activities funded solely by State funds, and attendance by DoD personnel at a non-DoD hosted conference.

Military Musical Unit (and Ceremonial Unit) Travel

As a matter of policy, military musical and ceremonial units will not be permitted to travel beyond their respective duty station's local area for any purpose, including support to another military installation, even if such travel could be conducted at no cost to DoD. Units may continue to perform locally both on and off military installations, including for the purpose of producing and distributing audio and video recordings, as long as those performances, productions and distributions are at no cost to the Department. To ensure consistency across the Department, all exceptions and waivers will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval. Presidential Wreath-Laying Ceremonies are exempt from this restriction. In addition, Military Funeral Honors Details are exempt from this restriction and will continue to be executed in accordance with Service Department policies and reference (f).

Official Speeches and Related Travel Expenses for DoD Personnel

Department of Defense personnel may not travel beyond the local area at DoD cost, including to deliver official speeches, unless the activity is deemed mission critical. Each organization in the Office of the Secretary of Defense (OSD), Service Component or Combatant Command (COCOM) is responsible for making this "mission critical" determination. Expenditure of DoD travel funds to support a mission critical official speech must be approved by the member's respective OSD organization, Service Component or COCOM leadership. The Department may continue to accept unsolicited travel benefits from non-Federal sources in accordance with reference (g). However, all expenses for non-mission critical travel must be covered by the non-Federal source, including per diem, lodging, meals, transportation and all other travel-related expenses.

Conference Attendance

As you know, the Deputy Secretary of Defense has issued guidance requiring that all conferences be mission critical. There are also certain individuals who must approve conferences, depending on their nature and size. If you have questions about this guidance, it is available for review at: <http://dcmo.defense.gov/products-and-services/conference-policies-controls/index.html>.

Even under sequestration, we do not want to prohibit conferences, including hosting of or attendance at DoD-hosted conferences or attendance at conferences hosted by non-DoD entities. However, in this period of sequestered budgets, we ask that commanders and managers take particular care to be certain that conferences are indeed mission critical and that the goals of the conference cannot be met through other means. We also ask that you take into account factors that could result in special scrutiny of conferences including size, cost, and locations that are remote from the workplace of most participants. Particular care should be exercised in assessing the need for conferences held overseas or in other locations likely to attract special attention.

If, after weighing the above considerations, travel approving officials determine that attendance at conferences hosted by non-Federal sources during sequestration is still appropriate, if asked, the host may be informed of DoD's authority to accept payments for travel, subsistence, and related expenses pursuant to reference (g). Payments for travel expenses under reference (g) may not be solicited. Apart from this statute, we do not have authority to accept reimbursements from non-Federal entities in a manner that can be used to offset DoD's costs of participation in a non-Federal source's conference. All DoD travel approving officials should ensure that DoD employees attend only those conferences that satisfy the criteria set forth in the preceding paragraph and that, wherever appropriate, all travel, subsistence and related expenses incurred by DoD are reimbursed in accordance with reference (g).

We will continue to provide additional guidance as issues surface that require a DoD-wide policy. Thank you for your assistance during this difficult fiscal climate.



Robert F. Hale

cc:

Director of National Intelligence

DISTRIBUTION:

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(MANPOWER AND RESERVE AFFAIRS)
1000 NAVY PENTAGON
WASHINGTON, D.C. 20350-1000

MAY 21 2013

MEMORANDUM FOR DISTRIBUTION

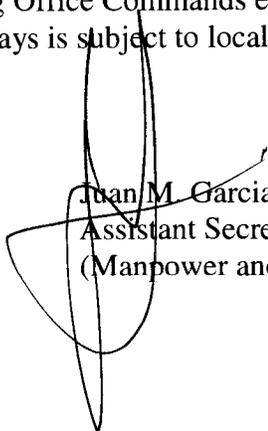
SUBJECT: Department of the Navy Supplemental Guidance on the Scheduling of Furloughs

Ref: (a) SECDEF memo, Furloughs dtd 14 May 13
(b) UNSECNAV memo, Planning Guidance for Potential Civilian Furloughs dtd 21 Feb 13
(c) OCHR Supplemental Guidance on the Scheduling of Furloughs dtd 28 Feb 13

Encl: (1) ASN(MRA) Supplemental Guidance on the Scheduling of Furloughs dtd May 2013

In the ongoing response to the current fiscal situation and by direction contained in references (a) and (b), the Department of the Navy (DON) continues to ensure that guidance is updated regarding the ground rules and flexibilities for a potential furlough of its civilian career employees. Supplemental guidance enclosed with this memorandum provides direction and information for military and senior leaders. It supersedes guidance (reference (c)) issued in February. Please ensure that this guidance is distributed to your subordinate organizations.

To ensure continued success for the DON, major deviations to the general guidance provided in reference (b) must be coordinated with the Assistant Secretary of the Navy (Manpower & Reserve Affairs) through the Office of Civilian Human Resources, Mr. Douglas Lundberg, director. As Budget Submitting Office Commands engage in planning, it is important to remember that scheduling of furlough days is subject to local impact and implementation bargaining requirements.


Juan M. Garcia
Assistant Secretary of the Navy
(Manpower and Reserve Affairs)

Distribution:
CNO
CMC
DON/AA

Copy to:
UNSECNAV
ASN(M&RA)
ASN(FM&C)
DASN(CHR)
OCHR
OCHR Operations Center



- References: (a) SECDEF memorandum, Furloughs, dated 14 May 2013
(b) UNSECNAV memorandum, Planning Guidance for Potential Civilian Furloughs, dated 21 February 2013

Background: *This guidance supersedes guidance issued by the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (MRA)) memo of 28 February 2013.* Reference (a) provides notification to Department of Defense (DoD) civilian employees of the plan for an administrative furlough. Reference (b) provides overarching planning guidance to Budget Submitting Offices (BSOs) regarding administrative furlough scheduling in response to the Budget Control Act of 2011 — also known as sequestration. The guidance provides parameters to BSO Commanders and affords senior leaders the latitude to execute furlough schedules based upon mission requirements. Scheduling of furlough days is subject to local Impact and Implementation (I&I) bargaining requirements. To ensure continued success for the Department of the Navy (DON), major deviations to the general guidance provided in reference (b) must be coordinated with the Assistant Secretary of the Navy (Manpower & Reserve Affairs).

1. Key provisions on scheduling of furloughs:
 - a. All administrative furloughs have been reduced from 176 hours/22 workdays to maximum of 88 hours/approximately 11 workdays.
 - b. For general planning, furloughs typically will be executed in increments of approximately 16 hours per pay period to mitigate the impact on the mission and employees; hours for part-time employees will be prorated based on their work schedule.
 - c. Employees will receive notification of the furloughs and related timelines in accordance with regulatory requirements (typically 30 days' notice).
 - d. The hours/time for the administrative furloughs will be determined by BSO Commanders and shall be dependent upon mission requirements.
 - e. BSO Commanders may delegate the coordination and scheduling of furloughs as appropriate for carrying out mission requirements.
 - f. Plans to deviate from the general planning guidelines will be coordinated in advance with ASN(MRA) as there are potential ramifications to the employees and commands if modified plans are adopted.
 - g. Scheduling of furlough days for employees is subject to local I & I bargaining requirements.
 - h. Notifications of Personnel Actions (SF-50s) will be documented to provide scheduling flexibility. Notifications will identify start date, end date, maximum of 88 furlough hours, and requirement for supervisors to schedule furlough hours prior to the start of a pay period.



3. BSO Commanders may decide the following:
 - a. The days/ hours of furlough for each employee within the 16 hours per pay period guideline.
 - b. Minor variations from the 16 hours per pay period based on mission requirements or employee requests. Examples include:
 1. Due to a major deliverable the furlough hours for one or a few employees are deferred in one pay period and added in the ensuing pay period(s).
 2. Due to mission critical, short-term temporary duty (TDY) the furlough hours for one or a few employees are deferred in one pay period and added in the ensuing pay period(s).
 3. Employee requests for personal reasons to take no more than one week of furlough at one time.
 - c. Adjustments/cancellation of Compressed Work Schedules and Alternate Work Schedules (subject to I&I bargaining for bargaining unit employees).
 - d. Adjustments/cancellation of telework (subject to I&I bargaining for bargaining unit employees).
 - e. Recall of employees from furlough status in the event of an emergency.
4. Important points to consider in scheduling furloughs:
 - a. The first factor in determining furlough schedules should be mission requirements.
 - b. Employee requests may be considered to the extent they do not compromise the mission.
 - c. BSO Commanders must be able to administer and track scheduling decisions. While the furloughs can be scheduled in increments as small as an hour at a time, BSO Commanders must make sure that these decisions are documented, can be tracked and managers and employees are adhering to all rules associated with the furlough.
 - a. Employees required to work hours outside of a basic workweek during which they have been furloughed are compensated with their rate of basic pay if overtime thresholds have not been met and/or with overtime pay or compensatory time off in lieu of overtime pay, as appropriate once the threshold has been met.
 - b. Authorization for overtime/compensatory time must be provided by the BSO Commander or his/her designee (no lower than Echelon 3 Commander/SES) prior to the work being performed.
6. BSO Commanders may not adjust employee work schedules to replace lost productivity or lost compensation as a result of the furlough.
7. BSO Commanders may not transfer work from civilians to contractors or active duty personnel to replace lost productivity or lost compensation as a result of the furlough.



8. Employees currently on leave without pay (LWOP) should be issued furlough notices unless they are deployed to a combat zone.
 - a. While in 'full-time' LWOP status, an employee is in a nonpay status and is not subject to furlough.
 - b. When an employee on LWOP is returned to duty status during the furlough period, the employee will begin serving furlough days as scheduled.
 - c. LWOP prior to the furlough period does not replace the furlough requirements.
 - d. Employees who are in LWOP status during the furlough period will receive credit for their time spent in the status toward any remaining scheduled furlough hours.
 - e. Suspension resulting from misconduct is a disciplinary adverse action. LWOP status due to furlough is a non-disciplinary adverse action.
9. Unless otherwise directed, holidays occurring through the end of the fiscal year (FY) will not be used as a furlough day for employees. If a regularly scheduled furlough day falls on a government holiday, it shall be moved to the preceding workday unless it falls on a Sunday holiday in which case, the regularly scheduled furlough day shall be moved to the following workday.
 - a. In making holiday-related schedule adjustments BSO Commanders need to be mindful of the requirement for employees to be in a pay status on either the workday preceding a holiday or the workday following a holiday to receive pay for the holiday.
10. Employees may not work during their furlough hours/days.
11. Employees may not substitute paid leave or other forms of paid time off for any hours or days designated as furlough time.
12. In the event that an employee has taken more than the required number of furlough hours (e.g., BSO Commander-approved grouping of furlough days into weeks) prior to an early cancellation of the furlough, the employee may retroactively cancel excess furlough hours and substitute annual leave for those hours in accordance with DON guidance.
13. To the extent possible, furlough time should not be scheduled during periods of temporary TDY. However, if required, BSO Commanders may furlough employees on TDY "in place" if on extended TDY. If an employee is on short-term TDY (within one pay period), BSOs may adjust/defer furlough hours within the pay period or from one pay period to another — up until 28 September 2013. If an employee is on long-term TDY (more than the equivalent of one full pay period) and furlough in place is not practical (e.g. the employee is on TDY at sea) then the employee is not expected to make up the missed furlough time.



14. Employees may not participate in training during their furlough hours/days. If employees are participating in training during the furlough period, employees will be furloughed in accordance with the procedures implemented by the employee's parent organization.
 - a. Parent organizations may give consideration to adjusting the employee's/student's furlough schedule to accommodate course work and educational requirements while still meeting the mandated furlough requirements.

15. New hires are subject to the furlough unless covered by one of the approved exception categories. Newly hired employees will be provided notice immediately upon reporting on-board. Furlough days will be pro-rated across the pay periods remaining from the day after the furlough decision notice is issued.
 - a. If a new employee does not require 30 days advance notice of furlough, their furlough should begin on the first full pay period after their EOD date.
 - b. If a new employee requires 30 days advance notice, their furlough should begin on the first full pay period after their notice period.

16. Employees on detail remain officially assigned to their permanent positions during a detail. If furlough is required, the parent command will determine how and when the detailed employee will be affected.

17. Leave for employees excepted from furlough should be managed at the appropriate management level based on workload and mission requirements. These employees are excepted because their presence on the job has been deemed critical. BSO Commanders (or their designees) may issue guidance to their subordinate activities regarding approval and disapproval of annual leave during the furlough period keeping in mind that management may disapprove leave at any time for legitimate business reasons.

18. Major variations from the above guidance must be coordinated in advance with ASN (MRA). Examples may include:
 - a. Excepting individuals or categories of individuals from furlough.
 - b. Reducing the total number of furlough hours for any employees.
 - c. Grouping furlough time into week(s) for more than a few (i.e. >10) employees).

19. Requests to deviate from the planning guidance must be submitted using the *Coordination with ASN(MRA)) on Deviation from DON Administrative Furlough Guidance* form in accordance with the business rules outlining the process for exception replacements and sent to ASN(MRA)) via OCHR Director Doug Lundberg (douglas.lundberg@navy.mil _____).

20. Additional guidance is available in the DON 2013 Administrative Furlough Information and Frequently Asked Questions. (<https://www.portal.navy.mil/donhr/OCHRHQ/Pages/Furlough.aspx>)

21. Questions may be directed to DONhrfaq@navy.mil.

Attachment: Request for Deviation from Administrative Furlough Guidance

-----Original Message-----

From: Wright, Jessica L HON OSD PR [mailto:jessica.wright@osd.mil]
Sent: Tuesday, May 21, 2013 10:38 AM
To: Westphal, Joseph W HON (US); Martinage, Robert C SES UNSECNAV,
DepUnSecNav; Fanning, Eric Hon USAF SAF/US; Lamont, Thomas R HON (US);
Garcia, Juan M HON ASN (M&RA); Ginsberg, Daniel Honorable USAF SAF/MR;
Kendall, Frank HON OSD-ATL; Fox, Christine H, HON, OSD-CAPE; Hale, Robert F
HON OSD COMPT; Vickers, Michael G HON OSD OUSDI; Rhodes, Michael L CIV OSD
ODAM; Whitman, Bryan SES OSD PA; Little, George CIV OSD PA; King, Elizabeth
L, HON OSD LA; Patton, Gary, MG, WSO-SAPRO; Hesterman, John W Lt Gen OSD PR
Cc: Vollrath, Fred E ASD OSD PR; Lumpkin, Michael CIV SD; Lettre, Marcel CIV
SD; Lippert, Mark CIV SD; Hinkle-Bowles, Paige CIV OSD PR; Yarwood, Susan A
SES CIV WHS-HRD; Anderson, Wendy R CIV SD; McCord, Mike J HON OSD COMPT;
Tamburrino, Pat SES OSD PR; Perry, Troy D COL OSD PR
Subject: Exception of Sexual Assault Prevention and Response Personnel from
Furlough Actions

Colleagues - As you are well aware, Secretary Hagel and GEN Dempsey are fully committed to making the changes required to instill a climate that does not tolerate or ignore sexist behavior, sexual harassment, or sexual assault. These violate everything we stand for and the values we defend, and have no place in the United States military. Creating a culture free of the scourge of sexual assault requires establishing an environment where dignity and respect is afforded to all, and our greatest assets as a force are the mutual bonds of trust that are integral to the profession of arms.

To this end the Department is excepting all civil servants who are integral to the Department's Sexual Assault Prevention Response Program. We have already excepted medical personnel required to handle emergency situations and crisis intervention. To ensure responsive victim care, we are extending this exception to include full-time Sexual Victim Advocates and Sexual Assault Response Coordinators in the Active and Reserve Components. To ensure necessary program changes are implemented swiftly and efficiently, including the recent SAPR initiatives directed by Secretary Hagel, headquarters full-time SAPR program management staffs are also expected.

I ask that you identify the total number of additional exceptions this action will create to my office NLT than this Friday.

Jes

Jessica L. Wright
Acting Under Secretary of Defense
(Personnel and Readiness)
4000 Defense Pentagon
Washington, DC 20301-4000
703-697-2121
Jessica.wright@osd.mil

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Page 1 of 34

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

This prior approval reprogramming action is submitted for approval because these actions use general or special transfer authority, exceed established reprogramming thresholds, affect special interest items, or initiate new starts. This reprogramming action provides funding in support of higher priority items, based on unforeseen military requirements, than those for which originally appropriated; and are determined to be necessary in the national interest. They meet all administrative and legal requirements and none of the items have previously been denied by the Congress.

Part I of this reprogramming action transfers \$4,347.907 million among Fiscal Year (FY) 2013 Defense appropriations. This reprogramming action uses \$3,425.264 million of general transfer authority pursuant to section 8005 of Division C of Public Law 113-6, the DoD Appropriations Act, 2013, and section 1001 of Public Law 112-239, the National Defense Authorization Act for Fiscal Year (FY) 2013.

Part II of this reprogramming action transfers \$3.5 billion among FY 2013 Title IX Overseas Contingency Operations (OCO) Defense appropriations. This reprogramming action uses \$3.5 billion of special transfer authority pursuant to section 9002 of Title IX OCO of Division C of Public Law 113-6, the DoD Appropriations Act, 2013.

Part III of this reprogramming action transfers \$969.0 million from the Foreign Currency Fluctuations, Defense, appropriation to the Defense Working Capital Fund, Defense, appropriation pursuant to section 8008 of Division C of Public Law 113-6, the DoD Appropriations Act, 2013.

Part IV of this reprogramming action transfers \$169.740 million among Fiscal Year (FY) 2012 Defense appropriations. This reprogramming action uses \$169.740 million of general transfer authority pursuant to section 8005 of Division A of Public Law 112-74, the Department of Defense (DoD) Appropriations Act, 2012, and section 1001 of Public Law 112-81, the National Defense Authorization Act for FY 2012.

Approved (Signature and Date)

Robert F. Hale 5/17/2013

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

PART I – FY 2013 GENERAL TRANSFER AUTHORITY (Section 8005)

FY 2013 REPROGRAMMING INCREASES: **+4,347,907**

ARMY INCREASES: **+2,917,797**

Military Personnel, Army, 13/13 **+770,000**

1 Budget Activity 01: Pay and Allowances of Officers
14,274,177 14,274,177 +770,000 15,044,177

Explanation: Funds are required due to updated active component enduring officer strength requirements. Since the submission of the FY 2013 President’s Budget’s request, the Army has refined the projected requirements for officer strength as part of the enduring 490,000 force. These refined requirements include more officer strength than was submitted in the budget request (92,915 enduring active component officer average strength required, as compared to the budgeted request of 84,500 enduring officer average strength). This is a base budget requirement.

National Guard Personnel, Army, 13/13 **+24,000**

2 Budget Activity 01: Reserve Component Training and Support
8,655,948 8,655,948 +24,000 8,679,948

Explanation: Funds are required to support funding for school training due to a decrease in mobilization requirements from the budgeted level. Due to reduced requirements for in-theater deployments, the Army National Guard (ARNG) expects to have additional base requirement in Army service schools for non-mobilized members. School training requirements include Duty Military Occupational Skills Qualification (DMOSQ), Professional Military Education (PME) courses, and other critical functional courses necessary to meet ARNG readiness levels required under the Army Force Generation (ARFORGEN) model. This is a base budget requirement.

Operation and Maintenance, Army, 13/13 **+2,086,622**

3 Budget Activity 01: Operating Forces
45,113,700 45,113,700 +1,184,759 46,298,459

Explanation: Funds are required for the following requirements:

- \$+198.759 million to support funding shortfalls in Logistics Civil Augmentation Program (LOGCAP) which provides operational support to the deployed warfighter, civilians, and contract personnel in the form of food preparation, power generation, water production and delivery, and other basic life support functions. Failure to provide these funds will hinder the basic daily functions and reduce morale. This is an OCO budget requirement.

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Appropriation Title: Various Appropriations		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

- \$+703.730 million to support funding shortfalls for In-Theater Maintenance for 9,100 Army Material Command personnel providing direct maintenance support in theater at 43 maintenance sites. This forward repair capability conducts organizational and intermediate level maintenance repairs on various air, ground, and support equipment. Failure to provide these funds will require deployed Army units to be fully responsible for the maintenance and upgrades of their equipment in addition to continuing combat operations. This is an OCO budget requirement.
- \$+199.270 million to support funding shortfalls for In-Theater Communication Support for strategic communications capabilities and network operations throughout the USCENTCOM Area of Responsibility through the use of contract personnel to operate and maintain communication systems. Failure to provide these funds will require the deployment of additional signal Soldiers to meet communication requirements of deployed military units in theater. This is an OCO budget requirement.
- \$+83.0 million to provide Contractor Logistic Support (CLS) for fixed wing aircraft providing aircraft maintenance, repair, support equipment, and management to achieve the desired readiness level for 209 aircraft. The Army's operational missions include special electronic mission aircraft, theater aviation companies, operational support airlift, and training aircraft. Funding also supports aircraft CLS to provide maintenance and logistical support of the UH-72A Lakota aircraft. It consists of the program management, help desk, readiness reporting, failure/trend analysis, depot level support, reliability/maintainability, and 16 contractor work years. This is a base budget requirement.

4

Budget Activity 04: Administration and Servicewide Activities

13,755,944	13,755,944	+901,863	14,657,807
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Explanation: Funds are required for the following requirements:

- \$+667.863 million to support funding shortfalls for Second Destination Transportation that resulted from increased use of multi-modal transportation methods for equipment movement and retrograde operations. While the Pakistan Ground Lines of Communication are currently open, there is excess frustrated cargo that has accumulated and must flow out first before other equipment is moved. Failure to provide these funds runs the risk of an interruption in the flow of supplies, subsistence, and mail to deployed warfighters. This is an OCO budget requirement.
- \$+234.0 million to support shortfalls for Premium Transportation that funds the transport and storage of perishable foods in theater for deployed warfighters, civilians, and contract personnel. Failure to provide these funds will result in an interruption in the flow of food and rations for deployed personnel supporting combat operations. This is an OCO budget requirement.

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Appropriation Title: Various Appropriations							FY 13-09 PA	
							Includes Transfer	
							Yes	

Component Serial Number:		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

5

Other Procurement, Army, 13/15							+32,175		
<u>Budget Activity 03: Other Support Equipment</u>									
CBRN Soldier Protection			9,259		9,259		+32,175		41,434

Explanation: Funds are required to procure munitions destruction capabilities to support 20th Support Group requirements. These are **new starts**. Total cost of these efforts is \$32.2 million (FY 2013, \$32.2 million) with no planned requirements in the Future Year Defense Program (FYDP). This is base budget requirement.

6

Research, Development, Test, and Evaluation, Army, 13/14							+5,000		
<u>Budget Activity 03: Advanced Technology Development</u>									
PE 0603734A Military Engineering Advanced Technology			70,693		70,693		+5,000		75,693

Explanation: Funds are required for further development, maturation, and integration of geospatial mapping subsystem and components of the Map-Based Adaptive Planning Course of Action Tool (MAPCAT), which will significantly reduce crisis action planning, command exercises, and address information sharing and automations capabilities that currently do not exist. This is a base budget requirement.

7

NAVY INCREASES:							+285,800		
<u>Operation and Maintenance, Navy 13/13</u>							+231,700		
<u>Budget Activity 01: Operating Forces</u>									
			34,011,036		34,011,036		+231,700		34,242,736

Explanation: Funds are required for the following requirements:

- \$+134.8 million is required to restore a balance of operations and readiness due to sequestration reductions allowing funding of current planned levels of forward deployed operations. Funds also provide support for unbudgeted missions of forward deployed operations while allowing for existing required capability for training and maintenance for deployments in the second half of the year. The funds are required to restore a portion of Marine Corps tactical flying hours, Fleet Air Support, and surface-ship maintenance availabilities including associated deferred maintenance damages to repair the ships and ensure that they are ready to deploy in FY 2014 and FY 2015. Funds are also required to repair damages to the USS Porter due to an August 2012 collision with an oil tanker in USCENTCOM. The collision caused a breach in the starboard side of the USS Porter that requires extensive repairs. This is an OCO budget requirement.
- \$+52.0 million is required to partially fund a Secretary of Defense approved decision to accelerate carrier forces in the USCENTCOM. This is an OCO budget requirement.

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

- \$+44.9 million is required to partially fund a Secretary of Defense approved decision to deploy the USS Ponce in the USCENTCOM resulting in increased per diem for the crew and increased operating tempo and associated supplies needed for repairs. This is an OCO budget requirement.

8

Other Procurement, Navy, 13/15						+23,000		
Budget Activity 01: Ships Support Equipment								
Reactor Power Units		286,859		286,859		+23,000		309,859

Explanation: Funds are required to maintain the Reactor Power Units (RPU) procurement and delivery schedules. The RPU procurement in FY 2013 cannot be de-scoped. This is base budget requirement.

9

Shipbuilding and Conversion, Navy, 13/17						+28,100		
Budget Activity 02: Other Warships								
DDG-51 Advance Procurement (CY)		466,283		466,283		+28,100		494,383

Explanation: Funds are required to address DDG-51 Advanced Procurement (AP) shortfall in FY 2013. The DDG 51 Multiyear Procurement (MYP) is predicated upon the use of FY 2013 advance procurement for Aegis Weapon System (AWS) and shipbuilder economic order quantities (EOQ) contracts. The scheduled deliveries for material to be awarded under the AWS and shipbuilder EOQ contracts are synchronized and scheduled to meet in-yard need dates and preserve ship schedules. Without the requested increase, there are insufficient funds to award the AWS contract creating the loss of MYP pricing and savings; the associated material delivery delays will result in ship schedule delays. This is base budget requirement.

10

Research, Development, Test, and Evaluation, Navy, 13/14						+3,000		
Budget Activity 07: Operational System Development								
PE 0101221N Strategic Submarine & Weapons System Support		105,892		105,892		+3,000		108,892

Explanation: Funds are required to support the Interoperable Warhead Program 6.2/6.2A study. The FY 2013 funding will support various efforts associated with the Navy portion of a Department of Defense (DoD)/Department of the Energy (DOE) Nuclear Weapons Council approved Phase 6.2/6.2A investigation of design options and associated feasibility and cost study for a life extension of the Air Force W78 Reentry Vehicle and Navy W88 Reentry Body. This is a **new start**. Total cost of this effort is \$24.0 million; FY 2014 (\$14.0 million) and FY 2015 (\$7.0 million) requirement are funded in the FY 2014 budget request. Additional funding requirements for FY 2016 and the outyears will be contingent on the preliminary results from the study. This is base budget requirement.

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

AIR FORCE INCREASES:						+929,993		
Operation and Maintenance, Air Force, 13/13						+926,481		
Budget Activity 01: Operating Forces								
	24,253,055		24,253,055			+926,481		25,179,536

11

Explanation: Funds are required for the following requirements:

- \$+436.731 million to support shortfalls for base communications throughout the U.S. Central Command Area of Responsibility for network operations, satellite communication bandwidth and transmissions, air traffic control landing system support, and teleconferencing. Failure to provide these funds will degrade theater communications support and endanger pilots and aircraft during landing operations. The total requirement is \$549.966 million and the balance (\$113.235 million) is requested in FY 13-10 PA. This is an OCO budget requirement.
- \$+200.0 million to support shortfalls for operating and personnel support for the Air Force’s continued presence at installations throughout the U.S. Central Command Area of Responsibility for medical supplies, airfield operations, and air traffic management. Failure to provide these funds will degrade day-to-day operations for deployed Air Force personnel and increase the risk of mission failure. This is an OCO budget requirement.
- \$+142.0 million to support shortfalls for facilities operation at Air Force installations throughout the U.S. Central Command Area of Responsibility for the operation, maintenance, and repair activities necessary to keep transitory and non-inventory facilities in working order due to continued presence at operating bases. Failure to provide these funds will degrade facility conditions and increase life and safety issues. This is an OCO budget requirement.
- \$+100.0 million to support shortfalls for supplies and equipment supporting Air Force operating bases and personnel within the U.S. Central Command Area of Responsibility. Failure to provide these funds will result in degradation of Air Force operations. This is an OCO budget requirement.
- \$+47.750 million to support training and infrastructure requirements necessary to stand up the U.S. Cyber Command, Cyber Mission Force and to provide initial infrastructure refurbishment, leasing, and fit-out requirements. This is a base budget requirement.

Research, Development, Test, and Evaluation, Air Force, 13/14						+3,512		
Budget Activity 05: System Development and Demonstration								
PE 0604800F F-35 EMD	1,177,999		1,177,999			+3,512		1,181,511

12

Explanation: Funding is required to maintain mission systems development and flight test. Funds will preserve Block 2B delivery date, Block 2B capability, and minimizes deferral of Block 31/3F capabilities. Preservation of mission systems software Block schedule and content is critical to prevent delayed fielding of U.S. and International Partner warfighting capability. The total requirement is \$75.0 million with the balance \$71.488 million is included in FY 13-10 PA. This is a base budget requirement.

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							Yes	

Component Serial Number:		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

DEFENSE-WIDE INCREASES:							+214,317		
Operation and Maintenance, Defense-Wide, 13/13							+34,139		
National Security Agency (NSA)							+13,839		

13

Explanation: Funds are required for NSA to establish a trained and ready cyber workforce in direct support of U.S. Cyber Command, Cyber Mission Force requirements. The total requirement is \$89.327 million and the MIP portion (\$74.333 million) and non-MIP (\$1.155 million) is included in FY 13-10 PA. This is a base budget requirement.

14

Defense Human Resources Activity (DHRA)									
		696,186		696,186		+20,300		716,486	

Explanation: Funds are required to implement phase 2 of the Virtual Lifetime Electronic Record (VLER). The VLER, at full implementation, will be an exchange of health and benefits information between the Department of Defense (DoD), the Department of Veterans Affairs (VA), the Social Security Administration (SSA), and the private sector. Phase 2 will improve the timeliness of claims adjudication for disability benefits through improved sharing of healthcare and personnel data between the DoD, the VA, and the SSA. This is a base budget requirement.

15

Procurement, Defense-Wide, 13/15							+28,398		
Budget Activity 01: Major Equipment									
Personnel Administration, Defense Human Resources Activity (DHRA)									
		6,147		6,147		+477		6,624	

Explanation: Funds are required to implement phase 2 of the Virtual Electronic Record (VLER) program to procure, tune probabilistic algorithms, and complete integration of Initiate software, which provides search capability to find persons/patients, and integrate this capability with the Initiate system currently used in the Military Health System (MHS) and throughout the Department of Veterans Affairs (VA). This procurement expands the ability to identify and resolve duplicate patient identity between DoD, MHS, and VA. The VLER is a Presidential Initiative. This is a base budget requirement.

16

BMDS AN/TPY-2 Radars	2	380,244	2	380,244		+27,921		408,165	
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Explanation: Funds are required to fully fund a complete AN/TPY-2 (#12 radar) that Congress added in the FY 2013 DoD Appropriations Act. This is a congressional special interest item. This is base budget requirement.

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

17

Research, Development, Test, and Evaluation, Defense-Wide, 13/14							+151,780	
<u>Budget Activity 04: Advanced Component Development and Prototypes</u>								
PE 0603884C Ballistic Missile Defense Sensors								
		347,012		347,012		+4,300		351,312

Explanation: Funds are required for the following requirements in support of the Ballistic Missile Defense (BMD) Sensors:

- \$+2.9 million is required for Sea Based X-band Radar (SBX) participation in the FTG-06b intercept flight test. Funding is necessary for successful implementation of the Homeland Hedge strategy. Funds are needed by May 31, 2013, to execute testing by the Fall 2013. This is base budget requirement.
- \$+1.4 million is required to conduct geotechnical, topographical and environmental studies to support the deployment of an AN/TPY-2 radar to the United States Pacific Command (USPACOM) area. As a part of the Homeland Hedge strategy announced by the Department on March 15, 2013, there is a requirement to construct the site in FY 2014 vice FY 2015. This is base budget requirement.

18

PE 0603890C BMD Enabling Programs								
		361,711		361,711		+9,475		372,186

Explanation: Funds are required for the following requirements in support of BMD Enabling Programs:

- \$+4.750 million is required for test planning and execution for the FTG-06b intercept flight test. Funding is necessary for successful implementation of the Homeland Hedge strategy. This is a base budget requirement.
- \$+4.725 million is required to support Ballistic Missile Defense System (BMDS) ground testing to ensure operational forces and Phase II of the European Phased Adaptive Approach (EPAA) remains on schedule for a 2015 delivery. Funds are required by May 31, 2013, for both efforts. This is base budget requirement.

19

PE 0603892C AEGIS BMD								
		992,407		992,407		+54,700		1,047,107

Explanation: Funds are required to maintain the flight test schedule for two Aegis intercept tests (FTM-21 and 22) to support warfighting global deployment coverage and, specifically for EPAA Phase 2. These operationally realistic and challenging tests are needed for further assessment of the certified Aegis BMD 4.0 Weapon System and testing of the SM-3 Block IB to support production decisions for capability delivery to the warfighter. These funds will be used to continue Aegis BMD upgrades and execute operationally realistic and relevant flight tests to be confidently placed under Combat Commander's control of the most advanced Aegis BMD systems in support of EPAA and other global BMD needs. These tests are specifically for full rate production decision for the SM-3 Block IB

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

missile. The SM-3 IB missile is a critical component of operational forces and Phase 2 of the EPAA. Funding will also be used to complete upgrades of two Aegis BMD ships planned in 2013. These two ships (USS Porter and McFaul) will support the European Command (EUCOM) and EPAA Phase 2 requirements and are planned to be forward deployed in Rota, Spain. Funds are required to complete test and analysis prior to the FY 2014 SM-3 IB full-rate production approval to prevent a break in production, and deliver missiles to support EPAA Phase 2. This is base budget requirement.

20

PE 0603896C Ballistic Missile Defense Command and Control, Battle Management and Communication	360,552	360,552	+8,725	369,277
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Explanation: Funds are required for the following requirements in support of the BMD C2BMC:

- \$+0.8 million is required for C2BMC support the FTG-06b intercept flight test. Funding is necessary for successful implementation of the Homeland Hedge strategy. This is base budget requirement.
- \$+7.925 million is required to maintain BMD Over-Head Persistent Infra-Red Architecture (BOA) development and integration schedule. Maintaining this schedule provides early interface testing with the Space Based Infrared System (SBIRS) upgraded capability and the GMD Fire Control (GFC) 6B3 capability, and preserves the BMD Enterprise Sensors Laboratory (ESL) development. These integrated capabilities provide an increased early detection and tracking of threats in support of the Homeland. These capabilities further allow for the early integration of additional sensor platforms increasing the quality of track data facilitating earlier engagement planning. This is base budget requirement.

21

PE 0603914C Ballistic Missile Defense Test	454,400	454,400	+4,132	458,532
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Explanation: Funds are required for test planning and execution for the FTG-06b intercept flight test. Funding is necessary for successful implementation of the Homeland Hedge strategy. Funds are required by May 31, 2013. The total requirement is \$19.548 million and the balance (\$15.416 million) is included in FY 13-10 PA. This is base budget requirement.

22

PE 0603915C Ballistic Missile Defense Targets	435,747	435,747	+28,448	464,195
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Explanation: Funds are required for assembly and integration of the target to support FTG-06b intercept flight test. Funding is necessary for successful implementation of the Homeland Hedge strategy. Funds are required by May 31, 2013. This is base budget requirement.

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	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program		
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Line Item	a	b	c	d	e	f	g	h	i

23

Budget Activity 06: Management Support									
PE 0604940D8Z Central Test and Evaluation Investment Development (CTEIP)									
		156,109		156,109		+37,000			193,109

Explanation: Funds are required for electronic warfare test resource investments to provide critical test assets for the Initial Operational Test and Evaluation of the Joint Strike Fighter. Resources will fund the development and procurement of 20 open-loop threat emulators and 6 closed-loop Surface to Air Missile simulators, and upgrades to Eglin AFB F-35 U.S. Reprogramming Lab and Patuxent River Naval Air Station Air Combat Environment Test and Evaluation Facility anechoic chamber, and engineering support. This is a **new start**. The total cost of this effort is \$528.5 million (\$37.0 million in FY 2013, \$129.4 million in FY 2014, \$131.4 million in FY 2015, \$112.4 million in FY 2016, \$76.9 million in FY 2017, \$41.4 million in FY 2018). Outyear requirements have been funded in the FY 2014 budget request. This is a base budget requirement.

24

PE 0605126J Joint Theater Air and Missile Defense Organization									
		7,573		7,573		+5,000			12,573

Explanation: Details are classified and will be provided separately via appropriate channels. This is a base budget requirement.

PART I – FY 2013 GENERAL TRANSFER AUTHORITY (Section 8005)

FY 2013 REPROGRAMMING DECREASES: **-4,347,907**

ARMY DECREASES: **-2,237,267**

Military Personnel, Army, 13/13 **-770,000**

25

<u>Budget Activity 02: Pay and Allowances of Enlisted</u>									
		29,539,966		29,539,966		-389,000			29,150,966

Explanation: Funds are available due to updated active component enduring enlisted strength requirements. Since the submission of the FY 2013 President’s Budget request, the Army has refined the projected requirements for enlisted strength as part of the enduring 490,000 force. These refined requirements include fewer enlisted strength than was submitted in the budget request (392,770 enduring active component enlisted average strength required, as compared to the budgeted request of 401,777 enduring enlisted average strength). This is base budget funding.

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		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
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Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

26	Budget Activity 04: Subsistence of Enlisted Personnel							
		3,242,945		3,242,945		-244,000		2,998,945

Explanation: Funds are available in basic allowance for subsistence due to updated active component enduring enlisted strength requirements and actual inflation is 2.3% less than budgeted. Funds are also available in the subsistence in kind account as projected execution is less than budgeted. This is base budget funding.

27	Budget Activity 05: Permanent Change of Station Travel							
		1,967,799		1,967,799		-110,000		1,857,799

Explanation: Funds are available due to decreases in average costs per move compared to the budgeted request. These decreases are primarily driven by lower than anticipated disbursement rates. This is base budget funding.

28	Budget Activity 06: Other Military Personnel Costs							
		904,693		904,693		-27,000		877,693

Explanation: Funds are available due to lower execution than planned in unemployment compensation. This is base budget funding.

29	National Guard Personnel, Army, 13/13					-123,000		
	Budget Activity 01: Reserve Component Training and Support							
		8,655,948		8,679,948		-123,000		8,556,948

Explanation: Funds are available from the enacted amount due to a decrease in mobilization requirements from the budgeted level. The enacted OCO amount provided additional funding for over 22,000 ARNG members to conduct and support additional pre-mobilization individual and collective training events. Due to reduced requirements for in-theater deployments, the Army National Guard will have pre-mobilization training requirements for just over 15,000 members, resulting in the cost savings. This is Title IX OCO budget funding.

30	Aircraft Procurement, Army, 13/15					-306,139		
	Budget Activity 01: Aircraft							
	AH-64 Apache Block IIIB New Build							
		366,993		366,993		-115,000		251,993

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. This Advanced Procurement funding is not required since there will be no Apache New Builds

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		Includes Transfer Yes

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in FY 2014. Reduction calculated to minimize operational impact to the deployed and next-to-deploy force while sustaining as much of the program's integrity (industrial base and acquisition infrastructure) given other available resources and current fiscal constraints. This is base budget funding.

31

Budget Activity 02: Modification of Aircraft
 AH-64 Mods 178,805 178,805 -51,039 127,766

Explanation: Funds are available due to program delays resulting in slower than projected execution. This is base budget funding.

32

Network and Mission Plan 190,789 190,789 -50,000 140,789

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Reduction can be managed with minimal impact due to delays in fielding the Aviation Data Exploitation Capability and the Aircraft Notebook from FY 2013 to FY 2014. This is base budget funding.

33

Comms, Nav Surveillance 133,191 133,191 -40,000 93,191

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Program is able to absorb decrement with minimal impact due to a slip in the Joint Tactical Radio Airborne Maritime Fixed program which has delayed the integration of a new networking radio onto the UH-60M and CH-47F Aviation Platforms. This is base budget funding.

34

GATM Rollup 87,280 87,280 -50,100 37,180

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Reduction can be managed with minimal impact by shifting Automatic Dependent Surveillance-Broadcast (ADS-B) Out Non-Recurring Engineering (NRE) and Integration/Test effort for AH-64D, CH-47F, and HH/UH-60M to FY 2014. The Federal Aviation Administration directs nationwide transition to ADS-B Out technology by FY 2020. This is base budget funding.

Procurement of Weapons and Tracked Combat Vehicles, Army, 13/15 -270,025

35

Budget Activity 01: Tracked Combat Vehicles
 STRYKER (MOD) 60,881 60,881 -37,000 23,881

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Slows Mobile Gun System (MGS) Full Material Release (FMR), survivability items (energy attenuating seats for Nuclear, Biological, Chemical Reconnaissance Vehicles (NBCRVs), Commander's

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Vehicles (CVs), MGS and Medical Evacuation Vehicles (MEVs) and also Double-V-Hull (DVH) FMR. This is base budget funding.

36

Paladin PIM Mod In Service	17	206,101	17	206,101	-8	-97,000	9	109,101
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Reduction of eight units from the initial LRIP procurement is calculated to minimize operational impact to the deployed and next-to-deploy force while sustaining as much of the program's integrity (industrial base and acquisition infrastructure) given other available resources and current fiscal constraints. This is base budget funding.

37

Assault Breacher Vehicle	10	50,039	10	50,039	-6	-31,025	4	19,014
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Reduction calculated to minimize operational impact to the deployed and next-to-deploy force while sustaining as much of the program's integrity (industrial base and acquisition infrastructure) given other available resources and current fiscal constraints. This is base budget funding.

38

Stryker Vehicle	58	286,818	58	286,818	-58	-89,000	-	197,818
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Funds are available due to Stryker Reactive Armor Tiles (SRAT) II developmental testing delays. This is base budget funding.

39

Budget Activity 02: Weapons and Other Combat Vehicles

M4 Carbine Mods		27,243		27,243		-7,000		20,243
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement with minimum impact to the program. Army will defer 14,307 modification kits until FY 2018. This is base budget funding.

40

Budget Activity 03: Spare and Repair Parts

Spares and Repair Parts (WTCV)		31,217		31,217		-9,000		22,217
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. No impact to the program. Funding is available based on adjusted spare parts requirements and updated sustainment strategy (Area Support Concept vice individual unit) and maintenance repair focused on Line Replaceable Units vice entire components. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

Other Procurement, Army, 13/15						-762,203		
<u>Budget Activity 01: Tactical and Support Vehicles</u>								
Family of Medium Tactical Veh (FMTV)								
	1,248	367,762	1,248	367,762	-374	-101,000	874	266,762

41

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Mix of 374 truck and trailer quantities will be delayed and pending Engineering Change Proposals (ECPs) would be deferred that relate to truck improvements such as operational energy. This is base budget funding.

<u>Family of Heavy Tactical Vehicles (FHTV)</u>								
	1,534	54,983	1,534	54,983	-98	-30,768	1,436	24,215

42

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Minimal impact on program due to a reduction in heavy truck requirements of 98 HEMTT trucks and an active production base remains. This is base budget funding.

<u>Modification of In Svc Equip</u>		91,754		91,754		-89,416		2,338
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43

Explanation: Funds are available due to program delays resulting in slower than projected execution. This is base budget funding.

<u>Budget Activity 02: Communications and Electronics Equipment</u>								
<u>Joint Combat Identification Marking System</u>								
	7,038	8,961	7,038	8,961	-7,038	-8,949	-	12

44

Explanation: Funds are available due to program transition to sustainment. This is base budget funding.

<u>Win-T - Ground Forces Tactical Network</u>								
	2,166	545,820	2,166	545,820	-323	-128,000	1,843	417,820

45

Explanation: Funds are available due to an Army decision to reduce FY 2013 procurement from six Brigade Combat Teams (BCT) to four BCTs. This is base budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number:	
Appropriation Title: Various Appropriations							FY 13-09 PA	
							Includes Transfer	
							Yes	

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

46 Joint Tactical Radio System
 11,059 366,250 11,059 366,250 - -74,000 11,059 292,250

Explanation: Funds are available due to updated Airborne, Maritime Fixed Station (AMF) radio program strategy. This action aligns funding to restructure the AMF program with minimal impact. This is base budget funding.

47 Army Materiel Command (AMC) Critical Items - OPA2
 108 24,601 108 24,601 -29 -5,000 79 19,601

Explanation: Funds are available due to reduction in quantity requirement for the Avionic Shop Shelter. Reduction has minimal impact on program. This is base budget funding.

48 Spider Apla Remote Control Unit
 32,365 32,365 -8,031 24,334

Explanation: Funds are available due to reduction in planned quantity to match Army Acquisition Objective (AAO). Reduction results in no impact to the program. This is base budget funding.

49 Reserve Ca/Miso GPF Equipment
 1,540 36,781 1,540 36,781 - -11,900 1,540 24,881

Explanation: Funds are available due to reduction in quantity requirement and commensurate savings in pre-deployment training support requirements. Reduction has minimal impact on program. This is base budget funding.

50 Information System Security Program-ISSP
 2,469 43,897 2,469 43,897 - -6,700 2,469 37,197

Explanation: Funds are available due to key management program transition implementation training improvements that reduced reliance on field service representatives (FSR) and help desk personnel, which reduced costs. Reduction has minimal impact on program. This is base budget funding.

51 Sentinel Mods
 70 33,444 70 33,444 - -5,000 70 28,444

Explanation: Funds are available due to the delayed fielding of Sentinel Mode 5 Identification Friend or Foe (IFF) kits. This is base budget funding.

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Subject: May 2013 Prior Approval Request							DoD Serial Number:	
Appropriation Title: Various Appropriations							FY 13-09 PA	
							Includes Transfer Yes	

Component Serial Number: Line Item a	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
b	c	d	e	f	g	h	i	

52 Night Vision Devices 8,687 166,516 8,687 166,516 -7,000 8,687 159,516
Explanation: Funding is available due to the Program Office's implementation of the Better Buying Power initiative, resulting in reduced costs to the program. This is base budget funding.

53 Night Vision, Thermal Wpn Sight 82,162 82,162 -62,000 20,162
Explanation: Funding is available due to the Program Office's implementation of the Better Buying Power initiative, resulting in reduced costs to the program. This is base budget funding.

54 Joint Battle Command - Platform (JBC-P)
 1,032 141,385 1,032 141,385 -688 -79,000 344 62,385
Explanation: Funds are available due to the program no longer procuring dismounted untethered tablet devices, vehicle mounted beacons and KGV-72 encryption devices. This is base budget funding.

55 Mod of In-Svc Equip (LLDR) 88,403 88,403 -20,000 68,403
Explanation: Funds are available to support a higher priority requirement. Reduction would decrease mods by 115 systems which would impact 3 BCTs. This is base budget funding.

56 Fire Support C2 Family 1,642 81,333 1,642 81,333 -360 -11,000 1,282 70,333
Explanation: Funds are available due to the decision to delay a Technical Refresh effort and has minimal impact to the program. This is base budget funding.

57 AIR & MSL Defense Planning & Control Sys
 12 64,144 12 64,144 - -11,000 12 53,144
Explanation: Funds are available due to a change in the program's fielding schedule. This is base budget funding.

58 Automated Data Processing Equip 129,438 129,438 -17,000 112,438
Explanation: Funds are available due to unexecuted prior year funding. The program will use available FY 2011 and FY 2012 funds to support FY 2013 requirements. This is base budget funding.

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

59

Reserve Component Automation Sys (RCAS)		35,493		35,493		-2,600		32,893
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Explanation: Funds are available due to a change in program requirements. The reduction of funds will have a minimal impact to the program. This is base budget funding.

Budget Activity 03: Other Support Equipment

60

Training Devices, Nonsystem	1,275	149,501	1,275	149,501	-	-12,000	1,275	137,501
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Flexibility within the many acquisition programs in the Nonsystem Training Device (NSTD) line allows procurement of certain product lines in the future. This is base budget funding.

61

Robotic Combat Support System (RCSS)		29,106		29,106		-4,000		25,106
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. This reduction delays procurement of five M160 Flails for Pre-Deployment Training Equipment fleet support. This is base budget funding.

62

Explosive Ordnance Disposal Eqpmt (EOD EQPMT)	522	29,024	522	29,024	-111	-11,891	411	17,133
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Currently scheduled to procure 202 Future Radiographic Systems in FY 2013, quantity will be reduced to 111 systems, thus delaying fielding to EOD units. Total requirement/AAO remains at 627. This is base budget funding.

63

High Mobility Engineer Excavator (HMEE)	76	30,042	76	30,042	-46	-17,848	30	12,194
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. This reduction delays the procurement of special tools and production contract planned for September 2013 by one month. This is base budget funding.

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	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

64

Field Feeding Equipment	228	27,417	228	27,417	-115	-13,100	113	14,317
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. The Multi Temperature Refrigerated Container System (MTRCS) and the Assault Kitchen are funded in this line. This reduction would not procure 115 Multi-Temperature Refrigerator Container System (MTRCS); MTRCS will remain at minimum sustainment rate in FY 2013. This is base budget funding.

65

Unmanned Ground Vehicle	311	31,937	311	31,937	-311	-25,000	-	6,937
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Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. The remaining program funds are available for fielding Brigade Combat Team (BCT#3) for Small Unmanned Ground Vehicle (SUGV) Increment I and Contractor Logistics Support (CLS) for BCTs 1,2, and 3. This is base budget funding.

66

Research, Development, Test, and Evaluation, Army, 13/14						-5,900		
<u>Budget Activity 05: System Development and Demonstration</u>								
PE 0604601A Infantry Support Weapons		90,445		90,445		-5,900		84,545

Explanation: Funds are available to support a near-term critical theater based higher priority OCO requirement. Reduction calculated to minimize operational impact to the deployed and next-to-deploy force while sustaining as much of the program's integrity (industrial base and acquisition infrastructure) given other available resources and current fiscal constraints. This is base budget funding.

67

<u>NAVY DECREASES:</u>						-986,075		
<u>Military Personnel, Navy, 13/13</u>						-217,000		
<u>Budget Activity 01: Pay and Allowances of Officers</u>		7,770,040		7,770,040		-75,000		7,695,040

Explanation: Funds are available as follows:

- \$-53.0 million due to a projected decrease of 281 officer average strength from the budgeted average strength of 53,633. Funding includes \$51.0 million from base pay, retired pay accrual, social security tax, and allowances. Additionally, incentive pays are slightly lower than planned resulting in a \$2.0 million asset. This is base budget funding.
- \$-22.0 million due to the mobilization of 151 fewer reserve officers than planned. This is Title IX OCO budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request						DoD Serial Number:		
Appropriation Title: Various Appropriations						FY 13-09 PA		
						Includes Transfer		
						Yes		

Component Serial Number:		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

68

Budget Activity 02: Pay and Allowances of Enlisted									
		17,340,289		17,340,289		-120,000		17,220,289	

Explanation: Funds are available as follows:

- \$-50.0 million due to a decrease in the Basic Allowance for Housing (BAH) inflation rate from 3.7 percent budgeted to 2.9 percent actual (\$27 million), and due to a slight decrease in the number of enlisted personnel receiving BAH (\$23.0 million). This is base budget funding.
- \$-70.0 million due to the mobilization of 550 fewer reserve enlisted personnel than planned. Funding includes \$39.0 million from retired pay accrual, social security tax, and allowances. In addition, special pays are executing lower than planned resulting in an asset of another \$31.0 million. This is Title IX OCO budget funding.

69

Budget Activity 04: Subsistence of Enlisted Personnel									
		1,205,281		1,205,281		-8,000		1,197,281	

Explanation: Funds are available in subsistence-in-kind funding due to lower than planned food costs. This is base budget funding.

70

Budget Activity 05: Permanent Change of Station Travel									
		972,694		972,694		-14,000		958,694	

Explanation: Funds are available due to approximately 5,700 fewer training moves than planned resulting from underexecution of average strength. This is base budget funding.

Military Personnel, Marine Corps, 13/13 **-80,000**

71

Budget Activity 02: Pay and Allowances of Enlisted									
		9,484,329		9,484,329		-66,000		9,418,329	

Explanation: Funding is available due to a decrease in reserve mobilizations (-1,062 average strength) from the President's Budget 2013 request of 3,363 average strength and the current execution forecast (2,301 average strength) and a reduction in the Basic Allowance for Housing (BAH) inflation from 4.0% budgeted to 2.4% actual (\$3 million). This is Title IX OCO budget funding.

72

Budget Activity 04: Subsistence of Enlisted Personnel									
		784,456		784,456		-7,600		776,856	

Explanation: Funding is available due to a decrease in reserve mobilizations (-1,062 average strength) from the President's Budget 2013 request of 3,363 average strength and the current execution forecast (2,301

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REPROGRAMMING ACTION – PRIOR APPROVAL

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	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
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average strength) and a decrease in the Basic Allowance for Subsistence (BAS) inflation rate from the budgeted 3.4% to the actual 1.1% inflation rate (\$1.3 million). This is Title IX OCO budget funding.

Budget Activity 06: Other Military Personnel Costs

215,222	215,222	-6,400	208,822
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Explanation: Funding is available due to fewer than anticipated death gratuity payments. This is Title IX OCO budget funding.

Reserve Personnel, Navy, 13/13

-3,000

Budget Activity 01: Reserve Component Training and Support

1,917,811	1,917,811	-3,000	1,914,811
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Explanation: Funds are available because forecasted special training requirements in support of OCO missions are projected to be nearly 6,300 mandays less than originally estimated. This is Title IX OCO budget funding.

Operation and Maintenance, Marine Corps, 13/13

-217,000

Budget Activity 01: Operating Forces

4,887,012	4,887,012	-217,000	4,670,012
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Explanation: Funds are available due to the reduction in operational tempo of Marine Corps forces in support of Operation Enduring Freedom. Redeployment of personnel and retrograde of equipment has lowered the rate of spending of deployed forces (e.g. unit training, intermediate and organizational maintenance, purchase of personal protective equipment, and fuel). This is Title IX OCO budget funding.

Aircraft Procurement, Navy, 13/15

-13,420

Budget Activity 05: Modification of Aircraft

H-53 Series	49,937	49,937	-10,470	39,467
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Explanation: Funds are available due to the deferral of 17 Kaptan Wiring Modifications, and delay of the installation of Blue Force Tracker. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

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	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

77

Common Avionics Changes 93,153 93,153 -570 92,583

Explanation: Funds are available due to prior year cost savings. The funds for other support for Blue Force Situational Awareness are no longer required. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

Budget Activity 07: Aircraft Support Equipment and Facilities

78

Common Ground Equipment 383,575 383,575 -2,380 381,195

Explanation: Funds are available due to the deferral of procurement of support equipment for two CH-53E squadrons. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

Weapons Procurement, Navy, 13/15

-19,024

Budget Activity 02: Other Missiles

79

Aerial Targets 61,518 61,518 -8,000 53,518

Explanation: Funds are available due to Multi-Stage Supersonic Target (MSST) procurement being delayed due to delays in the development program. This is base budget funding.

80

Hellfire 91,501 91,501 -11,024 80,477

Explanation: Funds are available due to reduction in procurement of the Hellfire AUR/CATMs. Procurement will be reduced by approximately 158 in FY 2013. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

Procurement of Ammunition, Navy and Marine Corps, 13/15

-111,089

Budget Activity 01: Procurement of Ammunition, Navy

81

General Purpose Bombs 44,042 44,042 -16,630 27,412

Explanation: Funds are available due to the deferral of long term reset of approximately 6,600 FMU-139 fuzes. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

82

Airborne Rockets, All Types 134,975 134,975 -57,620 77,355

Explanation: Funds are available due to the deferral of long term reset of MK 66 Rocket Motor (Mod 4), WTU-1/B inert Warheads, 2.75-inch Rocket Launchers, MK152 Warheads and APKWS Guidance and

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
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a	b	c	d	e	f	g	h	i

Control (G&C) Sections. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

83

Machine Gun Ammunition 41,766 41,766 -19,863 21,903

Explanation: Funds are available due to the deferral of long term reset of approximately 1.5 million rounds of 20MM ammunition used in theater. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

84

Air Expendable Countermeasures 78,536 78,536 -5,651 72,885

Explanation: Funds are available due to the deferral of long term reset for various types of countermeasure self-protection devices used in theater. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

85

Other Ship Gun Ammunition 36,716 36,716 -532 36,184

Explanation: Funds are available due to the deferral of long term reset of 11,976 40MM grenade cartridges expended in theater. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

86

Small Arms and Landing Party Ammo 66,158 66,158 -2,643 63,515

Explanation: Funds are available due to the deferral of long term reset for .50 caliber, 5.56MM, 7.62MM and 9MM cartridges expended in theater. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

87

Pyrotechnic and Demolition 13,498 13,498 -2,322 11,176

Explanation: Funds are available due to the deferral of long term reset for demolition charges, blasting fuzes, fuze igniters, detonation cords and blasting caps expended in theater. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

88

Ammunition Less Than \$5 Million 10,424 10,424 -5,828 4,596

Explanation: Funds are available due to deferral of long term reset of approximately 3700 LUU-19 aircraft parachute flares. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

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a	b	c	d	e	f	g	h	i

Other Procurement, Navy, 13/15 **-111,535**

Budget Activity 02: Communications & Electronics Equip

AN/SLQ-32		89,270		89,270		-9,000		80,270
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Explanation: Funds are available to support higher priority requirements due to delays of the Surface Electronic Warfare Improvement Program (SEWIP) Block 2 and Block 1B3 contracts. This is base budget funding.

Items Less than \$5 Million		74,355		74,355		-10,000		64,355
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Explanation: Funds are available to support higher priority requirements due to deferral of planned FY 2013 fourth quarter installations to FY 2014 for the AN/SPS-73 Radar and the AN/SPS-48G Radar as well as a reduction in the supported number of engineering change proposals and production support funding for the Dual Band Radar. This is base budget funding.

Information Systems Security Program		142,193		142,193		-5,000		137,193
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Explanation: Funds are available to support higher priority requirements due to underexecution of communication security/crypto modernization device procurements. This is base budget funding.

Budget Activity 03: Aviation Support Equipment

Expeditionary Airfields		66,878		66,878		-28,037		38,841
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Explanation: Funds are available due to the reduction in AM-2 aviation matting requirements. Inventories have been replenished by matting returning from Afghanistan sooner than expected; therefore, less USMC AM-2 matting is required to be purchased in FY 2013. Quantities to be procured with the remaining FY 2013 OCO funding will satisfy the current USMC matting requirement. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

Budget Activity 05: Civil Engineering Support Equipment

Passenger Carrying Vehicles		11,059		11,059		-3,901		7,158
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Explanation: Funds are available due to cancellation of procurement of 2 buses, 6 ambulances, and 54 other 4x4 vehicles for Camp Lemmonier and Naval Support Activity (NSA) Bahrain. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

89

90

91

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

94

General Purpose Trucks		4,177		4,177		-852		3,325
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Explanation: Funds are available due to cancellation of procurement of a 3-ton truck and 59 pickup trucks for Camp Lemmonier for replacement of existing vehicles that are beyond serviceable life. This reduction can be managed by increased maintenance of existing vehicles until new vehicles can be programmed in future budget requests. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

95

Construction and Maintenance Equipment		11,128		11,128		-2,436		8,692
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Explanation: Funds are available due to cancellation of procurement of 4 generators, 8 low-speed electric vehicles, and one wheel-mounted crane for Camp Lemmonier for replacement of existing equipment that is beyond serviceable life. This reduction can be managed by increased maintenance of existing equipment until new equipment can be programmed in a future budget request. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

96

Fire Fighting Equipment		18,331		18,331		-908		17,423
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Explanation: Funds are available due to cancellation of procurement of 4 aircraft fire trucks, 2 HAZMAT trucks, and 2 structural fire trucks for Camp Lemmonier and NSA Bahrain. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

97

Tactical Vehicles		28,724		28,724		-13,394		15,330
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Explanation: Funds are available due to cancellation of procurement of safety and survivability improvements across the Navy's MRAP family of vehicles. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

98

Items Under \$5 Million		15,627		15,627		-375		15,252
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Explanation: Funds are available due to cancellation of procurement of an aircraft refueling truck for Camp Lemmonier. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number: FY 13-09 PA	
Appropriation Title: Various Appropriations							Includes Transfer Yes	

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

105

Budget Activity 05: Support Vehicles
 Family of Tactical Trailers 55,802 55,802 -19,000 36,802
Explanation: Funds are available to support higher priority requirements due to the cancellation of the Medium Tactical Vehicle Replacement (MTVR) requirement. This is base budget funding.

106

Budget Activity 06: Engineer and Other Equipment
 EOD Systems 346,357 346,357 -26,000 320,357
Explanation: Funds are available to support higher priority requirements due to a reduced Mine Resistant Ambush Protected (MRAP) enduring requirement. This is OCO budget funding.

107

Research, Development, Test and Evaluation, Navy, 13/14 -134,007
Budget Activity 04: Advanced Component Development & Prototypes
 PE 0603582N Combat System Integration 50,551 50,551 -10,000 40,551
Explanation: Funds are available to support higher priority requirements. This is base budget funding.

108

PE 0603658N Cooperative Engagement 56,512 56,512 -10,000 46,512
Explanation: Funds are available to support higher priority requirements due to the underexecution of improvements associated with large network development and system modifications for Joint and Foreign Military Sales (FMS) partners. This is base budget funding.

109

PE 0603746N RETRACT MAPLE 341,305 341,305 -15,700 325,605
Explanation: Funds are available to support higher priority requirements due to program efficiencies and lower than expected development costs. Specific details are classified and will be provided separately. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

110

Budget Activity 05: System Development and Demonstration

PE 0604215N Standards Development	74,988		74,988		-10,000		64,988	
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Explanation: Funds are available to support higher priority requirements due to underexecution of the Standard Avionics capabilities, Weaponing and Store Planning (WASP), and Calibration Standards. This is base budget funding.

111

PE 0604280N Joint Tactical Radio System	267,480		267,480		-50,000		217,480	
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Explanation: Funds are available to support higher priority requirements due to an updated Airborne, Maritime Fixed Station (AMF) Radio Program strategy. This is base budget funding.

112

PE 0604771N Medical Development	43,880		43,880		-1,600		42,280	
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Explanation: Funds are available due to the cancellation of development of the tactical logistics planning tool for modeling patient flow. It will cancel planned updates of the CTR Expeditionary Medical Encounter Database (EMED), which is a data repository for medical research related to military personnel injured in overseas contingency operations. It will cancel validation of the Human Surrogate prototype for counter-IED systems. It will cancel evaluation of the effectiveness of certain non-lethal weapons. Those level-of-effort projects are funded across the FYDP. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

113

Budget Activity 06: Management Support

PE 0605866N Navy Space & Electronic Warfare (SEW) Support	9,779		9,779		-2,664		7,115	
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Explanation: Funds are available due to the deferral of development to expand afloat and ashore spectrum management tools to address the Electromagnetic Interface (EMI) and Radio Frequency (RF) interoperability. The USN/USMC integration promotes interoperability with the multi-national deployed forces. The requested funds will deliver a Joint capability system that allows group planning and execution, information data discovery, data interoperability, and data fusion to USN and USMC forces directly supporting OCO operations. This level of effort project is funded across the FYDP. Unobligated funds are available to support higher priority requirements. This is Title IX OCO budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number: FY 13-09 PA	
Appropriation Title: Various Appropriations							Includes Transfer Yes	

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

114

Budget Activity 07: Operational System Development
 PE 0101221N Strategic Submarine & Weapons System Support
 105,892 105,892 -3,000 102,892

Explanation: Funds are available due to the restructure of the Joint Fuze program schedule with Department of Energy/National Nuclear Security Administration (NNSA). This is base budget funding.

115

PE 0204136N F/A-18 Squadrons 169,299 169,299 -43 169,256

Explanation: Funds are available to support higher priority requirements due to the underexecution of the F/A improvements and F/A-18 Radar Upgrade programs including enhanced weapons improvements and solutions to Advanced Electronic Attack (AEA) and Counter Electronic Attack (CEA). This is base budget funding.

116

PE 0205633N Aviation Improvements
 89,157 89,157 -10,000 79,157

Explanation: Funds are available to support higher priority requirements due to the underexecution of the Power and Propulsion Component Improvement Program, the electronic Consolidated Automated Support System (eCASS), Aircraft Equipment Reliability/Maintainability Improvement Program (AERMIP), and Aircraft Handling and Service Equipment programs. This is base budget funding.

117

PE 0206313M Marine Corps Communication Systems
 210,054 210,054 -14,000 196,054

Explanation: Funds are available to support higher priority requirements due to a Common Aviation and Control System (CAC2S) contract cost savings. This is base budget funding

118

PE 0206623M MC Ground Combat Support Arms Systems
 167,693 167,693 -7,000 160,693

Explanation: Funds are available to support higher priority requirements due to a reduced Marine Personnel Carrier (MPC) requirement. This is base budget funding

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

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Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

AIR FORCE DECREASES: **-970,414**

Military Personnel, Air Force, 13/13 **-135,257**
Budget Activity 01: Pay and Allowances of Officers
9,322,998 9,322,998 **-83,857** 9,239,141

119

Explanation: Funds are available as follows:

- \$-79.057 million due to reduced Title I average strength requirements and rate variations associated with Basic Allowance for Subsistence, Basic Allowance for Housing, and grade mix (\$14.050 million). Active Air Force budgeted for 66,623 average strength. The revised requirement is 66,192, a decrease of 431 average strength. This is base budget funding.
- \$-4.8 million due to reduced Basic Allowance for Housing requirements as a result of changes to the Military Family Housing privatization schedule. Privatization of the Continental (Eglin Air Force Base (AFB), Hulbert AFB, Edwards AFB, McConnell AFB, Eielson AFB, and Seymour Johnson AFB) and Northern Groups (Minot AFB, Mountain Home AFB, Cavalier AFB, Grand Forks AFB, Cannon AFB, and Ellsworth AFB) now project to award in June and August respectively. This is base budget funding.

Budget Activity 02: Pay and Allowances of Enlisted Personnel
17,274,144 17,274,144 **-51,400** 17,222,744

120

Explanation: Funds are available as follows:

- \$-27.4 million due to reduced Title I average strength requirements. Active Air Force budgeted for 265,557 average strength. The revised requirement is 265,206, a decrease of 351 average strength. This is base budget funding.
- \$-24.0 million due to reduced Basic Allowance for Housing requirements as a result of changes to the Military Family Housing privatization schedule. Privatization of the Continental (Eglin AFB, Hulbert AFB, Edwards AFB, McConnell AFB, Eielson AFB, and Seymour Johnson AFB) and Northern Groups (Minot AFB, Mountain Home AFB, Cavalier AFB, Grand Forks AFB, Cannon AFB, and Ellsworth AFB) now project to award in June and August, respectively. This is base budget funding.

Aircraft Procurement, Air Force, 13/15 **-283,055**
Budget Activity 02: Airlift Aircraft
 MC-130 Recap 6 500,866 6 500,866 -2 **-36,000** 4 464,866

121

Explanation: Funds are being made available from Support Equipment and Initial Spares for higher priorities in the Operation and Maintenance readiness account. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number:
Appropriation Title: Various Appropriations		FY 13-09 PA
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

122

HC-130 Recap	3	278,212	3	278,212	-	-14,725	3	263,487
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Explanation: Funds are being made available from support equipment and initial spares for higher priorities in the Operation and Maintenance readiness account. This is base budget funding.

123

Budget Activity 04: Other Aircraft

Target Drones	15	129,866	15	129,866	-	-9,163	15	120,703
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Explanation: Funds are available due to slow execution in support and support equipment, and can be used for higher priorities in the Operation and Maintenance readiness accounts. This reduction does not impact quantities. This is base budget funding.

124

Budget Activity 05: Modification of In-service Aircraft

B-2A		82,296		82,296		-4,864		77,432
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Explanation: Funds are available due to slow execution of the B-2 Adaptable Communication Suite. This is base budget funding.

125

B-1B		149,756		149,756		-13,533		136,223
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Explanation: Funds are available due to negotiated savings from Inertial Navigation System production contract and revised installation schedule. This is base budget funding.

126

C-17A		205,079		205,079		-9,200		195,879
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Explanation: Funds are available due to slow execution, making these funds available to support higher priority requirements. This is base budget funding.

127

C-12		1,876		1,876		-1,000		876
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Explanation: Funds are available due to less than anticipated requirements for C-12 Low Cost Mods and Service Bulletins. This is base budget funding.

128

VC-25A Mod		11,185		11,185		-10,500		685
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Explanation: Funds are available in the VC-25 Avionics Modernization Program (AMP) due to continued flight testing for the AMP modification kit, which is delaying the procurement acquisition. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number: Line Item	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

129 C-130 79,253 79,253 -33,000 46,253

Explanation: Funds are available due to execution re-phasing of FY 2013 C-130 Center Wing Box requirements to prior year funds. This is base budget funding.

130 C-130J Mods 70,555 70,555 -9,095 61,460

Explanation: Funds are available due to synergistic efficiencies gained by improved management of the fleet by avoiding the simultaneous support of three separate aircraft configurations (Block 6, Block 7 and Block 8.1) with the combination of Block 7.0 and Block 8.1. Now aircraft and trainers will only be modified once. This is base budget funding.

131 C-135 46,707 46,707 -4,518 42,189

Explanation: Funds are available due to execution re-phasing of Visual System Replacement requirements to prior year funds. This is base budget funding.

132 F-15 210,878 210,878 -13,984 196,864

Explanation: Funds are available due to deferment of requirements to support higher priorities in Operation and Maintenance readiness accounts. This is base budget funding.

133 H-60 26,227 26,227 -3,064 23,163

Explanation: Funds are available due to anticipated negotiated savings in H-60 modification efforts. This is base budget funding.

134 MQ-9 Mods 192,360 192,360 -72,609 119,751

Explanation: Funds are available due to a revised Ground Control Station retrofit strategy that re-phased retrofit in response to changes in requirements. This is base budget funding.

Budget Activity 07: Aircraft Support Equipment and Facilities

135 C-17A 181,703 181,703 -36,800 144,903

Explanation: Funds are available due to slow execution, making these funds available to support higher priority requirements. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

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Component Serial Number: Line Item a	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
	b	c	d	e	f	g	h	i

136

Other Production Charges 871,792 871,792 -11,000 860,792

Explanation: Funds are available due to slow execution making them available for higher priority requirements. Specific details are classified and will be provided separately. This is base budget funding.

Missile Procurement, Air Force, 13/15 -78,922

137

Budget Activity 01: Ballistic Missiles
Ballistic Missiles Replacement Equipment 56,906 56,906 -31,651 25,255

Explanation: Funds are available due to slow execution of the Minuteman III Reentry System/Reentry Vehicle (RS/RV) depot support equipment. This is base budget funding.

Budget Activity 02: Other Missiles

138

JASSM 157 240,399 157 240,399 -15 -9,890 142 230,509

Explanation: Funds are available by constraining the FY 2013 quantity to the minimum sustaining rate. Funding supports other higher priority requirements. This is base budget funding.

139

Sidewinder (AIM-9X) 164 81,550 164 81,550 -20 -9,200 144 72,350

Explanation: Funds are available by constraining the FY 2013 quantity to the minimum sustaining rate. Funding supports other higher priority requirements. This is base budget funding.

Budget Activity 05: Other Support

140

Def Meteorological Sat Prog (Space) 89,022 89,022 -9,781 79,241

Explanation: Funds are available due to delays in the F-20 satellite Service Life Extension Program (SLEP) due to technology challenges. This is base budget funding.

141

Evolved Expendable Launch Vehicle (Space) 805,250 805,250 -18,400 786,850

Explanation: Funds are available due to slow execution, making these funds available to support higher priority requirements. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

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Appropriation Title: Various Appropriations							Includes Transfer Yes	

Component Serial Number: Line Item a	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
	b	c	d	e	f	g	h	i

Other Procurement, Air Force, 13/15							-144,972	
Budget Activity 02: Vehicular Equipment								
Medium Tactical Vehicle		40,557		40,557		-17,000		23,557

142

Explanation: Funds are available due to slow execution and are therefore, available for higher priority requirements. This is base budget funding.

Budget Activity 03: Electronics and Telecommunications Equipment								
COMSEC Equipment		166,559		166,559		-70,000		96,559

143

Explanation: Funds are available as follows:

- \$-38.9 million due to multiple project delays (3-7 months) in the Vinson/Advanced Narrowband Digital Voice Terminal (ANDVT) Cryptographic Modernization project. This is base budget funding.
- \$-31.1 million due to efficiencies and other cost savings in the Communication Security (COMSEC) and Crypto programs. This is base budget funding.

General Information Technology		80,900		80,900		-24,800		56,100
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144

Explanation: Funds are available in the Air Force Integrated Personnel and Pay System (AF-IPPS) due to a 6 month slip to contract award. This is base budget funding.

Information Transport		52,464		52,464		-14,430		38,034
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145

Explanation: Funds are available due to slow execution making them available for higher priority requirements. This is base budget funding.

Budget Activity 04: Other Base Maintenance and Support Equipment								
Night Vision Goggles		23,595		23,595		-12,042		11,553

146

Explanation: Funds are available due to the termination of the Night Vision Cueing and Display program because it did not meet user-defined operational requirements. The remaining funds in this line are for Groundcrew/Aircrew goggles. This is base budget funding.

Special Update Program		479,446		479,446		-6,700		472,746
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147

Explanation: Funds are available due to slow execution making them available for higher priority requirements. Details are classified and will be provided separately. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

Research, Development, Test, and Evaluation, Air Force, 13/14 **-328,208**

Budget Activity 03: Advanced Technology Development

PE 0603112F Advanced Materials for Weapon Systems	60,890		60,890		-11,830		49,060	
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148

Explanation: Funds are available because additional funds (\$+13.0 million) were added in the Consolidated and Further Continuing Appropriation Act, 2013, for materials research and technology. There are sufficient base program funds to cover this requirement. This is a congressional special interest item. This is base budget funding.

PE 0603216F Aerospace Propulsion and Power Technology	164,152		164,152		-11,830		152,322	
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149

Explanation: Funds are available because additional funds (\$+13.0 million) were added in the Consolidated and Further Continuing Appropriation Act, 2013, for silicon carbide research. There are sufficient base program funds to cover this requirement. This is a congressional special interest item. This is base budget funding.

PE 0603680F Manufacturing Technology Program	57,045		57,045		-8,200		48,845	
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150

Explanation: Funds are available because additional funds (\$+20.0 million) were added in the Consolidated and Further Continuing Appropriation Act, 2013, for various program increases. There are sufficient base program funds to cover this requirement. This is a congressional special interest item. This is base budget funding.

Budget Activity 04: Advanced Component Development and Prototypes

PE 0603432F Polar MILSATCOM (SPACE)	120,676		120,676		-20,300		100,376	
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151

Explanation: Funds are available to support higher priority requirements due to reduced scope of the Enhanced Polar system ground system. This is base budget funding.

PE 0604015F Long Range Strike	291,742		291,742		-2,018		289,724	
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152

Explanation: Funds are available due to slow execution. Classified details will be provided separately. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request						DoD Serial Number: FY 13-09 PA		
Appropriation Title: Various Appropriations						Includes Transfer Yes		

Component Serial Number: Line Item	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

Budget Activity 05: System Development and Demonstration

PE 0604617F Agile Combat Support

26,059 26,059 -2,275 23,784

Explanation: Funds are being made available due to slow execution of Airfield Damage Repair and Aeromedical Systems Planning efforts. This is base budget funding.

PE 0605229F Combat Rescue Helicopter

115,210 115,210 -55,000 60,210

Explanation: Funds are available due to programmatic delay leading to slow execution of funds. This is base budget funding.

PE 0101125F Nuclear Weapons Modernization

80,200 80,200 -9,077 71,123

Explanation: Funds are available in the B61 Tail Kit Assembly Life Extension Program due to savings realized by using a BDU-38 practice bomb instead of a Department of Energy flight body for initial separation testing. This is base budget funding.

Budget Activity 06: Management Support

PE 0604759F Major Test and Evaluation Investment

42,236 42,236 -4,086 38,150

Explanation: Funds are available due to slow execution of funding associated with test capability improvement and modernization efforts. This is base budget funding.

PE 0605712F Initial Operational Test and Evaluation (T&E)

16,197 16,197 -1,567 14,630

Explanation: Funds are available due to schedule slips of planned testing supporting F-22A Increment 3.2B and Joint Air-to-Surface Standoff Missile Extended Range (JASSM-ER). This is base budget funding.

PE 0606392F Space and Missile Center (SMC) Civilian Pay

195,766 195,766 -11,100 184,666

Explanation: Funds are available in Space and Missile Systems Center (SMC) civilian pay due to hiring controls implemented to mitigate sequestration impacts. This is base budget funding.

153

154

155

156

157

158

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number: FY 13-09 PA	
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Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

Budget Activity 07: Operational System Development

159	PE 0605018F Air Force Integrated Personnel and Pay System (AF - IPPS)		45,697		45,697		-4,421		41,276
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Explanation: Funds are available for higher priorities in Operation and Maintenance readiness accounts due to slow execution. This is base budget funding.

160	PE 0101126F B-1B Squadrons		16,265		16,265		-1,573		14,692
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Explanation: Funds are available due to negotiated savings in the B-1 Integrated Battle Station training system contract. This is base budget funding.

161	PE 0101127F B-2 Squadrons		35,970		35,970		-5,015		30,955
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Explanation: Funds are available due to delayed contract actions for B-2 Flexible Strike. This is base budget funding.

162	PE 0207424F Evaluation and Analysis Program						-3,600		
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Explanation: Funds are available from a classified program. Details will be provided separately. This is base budget funding.

163	PE 0207040F Multi-platform Electronic Warfare Equipment		49,848		49,848		-4,822		45,026
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Explanation: Funds are available in Electronic Attack Pods due to a reduction in the required number of test assets. This is base budget funding.

164	PE 0207133F F-16 Squadrons		176,757		176,757		-4,000		172,757
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Explanation: Funds are available for higher priorities in Operation and Maintenance readiness accounts due to re-phasing of program funds to align with execution of the flight test schedule. This is base budget funding.

165	PE 0207134F F-15E Squadrons		171,677		171,677		-10,000		161,677
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Explanation: Funds are available for higher priorities in Operation and Maintenance readiness accounts due to re-phasing of program funding to align with program execution. This is base budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

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Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number: Line Item #	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
	b	c	d	e	f	g	h	i

166

PE 0207163F Advanced Medium Range Air-to-Air Missile (AMRAAM)		87,041		87,041		-9,000		78,041
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Explanation: Funds are available due to delays in operational testing of the AIM-120D. This is base budget funding.

167

PE 0207268F Aircraft Engine Component Improvement Program		187,984		187,984		-41,649		146,335
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Explanation: Funds are available due to slow execution of funds related to over 200 tasks across 13+ engine types to include A-10, B-1, C-130, F-15, F-16, and F-22. This is base budget funding.

168

PE 0305172F Combined Advanced Applications						-14,000		
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Explanation: Funds are available from a classified program. Details will be provided separately. This is base budget funding.

169

PE 0302015F E-4B National Airborne Operations Center (NAOC)		4,159		4,159		-1,500		2,659
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Explanation: Funds are available due to delays in FAB-T terminal delivery. This is base budget funding.

170

PE 0401119F C-5 Airlift Squadrons	35,115		35,115			-18,955		16,160
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Explanation: Funds are available due to a delay in contract award for the C-5 Weather Radar and Core Mission Computer program. This is base budget funding.

171

PE 0605024F Anti-tamper Technology Executive Agency		37,037		37,037		-5,470		31,567
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Explanation: Funds are available due to slow execution of continuing anti-tamper activities including Verification and Validation, Assessments, and Technology Development. This is base budget funding.

172

PE 0605213F F22 Increment 3.2B	140,100		140,100			-14,000		126,100
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Explanation: Funds are available for higher priorities in Operation and Maintenance readiness accounts due to slow execution related to testing. This is base budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

Explanation: Funds are available due to the deferral of near-term purchases to replace legacy Asynchronous Transfer Mode (ATM) and selected cryptographic requirements due to anticipated lower pricing to expand overall capabilities.

Joint Improvised Explosive Device Defeat Fund, 13/15									-45,932
<u>Budget Activity 01: Attack the Network</u>									
	807,500		807,500						-45,932
									761,568

Explanation: Funds are available to support higher priority requirements. This is Title IX OCO budget funding.

PART II – FY 2013 SPECIAL TRANSFER AUTHORITY (Section 9002)

<u>FY 2013 OCO REPROGRAMMING INCREASES:</u>									<u>+3,500,000</u>
<u>ARMY INCREASES:</u>									<u>+2,687,008</u>
<u>Operation and Maintenance, Army, 13/13</u>									<u>+2,687,008</u>
<u>Budget Activity 01: Operating Forces</u>									
	45,113,700		46,298,459						+1,968,951
									48,267,410

- Explanation: Funds are required for the following requirements:
- \$+1,388.194 million to support funding shortfalls for United States Forces-Afghanistan operations due to higher than budgeted troop levels in Afghanistan. The budget assumed 40,881 average end strength, but actual execution reflects 50,472 average end strength. This is an OCO budget requirement.
 - \$+145.0 million to support funding shortfalls in subsistence of civilian and contract personnel due to higher than budgeted average full-time equivalent estimates due to more accurate reporting of civilian and contractors. This is an OCO budget requirement.
 - \$+391.784 million to support funding shortfalls in Logistics Civil Augmentation Program (LOGCAP), which provides operational support to the deployed warfighter, civilians, and contract personnel in the form of food preparation, power generation, water production and delivery, and other basic life support functions. Failure to provide these funds will hinder the basic daily functions and reduce morale. This is an OCO budget requirement.
 - \$+43.973 million to support shortfalls for In-Theater Communication Support for strategic communications capabilities and network operations throughout the USCENTCOM Area of Responsibility through the use of contract personnel to operate and maintain communication systems. Failure to provide these funds will require the deployment of additional signal Soldiers to meet

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
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communication requirements of deployed military units in theater. This is an OCO budget requirement.

181

Budget Activity 04: Administration and Servicewide Activities	13,755,944	14,919,077	+718,057	15,637,134
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Explanation: Funds are required to support shortfalls for Second Destination Transportation that resulted from increased use of multi-modal transportation methods for equipment movement and retrograde operations. While the Pakistan Ground Lines of Communication are currently open, there is excess frustrated cargo that has accumulated and must flow out first before other equipment is moved. Failure to provide these funds runs the risk of an interruption in the flow of supplies, subsistence, and mail to deployed warfighters. This is an OCO budget requirement.

AIR FORCE INCREASES: +812,992

182

Operation and Maintenance, Air Force, 13/13			+812,992	
Budget Activity 01: Operating Forces	24,253,055	25,342,813	+472,992	25,815,805

Explanation: Funds are required for the following requirements:

- \$+272.992 million to support funding shortfalls in Base Operations Support (BOS) located in the Air Force Central Command (AFCENT) AOR to include operating the bases, installations, camps, posts, and stations with Air Force equity. These resources sustain vital mission capability, ensure quality-of-life, and enhance workforce productivity and fund personnel and infrastructure support. Operating and Personnel support includes TDY, supplies, facility operations, food and housing services for unaccompanied and deployed forces; contractor support, air traffic control management, airfield ops, War Reserve Material (WRM), payroll support; personnel management; and Morale, Welfare, and Recreation (MWR) services to military members and their families. Operations Support, while improving capabilities and mission effectiveness in the AOR, also reduces Air Force vulnerabilities of critical environmental infrastructures in the AOR. Due to the devastating effects of post-sequestration, Air Force cannot absorb the impact, if left unfunded, within the current Active Air Force's OCO Operation and Maintenance funding. This is an OCO budget requirement.
- \$+200.0 million to support funding shortfalls in the mission critical Flying Hour Program for OEF operating forces and air operations, based on an adjusted analysis of flying hour execution to support AOR mission requirements and readiness. Due to the devastating effects of post-sequestration, Air Force cannot absorb the impact, if left unfunded, within the current Active Air Force's OCO Operation and Maintenance funding. This is an OCO budget requirement.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number: Line Item	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

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<u>Budget Activity 02: Mobilization</u>		8,648,447	8,648,447	+200,000	8,848,447
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Explanation: Funding is required:

- \$+147.0 million to support funding shortfalls in the Transportation Working Capital Fund due to too low of an OCO surcharge to cover OCO costs and maintain cash solvency. Due to the critical effects of post-sequestration, Air Force cannot absorb the impact, if left unfunded, within the current Active Air Force's OCO Operation and Maintenance funding. This is an OCO budget requirement.
- \$+53.0 million to fund the repair of a damaged C-17 aircraft at Forward Operating Base (FOB) Shank. The aircraft struck an embankment upon landing and sustained damage to the landing gear, cargo floor, undercarriage, antennas, and main structural components. Due to the critical effects of post-sequestration, Air Force cannot absorb the impact, if left unfunded, within the current Active Air Force's OCO Operation and Maintenance funding. This is an OCO budget requirement.

184

<u>Budget Activity 03: Training and Recruiting</u>		3,727,598	3,727,598	+19,000	3,746,598
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Explanation: Funding is required to provide airmen with critical skills training prior to deployment to the AOR. Funding fulfills a broad range of essential needs to sustain mission capability, quality-of-life, and workforce productivity critical to mission success in OEF combat. Unless additional funding is secured, Air Force will be unable to absorb the impact if left unfunded, and will be incapable of fulfilling training and operational requirements needed to sustain mission readiness in the USCENCOM AOR. This is an OCO budget requirement.

185

<u>Budget Activity 04: Administration and Servicewide Activities</u>		8,024,075	8,024,075	+121,000	8,145,075
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Explanation: Funds are required for costs associated with Air Force's continued presence at operating bases throughout the AFCENT AOR and with transition/reconstitution requirements not decreasing as anticipated. Air Force assets shifted within the AOR instead of redeploying, causing an influx of personnel and operational requirements at Air Force-controlled facilities. Operational costs at Air Force-controlled locations throughout the AOR did not decrease proportionately with the total reduction of airmen due to fixed cost requirements for communication, security, power production, and other base support contracts in support of other services and coalition forces. Due to the critical effects of post-sequestration, Air Force cannot absorb the impact, if left unfunded, within the current Active Air Force's OCO Operation and Maintenance funding. This is an OCO budget requirement.

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

PART II – FY 2013 SPECIAL TRANSFER AUTHORITY (Section 9002)

FY 2013 REPROGRAMMING DECREASES: **-3,500,000**

ARMY DECREASES: **-2,683,951**

Military Personnel, Army, 13/13 **-1,610,000**

Budget Activity 01: Pay and Allowances of Officers
14,274,177 15,044,177 **-906,000** 14,138,177

Explanation: Funds are available due to lower than budgeted active component strength. The Army currently projects execution associated with 5,623 non-enduring active component officer average strength in FY 2013, as compared to the budgeted request of 14,454 non-enduring officer average strength. This is Title IX OCO budget funding.

Budget Activity 02: Pay and Allowances of Enlisted
29,539,966 29,150,966 **-204,000** 28,946,966

Explanation: Funds are available due to lower than budgeted active component strength. The Army currently projects execution associated with 39,782 non-enduring active component enlisted average strength in FY 2013, as compared to the budgeted request of 41,341 non-enduring enlisted average strength. Additionally, the Congress shifted \$418 million from base to OCO in Budget Activity (BA) 2, Pay and Allowances of Enlisted, per Army request based on anticipated over execution of reserve component mobilizations. However, the reserve component mobilizations are projected to be lower than budgeted resulting in additional funds available for transfer. This is Title IX OCO budget funding.

Budget Activity 04: Subsistence of Enlisted Personnel
3,242,945 2,998,945 **-487,000** 2,511,945

Explanation: Funds are available due to lower than budgeted deployed strength, reductions in food ordering in-theater, lower food cost index inflation, and increased meal cost transfers for civilians in theater based on better visibility of actual civilian strength levels.

- \$-150.0 million due to a reduction in deployed troop levels for all Services from a budgeted level of ~125,000 to ~106,000
- \$-125.0 million due to reductions in in-theater food ordering
- \$-38.0 million due to lower than budgeted food cost inflation
- \$-174.0 million for additional food cost transfers to the Operation and Maintenance, Army (OMA) appropriation to account for costs associated with the feeding of civilians and contractors in-theater. The Military Personnel, Army (MPA) appropriation pays for all food in-theater. Cost transfers are

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number: FY 13-09 PA		
Appropriation Title: Various Appropriations							Includes Transfer Yes		

Component Serial Number:		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i

then executed from the MPA appropriation to OMA for the feeding civilians and contractors. These are Title IX OCO budget funding.

Budget Activity 06: Other Military Personnel Costs

904,963	877,693	-13,000	864,693
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Explanation: Funds are available due to lower than planned execution in unemployment compensation. This is Title IX OCO budget funding.

Reserve Personnel, Army, 13/13

-46,000

Budget Activity 01: Reserve Component Training and Support

4,616,364	4,616,364	-46,000	4,570,364
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Explanation: Funds are available due to fewer than planned mobilization requirements in support of OPERATION ENDURING FREEDOM (OEF). The budgeted request of ~18,000 reservists to conduct additional pre-mobilization training events is expected to be ~10,000 due to reduce in-theater requirements. This is Title IX OCO budget funding.

Operation and Maintenance, Army Reserve, 13/13

-50,000

Budget Activity 01: Operating Forces

3,248,206	3,248,406	-50,000	3,198,406
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Explanation: Funds are available due to off-ramping of units mobilized for Operation ENDURING FREEDOM (OEF). The original Operation & Maintenance, Army Reserve (OMAR) enacted amount was based on funding for 18K United States Army Reserve (USAR) members to conduct additional pre-mobilization individual and collective training events. Because of off-ramping and reduced requirements for in-theater deployments, the revised Army Reserve pre-mobilization training requirements are below 10K. This is Title IX OCO budget funding.

Aircraft Procurement, Army, 13/15

-35,500

Budget Activity 01: Aircraft

AH-64 Apache Block IIIB New Build

14	366,993	14	366,993	-1	-35,500	13	331,493
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While still required, the AH-64 Apache battle loss helicopter can be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request						DoD Serial Number: FY 13-09 PA		
Appropriation Title: Various Appropriations						Includes Transfer Yes		

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

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Missile Procurement, Army, 13/15						-25,887		
<u>Budget Activity 02: Other Missiles</u>								
Hellfire Sys Summary	361	50,101	361	50,101	-269	-25,887	92	24,214

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual replacement will be required, Hellfire procurement may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

194

Procurement of Weapons and Tracked Combat Vehicles, Army, 13/15						-15,422		
<u>Budget Activity 02: Weapons and Other Combat Vehicles</u>								
M16 Rifle Mods		18,728		18,728	-15,422			3,306

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual replacement will be required, M16 Rifle Close Combat Cleaning Kit procurement may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

195

Procurement of Ammunition, Army, 13/15						-52,737		
<u>Budget Activity 01: Ammunition</u>								
Mines & Clearing Charges, All Types	15,775		15,775		-9,482			6,293

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual replacement of this ammunition will be required, Mines and Clearing Charges ALL TYPES procurement may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

196

Artillery Cartridges, 75MM And 105MM, All Typ								
		80,817		80,817	-20,000			60,817

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual replacement of this ammunition will be required, Artillery Cartridges 75MM and 105MM ALL TYPES procurement may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

197

Ctg. .50 Cal, All Types								
		119,604		119,604	-10,000			109,604

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual replacement of this ammunition will be required, 50 CAL ALL TYPES procurement may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>								
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program		
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	
Line Item	a	b	c	d	e	f	g	h	i

198

CTG, 30MM, All Types		113,154		113,154		-9,255			103,899
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The funding for 30MM replacement ammunition may be deferred; however, these remain critical, validated requirements necessary to regenerate combat power for Army formations. This is Title IX OCO budget funding.

199

Artillery Projectile, 155MM, All Types		63,271		63,271		-4,000			59,271
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual replacement of this ammunition will be required, Artillery Projectile 155MM ALL TYPES procurement may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

200

Other Procurement, Army, 13/15						-848,405			
<u>Budget Activity 01: Tactical and Support Vehicles</u>									
Family of Medium Tactical Veh (FMTV)		1,471	367,762	1,471	367,762	-	-2,500	1,471	365,262

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual recapitalization of existing FMTVs will be necessary to RESET the force, FMTV Recap efforts may be deferred with minimal impact to the immediate war fight. Does not buy back battle loss FMTV trucks with new procurement. This is Title IX OCO budget funding.

201

Family of Heavy Tactical Vehicles (FHTV)		1,534	54,983	1,534	54,983	-	-2,050	1,534	52,933
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual recapitalization of existing FHTVs will be necessary to RESET the force, FHTV Recap efforts may be deferred with minimal impact to the immediate war fight. Does not procure five battle damaged HEMTT trucks (2 tankers, 2 wreckers, and 1 LHS cargo). This is Title IX OCO budget funding.

202

HMMWV Recapitalization Program		2,128	221,000	2,128	221,000	-1,000	-171,000	-1,128	50,000
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual recapitalization of existing HMMWVs will be necessary to RESET the force, HMMWV

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
Line Item								
a	b	c	d	e	f	g	h	i

Recap efforts may be deferred with minimal impact to the immediate war fight. This is Title IX OCO budget funding.

203

Mine-Resistant Ambush-Protected (MRAP) Mods
 721,400 721,400 -562,596 158,804

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. While eventual modifications to existing MRAP vehicles will be necessary to RESET the force, MRAP Mods procurement may be deferred with minimal impact to the immediate war fight. Does not fund upgrades to 1,216 ea MRAP (specific variant) Forward Observation Vehicles (FOV) with survivability and mobility enhancements before EOM. This is Title IX OCO budget funding.

204

Budget Activity 02: Communications and Electronics Equipment
 Mod of In-Svc Equip (Firefinder Radars)
 17,675 17,675 -8,400 9,275

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. Mod of In-Svc Equip (Firefinder Radars) efforts may be deferred 12 months without impacting the immediate war fight. This is Title IX OCO budget funding.

205

Lightweight Counter Mortar Radar
 43 100,240 43 100,240 - -25,455 43 74,785

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. Lightweight Counter Mortar Radar (LCMR) efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

206

Installation Info Infrastructure Mod Program
 107,727 107,272 -10,000 97,727

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement due to savings in contracted costs. This is Title IX OCO budget funding.

207

Maneuver Control System (MCS)
 721 57,628 721 57,628 - -3,200 721 54,428

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The MCS efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number:	
Appropriation Title: Various Appropriations							FY 13-09 PA	
							Includes Transfer	
							Yes	

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>								
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program		
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	
Line Item	a	b	c	d	e	f	g	h	i

208

Single Army Logistics Enterprise (SALE)									
	5,976	182,061	5,976	182,061	-	-5,160	5,976	176,901	

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The SALE efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

209

Budget Activity 03: Other Support Equipment

Combat Training Centers Support									
	340	111,649	340	111,649	-	-7,000	340	104,649	

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The Combat Training Centers Support efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

210

Family of Non-Lethal Equipment (FNLE)									
	1,562	16,000	1,562	16,000	-	-15,000	1,562	1,000	

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The FNLE efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

211

Base Defense Systems (BDS)									
	637	70,474	637	70,474		-24,932	637	45,542	

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The BDS efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

212

Distribution Systems, Petroleum & Water									
	208	38,385	208	38,385	-13	-2,119	195	36,266	

Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. Distribution Systems, Petroleum and Water efforts may be deferred with minimal impact to the immediate war fight. Does not replace 12 Load Handling System Compatible Water Tank Rack (HIPPO) systems to replace shortages in Army prepositioned stock (APS) and replace one battle damaged HIPPO. This is Title IX OCO budget funding.

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REPROGRAMMING ACTION – PRIOR APPROVAL

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Subject: May 2013 Prior Approval Request						DoD Serial Number: FY 13-09 PA		
Appropriation Title: Various Appropriations						Includes Transfer Yes		

Component Serial Number: Line Item	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

213	Explosive Ordnance Disposal Eqpmt (EOD EQPMT)	522	29,024	522	29,204	-20	-3,565	502	25,459
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. The EOD EQPMT efforts may be deferred without impacting the immediate war fight. Does not procure 20 Manual Transport Robotic Systems. This is Title IX OCO budget funding.

214	Gaming Technology In Support of Army Training		9,956		9,956		-5,428		4,458
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Explanation: Funds available to support a near-term critical theater based higher priority OCO requirement. Gaming Technology in Support of Army Training efforts may be deferred without impacting the immediate war fight. This is Title IX OCO budget funding.

AIR FORCE DECREASES: **-758,192**

215	<u>Military Personnel, Air Force, 13/13</u>						<u>-366,209</u>		
	<u>Budget Activity 01: Pay and Allowances of Officers</u>		9,322,998		9,239,141		-159,284		9,079,857

Explanation: Funds are available because of reduced mobilized reserve average strength requirement. Active Air Force budgeted for 2,666 average strength. The revised requirement is 1,637, a decrease of 1,029 average strength. This is Title IX OCO budget funding.

216	<u>Budget Activity 02: Pay and Allowances of Enlisted Personnel</u>		17,274,144		17,222,744		-206,925		17,015,819
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Explanation: Funds are available because of reduced mobilized reserve average strength requirement. Active Air Force budgeted for 8,457 average strength. The revised requirement is 5,805, a decrease of 2,652 average strength. This is Title IX OCO budget funding.

217	<u>Operation and Maintenance, Air Force Reserve, 13/13</u>						<u>-27,283</u>		
	<u>Budget Activity 01: Operating Forces</u>		3,166,467		3,166,467		-27,283		3,139,184

Explanation: Funds are available due to termination of the TF-39 engine overhaul contract, driven by C-5A aircraft retirements and later-model C-5's being re-engined. This is Title IX OCO budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request							DoD Serial Number: FY 13-09 PA		
Appropriation Title: Various Appropriations							Includes Transfer Yes		
Component Serial Number:		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item		Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a		b	c	d	e	f	g	h	i
Aircraft Procurement, Air Force, 13/15							-245,800		
<u>Budget Activity 05: Modification of Inservice Aircraft</u>									
218	C-130		79,253		79,253		-11,400		67,853
<u>Explanation:</u> Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness account. This is Title IX OCO budget funding.									
219	EC-130 Compass Call		64,024		64,024		-9,000		55,024
<u>Explanation:</u> Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.									
220	HC/MC-130 Mods		27,026		27,026		-4,700		22,326
<u>Explanation:</u> Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.									
221	Large Aircraft Infrared Countermeasures		168,600		168,600		-139,800		28,800
<u>Explanation:</u> Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness account. This is Title IX OCO budget funding.									
222	<u>Budget Activity 06: Aircraft Spares and Repair Parts</u>								
	Spares and Repair Parts		753,569		753,569		-21,900		731,669
<u>Explanation:</u> Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.									
223	<u>Budget Activity 07: Aircraft Support Equipment and Facilities</u>								
	Other Production Charges		871,792		860,792		-59,000		801,792
	Regular						(-55,000)		
	Classified						(-4,000)		

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
	Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity
a	b	c	d	e	f	g	h	i

Explanation: Funds (\$55.0 million) are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. Details (\$4.0 million) are classified and will be provided separately. This is Title IX OCO budget funding.

Other Procurement, Air Force, 13/15									
						-118,900			
Budget Activity 02: Vehicular Equipment									
Medium Tactical Vehicle		40,557		40,557		-2,000		38,557	

224

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Items Less Than \$5 Million (Cargo-Utility)									
		4,374		4,374		-2,700		1,674	

225

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Items Less Than \$5 Million (Special Purpose)									
		11,803		11,803		-2,500		9,303	

226

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Items Less Than \$5 Million (Materials Handling Equip)									
		22,652		22,652		-4,300		18,352	

227

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number:
Appropriation Title: Various Appropriations		FY 13-09 PA
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>								
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program		
	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount	
Line Item	a	b	c	d	e	f	g	h	i

228 Items Less Than \$5 Million (Base Maintenance Support) 26,134 26,134 -9,100 17,034

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

229 Runway Snow Removal and Cleaning Equipment 2,669 2,669 -1,000 1,669

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

230 Budget Activity 03: Electronics and Telecommunications Equipment
Weather Observation/Forecast 23,464 23,464 -5,600 17,864

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

231 General Information Technology 80,900 80,900 -11,200 69,700

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

232 Tactical C-E Equipment 133,131 133,131 -7,000 126,131

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

233 Base Communications Infrastructure 75,082 75,082 -500 74,582

Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number:
Appropriation Title: Various Appropriations		FY 13-09 PA
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

234

Comm - Electronics Modifications		51,507		51,507		-8,000		43,507
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Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Budget Activity 04: Other Base Maintenance and Support Equipment

235

Night Vision Goggles		23,595		23,595		-900		22,695
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Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

236

Contingency Operations		53,548		53,548		-43,200		10,348
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Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

237

Mobility Equipment		23,871		23,871		-9,400		14,471
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Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

238

Items Less Than \$5 Million (Mobility Equipment)		11,069		11,069		-9,200		1,869
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Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Budget Activity 05: Spares and Repair Parts

239

Spares and Repair Parts		16,963		16,963		-2,300		14,663
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Explanation: Funds are excess to need due to changes in investment priorities driven by the current fiscal environment, drawdown of military operations in Afghanistan, and the requirement to fund shortfalls in the Operation and Maintenance OCO readiness accounts. This is Title IX OCO budget funding.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		
		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

<u>DEFENSE WIDE DECREASES:</u>						<u>-57,857</u>		
<u>Joint Improvised Explosive Device Defeat Fund, 13/15</u>						<u>-57,857</u>		
<u>Budget Activity 01: Attack the Network</u>		807,500		807,500		<u>-57,857</u>		749,643

240

Explanation: Funds are available to support higher priority requirements. This is Title IX OCO budget funding.

PART III – FY 2013 TRANSFER AUTHORITY (Section 8008)

<u>FY 2013 REPROGRAMMING INCREASE:</u>						<u>+969,000</u>		
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<u>Defense Working Capital Fund, Defense, X</u>						<u>+969,000</u>		
<u>Defense Logistics Agency (DLA)</u>						<u>+969,000</u>		

241

Explanation: Funds are required in the Defense Working Capital Fund to mitigate a cash shortfall caused by actual cost paid for refined fuel products in excess of the amount budgeted for these products.

<u>FY 2013 REPROGRAMMING DECREASE:</u>						<u>-969,000</u>		
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<u>Foreign Currency Fluctuations, Defense (FCF,D), X</u>						<u>-969,000</u>		
		970,000		970,000		<u>-969,000</u>		1,000

242

Explanation: Funds are available because of lower than estimated foreign currency losses resulting from the increase in the value of the U.S. dollar compared to foreign currency execution rates. Section 8008 of the FY 2013 Department of Defense Appropriations Act allows transfer between the Foreign Currency Fluctuations, Defense appropriation and the Working Capital Fund.

Unclassified

REPROGRAMMING ACTION – PRIOR APPROVAL

Page 54 of 54

Subject: May 2013 Prior Approval Request		DoD Serial Number: FY 13-09 PA
Appropriation Title: Various Appropriations		Includes Transfer Yes

Component Serial Number:	<i>(Amounts in Thousands of Dollars)</i>							
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
Line Item	Quantity	Amount	Quantity	Amount	Quantity	Amount	Quantity	Amount
a	b	c	d	e	f	g	h	i

PART IV – FY 2012 TRANSFER AUTHORITY (Section 8005)

FY 2012 REPROGRAMMING INCREASE: **+169,740**

Defense Working Capital Fund, Defense, X **+169,740**
Defense Logistics Agency (DLA) **+169,740**

Explanation: Funds are required in the Defense Working Capital Fund to mitigate a cash shortfall caused by actual cost paid for refined fuel products in excess of the amount budgeted for these products.

FY 2012 REPROGRAMMING DECREASE: **-169,740**

Mine Resistant Ambush Protected Vehicle Fund, 12/13 **-169,740**
 Public Law 112-74 200,094 200,094 **-169,740** 30,354

Explanation: Funds are available due to being excess to need. There are no further requirements pending. This is Title IX OCO budget funding.

243

244



OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE
FROM THE DIRECTOR

LEADING INTELLIGENCE INTEGRATION

05/15/2013

From DNI Clapper: Furlough Decision Announced

Today, the Secretary of Defense announced that, due to an O&M shortfall of more than \$30 billion this fiscal year, DoD civilian employees will be subject to 11 furlough days.

During the past several months, Secretary Hagel and I discussed the issue of furloughs as they relate to DoD civilian employees funded under the National Intelligence Program. We agree that NIP funded DoD civilians are a critical element of the Intelligence Community's mission and that furlough decisions regarding these employees should be made within the IC. Several months ago, I challenged IC leaders to develop strategies to minimize furloughs across the community. Through their effort and that of many others, I'm pleased to announce that I do not envision mandating furloughs to IC employees funded in the National Intelligence Program.

As DNI, I have a responsibility to preserve our ability to deliver the most insightful intelligence possible. You've heard me say it before—our people are our most valuable asset and our mission depends on making sure intelligence professionals are focused on the threats facing our nation.

Secretary Hagel and I share the belief that furloughs disrupt lives, negatively impact national security and hinder our ability to carry out our mission. I support his efforts to continue to seek solutions to further reduce the number of furlough days imposed on DoD civilian employees particularly funded under the Military Intelligence Program, and the Information Systems Security Program.

There is no question that under sequestration we will have to do less with less. Over time, the significant impact of these cuts will force us to prioritize our intelligence activities with increasingly limited resources. During these challenging times, when the array of threats we face is so vast, we need every intelligence professional focused on our mission.

Throughout this process, you have been exceedingly patient and professional and, most important of all, you have remained focused on our top priorities—continuing to integrate the IC and providing the most insightful intelligence possible.

I appreciate your continued patience and commitment to our mission as we work through the impacts of sequestration together. Thank you for all you do for the IC and for our nation.

James R. Clapper
Director of National Intelligence



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

MAY 14 2013

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
CHIEFS OF THE MILITARY SERVICES
COMMANDERS OF THE COMBATANT COMMANDS
CHIEF OF THE NATIONAL GUARD BUREAU
DIRECTOR, COST ASSESSMENT AND PROGRAM
EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Furloughs

This memo directs defense managers to prepare to furlough most Department of Defense (DoD) civilians for up to 11 days. The schedule for furloughs, and some specific exceptions, are described later in this memo and in the attachment. I have made this decision very reluctantly, because I know that the furloughs will disrupt lives and impact DoD operations. I, along with the senior civilian and military leadership of the Department, have spent considerable time reviewing information related to the need for furloughs, and I would like to share with you the reasoning that led me to this difficult decision.

Major budgetary shortfalls drove the basic furlough decision. On March 1, sequestration went into effect across the federal government. DoD's budget for FY 2013 was reduced by \$37 billion, including \$20 billion in the operation and maintenance (O&M) accounts that pay many of our civilian workers. In addition, because our wartime budget is also subject to sequestration, we must utilize funds originally budgeted for other purposes in order to provide our troops at war with every resource they need. To compound our problems, when we estimated future wartime operating costs more than a year ago, we planned on fuel costs below what we are currently experiencing. Taken together, all these factors lead to a shortfall in our O&M accounts of more than \$30 billion – a level that exceeds 15 percent of our budget request, with fewer than six months left in the fiscal year in which to accommodate this dramatic reduction in available resources.

We are taking actions to reduce this shortfall. One main priority has governed our decisions: to minimize the adverse effects on our military mission, including military readiness. With this in mind, early this calendar year we cut back sharply on facilities maintenance and worked to hold down base operating costs -- decisions we knew would build a backlog of maintenance and adversely affect our bases. We are also preparing a request to Congress that would permit us to shift some funding from investment and military personnel accounts into the O&M accounts. If approved by Congress, this initiative -- known as a reprogramming -- would help close the gap.

But these actions are not enough. We have begun making sharp cuts in the training and maintenance of our operating forces -- cutbacks that are seriously harming military readiness. The Army, for example, has terminated most remaining FY 2013 training rotations at its combat training centers. The Air Force has or soon will stop all flying at about one-third of its combat-coded squadrons in the active forces. The Navy and Marine Corps are cutting back on training and on deployments -- including a decision not to send a second carrier strike group to the Gulf. These are only a few of the many cutbacks we have made in training and maintenance. These actions reduce our ability to handle future military contingency needs, both this year and in subsequent years.

Even after taking all these actions, we are still short of needed operating funds for FY 2013, and we cannot rule out unexpected increases in costs during the next few months. So we confront a difficult set of trade offs. We can make even larger cutbacks in training and maintenance, further reducing readiness to handle contingency operations and putting into even greater jeopardy our military readiness in future fiscal years. Alternatively, we can furlough civilian personnel to help close the gap and, knowing that morale, productivity and readiness would be affected. This is an unpleasant set of choices, but this is the situation we face.

Before making a decision, I sought advice and inputs from senior leaders in the military departments and agencies as well as advice from my senior civilian and military staff. I asked them to keep in mind our fundamental criterion to minimize adverse mission effects and, subject to that criterion, to ensure reasonable consistency and fairness across the Department for any furloughs that we impose.

Based on all these inputs, I have decided to direct furloughs of up to 11 days for most of the Department's civilian personnel. Furloughs for up to 11 days represent about half of the 22 days that can legally be imposed in a year and also about half the number we had originally planned. This halving of previous furlough plans reflects vigorous efforts to meet our budgetary shortfalls through actions other than furloughs as well as Congressional passage of an appropriations bill in late March that reduced the shortfalls in our operating budget and expectations of Congressional action on our reprogramming request.

Furloughs will be imposed in every military department as well as almost every agency and in our working capital funds. All of our civilian employees are important, and I would prefer not to furlough any of them. However, there will only be limited exceptions driven by law and by the need to minimize harm to mission execution. We will except civilians deployed to combat zones and civilians necessary to protect life and property (but only to the extent needed to provide that protection). A few categories of workers will be excepted for specific mission reasons while some categories of workers will be excepted because furloughing them would not

free up money for critical DoD mission needs. The attachment provides details regarding approved exceptions. Fewer than one fifth of all civilians paid with appropriated funds will be excepted from furloughs.

The planning and implementation of furloughs will be carried out based on the schedule below:

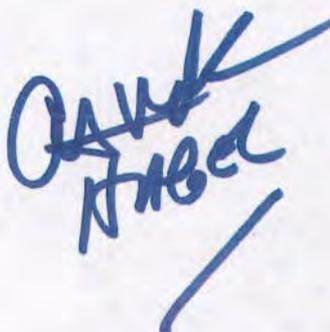
- May 28 - June 5: Furlough proposal notices will be served to individual employees subject to furloughs.
- June 4 - June 12: Individual employee reply periods end 7 calendar days from when the proposal was received, unless Component procedures allow for a different reply period.
- June 5 - July 5: Furlough decision letters will be served to individual employees subject to furloughs, depending on when the proposal was received and prior to the first day of furlough.
- July 8: Furlough period begins no earlier than this date.

We will begin furloughs on July 8 at the rate of 1 furlough day per week for most personnel. For now, we plan to continue furloughs through the end of FY 2013. That schedule would lead to 11 furlough days – one fifth of the week for about one quarter of the year. Moreover, I am directing all components to monitor funding closely for the remainder of FY 2013. If our budgetary situation permits us to end furloughs early, I would strongly prefer to do so. That is a decision I will make later in the year.

Consistent with this memo and with applicable laws and rules, commanders and managers will have the authority to develop the specifics of furlough procedures in order to minimize adverse mission effects and also limit the harm to morale and productivity. Further bargaining with unions may also be required. The Under Secretary for Personnel and Readiness has already issued guidance as appropriate regarding personnel and union issues related to furloughs and will issue additional guidance as needed. Overall coordination of sequester and furlough policies will be the responsibility of the Under Secretary of Defense (Comptroller).

Each of the Department's civilian employees makes an important contribution to the readiness of our Department to meet the nation's national security needs. I understand that the decision to impose furloughs imposes financial burdens on our valued employees, harms overall morale, and corrodes the long-term ability of the Department to carry out the national defense mission. I deeply regret this decision. I will continue to urge that our nation's leaders reach an agreement to reduce the deficit and de-trigger sequestration. If no agreement is reached, I will continue to look for ways to limit the adverse effects of sequestration and associated budgetary shortfalls both on the men and women of the Department of Defense, and on our national defense.

Attachment:
As stated.



Department of Defense Furlough Exceptions

This attachment provides Components with final dispositions on categorical exceptions to the Department of Defense (DoD) plan to furlough civilian employees for a maximum of 88 hours or 11 discontinuous workdays because of the current financial crisis caused by a sequestration for Fiscal Year (FY) 2013, increased costs for ongoing Overseas Contingency Operations, and other emerging requirements. In order to minimize adverse effects on mission, employees in the following categories are excepted from furlough for the reasons noted:

- a) In order to avoid harm to war efforts, all employees deployed (in a Temporary Duty status) or temporarily assigned (to include Temporary Change of Station) to a combat zone (as defined in notes below) are excepted from furlough.
- b) In order to avoid harm to mission, those employees necessary to protect safety of life and property are excepted to the extent necessary to protect life and property. This includes selected medical personnel. Later portions of this attachment provide details.
- c) Employees in Navy shipyards will be excepted from furlough because it would be particularly difficult to make up delays in maintenance work on nuclear vessels and these vessels are critical to mission success. All other depot employees, whether mission-funded or working capital fund employees, will be subject to furlough.
- d) Furloughs for employees funded with National Intelligence Program (NIP) funds will be determined by the Director of National Intelligence. Employees funded with Military Intelligence Program (MIP) funds will be subject to furlough.
- e) Because there would be no savings, Foreign Military Sales (FMS) employees whose positions are exclusively funded from FMS Administrative and FMS case funds (case number may be required to validate funding source) and from Foreign Military Financing accounts are excepted from furlough. Furloughing employees in this category would not reduce the expenditure of DoD budgetary resources and so would not assist in meeting sequestration reductions. The FMS case-funded positions funded in whole or part by DoD appropriations (to include "pseudo-FMS" cases) are subject to furlough.
- f) By law, all individuals appointed by the President, with Senate confirmation, who are not covered by the leave system in title 5, U.S. Code, chapter 63, or an equivalent formal leave system, are excepted from furlough.
- g) All employees funded by non-appropriated funds (NAF)¹ (regardless of source of NAF funding) are excepted from furlough. Furloughing employees in this category would not reduce the DoD budget and so would not assist in meeting sequestration reductions.
- h) All Outside Contiguous United States foreign national employees, many of whom are subject to Status of Forces Agreements, are excepted from furlough because their situation vary greatly by country/region and because, in some cases, they are paid by host governments.

¹ NAF employees are not covered by the requirements and procedures applicable to furloughs of appropriated fund employees under FY13 sequestration. However, NAF employees may be furloughed under DoD NAF and Component policies and procedures for business-based reasons.

- i) Any employees who are not paid directly by accounts included in the Department of Defense-Military (subfunction 051) budget are excepted from furlough. For example, this would include employees funded by the Arlington National Cemetery (705 function) and DoD Civil Works (various non-051 functions) programs. These exceptions have been identified by the Components. Furloughing these employees would not reduce the expenditure of DoD budgetary resources and so would not assist in meeting sequestration reductions.

The following portion of this document provides the definitive list of additional approved exceptions beyond those listed in the preceding paragraph. The exceptions approved for the safety of life and protection of property category are granted with the understanding that these are the minimum exceptions needed to maintain operations and provide security on a 24/7 basis and that furloughing these employees would result in the Department incurring additional costs for premium pay. Similarly, the exceptions for the medical category are approved with the understanding these exceptions preserve the minimum level of personnel needed to maintain quality of care in 24/7 emergency rooms and other critical care areas such as behavioral health, wounded warrior support, and disability evaluation. Furloughing these employees would result in unacceptable care being provided, and the Department would incur increased costs for premium pay or TRICARE. The exception for Child Development Centers is granted with the understanding that this is the minimum level needed to maintain accreditation and maintain quality care for children in military families. Some Department of Defense Education Activity employees, while not excepted from furlough, may only be furloughed when they are in a pay status. Therefore, they will only be subject to furlough for up to five days at the beginning of the 2013 school year.

Recognizing that circumstances can change in this dynamic environment, the Secretaries of the Military Departments, and the Principal Staff Assistants for the Defense Agencies and Field Activities, may approve up to 50 additional individual, mission-based, exceptions as needed to ensure safe and efficient operations of their respective Departments. Any such exception must be reported to the Acting Under Secretary of Defense (USD) for Personnel and Readiness and the USD Comptroller. There are no other approved exceptions provided based on the Components' submissions. Furlough proposal notices should be issued to all impacted employees beginning May 28, 2013.

Relative to the review and decision on individual employee requests for exception, per guidance issued via the Principal Deputy Assistant Secretary of Defense, Readiness and Force Management, memorandum, dated March 13, 2013, activities should designate the Deciding Official. The designated Deciding Official will be no lower than a local Installation Commander, senior civilian or equivalent who would be in the best position to determine the fair and equitable application of the furlough. Deciding Official responsibilities may not be further delegated. Deciding Officials are charged with, and are accountable for, making final decisions on furloughs for individual employees after carefully considering the employee's reply, if any, and the needs of the Department. Deciding Officials must also ensure they make final decisions in cases where an employee does not submit a reply. Deciding Officials will have the authority to execute the full range of options with respect to providing relief in individual employee cases. This authority includes, but is not limited to, reducing the number of days/hours an individual employee is furloughed, or granting the individual employee an exception from the furlough altogether.

Component	Safety of Life & Property	Medical Personnel	Others	Comments
DoN	7,543	1,418	212 CIVPERS at Sea 4,712 CIVMARS 514 Appropriated Fund (APF) Child Development Centers (CDCs) 15 28,000 1,657	CIVPERS deployed at sea are subject to furlough upon return from deployment CIVMARS are subject to furlough upon return from deployment Maintain safety standards and quality of care Support to classified programs Shipyard Workers, General Shipyard Workers, Nuclear and Naval Reactors Staff
USA	263	Up to 6,600	555 APF CDC Employees 75 17 257	Maintain safety standards and quality of care ARNG Dual Status Technicians for Alerts, Firefighting, Personnel Recovery and other missions Support to classified programs Non-immigrant employees requiring H-1B visas at Defense Language Institute

Component	Safety of Life & Property	Medical Personnel	Others	Comments
USAF	933	410	62 1,123 30 Students 94 Multi-IOC 24/7 Plant Operators 2 3 1,634 APF CDCs	Support to classified programs ANG Dual Status Technicians for Alerts, Firefighting, Personnel Recovery and other missions Intel School & FLETC Heating/Waste Water Plant minimum safe manning Contingency Planners Special Law Enforcement Pay Maintain safety standards and quality of care
DLA	363			
DA&M	623			546 are from the Pentagon Force Protection Agency; the remaining 77 are Washington Headquarters Services for Pentagon safety and emergency communications. Most will be furloughed fewer than 11 days due to the need to maintain operations and security 24/7.
US Court of Appeals for Armed Services			59	The Chief Judge will decide how many days to furlough employees, if at all.
JTFCAPMED		368		165 @ Walter Reed 203 @ Fort Belvoir

Component	Safety of Life & Property	Medical Personnel	Others	Comments
USUHS	22		5	Animal Husbandry Technicians Non-immigrant employees requiring H-1B visas
Office of the Military Commissions – Defense Legal Services Agency			9	Civilian Trial Practitioners
Department of Defense Education Activity (DoDEA)			10,950	9-month DoDEA employees, which includes teachers, educational aids, and support staff may only be furloughed for up to 5 days at the beginning of the 2013 school year.
DCAA			1	Non-immigrant employees requiring H-1B visa

Notes:

1. Safety of life and property exceptions are based on need for 24/7 coverage in most instances. It is expected all Components will furlough for less than 88 hours in these areas where feasible.
2. Individuals for whom law enforcement premium pay would result in no loss of pay if furloughed will be excepted from the furlough.
3. 20 CFR 655.731 requires that the employer of a H-1B non-immigrant who is not performing work and is placed in a nonproductive status due to a decision by the employer (e.g., placed in a non-pay/non-duty status due to administrative furlough) pay the salaried employee the full pro-rata amount due, or to pay the hourly-wage employee for a full-time week (40 hours or such other number of hours as the employer can demonstrate to be full-time employment for hourly employees, or the full amount of the weekly salary for salaried employees) at the required wage for the occupation.

1. References.

- a) Title 26, U.S. Code, Section 112, Certain combat zone compensation of members of the Armed Forces
- b) Executive Order 12744, January 21, 1991
- c) Executive Order 13119, April 13, 1999
- d) Executive Order 13239, December 12, 2001
- e) Public Law 104-117, To provide that members of the Armed Forces performing services for peacekeeping efforts in Bosnia and Herzegovina, Croatia, and Macedonia shall be entitled to tax benefits in the same manner as if such services were performed in a combat zone.

2. The following locations are designated as "Combat Zones" by law, Presidential Executive Order or by DoD certification that members of the Armed Forces serving in such locations are serving in direct support of military operations in a combat zone:

Countries:

Afghanistan (EO 13239)	United Arab Emirates (EO 12744)
Albania (EO 13119)	Uzbekistan (DoD certification)
Bahrain (EO 12744)	Yemen (DoD certification)
Bosnia (PL 104-117)	Croatia (PL 104-117)
Djibouti (DoD certification)	Herzegovina (PL 104-117)
Iraq (EO 12744)	Jordan (DoD certification)
Kuwait (EO 12744)	Kyrgyzstan (DoD certification)
Macedonia (PL 104-1170)	Montenegro (EO 13119)
Oman (EO 12744)	Pakistan (DoD certification)
Philippines (Only troops with orders referencing Operation Enduring Freedom) (DoD certification)	Qatar (EO 12744)
Saudi Arabia (EO 12744)	Serbia (includes Kosovo) (EO 13119)
Somalia (DoD certification)	Tajikistan (DoD certification)

Sea Areas:

Adriatic Sea (EO 13119)	That portion of the Arabian Sea that lies north of 10 degrees north latitude, and west of 68 degrees east longitude (EO 12744)
Gulf of Aden (EO 12744)	Gulf of Oman (EO 12744)
Ionian Sea north of the 39 th Parallel (EO 13119)	Persian Gulf (EO 12744)
Red Sea (EO 12744)	

3. Adherence to the following principles ensures consistency in applying the "deployed to combat zone" exemption to civilian employees in the context of the administrative furlough:

- a) "Deployed civilian" is defined as a civilian employee who is deployed (in temporary duty (TDY) status) or temporarily assigned (to include temporary change of station (TCS)) to a "combat zone" as set forth above.
- b) "Combat zone" is defined as those locations listed as combat zones in Executive Orders 12744, 13119 or 13239 and locations where military are eligible for combat zone tax benefits under law or because DoD has certified that they are providing direct support to military operations.
- c) A "deployed civilian's" period of deployment includes time spent in attendance at mandatory pre-deployment training as well as in completing mandatory post-deployment requirements.
- d) A civilian employee who was deployed to a combat zone but redeploys mid-way through the furlough period will receive a notice of proposed furlough upon return to their parent organization and prior to any furlough. Further, the number of hours for which the employee will be furloughed will be pro-rated.



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Message from Secretary Hagel on Furloughs

3

To all Department of Defense personnel:

As you are fully aware, the Department of Defense is facing a historic shortfall in our budget for the current fiscal year. This is the result of current law that went into effect March 1. It imposes deep across-the-board cuts on DoD and other federal agencies. Combined with higher than expected wartime operating costs, we are now short more than \$30 billion in our operation and maintenance (O&M) accounts – which are the funds that we use to pay most civilian employees, maintain our military readiness, and respond to global contingencies.

The Department has been doing everything possible to reduce this shortfall while ensuring we can defend the nation, sustain wartime operations, and preserve DoD's most critical asset – our world-class civilian and military personnel. To that end, we have cut back sharply on facilities maintenance, worked to shift funds from investment to O&M accounts, and reduced many other important but non-essential programs.

Still, these steps have not been enough to close the shortfall. Each of the military services has begun to significantly reduce training and maintenance of non-deployed operating forces – steps that will adversely impact military readiness. And even these reductions are not enough. Since deeper cuts to training and maintenance could leave our nation and our military exposed in the event of an unforeseen crisis, we have been forced to consider placing the majority of our civilian employees on administrative furlough.

After extensive review of all options with the DoD's senior military and civilian leadership on how we address this budget crisis, today I am announcing that I have decided to direct furloughs of up to 11 days for most of the Department's civilian personnel. I have made this decision very reluctantly, because I know that the furloughs will disrupt lives and impact DoD operations. I recognize the significant hardship this places on you and your families.

After required notifications, we will begin the furlough period on July 8 at the rate of one furlough day per week for most personnel. We plan to continue these furloughs through the end of the current fiscal year. If our budgetary situation permits us to end furloughs early, I would strongly prefer to do so. That is a decision I will make later in the year.

Furloughs for 11 days represent about half of the number we had originally planned, reflecting the Department's vigorous efforts to meet our budgetary shortfalls through actions other than furlough. There will be exceptions driven by law and by the need to minimize harm to the execution of our core missions. For example, all employees deployed or temporarily assigned to a combat zone will be excepted from furloughs.

Your managers have been given authority to develop specific furlough procedures to minimize adverse mission effects and also limit the harm to morale and productivity. They will be in touch with you to provide guidance and answers.

The President and I are deeply appreciative of your patience, your hard work, and your dedication and contributions to the critical mission of helping protect America's national security. I am counting on all of you to stay focused on this vital mission in the days ahead. As I said the day I assumed the responsibilities of Secretary of Defense, I'm proud to be part of your team and I'm proud to serve with you.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

April 4, 2013

M-13-11

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Danny Werfel
Controller

SUBJECT: Ongoing Implementation of the Joint Committee Sequestration

Section 251A of the Balanced Budget and Emergency Deficit Control Act (BBEDCA), as amended, on March 1, 2013, required the President to issue a sequestration order canceling \$85 billion in budgetary resources across the Federal Government for the remainder of fiscal year (FY) 2013. This action was required due to the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by \$1.2 trillion.

The Administration continues to urge Congress to take action to eliminate the Joint Committee sequestration and restore cancelled budgetary resources as part of a balanced agreement on deficit reduction. However, until Congress takes such action, executive departments and agencies (agencies) must continue to implement the reductions required by sequestration.

This memorandum provides further guidance on specific issues regarding the management and implementation of sequestration that the Office of Management and Budget (OMB) preliminarily addressed in prior memoranda. OMB previously issued guidance on the appropriate implementation of sequestration in Memorandum 13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources*; Memorandum 13-05, *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration*; and Memorandum 13-06, *Issuance of the Sequestration Order Pursuant To Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended*.

Appropriate Use of Existing Reprogramming and Transfer Authority

Sequestration provides an agency with little discretion in deciding where and how to reduce spending. All non-exempt budget accounts in a given spending category must be reduced by a uniform percentage, and the same percentage reduction must be applied to all programs, projects, and activities (PPAs) within a budget account. However, depending on an agency's account structure and any existing flexibilities provided by law, some agencies may have a limited ability to realign funds to protect mission priorities. As directed by Memorandum 13-03, in allocating reduced budgetary resources due to sequestration, agencies should generally "use

any available flexibility to reduce operational risks and minimize impacts on the agency's core mission in service of the American people." Agencies should also "take into account funding flexibilities, including the availability of reprogramming and transfer authority."

Consistent with this guidance, agencies with reprogramming or transfer authority should continue to examine whether the use of these authorities would allow the agency to minimize the negative impact of sequestration on core mission priorities. In doing so, agencies must consider the long-term mission, goals, and operations of the agency and not just short-term needs. For example, agencies should avoid taking steps that would unduly compromise the ability to perform needed deferred maintenance on facilities, invest in critical operational functions and support, conduct program integrity and fraud mitigation activities, and pursue information technology or other infrastructure investments that are essential to support the long-term execution of the agency's mission. Similarly, while agencies with carryover balances or reserve funds should consider appropriate use of these funds to maintain core mission functions in the short term, it is important not to use these funds in a manner that would leave the agency vulnerable to future risks due to a potential lack of available funds in future years.

Agencies should consult with their OMB Resource Management Office (RMO) to assess options for utilizing existing authorities and ensure that any proposed actions appropriately balance short-term and long-term mission priorities. Agencies must also consult closely with their OMB RMO on any proposed actions that would reduce carryover balances or reserve funds below historical levels.

Funding for Agency Inspectors General

Funds for agency Inspectors General (IGs) from non-exempt accounts are subject to sequestration under the March 1, 2013 sequestration order. The head of each agency has the final responsibility for implementing the reductions required by sequestration. Upon making such determinations, IGs have the final responsibility for determining how their authorized budgets will be allocated.

To the extent an agency has discretion in implementing reductions to IG funding due to sequestration, agency heads should be mindful of the independence of the Office of Inspector General and should consult with the IG on a pre-decisional basis on matters that may impact IG funding. In particular, agencies must remain cognizant of the provisions in section 6 of the Inspector General Act of 1978, as amended, which outline the need for IGs to maintain the appropriate resources and services necessary to perform their statutory duties and describe the manner in which IG budgets are requested.

In cases where IG funds are not intermingled with other agency funds and exist as their own PPA, the IG should be provided full discretion to determine how to implement the reductions required by sequestration. In cases where IG funds are intermingled with other agency funds within a PPA, while the specific amount of reductions will vary by agency and account, a benchmark that should be considered by the head of the agency—in consultation with the IG—is to apply a percentage reduction to IG funds that is same as the average percentage reduction for all other funds within the PPA. Upon determining the amount of the reduction for

IG funds in such cases, the agency head should then defer as appropriate to the IG in determining how the IG manages the reductions.

Agencies should consult with their OMB RMO throughout this process as well.

Discretionary Monetary Awards

OMB Memorandum 13-05 directs that discretionary monetary awards should not be issued while sequestration is in place, unless issuance of such awards is legally required. Discretionary monetary awards include annual performance awards, group awards, and special act cash awards, which comprise a sizeable majority of awards and incentives provided by the Federal Government to employees. Until further notice, agencies should not issue such monetary awards from sequestered accounts unless agency counsel determines the awards are legally required. Legal requirements include compliance with provisions in collective bargaining agreements governing awards.¹

Consistent with past guidance, certain types of incentives are not considered discretionary monetary awards for the purposes of this policy. These include quality step increases (QSIs); travel incentives recognizing employee savings on official travel; foreign language awards for mission-critical language needs; recruitment, retention, and relocation incentives (3Rs); student loan repayments; and time-off awards. While these items are permitted, in light of current budgetary constraints, they should be used only on a highly limited basis and in circumstances where they are necessary and critical to maintaining the agency's mission. In addition, consistent with the policy set forth in the *Guidance on Awards for Fiscal Years 2011 and 2012*, jointly issued by the Office of Personnel Management (OPM) and OMB on June 10, 2011, spending for QSIs and 3Rs should not exceed the level of spending on such incentives for fiscal year 2010.

With respect to Federal political appointees, agencies should continue to follow the policy set forth in the August 3, 2010 Presidential Memorandum, *Freeze on Discretionary Awards, Bonuses, and Similar Payments for Federal Political Appointees*. OPM previously issued guidance on implementation of this memorandum.

Reducing Burden for State, Local, and Tribal Governments

To the extent agencies provide grants or other forms of financial assistance to States, localities, or tribal governments, agencies should consider if there are ways to help such entities mitigate the effects of funding reductions due to sequestration through reducing administrative burdens or other standard administrative processes, consistent with applicable legal requirements associated with the funds provided. In doing so, agencies should consult closely with their State, local, and tribal partners to determine whether such steps enable public funds to be used in a more cost-effective manner.

¹ Consistent with legal requirements, agencies may consider engaging in discussions with employees' exclusive representatives to explore revisions to such provisions in existing collective bargaining agreements, in recognition of this guidance.

Presenters: Robert F. Hale, Undersecretary of Defense; Susan A. Yarwood, Director, Human Resources Directorate

March 11, 2013

Defense Department Town Hall on Sequestration in the Pentagon

STAFF: Ladies and gentleman, Mr. Hale will join us in just one minute. If I could, just a couple of administrative announcements. We are going to broadcast this live on the Pentagon Channel, so if you have a badge please remove it at this time.

And for the same reason, we will have a couple of folks walking around with microphones during the question-and-answer period. Please raise your hand if you have a question so the folks who are listening on the Pentagon Channel can hear your question. We'll make sure we get a microphone to you.

Ladies and gentleman, the undersecretary of defense comptroller, the Honorable Robert Hale.

UNDERSECRETARY OF DEFENSE ROBERT F. HALE: Hi. Sit down, please.

All right. So, good afternoon. So it's a fairly sparse crowd. I don't whether that's good or bad, in terms of what we're looking at. So my goal today is to talk to you about the budgetary problems that we face in 2013 that are going to require -- unless we get some legislative relief -- some major changes in what we do, in training and maintenance. And as I think you all know, furloughs are unfortunately a possibility.

Let me just start by saying I'm afraid I'm going to live up to the reputation that -- the motto that is attributed sometimes to comptrollers that we're not happy until you're not happy. But I will try not to do that. And please don't shoot the messenger, OK?

All right. Next slide, please?

So we face two problems in the Department of Defense in 2013. One of them, of course, is sequestration, as I think you all know, automatic budget cuts that were put in place by the Budget Control Act of 2011. They were never meant to be implemented. They were meant to act as a prod to the Congress to make a balanced changes in the deficit and -- and move forward in that regard, but unfortunately that didn't happen. And so now these are in effect.

What they do is cut virtually every budget account in the department's budget by as much as 9 percent. The only -- and including our wartime budgets, the overseas contingency operations

funds. The only major exemption is military personnel. The president exercised his legal authority last summer to exempt military personnel in support of the wartime effort.

The law -- the cuts also are mindless. Some would call them dumb and across the board in nature. In the operating portion of our budget, they are -- each budget account has to be cut by the same percent, so we have to cut Army, active O&M by the same percent as Navy Reserve O&M, Air Force Guard O&M, and so forth, through a dozen or so accounts.

On the investment aspects part of our budgets, even more detail. Every line item has to be cut by the same percentage, about 2,500 of them in the DOD budget.

And we've made a decision which I think is the only one we could make to protect our wartime operating funding, OCO operations funding. You can't leave General Dunford and the troops in Afghanistan without the funds they need to protect themselves and to wind down that war.

But sequestration isn't our only problem. We also have serious problems with the continuing resolution that's in effect. Continuing resolutions are passed by Congress when they can't get together and decide on a budget. They are really intended to last for a few weeks or maybe a few months. We're on it for six months at least.

Essentially what they say is do the same thing this fiscal year as you did last year. It's kind of the Groundhog Day approach to budgeting. This particular case, what they said is in fiscal '13 for the base budget, same funding levels as in fiscal '12 for the base budget, as I said. For the OCO wartime budget, they did say you can use the president's request for fiscal '13.

That left us with enough total dollars -- actually, it was a little more dollars in the C.R. than we asked for in fiscal '13, but they're in the wrong appropriations. They're in the wrong places. We had significantly increased the operations and maintenance funding, our funds that are most directly associated with readiness from '12 to '13 and cut back on investment. The C.R. wipes that out, so we have too many dollars in investment, not enough dollars in O&M.

And -- and also, unfortunately, we are executing the OCO budget at higher levels than we expected. When we put it together two years ago, we underestimated the operating tempos and some of our transportation costs. So we've got some shortfalls there.

And, finally, it's not on the slide, but the C.R. doesn't give us some authorities we need. We can't start any new programs. We can't increase rates of buys of weapons programs, have some bizarre restrictions on shipbuilding that essentially ensure or demand that we buy exactly the same ships this year as last year, doesn't make much sense, and we can't start any military construction programs.

Next slide?

So what you see on here are numbers that indicate shortfalls in the base portion of our operations and maintenance budget. For sequestration, the total cut for sequestration across all the Department of Defense, \$46 billion in fiscal '13, \$13 billion of that is for base budget O&M. Then we made the decision I mentioned before to protect our wartime operating portion of the budget. The only way we can do -- protect OCO is to disproportionately cut the base budget. That adds another \$5 billion to our shortfall in the base budget.

I told you the continuing resolution has the money in the wrong appropriations, not enough O&M dollars. That adds \$11 billion to our shortfall. And finally, OCO spending is here than we expected, as I mentioned. That adds at least another \$6 billion to \$7 billion.

Add them up, \$35 billion to \$36 billion short in fiscal '13 O&M, and that's about 23 percent of our request. Plus, we've only got seven months to go in the year, so you can roughly double that. We're roughly short 40 percent of the funds we need in operations and maintenance to complete this fiscal year. And this is DOD-wide. By service, the picture is much different. Some of the services are a little better off. The Army is much worse off. It has bigger problems with regard to protecting wartime ops, because they're so heavy there, more money in the wrong appropriation. The Army's almost 80 percent short of the dollars it needs for the rest of the year in operations and maintenance.

So I think this explains -- some people have said, well, gee, an 8 percent or 9 percent cut, how can this be this big a deal? It's not, unfortunately, when you add these two problems together. It's more like a 40 percent cut for the department as a whole, and even more for the Army.

Next slide? So a couple of months ago, we could see what was coming. We hoped that it would get fixed, but we realized we needed to start slowing our spending in ways that tried to avoid some even more draconian steps later, and we began doing that with civilian hiring freezes in most of our services and agencies.

That's not without problems. We're beginning to under-man some programs where we can't hire at this point. We are also affecting vulnerable populations. About 44 percent of DOD civilians are veterans. We hire in an average time 1,500 to 2,000 people a week in the Department of Defense. We are cutting back jobs for veterans in the very time when we would like to find more jobs for that group.

We began releasing temporary and term employees, laying them off. In this case, several thousand have already lost their jobs. There are 46,000 of them -- not all will certainly lose their jobs, but many more probably will. Cut back on travel and conferences, and I really should say training, business training there. I mean, conferences conjure up this notion of a week off in Vegas, but many of you who've been to these conferences, they are training events, but we have cut back many of them.

Sharply cutting back facilities maintenance, as much as 90 percent cuts in the remainder of the year, so we're just not going to fix anything at our bases except mission-critical and life-threatening problems. Base operating cost cuts, review in delaying contracts, which often is very

inefficient. I was going to sign a contract for a year. I got a deal at a certain price. Now I cut it back to just seven months, so I don't have to pay as much in fiscal '13. But, of course, that pushes the money off to '14, when things could be just as bad, and it's a good chance the contractor is going to say, well, you know, maybe you won't renew it, so I'm going to want a premium in order to do that, is probably -- well, in the end, will cost us more.

But this isn't going to do it. If we absorb 40 percent cuts in O&M, and overall cuts in our budget, we will have to take much more far-reaching actions. Next slide?

Starting with training cutbacks, that will probably really kick in I think next month, every service is looking at sharp cutbacks in training, fewer flying hours, fewer steaming days, less time spent in the -- in ground training, just across the board, and maintenance cutbacks. And the combination of the two of these -- and I'll talk a little more about that on the -- I think the next slide -- is going to seriously adversely affect our readiness.

We've got problems in TRICARE. If you're not familiar with it, it's a program that pays for private providers to provide medical care for military retirees and some active-duty dependents. It looked early on -- this is -- it's an account, and so it's going to take its 9 percent cut. I think we have worked out changes that will allow us to pay all our bills for providers, but the price for that will be delays in service in some of our military treatment facilities. It will mean a virtual total cessation of our research program in health care and also our facilities maintenance. And we'll disrupt probably 2,500-plus investment programs, having to reduce buy sizes on short notice, delaying programs, and more.

We are also faced, unfortunately, with the possibility of furloughs of some of our civilian personnel. Our overall approach to furloughs is to look at them as a last resort, but not the last resort. We realized that if -- if we did not do some furloughs, given the enormous cuts or shortfalls we're facing in O&M, we had the prospect of having to cut even more on the training side and perhaps having civilian personnel working with no training to support or in a depot with no funds to induct weapons into the depot to fix.

So we had determined that at least under our current situation, we will propose furloughs for up to 22 days for most of our civilian personnel. We will impose a policy of rough consistency and fairness. And by that, it means in general, we will -- we will ask all of our civilians to be furloughed for about the same amount of time, and the exact amount yet to be determined.

There will be some limited exceptions, but quite limited. We will accept civilian personnel who are actually deployed in combat zones. We'll accept civilian personnel if they are required to maintain safety of life and property, but only to the extent that's true. And my example is, we've got 30 policemen on a base, they are not automatically exempt from furloughs. The managers on the base have to determine whether or not they can still maintain safety of life and property either without furloughs or perhaps with partial furloughs of the policemen in that case.

Timing, I'm going to say more about it on the next slide. There are a whole series of steps that we have to go through. And I'll address that in a moment.

I think we are deeply concerned for what this is going to do. We are all well aware that we're talking about the potential for 20 percent cuts in pay for five months for our civilian personnel, obviously going to have serious -- cause serious problems for many of our civilians, including a number of the people I'm probably talking to right now. And from a management standpoint, it's certainly going to harm productivity. There's fewer people to work, and we certainly can't expect that with serious adverse effects on morale, productivity will remain unaffected.

So go to the next slide, and let me talk more about the furlough planning process. We are the only agency in government that has to notify Congress of our intent to furlough civilian authorities. None others -- no others have to, so I assume they won't. We did that on February 20th. There is a 45-day waiting period after we submit that notification before furloughs can start.

We have gone out to our commands and asked them to identify specifically any civilians who would be subject or would be accepted from furloughs. We have that information back in on the process of reviewing, and our goal is to complete that review by Friday.

Right after we notified Congress, we began legally required bargaining with our unions. There's about a dozen unions with national consultation rights. We have notified them. But there are probably several thousand local unions, and our local commanders are in the process of bargaining with them. The unions in this case don't have the right to bargain not to do the furloughs. They do have the right to bargain on how they're implemented, and that process is going on.

Probably some time later this month, if nothing changes, we will end up having to send letters to all those accepted employees and propose furloughs. At that point, there's a seven-day reply period for people to reply to us. Then there's a 30 -- a totaled 30-day waiting period. And at the end of that period, we can send actually notices of decisions of furloughs, and those furloughs can start.

I might add that when that formal notice is sent, each of our civilian employees has a right to appeal to the Merit Systems Protection Board, and it's not quite clear to us -- we've never done this, and I hope we never do, administrative furloughs of this kind. It's not quite clear what that process will be, but the appeal right is there.

So these furloughs could begin as early as late April.

Let me just pause there, because I know this is particularly important. Any particular questions for me on furloughs before I go on? Yes, ma'am. I have help here from the folks from P&R and WHS, so...

Q: The individuals in my organization are asking if they will be able to take all approximately 22 days at once so that they would be eligible for unemployment compensation in order to offset a critical shortfall in their household budgets. Will that be an option?

UNDER SEC. HALE: What we have said is that our general plan was to do one day per pay period in order to spread this out from a workload standpoint. We did allow our managers, if there

were special reasons why they could group these days together, to propose that, but I would expect in general it will be one day per period so that we can -- I mean, we've got to try to maintain some ability to continue the mission. You saw my bar before. One of the goals set for us by our secretary is to minimize adverse effects.

I'm aware of the issue. And we would consider on a case-by-case proposals to group days together, but in general, it'd be one day per pay period.

Anything else?

Q: I'm from a field activity, but I do have a question as to whether you can envision any sequence of events over on the Hill that might lead to obviating the need for furloughs or reducing the number of days?

UNDER SEC. HALE: I'm going to come to that. I'm going to hold your question for a moment. I stopped, and maybe I shouldn't have, but I'll get to it on the last slide and I'll tell you what's going on. And, yes, there is a possibility.

Other questions on furloughs specifically before I -- go ahead. I'll come back to you. I promise.

Q: Mr. Secretary, I don't want to beat a dead horse here. I just want to be sure I understand. The 22 days is irregardless of the fiscal condition of each agency? In other words, if an agency controls its spending to the point where it could furlough people 5 or 10 days, they don't have that option, correct?

UNDER SEC. HALE: Yes. And the reason for it is that we will have to do some cross-leveling, because we've got agencies -- I mentioned the Army that's 80 percent short of its O&M in the last seven months. We are going to have to do things to help some agencies that can't get by even with 22 days, and 22 days is the maximum legal number. So what we will have to do -- and there are some agencies that could avoid this -- as I said, some cross-leveling of funds in order to help the others.

Q: Will the employees have some flexibility in determining what day they're actually being furloughed?

UNDER SEC. HALE: That'll be up to managers. I would think there would be some possibilities there. I know we've tried to work out what we could within my own organization. I don't want to get into specific organizations. One, I don't know, but, second, I want to leave that to your own supervisors and managers, but I would think there'd be some options. I think we ended up with -- I think it's going to be Monday and Friday primarily, which probably makes sense. But there are probably other options.

OK, let me finish up and then I'll come back to questions, but I knew this was an important one. So we've got a lot going on here, unfortunately. Major training cutbacks, major disruptions of

investment programs, furloughs. What is it going to do to the Department of Defense's mission? Next slide.

It will have serious adverse effects on our readiness, and that will be the thing most affected. By the end of fiscal year '13, the Army estimates that about two-thirds of its brigade combat teams -- active brigade combat teams will no longer be at adequate levels of readiness, defined as C2 and above, if that's the appropriate stage in their sequence, and almost all of their reserve units. This would exclude the ones that are actually deployed to Afghanistan, but almost all of the other units.

What does that mean? Well, it means that if we find ourselves in another contingency operation, we either won't be able to respond as quickly -- they'll need more time -- or if we have to respond as quickly, they won't be fully trained. And I think there's some -- probably wouldn't happen in fiscal '13, but looking into fiscal '14, the possibility of difficulties in supporting Afghanistan, because some of the units that would deploy a year from now, say, won't be ready.

Similar situation in the Air Force by the end of this fiscal year, with cutbacks in flying, almost all of their non-deployed combat units, fighters and bombers in particular, will not be what they view as adequate levels of readiness, again, delaying their potential response.

The Navy and Marine Corps also will see cuts in readiness, but they also -- are also reducing their deployments. The Navy, as you probably know, has made a decision not to support two aircraft carrier strike groups in the gulf, even though the combatant commander has asked for that help as a budgetary and also some training issues involved there. They will cut back on their deployments in the Pacific, probably terminate all deployments to SOUTHCOM.

Furloughs clearly damage productivity, as I've said before, and our civilians -- I think a lot of people in this country have a sense that civilians are all here at the Pentagon. You all know that couldn't be further from the truth. Eighty-six percent of our civilians work outside the Washington, D.C., area. They fix our ships, our tanks, our planes. They staff our hospitals. They teach kids in our schools. They do virtually every support activity in the Department of Defense, and they will all be adversely affected.

And I haven't said a lot about investment programs, because there are so many of them. To some extent, the investment -- if you remember under the C.R., I said there's too many dollars in investment, too few in O&M. Some of the investment is currently being shielded. It affects -- by the fact that we had higher levels of investment money, but there will still be cutbacks in procurement and some major programs. They'll be done inevitably hastily and will add the unit costs at a time where we're trying to just the opposite.

Next slide?

So what are the next steps? We've got to continue planning, detail planning for what I will call the worst case. And by that, I mean a year-long sequestration and a continuing resolution that's extended through the -- through the end of this fiscal year in its current form, in its current form, and that includes, regrettably, continuing to plan for furloughs.

But we are monitoring congressional action closely, and some of you, obviously, are, too. The House last week passed a -- it was called a continuing resolution, but for us, it is actually an appropriations bill for the Department of Defense. It would help. It would get the money into the right appropriations. Remember, I said that's one of the problems with the C.R. We've got too much investment and not enough O&M. It would correct that problem, and that is not trivial, and it would certainly help us.

Now, it doesn't solve all our problems. It leaves sequestration in place, and it would -- it did not, as we'd hoped, fix some of the OCO shortfalls, but there might be some opportunity to re-program and a technique we use to move money around to try to meet some of those problems.

So as I say, it doesn't fix all of our problems, but it would certainly help. The Senate is examining that legislation right now. The Senate Appropriations Committee, they may introduce their own version of it, and perhaps as early as today, and I expect some debate over that this week.

If that bill is enacted in its current form or something similar for us, then we'll clearly need to go back and look at planning. I think it is premature to say exactly what it would mean until we see how -- exactly what's in the legislation, but it would clearly help.

We are also watching -- although there's not much to watch -- just right now for a big budget deal between the president and the Congress that would affect mandatory spending, perhaps tax reform, and allow de-triggering of sequestration, or at least that we would hope that would be part of the big budget deal.

If that happens, I suspect it won't happen until the summer. You may recall that there was an agreement to extend the debt ceiling through May 19th. And then there's about two months of period when Treasury can take steps to push off a hard hit of the debt ceiling, so it's not likely to occur until July, and I suspect that will be the forcing event for a big budget deal.

So we'll watch both -- we'll watch the Hill certainly in the next two weeks on the potential revisions to the continuing resolution and watch for a possible de-triggering of sequestration and try to replan as best we can, depending on what Congress does.

So, you know, I'll continue with one of my favorite quotes from Winston Churchill, when Churchill once said you can always trust Americans to do the right thing after they've tried everything else first. I keep hoping we'll get to that. It seems like we have tried everything else, to me, at least, and that we will do the right thing and that we will make some major changes in our budget that allow us to return to a more normal budgeting process and a more stable top line for defense.

With that, I'm going to stop, and I would ask if there are any other questions for me. Sir?

(CROSSTALK)

UNDER SEC. HALE: You know, I think it's -- yes, it's possible, but I think it's premature until we -- wanted to see whether it's enacted or not. This is not a certainty. I mean, it's -- Congress has struggled. I guess that's an understatement -- to make changes like this. But if it -- if they do enact it, yes, I think it's possible. It's just premature to speculate on how much. And we'll need to look across the services are in pretty different situations. I told you the Army has by far the worst problem, so we'll have to look at how we can help them and see if we can bring it about.

And I think I misspoke. I think I said one day per pay period for furloughs. Unfortunately, it's two days per pay period, one day a week, so -- to get to the 22 days that would -- if we started in late April, so I'm sorry. Let me correct that.

Any other questions?

Q: Sir, you indicated we had fund scenarios where we didn't need funds. Has the department taken steps during this continuing resolution not to expend funds where they weren't needed and did not benefit the national defense, such that those funds would then be available, should we get an appropriation in the right areas?

UNDER SEC. HALE: Yeah, I mean, I think the answer is yes. First off, I -- I would like to think that we don't have funds that don't benefit the national security, but there are clearly some lower priority areas, and one of the first things we did -- even though I think it's valuable -- is to cut back severely on TDY travel, conferences I mentioned earlier. We -- although, again, I think it's valuable, you can postpone facilities maintenance, fixing the -- you know, painting the barracks. We'll have to do it next year, even though we may not have funds then, either, but it's a decision that we made.

We did civilian hiring freezes, which I also didn't want to do. It will gradually damage our mission, but it's an area we felt we could begin to hold down on spending. Base operating support, cut 10 percent to 30 percent in the services. All of this started in the late January timeframe, and so it's beginning to -- it will help us minimize the more draconian steps we'll have to take if this stays in place for the whole year.

So, yes, we tried to take some near-term steps. Prior to March 1st, when sequestration kicked in, one of our criteria is that they be largely reversible, so you postpone facilities maintenance. If we were to have gotten back to a stable budget that we anticipated, we could probably have gotten that done in the last half of the year.

But as it turns out, we're not going to be able to recover, more than likely. And so, yes, I think that these things will, as I say, minimize or make less draconian the steps we have to take for the rest of the year.

Q: Sorry.

UNDER SEC. HALE: Go ahead.

Q: Building on your comment of largely reversible, legally speaking, is there anything that would prevent an individual if they chose from going back and re-coding the days that they took as furlough days to an annual leave day or a comp time, a travel comp time day, if a deal was reached and the department decided that we didn't need someone to take 22 days, we just only need civilians to take four days, and in this scenario, think about -- let's say I chose to do a month furlough the month of May, and I'd taken my full 30 days, but by the end of the May, there was a deal reached, and the department made a decision we only need all civilians to take five furlough days. If I chose, is there a legal restriction to recode my hours?

UNDER SEC. HALE: I'd suspect we'd have a problem paying you back. Anybody want to help me here?

I mean, if you took 30 days -- 22 days right away, I don't -- I don't think -- and when we've seen shutdowns -- the '93 and '94 shutdown -- '94, I guess it was -- Congress actually allowed us to pay people for the time they were gone. That could happen again, but I find it unlikely, and so I think if you've taken a furlough day, I don't think you're going to get it back. But do you want to add to that?

SUSAN A. YARWOOD: I'd be happy to, sir. Hi, I'm Susan Yarwood. I'm from Washington Headquarters Services, the operating personnel office for the secretary of defense.

When you sign a timecard, you are certifying that you are in a particular status. And so we don't see any capability to go back and change the status, because you were where you were at that particular time. And as the secretary said, unlike other furloughs, this is not -- we don't anticipate if we are unfortunately furloughed, that this is going to be the kind of furlough where you can expect to get money back.

That's, again, one of the reasons why we're trying for the eight hours per week, 16 hours per pay period, so that people across the Department of Defense are not disproportionately impacted by how they take their furlough.

UNDER SEC. HALE: Thanks, Susan. Another one here?

Q: Sir, can you discuss the conversations with the Senate? And have we conveyed the entirety of the amount we need and the flexibilities and things like that and your sense of the prospects on that?

Another one down here next, and then we'll take this one first.

Q: Hi, I'm an IPA, and I'm curious if there -- a decision has been made as to whether or not you might try to renegotiate this fiscal year IPA contracts. And if not, are IPAs going to be affected by furloughs...

(CROSSTALK)

UNDER SEC. HALE: So I knew there was a reason I asked Susan here. (Laughter.)

Thank you.

MS. YARWOOD: It depends upon where you are an IPA. So if you look at the OPM guidance on the web, it categorizes IPAs as a type of employee. Now, in the office of the secretary of defense, we have several dozen of those. And our current intent is to work with the employing organizations, the nonprofits, the academics, the academic organizations, and renegotiate to the level that the civilian employees in the department must take a cut to try to equal it out, another way to save some money.

UNDER SEC. HALE: I'm on a roll here. Don't sit down. Don't get too comfortable.

(LAUGHTER)

Q: No, this isn't a legal question. I just wanted to be sure we understand, the basis for the sequestration calculation is F.Y. '12 enacted appropriation base, and the calculation based off of that, not the P.B. '13 numbers, is that correct?

UNDER SEC. HALE: Yes. I mean, it's the -- it's the fiscal '12 continuing resolution annualized, but basically it's what you just said.

Q: Thank you, sir.

UNDER SEC. HALE: That's correct. If, incidentally, we get an appropriation, it will change, we will then use that as the base, and if you followed me, I said we have too much investment and not enough O&M, we're going to have more O&M, but less investment, and it will - it will cause us to have to go back and look at a number of our investment programs again, and there will probably be some more far-reaching changes required there, but we'll worry about that once we see it.

UNDER SEC. HALE: Right. The \$85 billion is the government-wide sequestration cut. Ours is -- there are two sequestrations for us potentially. The one that occurred on March 1st was about \$41 billion. Could be another \$6 billion or so, \$5 billion to \$6 billion, which will take us to \$46 billion in fiscal '13.

Then the Budget Control Act has provisions that reduce the ceilings on spending, discretionary spending, through fiscal '21. And for us, DOD would be about a \$52 billion cut per year in fiscal '14 through '21.

Now, if there's any good news in that, it's not governed by these kind of mindless sequestration rules, assuming that we comply with them, and I guess we would -- but it is a huge cut, and I think without question would require that we step back and re-evaluate our defense strategy, and then re-evaluate our program, and we'd almost certainly have to go to substantially smaller military forces, and so we would no longer be able to protect military personnel in that environment, I think, without question, and we would have to make cutbacks in support on the modernization, as well.

So we have not done that yet. We're waiting to see where Congress is headed and whether or not a big budget deal at least limits the size of the out-year cuts, but there are clearly some further cuts coming, and we will have to accommodate them.

Q: Sir -- excuse me -- recent memos from both OMB and yourself regarding budget uncertainty, talked about the suspension or elimination of monetary cash awards. Obviously, we're coming up to the performance plan appraisal for 12s and below. Could you elaborate on that or let us know when we could expect to get clarifying guidance with regard to whether or not a QSI is a monetary award? Or can we still use time-off awards?

UNDER SEC. HALE: I'm going to let Susan or somebody help me on the second one, but OMB has directed that we not -- until further notice, as their words, pay civilian awards, and so we will obviously abide by that. And it was in my memo.

Now, the -- anybody here want to help me on the QSI question?

MS. YARWOOD: We're working very closely with the P&R team, D.C. (pass ?), who is engaging with OPM every day. We are expecting OPM to come out with some clarifying guidance about whether or not a QSI is, in fact, a type of monetary award under the OMB memo. And so as soon as we get that, you'll see big blasts go out through the defense media.

Q: (OFF-MIKE)

MS. YARWOOD: Yeah, same thing with time off. Yeah, we are -- we're waiting. And we are hoping that we have some flexibility.

MS. YARWOOD: Yeah. Yeah.

UNDER SEC. HALE: You mean compensatory time off?

MS. YARWOOD: Compensatory time off, yes. Yes, sir.

UNDER SEC. HALE: OK.

MS. YARWOOD: (OFF-MIKE)

UNDER SEC. HALE: You know, one of the first questions I asked when we started this months ago now was, we ever done this before? And fortunately, the answer is no. We've had furloughs. We've had laps of appropriation furloughs, and at least in '94, but I don't believe we've ever done anything this large. Let's hope we don't, because it's not going to be good for anybody, in my view, including the department. But we are kind of feeling our way with regard to the rules. Anything else?

Q: Yes, sir. From a morale perspective, understand that the Senate-confirmed politicals are exempted from furlough. Can you tell me, have you had a rush to your office to see how many of the politicals are going to donate 20 percent of their pay to the Treasury?

UNDER SEC. HALE: I wouldn't call it a rush, but you're right. Somewhat embarrassingly, at least to political appointees like me, Senate-confirmed ones are exempt. The other politicals are not. I have not had a rush. For what it's worth, I will follow Secretary Carter's lead and others, if it comes to that. Another good reason for this not to happen. But, no, we have not had a rush, nor would I ask them. I don't need to know this.

Just for the record, we can't cut people's pay. It's against the law. Same reason we can't let you work during furlough periods. I probably should have said that. I imagine you've heard that. You can't work during -- legally, you can't work -- you can't be on your BlackBerry, because it constitutes an extension of our -- of our appropriation in Congress's mind, and so it is illegal. And for the same reason I can't take a cut in pay, but you could make a contribution to the federal government or other organizations in the equal amount.

Anything else? Ma'am? Yeah.

Q: Considering the 22-day question that you had back there, I was wondering -- and hearing from over there that the Air Force may be in better shape. Is there a possibility where one service or the other could not furlough and another one furlough?

What we'll do instead is try to level the money. And to the extent we have transfer authority to do it, we will try to move money from the services that are a little bit off and to those that are less well off. But I still think we will be able to look at our -- re-look at our overall plan, if and when we see this legislation enacted. It is premature to say whether how much that's going to help.

All right. Yes, ma'am?

Q: Sir, if we are continuing to operate under a continuing resolution past the current fiscal year, will the furloughs also continue then into the new fiscal year?

UNDER SEC. HALE: Banish the thought. I don't think so. I mean, if -- first off, I certainly hope we're not under C.R. again. But even if we are, if we're going to face these sort of cuts in the future, we will -- and we'll -- and we'll start soon -- we will have to re-look at our strategy. We'll have to begin to cut forces, military forces, to accommodate a lower budget and modernization. And with that, there will probably be some civilian cuts, too, but I wouldn't anticipate that we would do furloughs.

The only reason we're doing these is that we're seven months, five months into the fiscal year. It actually costs money in the first year if we do a RIF action because of unscheduled or unused leave and separation payments. And so RIFs are not an option, because they would have made the situation worse in fiscal '13. On the other hand, if we know we're going to a lower level of personnel, both military and civilian, we will probably -- we will have to move to RIFs, I'm afraid, and probably will have to do some involuntary separations of military. But I think we would avoid furloughs at all cost.

Q: How are you doing, sir? I just wanted to clarify, for consultants paid and unpaid, will they be furloughed, as well?

UNDER SEC. HALE: Consultants?

Q: Yes.

UNDER SEC. HALE: Well, that's going to depend on the nature -- no, they wouldn't be furloughed. I mean, if you're in a consulting agreement, I don't think -- I think I'm speaking right here. If you're in a consulting arrangement, you got a contract with us, essentially, right? Go ahead. Keep me out of trouble. I know that's not easy.

MS. YARWOOD: I know, sir. The consultants within the Office of the Secretary of Defense group, if they are paid, we are asking organizations not to call them for a certain number of days so that their time will also be reduced. But for obviously the unpaid consultants, they can

continue to work, come to the board meetings that they support, et cetera. Does that help, (Brandon ?)? All right.

Anything else? Yes, ma'am.

Q: You mentioned cross-leveling funding, rather than having different applications of furloughs across the department. Will that require any sort of reprogramming to make that happen?

UNDER SEC. HALE: Yes, and -- and we will be restricted at some point. There are legal limits on the amount of reprogramming we can do, so we're going to have to examine our situation once this legislation is passed, assuming it's passed, and then plot a course from there. But, yes, it would.

OK, folks. So I know this wasn't a happy time. I do appreciate your sticking with us, at least I hope you will, and, you know, as I said, I think we will work our way through this unfortunate set of events, but I appreciate what you do for the Department of Defense and for your country. So thank you for coming today, and have a good rest of the day. (Applause.)

-END-



COMPTROLLER

UNDER SECRETARY OF DEFENSE
1 100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

MAR 5 2013

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Additional Guidance for Handling Budgetary Uncertainty in Fiscal Year 2013

The purpose of this memorandum is to provide some additional guidance to the Deputy Secretary of Defense's memorandum on "Handling Budgetary Uncertainty in Fiscal Year 2013," dated January 10, 2013, to ensure consistency in the treatment of issues across the Department of Defense (DoD) as the reductions levied by sequestration and a year-long continuing resolution are implemented. All of these policies are effective immediately.

Congressional Travel Support

The Department will enforce strictly DoD's policies in its support of travel by congressional delegations (CODELs) and congressional staff delegations (STAFFDELS). It is DoD's policy that support for approved travel of members and employees of Congress shall be provided on an economical basis upon request from Congress, pursuant to law or where necessary to carry out DoD duties and responsibilities. Organizations need to ensure that travel of members and employees of Congress is sponsored by the DoD *only* where the purpose of the travel is of primary interest to and bears a substantial relationship to programs or activities of DoD and is not solely for the purpose of engendering goodwill or obtaining possible future benefits. Specific guidance is included in DoD Directive 4515.12 (DoD Support for Travel of Members and Employees of Congress) dated January 15, 2010. Some specific policies worth highlighting include:

- Military airlift will not be used for CODELs if commercial airlift is reasonably available.
 - Within the Continental United States (CONUS), no CODELs may use military airlift as commercial airlift is readily available.
 - Military airlift may be authorized for CODELs when in a Combatant Commander's theater if commercial airlift is limited or unsafe; every effort must be made to minimize costs.
 - Spouses may accompany members if there is an official function as long as they pay their own expenses and do not increase the number or size of aircraft required.
- Minimum number of congressional members for military airlift originating in CONUS.
 - No less than 5 members for large aircraft
 - No less than 3 members for small aircraft
- Tickets purchased by DoD for CODELs, STAFFDELS, and liaison escorts.
 - Must be economy class; individuals may upgrade at their own expense.
 - DoD does not pay for a member's personal staff traveling to his/her home State/District; this includes travel, lodging, meals, or escorts.



- All itineraries for CODELs/STAFFDELS must be approved by the escorting Service's 2-star Legislative Affairs Director to ensure that the itinerary is an efficient use of taxpayer's funds.

Tuition Assistance

All Services should consider significant reductions in funding new tuition assistance applicants after the date of this memorandum for the duration of the current fiscal situation.

Civilian Monetary Awards

Consistent with guidance from the Office of Management and Budget (OMB Bulletin #M-13-05, Agency Responsibilities for Implementation of Potential Joint Committee Sequestration), the Department will not issue discretionary monetary awards for its civilian employees, which should occur *only if* legally required, until further notice. For bargaining unit employees, all bargaining obligations must be fulfilled prior to implementing the OMB guidance.

Participation in International Events

The Department should limit its participation in international events except in those instances where individuals are supporting Foreign Military Sales and the funds supporting these efforts are not being sequestered because the accounts are exempt from sequestration.

Demonstration Flying

All aerial demonstrations, including flyovers, jump team demonstrations, and participation in civilian air shows and military open houses will cease as of April 1, 2013. Flyovers in support of military funerals will be given special consideration. To ensure consistency across the Department all exceptions and waivers for demonstration flying will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Support to Non-DoD Organizations

All military support to non-DoD organizations for outreach activities will cease, except when the Department has authority to retain any reimbursement and is fully reimbursed for all incremental costs incurred in providing the support. This includes, but is not limited to, military equipment displays at civilian air shows, parades, and civic events. Fleet/ Service weeks as well as military open houses, and local community relations activities are permitted as long as the support/equipment can be provided locally and at no cost to the Department. To ensure consistency across the Department, all exceptions and waivers for support to non-DoD organizations and special events will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Military Musical Unit (and Ceremonial Unit) Travel

Military musical and ceremonial units will not be permitted to travel beyond the local area immediately surrounding their respective duty stations except when all transportation, lodging, and subsistence, are provided by the requesting organization and can be accepted in accordance with existing law and Department policies, or where the Department has authority to retain any reimbursement and is fully reimbursed by the requesting organization for all incremental costs. Units may continue to perform locally both on and off military installations as long as those performances can be conducted at no cost to the Department. To ensure consistency across the Department all exceptions and waivers will require the concurrence of the Office of the Assistant to the Secretary of Defense for Public Affairs before approval.

Additional guidance will be provided as issues surface that require a DoD-wide policy.



Robert F. Hale

cc:

Director of National Intelligence

DISTRIBUTION:

SECRETARIES OF THE MILITARY DEPARTMENTS
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Department of the Navy Administrative Record for FY 2013 Furlough Appeals
DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
CMC
2 Mar 13

WHITE LETTER NO. 1-13

From: Commandant of the Marine Corps
To: All Marines

Subj: SEQUESTRATION

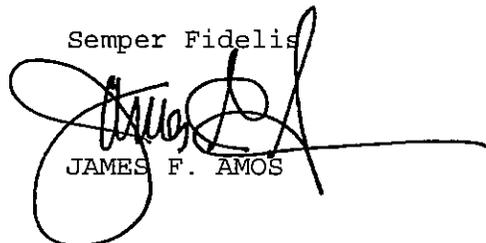
1. Marines and Civilian Marines...the sequestration provision under the Budget Control Act is in effect as of today. In short, this means a reduction of roughly \$1.4 billion dollars to the Marine Corps for the remainder of the current fiscal year, with reductions of slightly more than \$2 billion occurring in each of the next nine years. As I testified before Congress last month, cuts of this magnitude, due to their timing and methodology, will significantly impact Marine Corps readiness, both short and long term.

2. The Marine Corps plays a special role in protecting our Nation - we are America's Crisis Response Force, the Nation's insurance policy; we have a statutory responsibility to be the most ready when the Nation is least ready. As such, we will preserve the readiness of our Marines engaged in combat, we will keep deploying units fully manned, trained and equipped, and we will do our best to ensure that units preparing to deploy have the resources and training necessary for their next mission. The Marine Corps will remain ready to meet today's crisis, with today's force...today!

3. In order to ensure our continued readiness, we must make sacrifices in other areas. As we adjust to the realities of sequestration, I am very concerned about the impact of such cutbacks on our active duty and reserve Marines, our civilian Marines, and our Marine families. While we are working hard to balance our myriad requirements, I want each of you to know that keeping faith with you and your families is a top priority of mine - I consider this a sacred responsibility. We are already a lean and frugal Service, thus every reduction that we make from this point forward will cut into bone - we are beyond muscle.

4. I want to assure each of you that despite today's fiscal challenges, we will remain the Nation's "911 Force." I ask that you stay focused on the mission while we work our way through the uncertainties of the future. Sergeant Major Barrett and I will release a short video next week with the latest and most up to date information available. In the meantime, I thank you for the sacrifices you and your families make every day on behalf of our Nation and our Corps. In its truest sense, I remain...

Semper Fidelis



JAMES F. AMOS

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 1, 2013

SEQUESTRATION ORDER FOR FISCAL YEAR 2013 PURSUANT
TO SECTION 251A OF THE BALANCED BUDGET AND
EMERGENCY DEFICIT CONTROL ACT, AS AMENDED

By the authority vested in me as President by the laws of the United States of America, and in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (the "Act"), 2 U.S.C. 901a, I hereby order that budgetary resources in each non-exempt budget account be reduced by the amount calculated by the Office of Management and Budget in its report to the Congress of March 1, 2013.

Pursuant to sections 250(c)(6), 251A, and 255(e) of the Act, budgetary resources subject to sequestration shall be new budget authority, unobligated balances of defense function accounts carried over from prior fiscal years, direct spending authority, and obligation limitations.

All sequestrations shall be made in strict accordance with the requirements of section 251A of the Act and the specifications of the Office of Management and Budget's report of March 1, 2013, prepared pursuant to section 251A(11) of the Act.

BARACK OBAMA

THE WHITE HOUSE,
March 1, 2013.

#



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 1, 2013

M-13-06

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jeffrey D. Zients 
Deputy Director for Management

SUBJECT: Issuance of the Sequestration Order Pursuant To Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended

This memorandum is to inform executive departments and agencies (agencies) that the President has issued a sequestration order (order) in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (BBEDCA), 2 U.S.C. 901a. The order requires that budgetary resources in each non-exempt budget account be reduced by the amount calculated by the Office of Management and Budget (OMB) in its report to Congress of March 1, 2013, entitled *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (sequestration report).

Due to the failure of the Joint Select Committee on Deficit Reduction, the President was required by law to issue an order canceling \$85 billion in budgetary resources across the Federal Government for the remainder of Fiscal Year (FY) 2013. OMB has calculated that, over the course of the fiscal year, the order requires a 7.8 percent reduction in non-exempt defense discretionary funding and a 5.0 percent reduction in non-exempt nondefense discretionary funding. The sequestration also requires reductions of 2.0 percent to Medicare, 5.1 percent to other non-exempt nondefense mandatory programs, and 7.9 percent to non-exempt defense mandatory programs. The sequestration report provides calculations of the amounts and percentages by which various budgetary resources are required to be reduced, and a listing of the reductions required for each non-exempt budget account.

Agencies shall apply the same percentage reduction to all programs, projects, and activities within a budget account, as required by section 256(k)(2) of BBEDCA, 2 U.S.C. 906(k)(2). Agencies should operate in a manner that is consistent with guidance provided by OMB in Memorandum 13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources* and Memorandum 13-05, *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration*.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 1, 2013

The Honorable John A. Boehner
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed please find the Office of Management and Budget (OMB) Report to the Congress on the sequestration for fiscal year (FY) 2013 required by section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (the "Joint Committee sequestration"). This report provides calculations of the amounts and percentages by which various budgetary resources are required to be reduced, and a listing of the reductions required for each non-exempt budget account.

In August 2011, as part of the Budget Control Act of 2011 (BCA), bipartisan majorities in both the House of Representatives and Senate voted for sequestration as a mechanism to compel the Congress to act on deficit reduction. The threat of destructive across-the-board cuts under the BCA was intended to drive both sides to compromise. Yet, a year and a half has passed, and the Congress still has failed to enact balanced deficit reduction legislation that avoids sequestration.

As a result of the Congress's failure to act, the law requires the President to issue a sequestration order today canceling \$85 billion in budgetary resources across the Federal Government for FY 2013. Specifically, OMB calculates that, over the course of the fiscal year, the sequestration requires a 7.8 percent reduction in non-exempt defense discretionary funding and a 5.0 percent reduction in non-exempt nondefense discretionary funding. The sequestration also requires reductions of 2.0 percent to Medicare, 5.1 percent to other non-exempt nondefense mandatory programs, and 7.9 percent to non-exempt defense mandatory programs.

Because these cuts must be achieved over only seven months instead of 12, the effective percentage reductions will be approximately 13 percent for non-exempt defense programs and 9 percent for non-exempt nondefense programs.

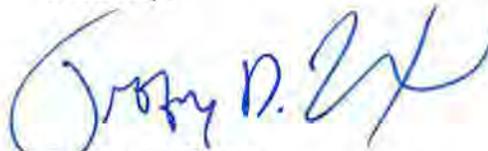
The cuts required by sequestration will be deeply destructive to national security, domestic investments, and core Government functions. While the Department of Defense will shift funds where possible to minimize the impact on war-fighting capabilities and critical military readiness, sequestration will result in a reduction in readiness of many non-deployed units, delays in investments in new equipment, cutbacks in equipment repairs and needed facilities maintenance, disruptions in military research and development efforts, significant reductions in weapons programs, and furloughs of most civilian employees for a significant

amount of time. Sequestration will also undermine nondefense investments vital to economic growth, threaten the safety and security of the American people, and cause severe harm to programs that benefit the middle class, seniors, and children. According to analysis by outside experts, sequestration would reduce real GDP growth for 2013 by 0.5 to 0.7 percentage points were it to continue for the rest of the calendar year.

The Joint Committee sequestration is a blunt and indiscriminate instrument. It was never intended to be implemented and does not represent a responsible way for our Nation to achieve deficit reduction.

On multiple occasions, the President has proposed comprehensive and balanced deficit reduction plans to avoid sequestration. The President and Congress, working together, have already reduced the deficit by \$2.5 trillion. The President has been clear that he is willing to make tough choices to reach an agreement on further deficit reduction. The Administration continues to stand ready to work with the Congress to enact balanced deficit reduction legislation that replaces sequestration and puts the Nation on a sound long-term fiscal path.

Sincerely,



Jeffrey D. Zients
Deputy Director for Management

Enclosure

Identical Letter Sent to the President of the Senate

OMB REPORT TO THE CONGRESS ON THE JOINT COMMITTEE SEQUESTRATION FOR FISCAL YEAR 2013



March 1, 2013

**OMB REPORT TO THE CONGRESS
ON THE JOINT COMMITTEE SEQUESTRATION
FOR FISCAL YEAR 2013**

The Balanced Budget and Emergency Deficit Control Act, as amended (BBEDCA), 2 U.S.C. § 901a, requires the Office of Management and Budget (OMB) to calculate, and the President to order on March 1, 2013, reductions in budgetary resources triggered by the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by \$1.2 trillion (Joint Committee sequestration). This report provides OMB's calculations of the percentage and dollar amount of the reduction for each non-exempt budget account and an explanation of the calculations.

OMB calculates that the Joint Committee sequestration requires a 7.8 percent reduction in non-exempt defense discretionary funding and a 5.0 percent reduction in non-exempt non-defense discretionary funding. The sequestration also imposes reductions of 2.0 percent to Medicare, 5.1 percent to other non-exempt nondefense mandatory programs, and 7.9 percent to non-exempt defense mandatory programs.

Basis for Calculations

Discretionary Appropriations. As of the date of this report, no full-year regular appropriations bills have been enacted for fiscal year (FY) 2013. Instead, all agencies are operating under the Continuing Appropriations Resolution, 2013 (CR), Pub. L. 112-175. In addition, the Disaster Relief Appropriations Act, 2013 (Hurricane Sandy supplemental), Pub. L. 113-2, provided supplemental funding to various agencies for Hurricane Sandy relief and recovery efforts. Accordingly, as required by sections 251A(7)(A) and 253(f)(2) of BBEDCA, OMB's estimates for the level of sequestrable budgetary resources and resulting reductions assume that budget accounts with discretionary appropriations are funded at the annualized level provided by the CR, plus funding provided by the Hurricane Sandy supplemental and any funding enacted as advance appropriations for FY 2013. Unless another amount is specified by the CR, the annualized level equals the FY 2012 enacted appropriations, including changes in mandatory programs, net of any recurring rescissions, and increased by 0.612 percent pursuant to section 101(c) of the CR.¹ Spending authority from offsetting collections is only increased by the 0.612 percent when that spending authority is used to determine the annualized level. Amounts designated in the CR for Overseas Contingency Operations (OCO)/Global War on Terrorism (GWOT), and amounts incorporated in the CR by reference to the Disaster Relief Appropriations Act, 2012, Pub. L. 112-77, do not receive the 0.612 percent increase. As provided by section 101(b) of the CR, whenever an amount designated for OCO/GWOT pursuant to section 251(b)(2)(A) of BBEDCA in either the Department of Defense Appropriations Act, 2012 (division A of Pub. L. 112-74) or in the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2012 (division H of Pub. L. 112-74) differs from the amount in the President's FY 2013 Budget request, the annualized level equals the amount in the President's FY 2013 Budget request. The CR levels are also adjusted for any transfers mandated by law.

Unobligated Balances in the Defense Function. Pursuant to section 255(e) of BBEDCA, unobligated balances in the defense function are sequestrable budgetary resources. The majority of estimated unobligated balances in the defense function are in Department of Defense accounts. In general, for multiyear accounts, the Department of Defense estimated unobligated balances as of March 1, 2013, by reducing unobligated balances as of December 31, 2012, by a historically-based estimate of obligations from prior year funds in January and February.

¹ Information about OMB's calculation of the amounts appropriated by the CR can be found in OMB Bulletin 12-02, which is available online at <http://www.whitehouse.gov/sites/default/files/omb/bulletins/fy2012/b12-02.pdf>.

Direct Spending. Estimates of sequestrable budgetary resources and outlays for budget accounts with direct spending are equal to the current law baseline amounts contained in the President's FY 2013 Budget, adjusted for the effects of legislation enacted since the Budget was transmitted. Two changes with the largest effect on the amount of sequestrable direct spending—providing for a zero percent update for Medicare payments to physicians under the Sustainable Growth Rate formula for calendar year 2013, and extending Emergency Unemployment Compensation (EUC) through the end of 2013—were enacted in the American Taxpayer Relief Act of 2012 (ATRA), Pub. L. 112-240.

Special Sequestration Rules. The Joint Committee sequestration order is not an order under section 254 of BBEDCA.² Accordingly, as set forth in this report, the special rules in section 256 that apply only to a sequestration order issued under section 254 do not apply to the Joint Committee sequestration, except to the extent those rules are otherwise made applicable by another provision of law. Section 251A(7)(A) of BBEDCA does not include any such provision for discretionary spending; as a result, in calculating the reduction in discretionary spending required by the Joint Committee sequestration, this report does not apply the special rules in section 256 that apply only to a sequestration order issued under section 254. The special rules in section 256 do, however, apply to the reduction in direct spending required by the Joint Committee sequestration, pursuant to the explicit direction in section 251A(8) of BBEDCA.

Federal Administrative Expenses. Under section 256(h) of BBEDCA, Federal administrative expenses are subject to sequestration pursuant to an order issued under section 254 “without regard to any exemption, exception, limitation, or special rule which is otherwise applicable.” For the reasons set forth in the preceding paragraph, for the Joint Committee sequestration, this rule applies only to Federal administrative expenses that constitute direct spending. BBEDCA does not define “administrative expenses.” For purposes of this report, “administrative expenses” for typical Government programs are defined as the object classes for personnel compensation, travel, transportation, communication, equipment, supplies, materials, and other services. For Government programs engaging in commercial, business-like activities, administrative expenses constitute overhead costs that are necessary to run a business, and not expenses that are directly tied to the production and delivery of goods or services.

American Taxpayer Relief Act of 2012. In addition to the changes to direct spending mentioned above, this report reflects three changes to the calculation of the Joint Committee sequestration required by ATRA. Section 901(a) reduced the amount of the FY 2013 sequestration by \$24 billion, which was paid for by \$12 billion of revenue increases and \$12 billion in total reductions to the discretionary spending limits for FYs 2013 and 2014. Section 901(c) delayed the date for submission of this report from January 2, 2013 to March 1, 2013. Section 901(e) altered the discretionary spending limits for FY 2013 for purposes of calculating the Joint Committee sequestration.

Calculation of Sequestration Percentages

Under section 251A of BBEDCA, the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by \$1.2 trillion triggers automatic reductions in discretionary appropriations and direct spending to achieve the deficit reduction that the Joint Select Committee process was meant to achieve. As shown in Table 1, the total annual amount of deficit reduction required is specified by formula in section 251A(3), starting with the total reduction of \$1.2 trillion required for FY 2013 through

² For further discussion, see the OMB Report Pursuant to the Sequestration Transparency Act of 2012 (STA Report) issued in September.

FY 2021, deducting a specified 18 percent for debt service savings, and then dividing the result by 9 to calculate the annual reduction of \$109 billion for each year from FY 2013 to FY 2021. As discussed previously, ATRA lowered the amount of the reduction required for FY 2013 by \$24 billion, leaving \$85 billion to be achieved through sequestration. The annual reduction is split evenly between budget accounts in function 050 (defense function) and in all other functions (nondefense function), so that each function group will be reduced by \$42.667 billion in FY 2013.

Table 1. CALCULATION OF TOTAL ANNUAL REDUCTION BY FUNCTION

(In billions of dollars)

Joint Committee required savings	1,200.000
Deduct debt service savings (18%)	-216.000
Net programmatic reductions	984.000
Divide by 9 to calculate annual reduction	109.333
Reduction for FY 13 pursuant to section 901(a) of ATRA	-24.000
Net remaining programmatic reduction for FY 2013	85.333
Split 50/50 between defense and nondefense functions	42.667

Base for Allocating Reductions. The annual reduction is further allocated between discretionary and direct spending within each of the function groups in proportion to their share of total spending within the function group. The base for allocating reductions to discretionary appropriations is the discretionary spending limit for FY 2013 listed in section 251(c) (2) as revised by section 251A(2)(A), and as applied pursuant to section 901(e) of ATRA. For purposes of this report, the discretionary spending limits have not been revised to include adjustments pursuant to section 251(b)(2) for certain funding included in the CR and Hurricane Sandy supplemental because these adjustments cannot be made until OMB issues its Discretionary Final Sequestration Report for FY 2013 on March 27th pursuant to section 901(b) of ATRA. Pursuant to paragraphs (5) and (6) of section 251A, and consistent with section 6 of the Statutory Pay-As-You-Go Act of 2010, 2 U.S.C. § 935, the base for allocating reductions to budget accounts with direct spending is the sum of the direct spending outlays in the budget year and the subsequent year that would result from new sequestrable budget authority in FY 2013.

Sequestrable Base. Once the reductions are allocated between discretionary appropriations and direct spending using the bases above, the sequestration percentage for discretionary appropriations is obtained by dividing the discretionary reduction required by the discretionary sequestrable base, which is described above in the “Basis for Calculations” section. By statute, the discretionary sequestrable base differs from the base used to allocate the reductions between discretionary appropriations and direct spending. For discretionary defense programs, the sequestrable base equals total discretionary appropriations (including funding that would trigger cap adjustments), plus unobligated balances and funding financed by fees, minus exemptions. Except for funding for military personnel accounts, most discretionary defense funding is sequestrable.³ For discretionary nondefense programs, the sequestrable base equals total discretionary appropriations (including funding that would

³ Defense sequestrable budgetary resources include non-exempt new budget authority and unobligated balances carried over from prior fiscal years. Budgetary resources for military personnel accounts are exempt pursuant to section 255(f) of BBEDCA and the July 31, 2012 letter from OMB notifying the Congress of the President’s intent to exempt military personnel accounts from sequestration, available at: <http://www.whitehouse.gov/sites/default/files/omb/legislative/letters/military-personnel-letter-biden.pdf>.

trigger cap adjustments) and funding financed by fees, adjusted to exclude funding for the Department of Veterans Affairs, Pell Grants, and other exempt amounts. For mandatory programs, the sequestrable base is the same as the mandatory base for allocating the reduction. Pursuant to sections 251A(8), 255, and 256 of BBEDCA, most mandatory spending is exempt from sequestration or, in the case of the Medicare program and certain health programs, is subject to a 2 percent limit on sequestration.

Defense Function Reduction

Table 2 shows the calculation of the sequestration percentages and dollar reductions required for budget accounts with discretionary appropriations or direct spending within the defense function. The calculation involves the following steps:

- Step 1. Pursuant to section 251A(5), the total reduction of \$42.667 billion is allocated proportionately between discretionary appropriations and direct spending. The total base is the sum of the FY 2013 revised discretionary spending limit for the security category⁴ (\$544 billion) and OMB’s baseline estimates of sequestrable direct spending outlays in the defense function in FY 2013 and FY 2014 from new direct spending budget authority in FY 2013 (\$0.662 billion). Discretionary appropriations comprise more than 99 percent of the total base in the defense function.
- Step 2. Total defense function spending must be reduced by \$42.667 billion. As required by section 251A(5)(A), allocating the reduction based on the ratio of the revised discretionary spending limit to the total base (the sum of the defense discretionary spending limit and sequestrable direct spending) yields a \$42.615 billion reduction required for discretionary appropriations. Under section 251A(5)(B), the remaining \$0.052 billion is the reduction required for budget accounts with direct spending.
- Step 3. As required by section 251A(7)(A), the discretionary percentage reduction for FY 2013 is calculated by dividing the discretionary reduction amount calculated in step 2 (\$42.615 billion) by the sequestrable budgetary resources (\$549.325 billion) for budget accounts with discretionary appropriations in the defense function, which yields a 7.8 percent sequestration rate for budget accounts with non-exempt discretionary appropriations. A similar calculation is required by section 251A(8) for the sequestration of direct spending. Dividing the direct spending reduction amount (\$0.052 billion) by the sequestrable budgetary resources (\$0.662 billion) for budget accounts with direct spending yields a 7.9 percent sequestration rate for budget accounts with non-exempt direct spending.

Table 2. DEFENSE FUNCTION REDUCTION

(Dollars in billions)

	Discretionary	Direct Spending	Total
Step 1. Base for allocating reduction	544.000	0.662	544.662
Percentage allocation of reductions	99.88%	0.12%	
Step 2. Allocation of total reduction	42.615	0.052	42.667
Percentage allocation of reductions	99.88%	0.12%	
Step 3. Sequestration percentages calculation:			
Sequestrable base	549.325	0.662	
Sequestration percentage	7.8%	7.9%	

⁴ For purposes of this report, the “security category” means discretionary appropriations in budget function 050, National Defense, and “nonsecurity category” means discretionary appropriations other than in budget function 050.

Nondefense Function Reduction

Table 3 shows the calculation of the sequestration percentages and dollar reductions required for budget accounts with discretionary appropriations or direct spending within all other functions besides 050 (nondefense function). The calculation is more complicated than the calculation for the defense function due to a two percent limit on sequestration of Medicare non-administrative spending, a two percent limit on sequestration of community and migrant health centers (which applies only to mandatory funding for those programs), and a special rule for applying the sequestration to student loans. The calculation involves the following steps:

Step 1. Total spending in the nondefense function must be reduced by \$42.667 billion. The portion of Medicare subject to the two percent limit is estimated to have combined FY 2013 and FY 2014 outlays of \$567.340 billion⁵ from FY 2013 budgetary resources, so a two percentage point reduction would reduce outlays by \$11.347 billion, leaving a reduction of \$31.320 billion to be taken from discretionary appropriations and other direct spending in the nondefense function.

Step 2. Pursuant to section 251A(6), the remaining reduction of \$31.320 billion is allocated proportionately between discretionary appropriations and other direct spending in the non-defense function. The remaining base (\$605.839 billion) is the sum of the FY 2013 revised discretionary spending limit for the nonsecurity category (\$499.000 billion) and the remaining sequestrable direct spending base (\$106.839 billion).⁶ The latter amount equals OMB's 2013 Budget baseline estimates of total sequestrable direct spending outlays adjusted for legislation enacted since the Budget's transmittal (\$674.179 billion), minus the portion of Medicare subject to the two percent limit (\$567.340 billion) in the nondefense function in FY 2013 and FY 2014 from new direct spending budget authority in FY 2013. The discretionary spending limit accounts for 82.37 percent of the remaining base in the nondefense function, and direct spending accounts for 17.63 percent.

Applying these percentage allocations to the non-Medicare reduction required for programs in the nondefense function yields the reduction for discretionary appropriations (\$25.798 billion) and for remaining direct spending (\$5.522 billion).

Step 3. The sequestration for the mandatory portions of certain health programs is limited to two percentage points pursuant to sections 251A(8) and 256(e)(2). The portion of these two programs subject to the two percent limit is estimated to have combined FY 2013 and FY 2014 outlays of \$1.344 billion from FY 2013 budgetary resources, so a two percentage point reduction would reduce outlays by \$0.027 billion. Deducting these savings from the non-Medicare direct spending reduction leaves \$5.495 billion to be taken by a uniform percentage reduction of the remaining sequestrable direct spending of \$105.495 billion in the nondefense function.

Step 4. As required by section 251A(7)(A), dividing the discretionary reduction amount (\$25.798 billion) calculated in step 2 by the sequestrable budgetary resources for discretionary appropriations (\$511.785 billion) in the nondefense function yields an 5.0 percent sequestration rate for budget accounts with non-exempt discretionary appropriations.⁷

⁵ As stated above, the Medicare base is higher than the amount stated in the STA Report due primarily to provisions in ATRA providing for a zero percent update for Medicare payments to physicians under the Sustainable Growth Rate formula for calendar year 2013.

⁶ As stated above, the non-Medicare direct spending base is higher than the amount stated in the STA Report due primarily to a provision in ATRA extending EUC through the end of 2013.

⁷ As stated above, the nondefense discretionary base is higher than the amount stated in the STA Report due primarily to the Hurricane Sandy supplemental.

The remaining reduction (\$5.495 billion) to direct spending is applied as a uniform percentage reduction to the remaining budget accounts with sequestrable direct spending and by increasing student loan fees by the same uniform percentage, as specified in sections 251A(8) and 256(b). Each percentage point increase in the sequestration rate is estimated to result in \$0.016 billion of savings in the direct student loan program. Solving simultaneously for the percentage that would achieve the remaining reduction when applied to both the remaining sequestrable direct spending (\$105.495 billion) and to student loan fees yields a 5.1 percent reduction. This percentage reduction would yield savings of \$0.082 billion in the direct student loan program and \$5.413 billion from the remaining budget accounts with non-exempt direct spending.

Table 3. NONDEFENSE FUNCTION REDUCTION
 (Dollars in billions)

	Discretionary	Direct Spending	Total
1. Total reduction, excluding savings from Medicare 2% limit:			
Medicare base subject to 2% limit		567.340	
Total nondefense function reduction			42.667
Reduce Medicare by 2%			-11.347
Non-Medicare reduction amounts			31.320
2. Allocate non-Medicare reduction:			
Total base for allocating reduction	499.000	674.179	1,173.179
Exclude Medicare (portion subject to 2% limit)		-567.340	-567.340
Non-Medicare base	499.000	106.839	605.839
Percentage allocation of non-Medicare base	82.37%	17.63%	
Non-Medicare reduction amounts	25.798	5.522	31.320
Percentage allocation of non-Medicare reduction	82.37%	17.63%	
3. Savings from 2% limit on sequestration of other health programs*			
Other health programs sequestrable base		1.344	
Reduce other health programs by 2%		-0.027	
4. Sequestration percentages calculation:			
Remaining reduction amounts	25.798	5.495	
Savings from uniform percentage reduction:			
From 5.1% increase in student loan fee		0.082	
From remaining sequestrable budget accounts	25.798	5.413	
Sequestrable base for uniform percentage reduction	511.785	105.495	
Sequestration percentage	5.0%	5.1%	
Summary of reductions:			
2% sequestration of Medicare		11.347	
2% limit on sequestration of other health programs		0.027	
Student loan fee increase		0.082	
Uniform percentage reduction	25.589	5.380	
Rounding	0.209	.033	
Total reduction	25.798	16.869	42.667

* Includes funding for community and migrant health centers, and for Indian health services.

Reductions by Budget Account (Appendix)

The Appendix of this report sets forth the percentage and dollar amount of the reductions required for each budget account with sequestrable funding. Specifically, the Appendix shows the sequestrable budgetary resources in each budget account, the percentage reduction required for each sequestrable budgetary resource, and the resulting reduction. For illustrative purposes only, the Appendix shows the application of the same percentage reduction to each type of budgetary resource within a budget account. There is no requirement that sequestration be applied equally to each type of budgetary resource within a budget account. Section 256(k)(2) of BBEDCA requires that sequestration be applied equally at the program, project, and activity level within each budget account.

**APPENDIX: SEQUESTERABLE BASE
AND REDUCTIONS BY BUDGET ACCOUNT**

(Fiscal year 2013; in millions of dollars)

Based on sections 251A, 255, and 256 of the Balanced Budget and Emergency
Deficit Control Act of 1985 (BBEDCA), as amended

Percentages Used:

- 7.8 percent – Defense discretionary
- 7.9 percent – Defense mandatory
- 5.0 percent – Nondefense discretionary
- 5.1 percent – Nondefense mandatory

For illustrative purposes only, the Appendix shows the application of the same percentage reduction to each type of budgetary resource within a budget account. Pursuant to section 256(k)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the sequestration must be applied equally at the program, project, and activity level, but need not be applied equally to each type of budgetary resource within a budget account.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Legislative Branch			
Senate			
001-05-0110 Salaries, Officers and Employees			
Nondefense Discretionary Appropriation	177	5.0	9
001-05-0123 Miscellaneous Items			
Nondefense Discretionary Appropriation	19	5.0	1
001-05-0126 Secretary of the Senate			
Nondefense Discretionary Appropriation	6	5.0	*
001-05-0127 Sergeant at Arms and Doorkeeper of the Senate			
Nondefense Discretionary Appropriation	132	5.0	7
001-05-0128 Inquiries and Investigations			
Nondefense Discretionary Appropriation	132	5.0	7
001-05-0130 Senators' Official Personnel and Office Expense Account			
Nondefense Discretionary Appropriation	399	5.0	20
001-05-0185 Office of the Legislative Counsel of the Senate			
Nondefense Discretionary Appropriation	7	5.0	*
001-05-0188 Congressional Use of Foreign Currency, Senate			
Nondefense Mandatory Appropriation	6	5.1	*
001-05-9911 Senate Items			
Nondefense Discretionary Appropriation	2	5.0	*
House of Representatives			
001-10-0400 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,233	5.0	62
001-10-0488 Congressional Use of Foreign Currency, House of Representatives			
Nondefense Mandatory Appropriation	1	5.1	*
Joint Items			
001-11-0181 Joint Economic Committee			
Nondefense Discretionary Appropriation	4	5.0	*
001-11-0186 Joint Congressional Committee on Inaugural Ceremonies of 2013			
Nondefense Discretionary Appropriation	1	5.0	*
001-11-0190 Office of Congressional Accessibility Services			
Nondefense Discretionary Appropriation	1	5.0	*
001-11-0425 Office of the Attending Physician			
Nondefense Discretionary Appropriation	3	5.0	*
001-11-0460 Joint Committee on Taxation			
Nondefense Discretionary Appropriation	10	5.0	1
Office of Compliance			
001-12-1600 Salaries and Expenses			
Nondefense Discretionary Appropriation	4	5.0	*
Capitol Police			
001-13-0476 General Expenses			
Nondefense Discretionary Appropriation	63	5.0	3
001-13-0477 Salaries			
Nondefense Discretionary Appropriation	279	5.0	14

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Congressional Budget Office			
001-14-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	44	5.0	2
Architect of the Capitol			
001-15-0100 General Administration			
Nondefense Discretionary Appropriation	102	5.0	5
001-15-0105 Capitol Building			
Nondefense Discretionary Appropriation	36	5.0	2
001-15-0108 Capitol Grounds			
Nondefense Discretionary Appropriation	10	5.0	1
001-15-0123 Senate Office Buildings			
Nondefense Discretionary Appropriation	72	5.0	4
001-15-0127 House Office Buildings			
Nondefense Discretionary Appropriation	95	5.0	5
001-15-0133 Capitol Power Plant			
Nondefense Discretionary Appropriation	124	5.0	6
001-15-0155 Library Buildings and Grounds			
Nondefense Discretionary Appropriation	47	5.0	2
001-15-0161 Capitol Visitor Center			
Nondefense Discretionary Appropriation	21	5.0	1
001-15-0171 Capitol Police Buildings and Grounds			
Nondefense Discretionary Appropriation	22	5.0	1
001-15-1833 House Historic Buildings Revitalization Trust Fund			
Nondefense Discretionary Appropriation	30	5.0	2
001-15-4518 Judiciary Office Building Development and Operations Fund			
Nondefense Mandatory Borrowing authority	12	5.1	1
Botanic Garden			
001-18-0200 Botanic Garden			
Nondefense Discretionary Appropriation	12	5.0	1
Library of Congress			
001-25-0101 Salaries and Expenses, Library of Congress			
Nondefense Discretionary Appropriation	416	5.0	21
001-25-0102 Copyright Office: Salaries and Expenses			
Nondefense Discretionary Appropriation	16	5.0	1
001-25-0127 Congressional Research Service: Salaries and Expenses			
Nondefense Discretionary Appropriation	107	5.0	5
001-25-0141 Books for the Blind and Physically Handicapped: Salaries and Expenses			
Nondefense Discretionary Appropriation	51	5.0	3
Government Printing Office			
001-30-0201 Office of Superintendent of Documents: Salaries and Expenses			
Nondefense Discretionary Appropriation	35	5.0	2
001-30-0203 Congressional Printing and Binding			
Nondefense Discretionary Appropriation	91	5.0	5

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
001-30-4505 Government Printing Office Revolving Fund			
Nondefense Discretionary Appropriation	1	5.0	*
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
<i>Account Total</i>	<u>3</u>		*
Government Accountability Office			
001-35-0107 Salaries and Expenses			
Nondefense Discretionary Appropriation	514	5.0	26
United States Tax Court			
001-40-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	51	5.0	3
Legislative Branch Boards and Commissions			
001-45-1801 Medicaid and CHIP Payment and Access Commission			
Nondefense Discretionary Appropriation	6	5.0	*
001-45-2973 United States-China Economic and Security Review Commission			
Nondefense Discretionary Appropriation	3	5.0	*
001-45-2975 Commission on International Religious Freedom			
Nondefense Discretionary Appropriation	3	5.0	*
001-45-2990 Capital Construction, Dwight D. Eisenhower Memorial Commission			
Nondefense Discretionary Appropriation	31	5.0	2
001-45-8148 Open World Leadership Center Trust Fund			
Nondefense Discretionary Appropriation	10	5.0	1
001-45-9911 Other Legislative Branch Boards and Commissions			
Nondefense Discretionary Appropriation	7	5.0	*

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Judicial Branch			
Supreme Court of the United States			
002-05-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	73	5.0	4
002-05-0103 Care of the Building and Grounds			
Nondefense Discretionary Appropriation	8	5.0	*
United States Court of Appeals for the Federal Circuit			
002-07-0510 Salaries and Expenses			
Nondefense Discretionary Appropriation	30	5.0	2
United States Court of International Trade			
002-15-0400 Salaries and Expenses			
Nondefense Discretionary Appropriation	20	5.0	1
Courts of Appeals, District Courts, and other Judicial Services			
002-25-0920 Salaries and Expenses			
Nondefense Discretionary Appropriation	4,716	5.0	236
Nondefense Mandatory Appropriation	65	5.1	3
<i>Account Total</i>	<u>4,781</u>		<u>239</u>
002-25-0923 Defender Services			
Nondefense Discretionary Appropriation	1,037	5.0	52
002-25-0925 Fees of Jurors and Commissioners			
Nondefense Discretionary Appropriation	52	5.0	3
002-25-0930 Court Security			
Nondefense Discretionary Appropriation	503	5.0	25
002-25-5100 Judiciary Filing Fees			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	80	5.1	4
Nondefense Mandatory Appropriation	194	5.1	10
<i>Account Total</i>	<u>274</u>		<u>14</u>
002-25-5101 Registry Administration			
Nondefense Mandatory Appropriation	1	5.1	*
Administrative Office of the United States Courts			
002-26-0927 Salaries and Expenses			
Nondefense Discretionary Appropriation	83	5.0	4
Federal Judicial Center			
002-30-0928 Salaries and Expenses			
Nondefense Discretionary Appropriation	27	5.0	1
United States Sentencing Commission			
002-39-0938 Salaries and Expenses			
Nondefense Discretionary Appropriation	17	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Agriculture			
Office of the Secretary			
005-03-9913 Office of the Secretary			
Nondefense Discretionary Appropriation	16	5.0	1
Departmental Management			
005-05-0117 Agriculture Buildings and Facilities and Rental Payments			
Nondefense Discretionary Appropriation	232	5.0	12
005-05-0500 Hazardous Materials Management			
Nondefense Discretionary Appropriation	4	5.0	*
005-05-9915 Departmental Administration			
Nondefense Discretionary Appropriation	86	5.0	4
Office of Communications			
005-06-0150 Office of Communications			
Nondefense Discretionary Appropriation	8	5.0	*
Office of Civil Rights			
005-07-3800 Office of Civil Rights			
Nondefense Discretionary Appropriation	21	5.0	1
Office of Inspector General			
005-08-0900 Office of Inspector General			
Nondefense Discretionary Appropriation	86	5.0	4
Office of Chief Economist			
005-09-0123 Office of the Chief Economist			
Nondefense Discretionary Appropriation	11	5.0	1
Office of the General Counsel			
005-10-2300 Office of the General Counsel			
Nondefense Discretionary Appropriation	40	5.0	2
National Appeals Division			
005-11-0706 National Appeals Division			
Nondefense Discretionary Appropriation	13	5.0	1
Economic Research Service			
005-13-1701 Economic Research Service			
Nondefense Discretionary Appropriation	78	5.0	4
National Agricultural Statistics Service			
005-15-1801 National Agricultural Statistics Service			
Nondefense Discretionary Appropriation	160	5.0	8
Agricultural Research Service			
005-18-1400 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,102	5.0	55
005-18-8214 Miscellaneous Contributed Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
National Institute of Food and Agriculture			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
005-20-0502 Extension Activities			
Nondefense Discretionary Appropriation	478	5.0	24
Nondefense Mandatory Appropriation	5	5.1	*
<i>Account Total</i>	<u>483</u>		<u>24</u>
005-20-1500 Research and Education Activities			
Nondefense Discretionary Appropriation	714	5.0	36
005-20-1502 Integrated Activities			
Nondefense Discretionary Appropriation	21	5.0	1
Animal and Plant Health Inspection Service			
005-32-1600 Salaries and Expenses			
Nondefense Discretionary Appropriation	822	5.0	41
Nondefense Discretionary Spending authority	18	5.0	1
Nondefense Mandatory Appropriation	266	5.1	14
<i>Account Total</i>	<u>1,106</u>		<u>56</u>
005-32-1601 Buildings and Facilities			
Nondefense Discretionary Appropriation	3	5.0	*
005-32-9971 Miscellaneous Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Food Safety and Inspection Service			
005-35-3700 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,010	5.0	51
Nondefense Discretionary Spending authority	45	5.0	2
<i>Account Total</i>	<u>1,055</u>		<u>53</u>
005-35-8137 Expenses and Refunds, Inspection and Grading of Farm Products			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Grain Inspection, Packers and Stockyards Administration			
005-37-2400 Salaries and Expenses			
Nondefense Discretionary Appropriation	38	5.0	2
005-37-4050 Limitation on Inspection and Weighing Services Expenses			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Nondefense Mandatory Spending authority	40	5.1	2
<i>Account Total</i>	<u>41</u>		<u>2</u>
Agricultural Marketing Service			
005-45-2500 Marketing Services			
Nondefense Discretionary Appropriation	83	5.0	4
005-45-2501 Payments to States and Possessions			
Nondefense Discretionary Appropriation	1	5.0	*
005-45-5070 Perishable Agricultural Commodities Act Fund			
Nondefense Mandatory Appropriation	11	5.1	1
005-45-5209 Funds for Strengthening Markets, Income, and Supply (section 32)			
Nondefense Mandatory Appropriation	792	5.1	40
005-45-8015 Expenses and Refunds, Inspection and Grading of Farm Products			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	4	5.1	*
Nondefense Mandatory Appropriation	4	5.1	*
<i>Account Total</i>	<u>8</u>		<u>*</u>
005-45-8412 Milk Market Orders Assessment Fund			
Nondefense Mandatory Spending authority	57	5.1	3

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Risk Management Agency			
005-47-2707 Administrative and Operating Expenses			
Nondefense Discretionary Appropriation	75	5.0	4
005-47-4085 Federal Crop Insurance Corporation Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	58	5.1	3
Farm Service Agency			
005-49-0170 State Mediation Grants			
Nondefense Discretionary Appropriation	4	5.0	*
005-49-0171 Emergency Forest Restoration Program			
Nondefense Discretionary Appropriation	23	5.0	1
005-49-0600 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,206	5.0	60
005-49-1140 Agricultural Credit Insurance Fund Program Account			
Nondefense Discretionary Appropriation	408	5.0	20
005-49-1336 Commodity Credit Corporation Export Loans Program Account			
Nondefense Discretionary Appropriation	7	5.0	*
005-49-2701 USDA Supplemental Assistance			
Nondefense Discretionary Appropriation	2	5.0	*
005-49-3304 Grassroots Source Water Protection Program			
Nondefense Discretionary Appropriation	4	5.0	*
005-49-3305 Reforestation Pilot Program			
Nondefense Discretionary Appropriation	1	5.0	*
005-49-3316 Emergency Conservation Program			
Nondefense Discretionary Appropriation	15	5.0	1
005-49-4336 Commodity Credit Corporation Fund			
Nondefense Mandatory Borrowing authority	6,460	5.1	329
005-49-5531 Agricultural Disaster Relief Fund			
Nondefense Mandatory Borrowing authority	1,372	5.1	70
005-49-8161 Tobacco Trust Fund			
Nondefense Mandatory Appropriation	960	5.1	49
Natural Resources Conservation Service			
005-53-1000 Conservation Operations			
Nondefense Discretionary Appropriation	833	5.0	42
Nondefense Discretionary Spending authority	9	5.0	*
<i>Account Total</i>	<u>842</u>		<u>42</u>
005-53-1002 Watershed Rehabilitation Program			
Nondefense Discretionary Appropriation	15	5.0	1
005-53-1004 Farm Security and Rural Investment Programs			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	108	5.1	6
Nondefense Mandatory Appropriation	3,249	5.1	166
<i>Account Total</i>	<u>3,357</u>		<u>171</u>
005-53-1072 Watershed and Flood Prevention Operations			
Nondefense Discretionary Appropriation	180	5.0	9
005-53-3320 Water Bank Program			
Nondefense Discretionary Appropriation	8	5.0	*
Rural Development			

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
005-55-0403 Salaries and Expenses			
Nondefense Discretionary Appropriation	183	5.0	9
Rural Utilities Service			
005-60-1230 Rural Electrification and Telecommunications Loans Program Account			
Nondefense Discretionary Appropriation	37	5.0	2
005-60-1232 Distance Learning, Telemedicine, and Broadband Program			
Nondefense Discretionary Appropriation	38	5.0	2
005-60-1980 Rural Water and Waste Disposal Program Account			
Nondefense Discretionary Appropriation	506	5.0	25
005-60-2042 High Energy Cost Grants			
Nondefense Discretionary Appropriation	10	5.0	1
Rural Housing Service			
005-63-0137 Rental Assistance Program			
Nondefense Discretionary Appropriation	910	5.0	46
005-63-1951 Rural Community Facilities Program Account			
Nondefense Discretionary Appropriation	29	5.0	1
005-63-1953 Rural Housing Assistance Grants			
Nondefense Discretionary Appropriation	33	5.0	2
005-63-2002 Multifamily Housing Revitalization Program Account			
Nondefense Discretionary Appropriation	13	5.0	1
005-63-2006 Mutual and Self-help Housing Grants			
Nondefense Discretionary Appropriation	30	5.0	2
005-63-2081 Rural Housing Insurance Fund Program Account			
Nondefense Discretionary Appropriation	514	5.0	26
Rural Business_Cooperative Service			
005-65-1900 Rural Cooperative Development Grants			
Nondefense Discretionary Appropriation	25	5.0	1
005-65-1902 Rural Business Program Account			
Nondefense Discretionary Appropriation	75	5.0	4
005-65-1908 Rural Energy for America Program			
Nondefense Discretionary Appropriation	3	5.0	*
Nondefense Mandatory Appropriation	22	5.1	1
<i>Account Total</i>	<u>25</u>		<u>1</u>
005-65-2069 Rural Development Loan Fund Program Account			
Nondefense Discretionary Appropriation	11	5.0	1
005-65-2073 Energy Assistance Payments			
Nondefense Mandatory Appropriation	65	5.1	3
Foreign Agricultural Service			
005-68-2277 Public Law 480 Title I Direct Credit and Food for Progress Program Account			
Nondefense Discretionary Appropriation	3	5.0	*
005-68-2278 Food for Peace Title II Grants			
Nondefense Discretionary Appropriation	1,475	5.0	74
005-68-2900 Salaries and Expenses			
Nondefense Discretionary Appropriation	177	5.0	9
Nondefense Mandatory Appropriation	1	5.1	*
<i>Account Total</i>	<u>178</u>		<u>9</u>

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
005-96-9921 Forest Service Permanent Appropriations			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Nondefense Mandatory Appropriation	646	5.1	33
<i>Account Total</i>	647		33
005-96-9923 Land Acquisition			
Nondefense Discretionary Appropriation	74	5.0	4
Nondefense Mandatory Appropriation	9	5.1	*
<i>Account Total</i>	83		4
005-96-9974 Forest Service Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
Nondefense Mandatory Appropriation	77	5.1	4
<i>Account Total</i>	79		4

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
006-48-1460 Procurement, Acquisition and Construction			
Nondefense Discretionary Appropriation	2,013	5.0	101
006-48-1465 Medicare-eligible Retiree Health Fund Contribution, NOAA			
Nondefense Discretionary Appropriation	2	5.0	*
006-48-4316 Damage Assessment and Restoration Revolving Fund			
Nondefense Mandatory Appropriation	6	5.1	*
006-48-5139 Promote and Develop Fishery Products and Research Pertaining to American Fisheries			
Nondefense Mandatory Appropriation	16	5.1	1
006-48-5284 Limited Access System Administration Fund			
Nondefense Mandatory Appropriation	10	5.1	1
006-48-5362 Environmental Improvement and Restoration Fund			
Nondefense Mandatory Appropriation	1	5.1	*
U.S. Patent and Trademark Office			
006-51-1006 Salaries and Expenses			
Nondefense Discretionary Spending authority	2,951	5.0	148
National Institute of Standards and Technology			
006-55-0500 Scientific and Technical Research and Services			
Nondefense Discretionary Appropriation	580	5.0	29
006-55-0515 Construction of Research Facilities			
Nondefense Discretionary Appropriation	56	5.0	3
006-55-0525 Industrial Technology Services			
Nondefense Discretionary Appropriation	129	5.0	6
National Telecommunications and Information Administration			
006-60-0516 State and Local Implementation Fund			
Nondefense Mandatory Borrowing authority	69	5.1	4
006-60-0550 Salaries and Expenses			
Nondefense Discretionary Appropriation	46	5.0	2
006-60-8233 Public Safety Trust Fund			
Nondefense Mandatory Borrowing authority	105	5.1	5

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
007-10-9922 Miscellaneous Special Funds			
Defense Mandatory Appropriation	8	7.9	1
Defense Mandatory Unobligated balance in 050	17	7.9	1
<i>Account Total</i>	25		2
Procurement			
007-15-0144 Mine Resistant Ambush Protected Vehicle Fund			
Defense Discretionary Unobligated balance in 050	600	7.8	47
007-15-0300 Procurement, Defense-wide			
Defense Discretionary Appropriation	5,130	7.8	400
Defense Discretionary Unobligated balance in 050	670	7.8	52
<i>Account Total</i>	5,800		452
007-15-0350 National Guard and Reserve Equipment			
Defense Discretionary Unobligated balance in 050	217	7.8	17
007-15-0360 Defense Production Act Purchases			
Defense Discretionary Appropriation	171	7.8	13
Defense Discretionary Unobligated balance in 050	151	7.8	12
<i>Account Total</i>	322		25
007-15-0380 Coastal Defense Augmentation			
Defense Discretionary Unobligated balance in 050	4	7.8	*
007-15-0390 Chemical Agents and Munitions Destruction, Defense			
Defense Discretionary Appropriation	1,564	7.8	122
Defense Discretionary Unobligated balance in 050	2	7.8	*
<i>Account Total</i>	1,566		122
007-15-1109 Procurement, Marine Corps			
Defense Discretionary Appropriation	2,376	7.8	185
Defense Discretionary Unobligated balance in 050	1,180	7.8	92
<i>Account Total</i>	3,556		277
007-15-1506 Aircraft Procurement, Navy			
Defense Discretionary Appropriation	17,871	7.8	1,394
Defense Discretionary Unobligated balance in 050	2,914	7.8	227
<i>Account Total</i>	20,785		1,621
007-15-1507 Weapons Procurement, Navy			
Defense Discretionary Appropriation	3,234	7.8	252
Defense Discretionary Unobligated balance in 050	703	7.8	55
<i>Account Total</i>	3,937		307
007-15-1508 Procurement of Ammunition, Navy and Marine Corps			
Defense Discretionary Appropriation	889	7.8	69
Defense Discretionary Unobligated balance in 050	103	7.8	8
<i>Account Total</i>	992		77
007-15-1611 Shipbuilding and Conversion, Navy			
Defense Discretionary Appropriation	15,010	7.8	1,171
Defense Discretionary Unobligated balance in 050	7,459	7.8	582
<i>Account Total</i>	22,469		1,753
007-15-1810 Other Procurement, Navy			
Defense Discretionary Appropriation	6,089	7.8	475
Defense Discretionary Unobligated balance in 050	1,320	7.8	103
<i>Account Total</i>	7,409		578

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
018-40-0241 College Housing and Academic Facilities Loans Program Account			
Nondefense Discretionary Appropriation	21	5.0	1
018-40-0603 Howard University			
Nondefense Discretionary Appropriation	235	5.0	12
Office of Federal Student Aid			
018-45-0200 Student Financial Assistance			
Nondefense Discretionary Appropriation	1,722	5.0	86
Nondefense Mandatory Appropriation	*	5.1	*
<i>Account Total</i>	<u>1,722</u>		<u>86</u>
018-45-0202 Student Aid Administration			
Nondefense Discretionary Appropriation	1,050	5.0	53
Nondefense Mandatory Appropriation	359	5.1	18
<i>Account Total</i>	<u>1,409</u>		<u>71</u>
018-45-0206 Teacher Education Assistance			
Nondefense Mandatory Appropriation	23	5.1	1
018-45-5557 Student Financial Assistance Debt Collection			
Nondefense Mandatory Appropriation	10	5.1	1
Institute of Education Sciences			
018-50-1100 Institute of Education Sciences			
Nondefense Discretionary Appropriation	597	5.0	30
Departmental Management			
018-80-0700 Office for Civil Rights			
Nondefense Discretionary Appropriation	103	5.0	5
018-80-0800 Program Administration			
Nondefense Discretionary Appropriation	449	5.0	22
018-80-1400 Office of the Inspector General			
Nondefense Discretionary Appropriation	60	5.0	3

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Homeland Security			
Departmental Management and Operations			
024-10-0100 Departmental Operations			
Nondefense Discretionary Appropriation	479	5.0	24
024-10-0102 Office of the Chief Information Officer			
Nondefense Discretionary Appropriation	324	5.0	16
024-10-0115 Analysis and Operations			
Nondefense Discretionary Appropriation	340	5.0	17
Office of the Inspector General			
024-20-0200 Operating Expenses			
Nondefense Discretionary Appropriation	145	5.0	7
Citizenship and Immigration Services			
024-30-0300 Citizenship and Immigration Services			
Nondefense Discretionary Appropriation	103	5.0	5
Nondefense Mandatory Appropriation	2,859	5.1	146
<i>Account Total</i>	<u>2,962</u>		<u>151</u>
United States Secret Service			
024-40-0400 Operating Expenses			
Nondefense Discretionary Appropriation	1,670	5.0	84
024-40-0401 Acquisition, Construction, and Improvements			
Nondefense Discretionary Appropriation	5	5.0	*
Transportation Security Administration			
024-45-0541 Federal Air Marshals			
Nondefense Discretionary Appropriation	972	5.0	49
024-45-0550 Aviation Security			
Nondefense Discretionary Appropriation	3,178	5.0	159
Nondefense Discretionary Spending authority	2,094	5.0	105
Nondefense Mandatory Appropriation	250	5.1	13
<i>Account Total</i>	<u>5,522</u>		<u>276</u>
024-45-0551 Surface Transportation Security			
Nondefense Discretionary Appropriation	136	5.0	7
024-45-0554 Transportation Security Support			
Nondefense Discretionary Appropriation	1,038	5.0	52
024-45-0557 Transportation Threat Assessment and Credentialing			
Nondefense Discretionary Appropriation	165	5.0	8
Nondefense Discretionary Spending authority	75	5.0	4
Nondefense Mandatory Spending authority	5	5.1	*
<i>Account Total</i>	<u>245</u>		<u>12</u>
Federal Law Enforcement Training Center			
024-49-0509 Salaries and expenses			
Nondefense Discretionary Appropriation	240	5.0	12
Nondefense Discretionary Spending authority	2	5.0	*
<i>Account Total</i>	<u>242</u>		<u>12</u>
024-49-0510 Acquisitions, Construction, Improvements and Related Expenses			
Nondefense Discretionary Appropriation	32	5.0	2
Immigration and Customs Enforcement			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
024-55-0540 Immigration and Customs Enforcement			
Nondefense Discretionary Appropriation	5,554	5.0	278
Nondefense Mandatory Appropriation	312	5.1	16
<i>Account Total</i>	<u>5,866</u>		<u>294</u>
024-55-0543 Automation Modernization, Immigration and Customs Enforcement			
Nondefense Discretionary Appropriation	12	5.0	1
Customs and Border Protection			
024-58-0530 Customs and Border Protection			
Nondefense Discretionary Appropriation	8,737	5.0	437
Nondefense Mandatory Appropriation	1,464	5.1	75
<i>Account Total</i>	<u>10,201</u>		<u>512</u>
024-58-0531 Automation Modernization, Customs and Border Protection			
Nondefense Discretionary Appropriation	331	5.0	17
024-58-0532 Construction, Customs and Border Protection			
Nondefense Discretionary Appropriation	238	5.0	12
024-58-0533 Border Security Fencing, Infrastructure, and Technology			
Nondefense Discretionary Appropriation	399	5.0	20
024-58-0544 Air and Marine Interdiction, Operations, Maintenance, and Procurement			
Nondefense Discretionary Appropriation	507	5.0	25
024-58-5533 Payments to Wool Manufacturers			
Nondefense Mandatory Appropriation	15	5.1	1
024-58-5543 International Registered Traveler			
Nondefense Discretionary Appropriation	14	5.0	1
024-58-5595 Electronic System for Travel Authorization			
Nondefense Mandatory Appropriation	46	5.1	2
024-58-5687 Refunds, Transfers, and Expenses of Operation, Puerto Rico			
Nondefense Mandatory Appropriation	96	5.1	5
024-58-8789 US Customs Refunds, Transfers and Expenses, Unclaimed and Abandoned Goods			
Nondefense Mandatory Appropriation	4	5.1	*
United States Coast Guard			
024-60-0610 Operating Expenses			
Defense Discretionary Appropriation	532	7.8	41
Nondefense Discretionary Appropriation	3,044	5.0	152
<i>Account Total</i>	<u>3,576</u>		<u>194</u>
024-60-0611 Environmental Compliance and Restoration			
Nondefense Discretionary Appropriation	14	5.0	1
024-60-0612 Reserve Training			
Nondefense Discretionary Appropriation	36	5.0	2
024-60-0613 Acquisition, Construction, and Improvements			
Nondefense Discretionary Appropriation	1,681	5.0	84
024-60-0615 Research, Development, Test, and Evaluation			
Nondefense Discretionary Appropriation	26	5.0	1
024-60-8149 Boat Safety			
Nondefense Mandatory Appropriation	116	5.1	6
024-60-8314 Trust Fund Share of Expenses			
Nondefense Discretionary Appropriation	45	5.0	2

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
024-85-0862 Systems Acquisition Nondefense Discretionary Appropriation	41	5.0	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
025-09-4041 Rental Housing Assistance Fund			
Nondefense Mandatory Spending authority	3	5.1	*
025-09-4044 Flexible Subsidy Fund			
Nondefense Discretionary Spending authority	21	5.0	1
025-09-8119 Manufactured Housing Fees Trust Fund			
Nondefense Discretionary Appropriation	7	5.0	*
Government National Mortgage Association			
025-12-0186 Guarantees of Mortgage-backed Securities Loan Guarantee Program Account			
Nondefense Discretionary Spending authority	20	5.0	1
Policy Development and Research			
025-28-0108 Research and Technology			
Nondefense Discretionary Appropriation	46	5.0	2
Fair Housing and Equal Opportunity			
025-29-0144 Fair Housing Activities			
Nondefense Discretionary Appropriation	71	5.0	4
Office of Lead Hazard Control and Healthy Homes			
025-32-0174 Lead Hazard Reduction			
Nondefense Discretionary Appropriation	121	5.0	6
Management and Administration			
025-35-0189 Office of Inspector General			
Nondefense Discretionary Appropriation	135	5.0	7
025-35-0334 Housing Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	394	5.0	20
025-35-0335 Administrative Support Offices			
Nondefense Discretionary Appropriation	541	5.0	27
025-35-0337 Public and Indian Housing Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	201	5.0	10
025-35-0338 Community Planning and Development Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	111	5.0	6
025-35-0339 Policy Development and Research Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	22	5.0	1
025-35-0340 Fair Housing and Equal Opportunity Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	73	5.0	4
025-35-0341 Office of Healthy Homes and Lead Hazard Control Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	7	5.0	*
025-35-0402 Transformation Initiative			
Nondefense Discretionary Appropriation	50	5.0	3
025-35-4586 Information Technology Portfolio			
Nondefense Discretionary Appropriation	200	5.0	10

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of the Interior			
Bureau of Land Management			
010-04-1109 Management of Lands and Resources			
Nondefense Discretionary Appropriation	966	5.0	48
Nondefense Discretionary Spending authority	75	5.0	4
<i>Account Total</i>	<u>1,041</u>		<u>52</u>
010-04-1110 Construction			
Nondefense Discretionary Appropriation	4	5.0	*
010-04-1116 Oregon and California Grant Lands			
Nondefense Discretionary Appropriation	113	5.0	6
010-04-4053 Helium Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	16	5.1	1
010-04-4525 Working Capital Fund			
Nondefense Discretionary Spending authority	9	5.0	*
010-04-5017 Service Charges, Deposits, and Forfeitures			
Nondefense Discretionary Appropriation	31	5.0	2
010-04-5033 Land Acquisition			
Nondefense Discretionary Appropriation	22	5.0	1
010-04-5132 Range Improvements			
Nondefense Mandatory Appropriation	10	5.1	1
010-04-9921 Miscellaneous Permanent Payment Accounts			
Nondefense Mandatory Appropriation	62	5.1	3
010-04-9926 Permanent Operating Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	16	5.1	1
Nondefense Mandatory Appropriation	131	5.1	7
<i>Account Total</i>	<u>147</u>		<u>8</u>
010-04-9971 Miscellaneous Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	21	5.1	1
Bureau of Ocean Energy Management			
010-06-1917 Ocean Energy Management			
Nondefense Discretionary Appropriation	60	5.0	3
Nondefense Discretionary Spending authority	101	5.0	5
<i>Account Total</i>	<u>161</u>		<u>8</u>
Office of Surface Mining Reclamation and Enforcement			
010-08-1801 Regulation and Technology			
Nondefense Discretionary Appropriation	124	5.0	6
Nondefense Discretionary Spending authority	3	5.0	*
<i>Account Total</i>	<u>127</u>		<u>6</u>
010-08-1803 Payments to States in Lieu of Coal Fee Receipts			
Nondefense Mandatory Appropriation	128	5.1	7
010-08-5015 Abandoned Mine Reclamation Fund			
Nondefense Discretionary Appropriation	28	5.0	1
Nondefense Mandatory Appropriation	221	5.1	11
<i>Account Total</i>	<u>249</u>		<u>13</u>
Bureau of Reclamation			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
010-10-0680 Water and Related Resources			
Nondefense Discretionary Appropriation	883	5.0	44
Nondefense Discretionary Spending authority	212	5.0	11
Nondefense Mandatory Appropriation	1	5.1	*
<i>Account Total</i>	1,096		55
010-10-0687 California Bay-Delta Restoration			
Nondefense Discretionary Appropriation	40	5.0	2
010-10-4079 Lower Colorado River Basin Development Fund			
Nondefense Discretionary Appropriation	6	5.0	*
Nondefense Mandatory Administrative expenses in otherwise exempt resources	247	5.1	13
Nondefense Mandatory Spending authority	1	5.1	*
<i>Account Total</i>	254		13
010-10-4081 Upper Colorado River Basin Fund			
Nondefense Discretionary Appropriation	11	5.0	1
Nondefense Mandatory Administrative expenses in otherwise exempt resources	81	5.1	4
<i>Account Total</i>	92		5
010-10-4524 Working Capital Fund			
Nondefense Discretionary Spending authority	13	5.0	1
010-10-5065 Policy and Administration			
Nondefense Discretionary Appropriation	60	5.0	3
010-10-5173 Central Valley Project Restoration Fund			
Nondefense Discretionary Appropriation	53	5.0	3
010-10-5656 Colorado River Dam Fund, Boulder Canyon Project			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	16	5.1	1
010-10-8070 Reclamation Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
Central Utah Project			
010-11-0787 Central Utah Project Completion Account			
Nondefense Discretionary Appropriation	27	5.0	1
010-11-5174 Utah Reclamation Mitigation and Conservation Account			
Nondefense Discretionary Appropriation	2	5.0	*
United States Geological Survey			
010-12-0804 Surveys, Investigations, and Research			
Nondefense Discretionary Appropriation	1,075	5.0	54
United States Fish and Wildlife Service			
010-18-1611 Resource Management			
Nondefense Discretionary Appropriation	1,234	5.0	62
Nondefense Discretionary Spending authority	55	5.0	3
<i>Account Total</i>	1,289		64
010-18-1612 Construction			
Nondefense Discretionary Appropriation	91	5.0	5
010-18-1652 Multinational Species Conservation Fund			
Nondefense Discretionary Appropriation	10	5.0	1
010-18-1696 Neotropical Migratory Bird Conservation			
Nondefense Discretionary Appropriation	4	5.0	*
010-18-5020 Land Acquisition			
Nondefense Discretionary Appropriation	55	5.0	3

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
010-18-5029 Federal Aid in Wildlife Restoration			
Nondefense Mandatory Appropriation	413	5.1	21
010-18-5091 National Wildlife Refuge Fund			
Nondefense Discretionary Appropriation	14	5.0	1
Nondefense Mandatory Appropriation	8	5.1	*
<i>Account Total</i>	<u>22</u>		<u>1</u>
010-18-5137 Migratory Bird Conservation Account			
Nondefense Mandatory Appropriation	47	5.1	2
010-18-5143 Cooperative Endangered Species Conservation Fund			
Nondefense Discretionary Appropriation	48	5.0	2
010-18-5241 North American Wetlands Conservation Fund			
Nondefense Discretionary Appropriation	36	5.0	2
Nondefense Mandatory Appropriation	1	5.1	*
<i>Account Total</i>	<u>37</u>		<u>2</u>
010-18-5252 Recreation Enhancement Fee Program, FWS			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
010-18-5474 State Wildlife Grants			
Nondefense Discretionary Appropriation	62	5.0	3
010-18-8151 Sport Fish Restoration			
Nondefense Mandatory Appropriation	446	5.1	23
Bureau of Safety and Environmental Enforcement			
010-22-1700 Offshore Safety and Environmental Enforcement			
Nondefense Discretionary Appropriation	62	5.0	3
Nondefense Discretionary Spending authority	121	5.0	6
<i>Account Total</i>	<u>183</u>		<u>9</u>
010-22-1920 Oil Spill Research			
Nondefense Discretionary Appropriation	3	5.0	*
010-22-8370 Oil Spill Research			
Nondefense Discretionary Appropriation	15	5.0	1
National Park Service			
010-24-1036 Operation of the National Park System			
Nondefense Discretionary Appropriation	2,250	5.0	113
010-24-1039 Construction (and Major Maintenance)			
Nondefense Discretionary Appropriation	505	5.0	25
010-24-1042 National Recreation and Preservation			
Nondefense Discretionary Appropriation	60	5.0	3
010-24-5035 Land Acquisition and State Assistance			
Nondefense Discretionary Appropriation	103	5.0	5
010-24-5140 Historic Preservation Fund			
Nondefense Discretionary Appropriation	106	5.0	5
010-24-9924 Other Permanent Appropriations			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	8	5.1	*
010-24-9928 Recreation Fee Permanent Appropriations			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	34	5.1	2
Nondefense Mandatory Appropriation	1	5.1	*
<i>Account Total</i>	<u>35</u>		<u>2</u>
Bureau of Indian Affairs and Bureau of Indian Education			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
010-76-2100 Operation of Indian Programs			
Nondefense Discretionary Appropriation	2,382	5.0	119
010-76-2301 Construction			
Nondefense Discretionary Appropriation	124	5.0	6
010-76-2628 Indian Guaranteed Loan Program Account			
Nondefense Discretionary Appropriation	7	5.0	*
010-76-5051 Operation and Maintenance of Quarters			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
010-76-9925 Miscellaneous Permanent Appropriations			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	19	5.1	1
Departmental Offices			
010-84-0102 Salaries and Expenses			
Nondefense Discretionary Appropriation	624	5.0	31
010-84-5003 Mineral Leasing and Associated Payments			
Nondefense Mandatory Appropriation	2,144	5.1	109
010-84-5045 National Petroleum Reserve, Alaska			
Nondefense Mandatory Appropriation	3	5.1	*
010-84-5243 National Forests Fund, Payment to States			
Nondefense Mandatory Appropriation	9	5.1	*
010-84-5248 Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes			
Nondefense Mandatory Appropriation	19	5.1	1
010-84-5574 Geothermal Lease Revenues, Payment to Counties			
Nondefense Mandatory Appropriation	4	5.1	*
Insular Affairs			
010-85-0412 Assistance to Territories			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	10	5.1	1
Office of the Solicitor			
010-86-0107 Salaries and Expenses			
Nondefense Discretionary Appropriation	67	5.0	3
Office of Inspector General			
010-88-0104 Salaries and Expenses			
Nondefense Discretionary Appropriation	50	5.0	3
Office of the Special Trustee for American Indians			
010-90-0120 Federal Trust Programs			
Nondefense Discretionary Appropriation	153	5.0	8
National Indian Gaming Commission			
010-92-0118 Salaries and Expenses			
Nondefense Discretionary Spending authority	3	5.0	*
010-92-5141 National Indian Gaming Commission, Gaming Activity Fees			
Nondefense Mandatory Appropriation	18	5.1	1
Department-Wide Programs			
010-95-1114 Payments in Lieu of Taxes			
Nondefense Mandatory Appropriation	398	5.1	20
010-95-1121 Central Hazardous Materials Fund			
Nondefense Discretionary Appropriation	10	5.0	1

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Justice			
General Administration			
011-03-0129 Salaries and Expenses Nondefense Discretionary Appropriation	112	5.0	6
011-03-0132 Tactical Law Enforcement Wireless Communications Nondefense Discretionary Appropriation	88	5.0	4
011-03-0134 Justice Information Sharing Technology Nondefense Discretionary Appropriation	44	5.0	2
011-03-0136 Detention Trustee Nondefense Discretionary Appropriation	1,590	5.0	80
011-03-0328 Office of Inspector General Nondefense Discretionary Appropriation	85	5.0	4
011-03-0339 Administrative Review and Appeals Nondefense Discretionary Appropriation	307	5.0	15
011-03-1102 National Drug Intelligence Center Nondefense Discretionary Appropriation	20	5.0	1
United States Parole Commission			
011-04-1061 Salaries and Expenses Nondefense Discretionary Appropriation	13	5.0	1
Legal Activities and U.S. Marshals			
011-05-0100 Salaries and Expenses, Foreign Claims Settlement Commission Nondefense Discretionary Appropriation	2	5.0	*
011-05-0128 Salaries and Expenses, General Legal Activities Nondefense Discretionary Appropriation	868	5.0	43
011-05-0133 Construction Nondefense Discretionary Appropriation	15	5.0	1
011-05-0311 Fees and Expenses of Witnesses Nondefense Mandatory Appropriation	270	5.1	14
011-05-0319 Salaries and Expenses, Antitrust Division Nondefense Discretionary Appropriation	43	5.0	2
011-05-0322 Salaries and Expenses, United States Attorneys Nondefense Discretionary Appropriation	1,972	5.0	99
011-05-0324 Salaries and Expenses, United States Marshals Service Nondefense Discretionary Appropriation	1,179	5.0	59
011-05-0340 September 11th Victim Compensation (general Fund) Nondefense Mandatory Appropriation	322	5.1	16
011-05-0500 Salaries and Expenses, Community Relations Service Nondefense Discretionary Appropriation	11	5.0	1
011-05-5042 Assets Forfeiture Fund Nondefense Discretionary Appropriation	21	5.0	1
Nondefense Mandatory Appropriation	1,358	5.1	69
<i>Account Total</i>	1,379		70
011-05-5073 United States Trustee System Fund Nondefense Discretionary Appropriation	224	5.0	11
Interagency Law Enforcement			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
011-07-0323 Interagency Crime and Drug Enforcement			
Nondefense Discretionary Appropriation	531	5.0	27
National Security Division			
011-08-1300 Salaries and Expenses			
Nondefense Discretionary Appropriation	88	5.0	4
Federal Bureau of Investigation			
011-10-0200 Salaries and Expenses			
Defense Discretionary Appropriation	4,775	7.8	372
Defense Discretionary Unobligated balance in 050	169	7.8	13
Nondefense Discretionary Appropriation	3,321	5.0	166
<i>Account Total</i>	<u>8,265</u>		<u>552</u>
011-10-0203 Construction			
Nondefense Discretionary Appropriation	81	5.0	4
Drug Enforcement Administration			
011-12-1100 Salaries and Expenses			
Nondefense Discretionary Appropriation	2,041	5.0	102
011-12-1101 Construction			
Nondefense Discretionary Appropriation	10	5.0	1
011-12-5131 Diversion Control Fee Account			
Nondefense Mandatory Appropriation	335	5.1	17
Bureau of Alcohol, Tobacco, Firearms, and Explosives			
011-14-0700 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,159	5.0	58
Federal Prison System			
011-20-1003 Buildings and Facilities			
Nondefense Discretionary Appropriation	55	5.0	3
011-20-1060 Salaries and Expenses			
Nondefense Discretionary Appropriation	6,591	5.0	330
011-20-8408 Commissary Funds, Federal Prisons (trust Revolving Fund)			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	111	5.1	6
Office of Justice Programs			
011-21-0401 Research, Evaluation, and Statistics			
Nondefense Discretionary Appropriation	105	5.0	5
011-21-0404 State and Local Law Enforcement Assistance			
Nondefense Discretionary Appropriation	1,126	5.0	56
011-21-0405 Juvenile Justice Programs			
Nondefense Discretionary Appropriation	255	5.0	13
011-21-0406 Community Oriented Policing Services			
Nondefense Discretionary Appropriation	163	5.0	8
011-21-0409 Violence against Women Prevention and Prosecution Programs			
Nondefense Discretionary Appropriation	400	5.0	20
011-21-5041 Crime Victims Fund			
Nondefense Mandatory Appropriation	705	5.1	36

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Labor			
Employment and Training Administration			
012-05-0168 Short Time Compensation Programs			
Nondefense Mandatory Appropriation	219	5.1	11
012-05-0172 Program Administration			
Nondefense Discretionary Appropriation	98	5.0	5
012-05-0174 Training and Employment Services			
Nondefense Discretionary Advance appropriation	1,772	5.0	89
Nondefense Discretionary Appropriation	1,454	5.0	73
Nondefense Mandatory Appropriation	125	5.1	6
<i>Account Total</i>	<u>3,351</u>		<u>168</u>
012-05-0175 Community Service Employment for Older Americans			
Nondefense Discretionary Appropriation	451	5.0	23
012-05-0179 State Unemployment Insurance and Employment Service Operations			
Nondefense Discretionary Appropriation	88	5.0	4
Nondefense Mandatory Appropriation	13	5.1	1
<i>Account Total</i>	<u>101</u>		<u>5</u>
012-05-0181 Office of Job Corps			
Nondefense Discretionary Appropriation	1,713	5.0	86
012-05-0187 TAA Community College and Career Training Grant Fund			
Nondefense Mandatory Appropriation	500	5.1	26
012-05-0326 Federal Unemployment Benefits and Allowances			
Nondefense Mandatory Appropriation	1,132	5.1	58
012-05-8042 Unemployment Trust Fund			
Nondefense Discretionary Appropriation	4,363	5.0	218
Nondefense Mandatory Administrative expenses in otherwise exempt resources	92	5.1	5
Nondefense Mandatory Appropriation	46,851	5.1	2,389
<i>Account Total</i>	<u>51,306</u>		<u>2,612</u>
Employee Benefits Security Administration			
012-11-1700 Salaries and Expenses			
Nondefense Discretionary Appropriation	184	5.0	9
Pension Benefit Guaranty Corporation			
012-12-4204 Pension Benefit Guaranty Corporation Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	118	5.1	6
Office of Workers' Compensation Programs			
012-15-0163 Salaries and Expenses			
Nondefense Discretionary Appropriation	117	5.0	6
012-15-0169 Special Benefits for Disabled Coal Miners			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	5	5.1	*
012-15-1524 Administrative Expenses, Energy Employees Occupational Illness Compensation Fund			
Defense Mandatory Appropriation	129	7.9	10
Defense Mandatory Unobligated balance in 050	2	7.9	*
<i>Account Total</i>	<u>131</u>		<u>10</u>
012-15-8144 Black Lung Disability Trust Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	59	5.1	3
012-15-9971 Special Workers' Compensation Expenses			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Wage and Hour Division			
012-16-0143 Salaries and Expenses			
Nondefense Discretionary Appropriation	228	5.0	11
Nondefense Discretionary Spending authority	3	5.0	*
<i>Account Total</i>	<u>231</u>		<u>12</u>
012-16-5393 H-1 B and L Fraud Prevention and Detection			
Nondefense Mandatory Appropriation	35	5.1	2
Occupational Safety and Health Administration			
012-18-0400 Salaries and Expenses			
Nondefense Discretionary Appropriation	568	5.0	28
Mine Safety and Health Administration			
012-19-1200 Salaries and Expenses			
Nondefense Discretionary Appropriation	376	5.0	19
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>377</u>		<u>19</u>
Bureau of Labor Statistics			
012-20-0200 Salaries and Expenses			
Nondefense Discretionary Appropriation	545	5.0	27
Office of Federal Contract Compliance Programs			
012-22-0148 Salaries and Expenses			
Nondefense Discretionary Appropriation	106	5.0	5
Office of Labor Management Standards			
012-23-0150 Salaries and Expenses			
Nondefense Discretionary Appropriation	41	5.0	2
Departmental Management			
012-25-0106 Office of the Inspector General			
Nondefense Discretionary Appropriation	78	5.0	4
012-25-0162 Information Technology Modernization			
Nondefense Discretionary Appropriation	20	5.0	1
012-25-0164 Veterans Employment and Training			
Nondefense Discretionary Appropriation	53	5.0	3
012-25-0165 Salaries and Expenses			
Nondefense Discretionary Appropriation	348	5.0	17
012-25-0166 Office of Disability Employment Policy			
Nondefense Discretionary Appropriation	39	5.0	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of State			
Administration of Foreign Affairs			
014-05-0113 Diplomatic and Consular Programs			
Nondefense Discretionary Appropriation	10,966	5.0	548
Nondefense Discretionary Spending authority	2,290	5.0	115
Nondefense Mandatory Appropriation	35	5.1	2
<i>Account Total</i>	<u>13,291</u>		<u>665</u>
014-05-0120 Capital Investment Fund			
Nondefense Discretionary Appropriation	60	5.0	3
014-05-0121 Conflict Stabilization Operations			
Nondefense Discretionary Appropriation	8	5.0	*
014-05-0209 Educational and Cultural Exchange Programs			
Nondefense Discretionary Appropriation	602	5.0	30
014-05-0520 Protection of Foreign Missions and Officials			
Nondefense Discretionary Appropriation	27	5.0	1
014-05-0522 Emergencies in the Diplomatic and Consular Service			
Nondefense Discretionary Appropriation	9	5.0	*
014-05-0523 Payment to the American Institute in Taiwan			
Nondefense Discretionary Appropriation	21	5.0	1
014-05-0529 Office of the Inspector General			
Nondefense Discretionary Appropriation	129	5.0	6
014-05-0535 Embassy Security, Construction, and Maintenance			
Nondefense Discretionary Appropriation	1,579	5.0	79
014-05-0545 Representation Allowances			
Nondefense Discretionary Appropriation	7	5.0	*
014-05-0601 Repatriation Loans Program Account			
Nondefense Discretionary Appropriation	1	5.0	*
International Organizations and Conferences			
014-10-1124 Contributions for International Peacekeeping Activities			
Nondefense Discretionary Appropriation	1,839	5.0	92
014-10-1126 Contributions to International Organizations			
Nondefense Discretionary Appropriation	1,560	5.0	78
International Commissions			
014-15-1069 Salaries and Expenses, IBWC			
Nondefense Discretionary Appropriation	45	5.0	2
014-15-1078 Construction, IBWC			
Nondefense Discretionary Appropriation	32	5.0	2
014-15-1082 American Sections, International Commissions			
Nondefense Discretionary Appropriation	12	5.0	1
014-15-1087 International Fisheries Commissions			
Nondefense Discretionary Appropriation	37	5.0	2
Other			
014-25-0040 United States Emergency Refugee and Migration Assistance Fund			
Nondefense Discretionary Appropriation	27	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
014-25-0202 East-West Center			
Nondefense Discretionary Appropriation	17	5.0	1
014-25-0210 National Endowment for Democracy			
Nondefense Discretionary Appropriation	118	5.0	6
014-25-0525 Payment to the Asia Foundation			
Nondefense Discretionary Appropriation	17	5.0	1
014-25-1015 Complex Crises Fund			
Nondefense Discretionary Appropriation	40	5.0	2
014-25-1022 International Narcotics Control and Law Enforcement			
Nondefense Discretionary Appropriation	2,051	5.0	103
014-25-1031 Global Health Programs			
Nondefense Discretionary Appropriation	8,218	5.0	411
014-25-1121 Democracy Fund			
Nondefense Discretionary Appropriation	115	5.0	6
014-25-1143 Migration and Refugee Assistance			
Nondefense Discretionary Appropriation	1,885	5.0	94
014-25-8276 Israeli Arab and Eisenhower Exchange Fellowship Programs			
Nondefense Discretionary Appropriation	1	5.0	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Transportation			
Office of the Secretary			
021-04-0102 Salaries and Expenses			
Nondefense Discretionary Appropriation	103	5.0	5
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>104</u>		<u>5</u>
021-04-0116 Financial Management Capital			
Nondefense Discretionary Appropriation	5	5.0	*
021-04-0118 Office of Civil Rights			
Nondefense Discretionary Appropriation	9	5.0	*
021-04-0119 Minority Business Outreach			
Nondefense Discretionary Appropriation	3	5.0	*
021-04-0142 Transportation Planning, Research, and Development			
Nondefense Discretionary Appropriation	9	5.0	*
021-04-0143 National Infrastructure Investments			
Nondefense Discretionary Appropriation	503	5.0	25
021-04-0155 Minority Business Resource Center Program			
Nondefense Discretionary Appropriation	1	5.0	*
021-04-0159 Cyber Security Initiatives			
Nondefense Discretionary Appropriation	10	5.0	1
021-04-1730 Research and Development			
Nondefense Discretionary Appropriation	16	5.0	1
021-04-5423 Essential Air Service and Rural Airport Improvement Fund			
Nondefense Mandatory Appropriation	50	5.1	3
021-04-8304 Payments to Air Carriers			
Nondefense Discretionary Appropriation	144	5.0	7
Federal Aviation Administration			
021-12-1301 Operations			
Nondefense Discretionary Appropriation	4,621	5.0	231
Nondefense Discretionary Spending authority	10	5.0	1
<i>Account Total</i>	<u>4,631</u>		<u>232</u>
021-12-4120 Aviation Insurance Revolving Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
021-12-8104 Trust Fund Share of FAA Activities (Airport and Airway Trust Fund)			
Nondefense Discretionary Appropriation	5,092	5.0	255
021-12-8106 Grants-in-aid for Airports (Airport and Airway Trust Fund)			
Nondefense Discretionary Spending authority	1	5.0	*
021-12-8107 Facilities and Equipment (Airport and Airway Trust Fund)			
Nondefense Discretionary Appropriation	2,778	5.0	139
Nondefense Discretionary Spending authority	62	5.0	3
<i>Account Total</i>	<u>2,840</u>		<u>142</u>
021-12-8108 Research, Engineering and Development (Airport and Airway Trust Fund)			
Nondefense Discretionary Appropriation	169	5.0	8
Federal Highway Administration			
021-15-0500 Emergency Relief Program			
Nondefense Discretionary Appropriation	2,022	5.0	101

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
021-15-0534 Payment to the Transportation Trust Fund			
Nondefense Mandatory Appropriation	6,200	5.1	316
021-15-8083 Federal-aid Highways			
Nondefense Mandatory Contract authority	739	5.1	38
Federal Motor Carrier Safety Administration			
021-17-8159 Motor Carrier Safety Operations and Programs			
Nondefense Discretionary Spending authority	27	5.0	1
National Highway Traffic Safety Administration			
021-18-0650 Operations and Research			
Nondefense Discretionary Appropriation	141	5.0	7
Federal Railroad Administration			
021-27-0121 Operating Subsidy Grants to the National Railroad Passenger Corporation			
Nondefense Discretionary Appropriation	469	5.0	23
021-27-0125 Capital and Debt Service Grants to the National Railroad Passenger Corporation			
Nondefense Discretionary Appropriation	958	5.0	48
021-27-0700 Safety and Operations			
Nondefense Discretionary Appropriation	180	5.0	9
021-27-0704 Grants to the National Railroad Passenger Corporation			
Nondefense Discretionary Appropriation	118	5.0	6
021-27-0745 Railroad Research and Development			
Nondefense Discretionary Appropriation	35	5.0	2
Federal Transit Administration			
021-36-1120 Administrative Expenses			
Nondefense Discretionary Appropriation	99	5.0	5
021-36-1128 Washington Metropolitan Area Transit Authority			
Nondefense Discretionary Appropriation	151	5.0	8
021-36-1134 Capital Investment Grants			
Nondefense Discretionary Appropriation	1,923	5.0	96
021-36-1137 Research and University Research Centers			
Nondefense Discretionary Appropriation	44	5.0	2
021-36-1140 Public Transportation Emergency Relief Program			
Nondefense Discretionary Appropriation	10,894	5.0	545
Saint Lawrence Seaway Development Corporation			
021-40-8003 Operations and Maintenance			
Nondefense Discretionary Appropriation	32	5.0	2
Pipeline and Hazardous Materials Safety Administration			
021-50-1400 Operational Expenses			
Nondefense Discretionary Appropriation	20	5.0	1
021-50-1401 Hazardous Materials Safety			
Nondefense Discretionary Appropriation	42	5.0	2
021-50-5172 Pipeline Safety			
Nondefense Discretionary Appropriation	92	5.0	5
021-50-5282 Emergency Preparedness Grants			
Nondefense Mandatory Appropriation	28	5.1	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
021-50-8121 Trust Fund Share of Pipeline Safety			
Nondefense Discretionary Appropriation	19	5.0	1
Office of Inspector General			
021-56-0130 Salaries and Expenses			
Nondefense Discretionary Appropriation	86	5.0	4
Surface Transportation Board			
021-61-0301 Salaries and Expenses			
Nondefense Discretionary Appropriation	28	5.0	1
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>29</u>		<u>2</u>
Maritime Administration			
021-70-1711 Maritime Security Program			
Defense Discretionary Appropriation	175	7.8	14
Defense Discretionary Unobligated balance in 050	4	7.8	*
<i>Account Total</i>	<u>179</u>		<u>14</u>
021-70-1750 Operations and Training			
Nondefense Discretionary Appropriation	157	5.0	8
021-70-1751 Ocean Freight Differential			
Nondefense Mandatory Borrowing authority	135	5.1	7
021-70-1752 Maritime Guaranteed Loan (title XI) Program Account			
Nondefense Discretionary Appropriation	4	5.0	*
021-70-1768 Ship Disposal			
Nondefense Discretionary Appropriation	6	5.0	*
021-70-1770 Assistance to Small Shipyards			
Nondefense Discretionary Appropriation	10	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of the Treasury			
Financial Crimes Enforcement Network			
015-04-0173 Salaries and Expenses			
Nondefense Discretionary Appropriation	111	5.0	6
Departmental Offices			
015-05-0101 Salaries and Expenses			
Nondefense Discretionary Appropriation	310	5.0	16
015-05-0106 Office of Inspector General			
Nondefense Discretionary Appropriation	30	5.0	2
015-05-0119 Treasury Inspector General for Tax Administration			
Nondefense Discretionary Appropriation	153	5.0	8
015-05-0123 Terrorism Insurance Program			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
015-05-0126 GSE Mortgage-Backed Securities Purchase Program Account			
Nondefense Mandatory Appropriation	11	5.1	1
015-05-0140 Grants for Specified Energy Property in Lieu of Tax Credits, Recovery Act			
Nondefense Mandatory Appropriation	3,671	5.1	187
015-05-0141 Small Business Lending Fund Program Account			
Nondefense Mandatory Appropriation	26	5.1	1
015-05-1881 Community Development Financial Institutions Fund Program Account			
Nondefense Discretionary Appropriation	222	5.0	11
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>223</u>		<u>11</u>
015-05-5081 Presidential Election Campaign Fund			
Nondefense Mandatory Appropriation	34	5.1	2
015-05-5590 Financial Research Fund			
Nondefense Mandatory Appropriation	158	5.1	8
015-05-5697 Treasury Forfeiture Fund			
Nondefense Mandatory Appropriation	583	5.1	30
Fiscal Service			
015-12-0520 Salaries and Expenses, Fiscal Service			
Nondefense Discretionary Appropriation	393	5.0	20
Nondefense Discretionary Spending authority	1	5.0	*
Nondefense Mandatory Administrative expenses in otherwise exempt resources	68	5.1	3
<i>Account Total</i>	<u>462</u>		<u>23</u>
015-12-1710 Payment of Government Losses in Shipment			
Nondefense Mandatory Appropriation	1	5.1	*
015-12-1825 Payment to FRA for AMTRAK Debt Restructuring			
Nondefense Mandatory Appropriation	59	5.1	3
015-12-8209 Cheyenne River Sioux Tribe Terrestrial Wildlife Habitat Restoration Trust Fund			
Nondefense Mandatory Appropriation	2	5.1	*
Alcohol and Tobacco Tax and Trade Bureau			
015-13-1008 Salaries and Expenses			
Nondefense Discretionary Appropriation	100	5.0	5
Nondefense Discretionary Spending authority	4	5.0	*
<i>Account Total</i>	<u>104</u>		<u>5</u>

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Corps of Engineers--Civil Works			
202-00-3112 Mississippi River and Tributaries			
Nondefense Discretionary Appropriation	252	5.0	13
202-00-3121 Investigations			
Nondefense Discretionary Appropriation	176	5.0	9
202-00-3122 Construction			
Nondefense Discretionary Appropriation	5,007	5.0	250
202-00-3123 Operation and Maintenance			
Nondefense Discretionary Appropriation	2,448	5.0	122
202-00-3124 Expenses			
Nondefense Discretionary Appropriation	196	5.0	10
202-00-3125 Flood Control and Coastal Emergencies			
Nondefense Discretionary Appropriation	1,035	5.0	52
202-00-3126 Regulatory Program			
Nondefense Discretionary Appropriation	194	5.0	10
202-00-3130 Formerly Utilized Sites Remedial Action Program			
Defense Discretionary Appropriation	110	7.8	9
Defense Discretionary Unobligated balance in 050	4	7.8	*
<i>Account Total</i>	<u>114</u>		<u>9</u>
202-00-3132 Office of the Assistant Secretary of the Army for Civil Works			
Defense Discretionary Appropriation	5	7.8	*
202-00-4902 Revolving Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
202-00-8217 South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund			
Nondefense Mandatory Appropriation	5	5.1	*
202-00-8333 Coastal Wetlands Restoration Trust Fund			
Nondefense Mandatory Appropriation	81	5.1	4
202-00-8861 Inland Waterways Trust Fund			
Nondefense Discretionary Appropriation	77	5.0	4
202-00-8862 Rivers and Harbors Contributed Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	267	5.1	14
202-00-8863 Harbor Maintenance Trust Fund			
Nondefense Discretionary Appropriation	882	5.0	44
202-00-9921 Permanent Appropriations			
Nondefense Mandatory Appropriation	21	5.1	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Other Defense Civil Programs			
American Battle Monuments Commission			
200-15-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	77	5.0	4
Armed Forces Retirement Home			
200-20-8522 Armed Forces Retirement Home			
Nondefense Discretionary Appropriation	62	5.0	3
Cemeterial Expenses			
200-25-1805 Salaries and Expenses			
Nondefense Discretionary Appropriation	46	5.0	2
Forest and Wildlife Conservation, Military Reservations			
200-30-5095 Wildlife Conservation			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
Selective Service System			
200-45-0400 Salaries and Expenses			
Defense Discretionary Appropriation	24	7.8	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Environmental Protection Agency			
020-00-0103 State and Tribal Assistance Grants			
Nondefense Discretionary Appropriation	4,190	5.0	210
020-00-0107 Science and Technology			
Nondefense Discretionary Appropriation	799	5.0	40
020-00-0108 Environmental Programs and Management			
Nondefense Discretionary Appropriation	2,696	5.0	135
020-00-0110 Buildings and Facilities			
Nondefense Discretionary Appropriation	37	5.0	2
020-00-0112 Office of Inspector General			
Nondefense Discretionary Appropriation	42	5.0	2
020-00-4310 Reregistration and Expedited Processing Revolving Fund			
Nondefense Mandatory Spending authority	28	5.1	1
020-00-5374 Pesticide Registration Fund			
Nondefense Discretionary Appropriation	15	5.0	1
020-00-8145 Hazardous Substance Superfund			
Nondefense Discretionary Appropriation	1,218	5.0	61
Nondefense Discretionary Spending authority	240	5.0	12
Nondefense Mandatory Appropriation	25	5.1	1
<i>Account Total</i>	<u>1,483</u>		<u>74</u>
020-00-8153 Leaking Underground Storage Tank Trust Fund			
Nondefense Discretionary Appropriation	110	5.0	6
020-00-8221 Inland Oil Spill Programs			
Nondefense Discretionary Appropriation	18	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Executive Office of the President			
The White House			
100-05-0209 The White House			
Nondefense Discretionary Appropriation	57	5.0	3
Executive Residence at the White House			
100-10-0109 White House Repair and Restoration			
Nondefense Discretionary Appropriation	1	5.0	*
100-10-0210 Operating Expenses			
Nondefense Discretionary Appropriation	13	5.0	1
Nondefense Discretionary Spending authority	3	5.0	*
<i>Account Total</i>	16		1
Special Assistance to the President and the Official Residence of the Vice President			
100-15-1454 Special Assistance to the President and the Official Residence of the Vice President			
Nondefense Discretionary Appropriation	5	5.0	*
Council of Economic Advisers			
100-20-1900 Salaries and Expenses			
Nondefense Discretionary Appropriation	4	5.0	*
Council on Environmental Quality and Office of Environmental Quality			
100-25-1453 Council on Environmental Quality and Office of Environmental Quality			
Nondefense Discretionary Appropriation	3	5.0	*
National Security Council and Homeland Security Council			
100-35-2000 Salaries and Expenses			
Nondefense Discretionary Appropriation	13	5.0	1
Office of Administration			
100-50-0038 Salaries and Expenses			
Nondefense Discretionary Appropriation	114	5.0	6
Office of Management and Budget			
100-55-0300 Office of Management and Budget			
Nondefense Discretionary Appropriation	90	5.0	5
Office of National Drug Control Policy			
100-60-1457 Office of National Drug Control Policy			
Nondefense Discretionary Appropriation	25	5.0	1
Office of Science and Technology Policy			
100-65-2600 Office of Science and Technology Policy			
Nondefense Discretionary Appropriation	5	5.0	*
Office of the United States Trade Representative			
100-70-0400 Office of the United States Trade Representative			
Nondefense Discretionary Appropriation	52	5.0	3
Unanticipated Needs			
100-95-0037 Unanticipated Needs			
Nondefense Discretionary Appropriation	1	5.0	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
General Services Administration			
Real Property Activities			
023-05-4542 Federal Buildings Fund			
Nondefense Discretionary Appropriation	7	5.0	*
023-05-5254 Disposal of Surplus Real and Related Personal Property			
Nondefense Mandatory Appropriation	9	5.1	*
Supply and Technology Activities			
023-10-5250 Expenses of Transportation Audit Contracts and Contract Administration			
Nondefense Mandatory Appropriation	13	5.1	1
General Activities			
023-30-0105 Allowances and Office Staff for Former Presidents			
Nondefense Discretionary Appropriation	3	5.0	*
023-30-0108 Office of Inspector General			
Nondefense Discretionary Appropriation	58	5.0	3
023-30-0110 Operating Expenses			
Nondefense Discretionary Appropriation	70	5.0	4
023-30-0401 Government-wide Policy			
Nondefense Discretionary Appropriation	61	5.0	3
023-30-0600 Electronic Government (E-GOV) Fund			
Nondefense Discretionary Appropriation	12	5.0	1
023-30-4549 Federal Citizen Services Fund			
Nondefense Discretionary Appropriation	34	5.0	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
International Assistance Programs			
Millennium Challenge Corporation			
184-03-2750 Millennium Challenge Corporation			
Nondefense Discretionary Appropriation	904	5.0	45
International Security Assistance			
184-05-1032 Peacekeeping Operations			
Nondefense Discretionary Appropriation	386	5.0	19
184-05-1037 Economic Support Fund			
Nondefense Discretionary Appropriation	5,675	5.0	284
184-05-1075 Nonproliferation, Antiterrorism, Demining, and Related Programs			
Nondefense Discretionary Appropriation	714	5.0	36
184-05-1081 International Military Education and Training			
Nondefense Discretionary Appropriation	106	5.0	5
184-05-1082 Foreign Military Financing Program			
Nondefense Discretionary Appropriation	6,344	5.0	317
184-05-1083 Pakistan Counterinsurgency Capability Fund			
Nondefense Discretionary Appropriation	850	5.0	43
Multilateral Assistance			
184-10-0071 Strategic Climate Fund			
Nondefense Discretionary Appropriation	50	5.0	3
184-10-0072 Contribution to the Inter-American Development Bank			
Nondefense Discretionary Appropriation	80	5.0	4
184-10-0073 Contribution to the International Development Association			
Nondefense Discretionary Appropriation	1,501	5.0	75
184-10-0076 Contribution to the Asian Development Bank			
Nondefense Discretionary Appropriation	208	5.0	10
184-10-0077 Contribution to the International Bank for Reconstruction and Development			
Nondefense Discretionary Appropriation	208	5.0	10
184-10-0080 Clean Technology Fund			
Nondefense Discretionary Appropriation	186	5.0	9
184-10-0082 Contribution to the African Development Bank			
Nondefense Discretionary Appropriation	214	5.0	11
184-10-0089 Contribution to Enterprise for the Americas Multilateral Investment Fund			
Nondefense Discretionary Appropriation	25	5.0	1
184-10-0091 Debt Restructuring			
Nondefense Discretionary Appropriation	12	5.0	1
184-10-1005 International Organizations and Programs			
Nondefense Discretionary Appropriation	351	5.0	18
184-10-1039 Contributions to the International Fund for Agricultural Development			
Nondefense Discretionary Appropriation	30	5.0	2
184-10-1045 International Affairs Technical Assistance Program			
Nondefense Discretionary Appropriation	27	5.0	1
184-10-1475 Global Food Security Fund			
Nondefense Discretionary Appropriation	136	5.0	7

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
National Aeronautics and Space Administration			
026-00-0109 Office of Inspector General			
Nondefense Discretionary Appropriation	39	5.0	2
026-00-0115 Space Operations			
Nondefense Discretionary Appropriation	4,247	5.0	212
026-00-0120 Science			
Nondefense Discretionary Appropriation	5,116	5.0	256
026-00-0122 Cross Agency Support			
Nondefense Discretionary Appropriation	3,012	5.0	151
026-00-0124 Exploration			
Nondefense Discretionary Appropriation	3,790	5.0	190
026-00-0126 Aeronautics			
Nondefense Discretionary Appropriation	573	5.0	29
026-00-0128 Education			
Nondefense Discretionary Appropriation	137	5.0	7
026-00-0130 Construction, Environmental Compliance, and Remediation			
Nondefense Discretionary Appropriation	402	5.0	20
026-00-0131 Space Technology			
Nondefense Discretionary Appropriation	579	5.0	29
026-00-8978 Science, Space, and Technology Education Trust Fund			
Nondefense Mandatory Appropriation	1	5.1	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Office of Personnel Management			
027-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	99	5.0	5
027-00-0400 Office of Inspector General			
Nondefense Discretionary Appropriation	3	5.0	*
027-00-0800 Flexible Benefits Plan Reserve			
Nondefense Mandatory Spending authority	30	5.1	2
027-00-8135 Civil Service Retirement and Disability Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	48	5.1	2
027-00-8424 Employees Life Insurance Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
027-00-9981 Employees and Retired Employees Health Benefits Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	17	5.1	1

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Small Business Administration			
028-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	440	5.0	22
028-00-0200 Office of Inspector General			
Nondefense Discretionary Appropriation	21	5.0	1
028-00-0300 Office of Advocacy			
Nondefense Discretionary Appropriation	9	5.0	*
028-00-1152 Disaster Loans Program Account			
Nondefense Discretionary Appropriation	896	5.0	45
028-00-1154 Business Loans Program Account			
Nondefense Discretionary Appropriation	487	5.0	24

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Social Security Administration			
016-00-0400 Office of the Inspector General			
Nondefense Discretionary Appropriation	29	5.0	1
016-00-8006 Federal Old-age and Survivors Insurance Trust Fund			
Nondefense Discretionary Appropriation	2,744	5.0	137
016-00-8007 Federal Disability Insurance Trust Fund			
Nondefense Discretionary Appropriation	2,954	5.0	148

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Access Board			
Architectural and Transportation Barriers Compliance Board			
310-00-3200 Salaries and Expenses			
Nondefense Discretionary Appropriation	7	5.0	*
Administrative Conference of the United States			
302-00-1700 Salaries and Expenses			
Nondefense Discretionary Appropriation	3	5.0	*
Advisory Council on Historic Preservation			
306-00-2300 Salaries and Expenses			
Nondefense Discretionary Appropriation	6	5.0	*
Affordable Housing Program			
530-00-5528 Affordable Housing Program			
Nondefense Mandatory Appropriation	198	5.1	10
Appalachian Regional Commission			
309-00-0200 Appalachian Regional Commission			
Nondefense Discretionary Appropriation	64	5.0	3
309-00-9971 Miscellaneous Trust Funds			
Nondefense Mandatory Appropriation	8	5.1	*
Broadcasting Board of Governors			
514-00-0204 Broadcasting Capital Improvements			
Nondefense Discretionary Appropriation	7	5.0	*
514-00-0206 International Broadcasting Operations			
Nondefense Discretionary Appropriation	749	5.0	37
Bureau of Consumer Financial Protection			
581-00-5577 Bureau of Consumer Financial Protection Fund			
Nondefense Mandatory Appropriation	448	5.1	23
Chemical Safety and Hazard Investigation Board			
510-00-3850 Chemical Safety and Hazard Investigation Board			
Nondefense Discretionary Appropriation	11	5.0	1
Christopher Columbus Fellowship Foundation			
465-00-0100 Payment to the Christopher Columbus Fellowship Foundation			
Nondefense Discretionary Appropriation	*	5.0	*
Commission of Fine Arts			
323-00-2600 Salaries and Expenses			
Nondefense Discretionary Appropriation	2	5.0	*
323-00-2602 National Capital Arts and Cultural Affairs			
Nondefense Discretionary Appropriation	2	5.0	*
Commission on Civil Rights			
326-00-1900 Salaries and Expenses			
Nondefense Discretionary Appropriation	9	5.0	*
Committee for Purchase from People Who Are Blind or Severely Disabled			
Committee for Purchase from People who are Blind or Severely Disabled, activities			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
338-00-2000 Salaries and Expenses			
Nondefense Discretionary Appropriation	5	5.0	*
Commodity Futures Trading Commission			
339-00-1400 Commodity Futures Trading Commission			
Nondefense Discretionary Appropriation	206	5.0	10
339-00-4334 Customer Protection Fund			
Nondefense Mandatory Spending authority	13	5.1	1
Consumer Product Safety Commission			
343-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	115	5.0	6
Corporation for National and Community Service			
485-00-2721 Inspector General			
Nondefense Discretionary Appropriation	4	5.0	*
485-00-2722 Salaries and Expenses			
Nondefense Discretionary Appropriation	83	5.0	4
485-00-2726 Payment to National Service Trust Fund			
Nondefense Discretionary Appropriation	213	5.0	11
485-00-2728 Operating Expenses			
Nondefense Discretionary Appropriation	755	5.0	38
Corporation for Public Broadcasting			
344-00-0151 Corporation for Public Broadcasting			
Nondefense Discretionary Advance appropriation	445	5.0	22
Corporation for Travel Promotion			
580-00-5585 Travel Promotion Fund			
Nondefense Mandatory Appropriation	100	5.1	5
Court Services and Offender Supervision Agency for the District of Columbia			
511-00-1733 Public Defender Service for the District of Columbia			
Nondefense Discretionary Appropriation	37	5.0	2
511-00-1734 Federal Payment to Court Services and Offender Supervision Agency for the District of Columbia			
Nondefense Discretionary Appropriation	214	5.0	11
Defense Nuclear Facilities Safety Board			
347-00-3900 Salaries and Expenses			
Defense Discretionary Appropriation	29	7.8	2
Defense Discretionary Unobligated balance in 050	1	7.8	*
<i>Account Total</i>	30		2
Delta Regional Authority			
517-00-0750 Delta Regional Authority			
Nondefense Discretionary Appropriation	12	5.0	1
Denali Commission			
513-00-1200 Denali Commission			
Nondefense Discretionary Appropriation	12	5.0	1
513-00-8056 Denali Commission Trust Fund			
Nondefense Discretionary Appropriation	4	5.0	*
District of Columbia			

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
District of Columbia Courts			
349-10-1712 Federal Payment to the District of Columbia Courts			
Nondefense Discretionary Appropriation	234	5.0	12
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>235</u>		<u>12</u>
349-10-1736 Defender Services in District of Columbia Courts			
Nondefense Discretionary Appropriation	55	5.0	3
349-10-8212 District of Columbia Judicial Retirement and Survivors Annuity Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
District of Columbia General and Special Payments			
349-30-1707 Federal Support for Economic Development and Management Reforms in the District			
Nondefense Discretionary Appropriation	23	5.0	1
349-30-1736 Federal Payment for Resident Tuition Support			
Nondefense Discretionary Appropriation	30	5.0	2
349-30-1771 Federal Payment for Emergency Planning and Security Cost in the District of Columbia			
Nondefense Discretionary Appropriation	25	5.0	1
349-30-1817 Federal Payment for School Improvement			
Nondefense Discretionary Appropriation	60	5.0	3
349-30-5511 District of Columbia Federal Pension Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	17	5.1	1
Election Assistance Commission			
525-00-1650 Salaries and Expenses			
Nondefense Discretionary Appropriation	9	5.0	*
Electric Reliability Organization			
531-00-5522 Electric Reliability Organization			
Nondefense Mandatory Appropriation	100	5.1	5
Equal Employment Opportunity Commission			
350-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	362	5.0	18
350-00-4019 EEOC Education, Technical Assistance, and Training Revolving Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	4	5.1	*
Export-Import Bank of the United States			
351-00-0105 Inspector General of the Export-Import Bank			
Nondefense Discretionary Appropriation	4	5.0	*
Farm Credit System Insurance Corporation			
355-00-4171 Farm Credit System Insurance Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	4	5.1	*
Federal Communications Commission			
356-00-0100 Salaries and Expenses			
Nondefense Discretionary Spending authority	342	5.0	17
356-00-0300 Spectrum Auction Program Account			
Nondefense Mandatory Appropriation	4	5.1	*
Federal Deposit Insurance Corporation			
Orderly Liquidation			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
357-35-5586 Orderly Liquidation Fund			
Nondefense Mandatory Appropriation	161	5.1	8
Nondefense Mandatory Borrowing authority	1,354	5.1	69
<i>Account Total</i>	<u>1,515</u>		<u>77</u>
Federal Drug Control Programs			
154-00-1070 High-intensity Drug Trafficking Areas Program			
Nondefense Discretionary Appropriation	240	5.0	12
154-00-1460 Other Federal Drug Control Programs			
Nondefense Discretionary Appropriation	101	5.0	5
Federal Election Commission			
360-00-1600 Salaries and Expenses			
Nondefense Discretionary Appropriation	67	5.0	3
Federal Financial Institutions Examination Council			
Federal Financial Institutions Examination Council Appraisal Subcommittee			
362-20-5026 Registry Fees			
Nondefense Mandatory Appropriation	2	5.1	*
Federal Labor Relations Authority			
365-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	25	5.0	1
Federal Maritime Commission			
366-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	24	5.0	1
Federal Mediation and Conciliation Service			
367-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	46	5.0	2
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>47</u>		<u>2</u>
Federal Mine Safety and Health Review Commission			
368-00-2800 Salaries and Expenses			
Nondefense Discretionary Appropriation	18	5.0	1
Federal Trade Commission			
370-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	185	5.0	9
Nondefense Discretionary Spending authority	129	5.0	6
<i>Account Total</i>	<u>314</u>		<u>16</u>
Harry S Truman Scholarship Foundation			
372-00-0950 Payment to the Harry S. Truman Scholarship Memorial Trust Fund			
Nondefense Discretionary Appropriation	1	5.0	*
Institute of American Indian and Alaska Native Culture and Arts Development			
373-00-2900 Payment to the Institute			
Nondefense Discretionary Appropriation	9	5.0	*
Institute of Museum and Library Services			
474-00-0300 Office of Museum and Library Services: Grants and Administration			
Nondefense Discretionary Appropriation	233	5.0	12
Intelligence Community Management Account			

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
526-00-5376 Public Company Accounting Oversight Board			
Nondefense Discretionary Appropriation	1	5.0	*
Nondefense Mandatory Appropriation	236	5.1	12
<i>Account Total</i>	<u>237</u>		<u>12</u>
Standard Setting Body			
527-00-5377 Payment to Standard Setting Body			
Nondefense Mandatory Appropriation	25	5.1	1
Securities Investor Protection Corporation			
576-00-5600 Securities Investor Protection Corporation			
Nondefense Mandatory Appropriation	299	5.1	15
Smithsonian Institution			
452-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	642	5.0	32
452-00-0103 Facilities Capital			
Nondefense Discretionary Appropriation	176	5.0	9
452-00-0200 Salaries and Expenses, National Gallery of Art			
Nondefense Discretionary Appropriation	115	5.0	6
452-00-0201 Repair, Restoration, and Renovation of Buildings, National Gallery of Art			
Nondefense Discretionary Appropriation	15	5.0	1
452-00-0302 Operations and Maintenance, JFK Center for the Performing Arts			
Nondefense Discretionary Appropriation	23	5.0	1
452-00-0303 Capital Repair and Restoration, JFK Center for the Performing Arts			
Nondefense Discretionary Appropriation	14	5.0	1
452-00-0400 Salaries and Expenses, Woodrow Wilson International Center for Scholars			
Nondefense Discretionary Appropriation	11	5.0	1
State Justice Institute			
453-00-0052 State Justice Institute: Salaries and Expenses			
Nondefense Discretionary Appropriation	5	5.0	*
Tennessee Valley Authority			
455-00-4110 Tennessee Valley Authority Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	455	5.1	23
United States Court of Appeals for Veterans Claims			
345-00-0300 Salaries and Expenses			
Nondefense Discretionary Appropriation	31	5.0	2
United States Holocaust Memorial Museum			
456-00-3300 Holocaust Memorial Museum			
Nondefense Discretionary Appropriation	51	5.0	3
United States Institute of Peace			
458-00-1300 Operating Expenses			
Nondefense Discretionary Appropriation	39	5.0	2
United States Interagency Council on Homelessness			
376-00-1300 United States Interagency Council on the Homelessness			
Nondefense Discretionary Appropriation	3	5.0	*
Vietnam Education Foundation			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
519-00-5365 Vietnam Debt Repayment Fund Nondefense Mandatory Appropriation	5	5.1	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
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Amounts may not sum to total due to rounding.

Mandatory Federal administrative expenses of otherwise exempt accounts are sequestrable pursuant to section 251A(8) and section 256(h) of BBEDCA.

Pursuant to section 255(f) of BBEDCA, the President notified the Congress of his decision to exempt all military personnel accounts from sequester for FY 2013. See the July 31, 2012 letter to the Congress, available at <http://www.whitehouse.gov/sites/default/files/omb/legislative/letters/military-personnel-letter-biden.pdf>.

Unobligated balances of budget authority carried over from prior fiscal years in defense function 050 accounts are sequestrable.

For intragovernmental payments, sequestration is applied to the paying account. The funds are generally exempt in the receiving account in accordance with section 255(g)(1)(A) of BBEDCA so that the same dollars are not sequestered twice.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Jerry Brown
Governor
State of California
Sacramento, CA 95814

Dear Governor Brown:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in California.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy could be forced to cancel maintenance on 5 ships in San Diego and aircraft maintenance in North Island. The Army would lose \$54 million in base operations funding across California, including cuts at the Presidio of Monterrey and Fort Irwin. Operations at Sierra Army Depot could experience a reduction of as much as \$167 million. The Air Force would suffer a cut of at least \$26 million to their operations in the State, including reductions in facilities projects at Beale, Edwards, Travis, and Vandenberg Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in California as we compile a more complete list.

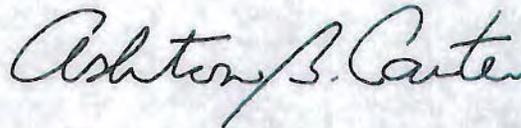


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 64,000 DoD civilian employees who work in California. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$420 million just in California.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink and is centered on the page.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Robert Bentley
Governor
State of Alabama
Montgomery, AL 36130

Dear Governor Bentley:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Alabama.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$91 million in base operations funding across Alabama, including cuts at Fort Rucker and Fort McClellan. Depot operations at Anniston could experience a reduction of as much as \$710 million. The Air Force would suffer a cut of at least \$8 million to their operations in the State, including reductions in facilities projects at Maxwell Air Force Base. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Alabama as we compile a more complete list.

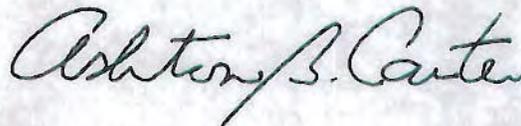


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 27,000 DoD civilian employees who work in Alabama. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$184 million just in Alabama.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Jay Inslee
Governor
State of Washington
Olympia, WA 98504

Dear Governor Inslee:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in the State of Washington.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$124 million in base operations funding across Washington, including cuts at Joint Base Lewis-McCord. The Air Force would suffer a cut of at least \$3 million, including reductions in facilities projects at Fairchild Air Force Base. The Navy would face cancellation of aircraft depot maintenance at Whidbey Island and a demolition project in Bremerton. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Washington as we compile a more complete list.

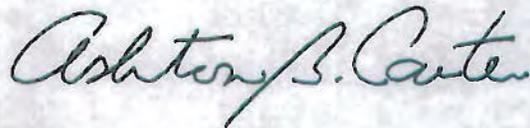


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 29,000 DoD civilian employees who work in Washington. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$175 million just in Washington State.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink and is centered on the page.



**DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010**

MAR 01 2013

The Honorable Rick Perry
Governor
State of Texas
Austin, TX 78701

Dear Governor Perry:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Texas.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$233 million in base operations funding across Texas, including cuts at Fort Bliss, Fort Hood, and Fort Sam Houston. Depot operations at Red River and Corpus Christi could experience a reduction of as much as \$1.4 billion. The Air Force would suffer a cut of at least \$92 million, including reductions in facilities projects at Lackland, Randolph, and Sheppard Air Force Bases. The Navy and Marine Corps would face reduced procurement of the Joint Strike Fighter. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Texas as we compile a more complete list.

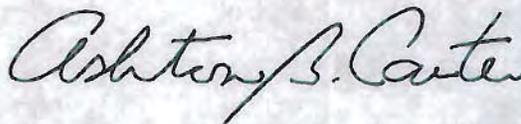


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 52,000 DoD civilian employees who work in Texas. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$291 million just in Texas.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in black ink, reading "Ashton B. Carter". The signature is written in a cursive style with a large, prominent 'A' and 'C'.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Martin O'Malley
Governor
State of Maryland
Annapolis, MD 21401

Dear Governor O'Malley:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Maryland.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$95 million in base operations funding across Maryland, including cuts at Fort Meade and Aberdeen Proving Ground. The Air Force would suffer a cut of at least \$10 million to their operations in the State, including reductions in facilities projects at Andrews Air Force Base. The Navy would face the loss of \$9 million in funding for a demolition project at Patuxent River Naval Air Station. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Maryland as we compile a more complete list.

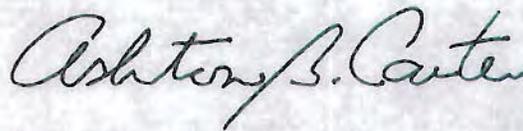


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 46,000 DoD civilian employees who work in Maryland. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$359 million just in Maryland.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

Dear Governor Corbett:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Pennsylvania.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$7 million in base operations funding across Pennsylvania, including cuts at Carlisle Barracks and Fort Indiantown Gap. In addition, depot operations at Tobyhanna and Letterkenny could experience a reduction of as much as \$751 million. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Pennsylvania as we compile a more complete list.

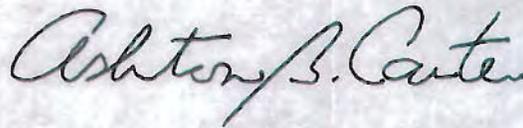


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 26,000 DoD civilian employees who work in Pennsylvania. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$155 million just in Pennsylvania.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script that reads "Ashton B. Carter". The signature is written in dark ink and is centered on the page.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Nathan Deal
Governor
State of Georgia
Atlanta, GA 30334

Dear Governor Deal:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Georgia.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$233 million in base operations funding across Georgia, including cuts at Fort Benning, Fort Gordon, and Fort Stewart. The Air Force would suffer a cut of at least \$152 million to their operations in the State, including reductions in facilities projects at Moody and Robbins Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Georgia as we compile a more complete list.

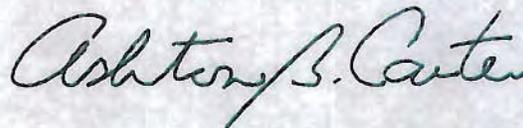


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 37,000 DoD civilian employees who work in Georgia. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$203 million just in Georgia.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink and is centered on the page.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Rick Scott
Governor
State of Florida
Tallahassee, FL 32399

Dear Governor Scott:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Florida.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy faces the loss of \$135 million in funding for aircraft depot maintenance in Jacksonville and \$3.2 million for four demolition projects in Pensacola. The Army would lose \$7 million in base operations funding across Florida, including cuts at Camp Blanding. The Air Force would suffer a cut of at least \$37 million to their operations in the State, including reductions in facilities projects at Cape Canaveral and at Eglin, MacDill, Patrick, and Tyndall Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Florida as we compile a more complete list.

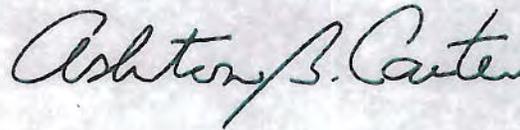


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 31,000 DoD civilian employees who work in Florida. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$185 million just in Florida.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable John Kasich
Governor
State of Ohio
Columbus, OH 43215

Dear Governor Kasich:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Ohio.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$2 million in base operations funding across Ohio, including cuts at Camp Perry. The Air Force would suffer a cut of at least \$3 million to their operations in the State, including reductions in facilities projects at Wright Patterson Air Force Base. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Ohio as we compile a more complete list.

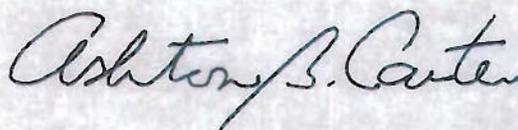
In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 26,000 DoD civilian employees who work in Ohio. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$166 million just in Ohio.



Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Robert F. McDonnell
Governor
Commonwealth of Virginia
Richmond, VA 23219

Dear Governor McDonnell:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Virginia.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy will have to cancel maintenance on 11 ships in Norfolk and to defer four projects at Dahlgren, Oceana, and Norfolk. The Army would lose \$146 million in base operations funding across Virginia, including cuts at Fort Lee and Fort Belvoir. The Air Force would suffer a cut of about \$8 million to their facilities projects at Langley Air Force Base. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Virginia as we compile a more complete list.

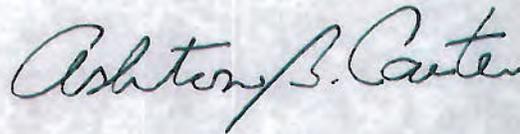


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 90,000 DoD civilian employees who work in Virginia. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$661 million just in Virginia.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 27, 2013

M-13-05

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Danny Werfel
Controller

SUBJECT: Agency Responsibilities for Implementation of Potential Joint Committee
Sequestration

Unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling \$85 billion in budgetary resources across the Federal Government. Because these cuts must be achieved over the remaining seven months of the fiscal year, the Office of Management and Budget (OMB) estimates that the effective percentage reductions are approximately 9 percent for nondefense programs and 13 percent for defense programs. These reductions will result in significant and harmful impacts to national security and domestic priorities.

The President has been clear that sequestration is bad policy that was never intended to be implemented, and the Administration remains hopeful that Congress will act to avoid it through an agreement on balanced deficit reduction. However, because legislation may not be enacted to avoid sequestration before the current deadline of March 1, 2013, executive departments and agencies (agencies) with sequestrable accounts have been engaged in planning activities to operate at the lower, post-sequestration funding levels should it be necessary.

This guidance builds on prior communications with agencies about the implementation of sequestration, and addresses questions that have been raised as to certain categories of planning activities.

Agency Planning Activities

OMB Memorandum 13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources*, directed agencies to begin planning activities to operate with reduced budgetary resources in the event that sequestration occurs. Agencies' planning efforts must be guided by the principle of protecting the agency's mission to serve the public to the greatest extent practicable. Planning efforts should be done with sufficient detail and clarity to determine the specific actions that will be taken to operate under the lower level of budgetary resources

required by sequestration. For example, agencies should identify any major contracts that they plan to cancel, re-scope or delay as well as any grants that they plan to cancel, delay, or for which they plan to change the payment amount. Similarly, agencies should identify the number of employees who will be furloughed, the length of expected furloughs, the timing of when furlough notices will be issued, and the manner in which furloughs will be administered. In some cases, agencies may not be able to ascertain all of this information prior to March 1. However, agencies should continue to engage in intense and thorough planning activities to determine all specific actions that will be taken as soon as practicable.

Communications

To the extent permitted by law, agencies should inform their various partners and stakeholders in a timely and complete manner of the impact of sequestration so that third parties are able to adjust their operations and plans as appropriate. Accordingly, at this time, agencies should be actively and continuously communicating with affected stakeholders—including States, localities, tribal governments, Federal contractors, Federal grant recipients, and Federal employees—regarding elements of the agency’s planning that have a direct impact on these groups. These communications will vary greatly by agency and by stakeholder, but agencies should be as specific as possible in order to provide sufficient detail to be helpful to these stakeholders in understanding the implications of the reduced budget authority resulting from sequestration.

With regard to any planned personnel actions to reduce Federal civilian workforce costs, consistent with Section 3(a)(ii) of Executive Order 13522, agencies must allow employees’ exclusive representatives to have pre-decisional involvement in these matters to the fullest extent practicable and permitted under the law. In particular, in instances where agencies are considering potential furloughs, agencies have a duty to notify their exclusive representatives and, upon request, bargain over any negotiable impact and implementation proposals the union may submit, unless the matter of furloughs is already covered by a collective bargaining agreement. Agencies should ensure that they are fully aware of and in compliance with any and all collective bargaining requirements, and should consult with their General Counsel or appropriate labor relations office for questions regarding these requirements and appropriate interaction with employees and unions on these matters.

Acquisition

Due to the Government’s large acquisition footprint, sequestration will inevitably affect agency contracting activities and require agencies to reduce contracting costs where appropriate. As with all actions taken as a result of sequestration, agencies should ensure that any contract actions are both cost-effective and minimize negative impact on the agency’s mission to the extent practicable.

Program, acquisition, financial/budget management, information technology, and legal personnel should work together to make determinations regarding contracts in light of sequestration. As a general matter, agencies should only enter into new contracts or exercise options when they support high-priority initiatives or where failure to do so would expose the

government to significantly greater costs in the future. Agencies may also consider de-scoping or terminating for convenience contracts that are no longer affordable within the funds available for Fiscal Year 2013, should no other options exist to reduce contracting costs in these instances. Should such steps be necessary, agencies must evaluate the associated costs and benefits of such actions, and appropriately inform and negotiate with contractors. Finally, agencies should take all appropriate steps to minimize to the extent practicable the impact on small businesses of reduced contracting activities.

Financial Assistance

Given the widespread use of grants, loans and other Federal financial assistance to non-federal entities (e.g., State, local and tribal governments, non-profit organizations, and companies), sequestration will impact the funding of these activities.

As a general matter, agencies should ensure that any new financial assistance obligations or funding increases under existing agreements are consistent with the need to protect the agency's mission at the post-sequestration level. In light of sequestration, agencies may also consider delaying awarding of new financial assistance obligations, reducing levels of continued funding, and renegotiating or reducing the current scope of assistance. Agencies may be forced to reduce the level of assistance provided through formula funds or block grants. Should any such steps be necessary, agencies should evaluate the associated costs and benefits of such actions and appropriately engage and inform recipient(s) as early as possible.

Increased Scrutiny of Certain Activities

In determining the appropriate manner to achieve funding reductions, agency heads must also ensure that their agencies have risk management strategies and internal controls in place that provide heightened scrutiny of certain types of activities funded from sequestered accounts. To the extent these accounts remain at the post-sequestration funding level, increased scrutiny should apply to:

- hiring new personnel;¹
- issuing discretionary monetary awards to employees, which should occur only if legally required until further notice; and
- incurring obligations for new training, conferences, and travel (including agency-paid travel for non-agency personnel).

In light of the reduced budgetary resources available due to sequestration, expending funds on these activities at this time would in many circumstances not be the most effective way to protect agency mission to the extent practicable. Therefore, agency leadership should review processes and controls around these activities, and ensure that these activities are conducted only

¹ Agencies must also ensure that appropriate controls are in place to prevent the increased use of contractors to perform work due to any restrictions on hiring. Agencies should bear in mind the statutory restrictions contained in 10 U.S.C. 2461 and 41 U.S.C. 1710 on the conversion of functions from performance by Federal employees to performance by contractors.

to the extent they are the most cost-effective way to maintain critical agency mission operations under sequestration.

Please contact your OMB Resource Management Office (RMO) if you have any questions about or need assistance with this guidance.



THE SECRETARY OF THE NAVY
WASHINGTON DC 20350-1000

February 22, 2013

MEMORANDUM FOR DEPARTMENT OF NAVY CIVILIAN EMPLOYEES

SUBJECT: Potential Sequestration and Possible Furlough

The Department of the Navy's civilian workforce is an incredibly talented and integral part of the Navy and Marine Corps team. Whether you are developing new weaponry for the next generation of warfighter, helping to operate and maintain our far-flung bases and stations, fixing ships or aircraft, pressing forward on auditability targets, helping Wounded Warriors heal and transition, or performing countless other critical tasks, you are vital to our mission. Our Sailors and Marines could not have responded to and sustained the brutal operational tempo of the last decade of war without the support of each and every one of you.

Budget pressures have already imposed a pay freeze on the non-uniformed members of our team, now in its third year, and most recently, a civilian hiring freeze. Now, unless Congress acts, two pending budgetary actions will force the Department to consider the possibility of employee furloughs. The two actions driving these unfortunate circumstances are:

- Sequestration – the implementation of automatic across-the-board budget cuts on 1 March 2013 to meet the statutory topline limits established in the 2012 Budget Control Act; and
- The possibility that the current Continuing Resolution, which funds U.S. government operations only through 27 March 2013, is extended through the end of this fiscal year.

When taken separately, these two actions are problematic enough; together, they create unprecedented and extraordinary budget challenges because the mindless nature of the cuts prevents us from managing to a new budget reality. We remain hopeful an agreement can be reached to avoid across-the-board reductions, pass a Department of Defense (DoD) appropriations bill, and avert this new fiscal crisis. However, given the great uncertainty we now face, simple prudence dictates that we plan for the worst case scenario—that both occur, and with little flexibility to lessen the worst impacts.

Accordingly, the Department of the Navy has taken and will continue to take steps to reach the savings targets associated with current and projected budget reductions by reducing expenditures. However, we cannot fully close the looming budget gap with these efforts alone. As a result, the Secretary of Defense reluctantly sent Congress official notification (as required by law) that we may be forced to furlough our civilian employees. Furloughs, if they occur, would not begin until mid/late April. The Congressional notification is only the first step in the planning process. Under the worst case scenario, furloughs would affect almost all DoD civilian employees and could span 176 hours (approximately 22 work days) over the rest of the fiscal year.

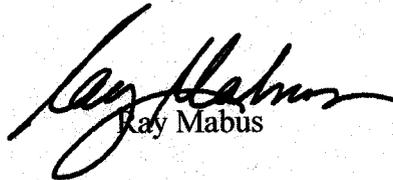
SUBJECT: Potential Sequestration and Possible Furlough

Let me emphasize that furloughing civilian employees is an action of last resort for the DoD, and one not taken lightly. We remain hopeful that the need for furloughs will ultimately be averted. However, should a Department-wide furlough become inevitable, we will individually notify personnel as required at least 30 days in advance of such action.

The impact of the potential furlough is not lost on me or the rest of the Department's leadership. We recognize that you and your families are already being impacted by the fiscal uncertainty. We will therefore continue to pursue every option to avoid them. In the meantime, we will also continue to communicate with you at every opportunity and at every level to help you understand the likelihood and implications of potential furloughs. We will post information on a dedicated webpage (links from www.donhr.navy.mil).

The days and weeks ahead will be challenging for us all. However, despite the great uncertainty facing us, I ask that you not to lose focus on our mission. We remain at war. Our Sailors and Marines depend on each one of you. It is critical that all of us continue to perform our jobs.

With great admiration and appreciation for all you do.



Kay Mabius

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000



READINESS AND
FORCE MANAGEMENT

MEMORANDUM FOR: SEE DISTRIBUTION

FEB 21 2013

SUBJECT: Total Force Management and Budgetary Uncertainty

- Reference: (a) Deputy Secretary of Defense Memorandum, "Handling Budget Uncertainty in Fiscal Year 2013", dated 10 January 2013
(b) Under Secretary of Defense of Personnel & Readiness Memorandum, "Prohibition on Converting Certain Functions to Contract Performance", dated 1 December 2011
(c) Deputy Secretary of Defense Memorandum, "Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services", dated 3 June 2012
(d) Under Secretary of Defense of Personnel & Readiness Memorandum, "Guidance Related to the Utilization of Military Manpower to Perform Certain Functions", dated 2 March 2012
(e) DoD Instruction 1100.22, "Guidance for Determining Workforce Mix", dated 12 April 2010

This memorandum provides guidance for the management of the Total Force (active and reserve military, government civilians, and contracted support) during this time of continued budget uncertainty. The Department must maintain the viability of the All-Volunteer Force and sustain its operational readiness in the most cost-conscious manner. To do so, the Department must also maintain a properly sized, highly capable civilian workforce that is aligned to mission and workload; complements and delivers support to the military; supports the well-being of the warfighters and their families; and recognizes evolving critical demands while guarding against an erosion of organic skills and an overreliance on contracted services. Finally, the use of contracted services must continue to be reviewed to ensure the most appropriate, cost effective, and efficient support aligned to mission.

As DoD Components begin to take actions consistent with reference (a) – including the implementation of civilian hiring freezes, the release of term or temporary civilian employees, and other personnel related actions – they must be mindful of the Department's obligations to manage the Total Force consistent with Title 10 statutory requirements and references (b) through (e). These considerations are required in planning for the potential reduction or unavailability of fiscal year 2013 funds (with the exception of funds for military personnel) associated with sequester or the continuing resolution.

Consistent with section 2461 of title 10, United States Code, and reference (b), the conversion of functions or work performed by, or designated for performance by, civilian employees to contract performance without a public-private competition is expressly prohibited. Currently such competitions are prohibited under section 325 of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84). Workload currently performed by, or designated for performance by, civilian employees may not be transferred or assumed by contractors performing against prior year obligations. Most importantly, contractors may not perform inherently governmental work, and section 2464 of title 10, United States Code expressly prohibits contracting of certain functions (enclosure 1). DoD

Component heads, as well as field commanders and line managers, are urged to be particularly vigilant to prevent the inappropriate conversion of work to contract performance.

Additionally, limits on contracted support spending enacted in section 808 of the National Defense Authorization Act for Fiscal Year 2012, Public Law 112-81, and implemented via reference (c) still apply. The statutory obligations in section 2330a of title 10, United States Code, to minimize reliance on contract performance of work closely associated with inherently governmental functions (see illustrative examples at enclosure 2) remain in force. Moreover, the guidance in reference (c) to achieve reductions of such reliance, as well as in staff augmentation contract support, remains in effect. Planning for budgetary uncertainty does not relieve DoD Components from compliance with these mandates.

As we continue planning during this period of budgetary uncertainty, the Department must also ensure military personnel are not inappropriately utilized, particularly in a manner that may degrade readiness or result in unnecessary costs to the Department. Consistent with references (d) and (e), except in extraordinary, and typically temporary, circumstances, individual military personnel or units should not perform functions or work that is not military essential (see illustrative examples in enclosure 3). The use of "borrowed" or "repurposed" military can harm readiness and operational capabilities by diverting service members from training or performance of military essential functions, particularly when military members are required to work outside of their occupational specialties. In addition to the risk of hollowing the force, this practice could adversely impact the All-Volunteer Force and have negative effects on the recruitment, retention, and career progression of individual members. During this period of budgetary uncertainty, military units may perform work previously performed by civilian employees or contracted support as part of a rotation base for an operational capability (if this has been reflected in Operational Orders), provided this is done on a limited and temporary basis. In the event of sequestration, where military personnel accounts are exempted, there may be instances where military personnel can be used on a short-term, emergency basis to satisfy a demand that is of mission critical importance.

Please ensure maximum distribution of this memorandum throughout your organization, particularly to your manpower, personnel, and resourcing communities. Questions regarding application and implementation of this memorandum should be addressed to the following points of contact within the Office of Total Force Planning & Requirements: Mr. Thomas Hessel (thomas.hessel@osd.mil or 703-697-3402), and Ms. Amy Parker (amy.parker@osd.mil or 703-697-1735). Thank you for your support in the mitigating risks from budgetary uncertainty that could adversely affect the sustainability and readiness of the All Volunteer Force.



Frederick Vollrath
Principal Deputy Assistant Secretary of Defense for
Readiness and Force Management
Performing the Duties of the Assistant Secretary of
Defense for Readiness and Force Management

Enclosures: As stated

DISTRIBUTION:

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

Non-Exhaustive Examples of Inherently Governmental Functions
(Extract from Office of Federal Procurement Policy Letter 11-1 (September 12, 2011))

1. The direct conduct of criminal investigation.
2. The control of prosecutions and performance of adjudicatory functions (other than those relating to arbitration or other methods of alternative dispute resolution).
3. The command of military forces.
4. Combat.
5. Security provided under any of the circumstances set out below. This provision should not be interpreted to preclude contractors taking action in self-defense or defense of others against the imminent threat of death or serious injury. (a) Security operations performed in direct support of combat as part of a larger integrated armed force. (b) Security operations performed in environments where, in the judgment of the responsible Federal official, there is significant potential for the security operations to evolve into combat. (c) Security that entails augmenting or reinforcing others (whether private security contractors, civilians, or military units) that have become engaged in combat.
6. The conduct of foreign relations and the determination of foreign policy.
7. The determination of agency policy, such as determining the content and application of regulations.
8. The determination of budget policy, guidance, and strategy.
9. The determination of Federal program priorities or budget requests.
10. The selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment.
11. The direction and control of Federal employees.
12. The direction and control of intelligence and counter-intelligence operations.
13. The approval of position descriptions and performance standards for Federal employees.
14. The determination of what government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices with specified ranges and subject to other reasonable conditions deemed appropriate by the agency).
15. In Federal procurement activities with respect to prime contracts:
 - (a) determining what supplies or services are to be acquired by the government
 - (b) participating as a voting member on any source selection boards;
 - (c) approving of any contractual documents, including documents defining requirements, incentive plans and evaluation criteria;
 - (d) determining that prices are fair and reasonable;
 - (e) awarding contracts;
 - (f) administering contracts (including ordering changes in contract performance or contract quantities, making final determinations about a contractor's performance, including approving award fee determinations or past performance evaluations and taking action based on those evaluations, and accepting or rejecting contractor products or services);
 - (g) terminating contracts
 - (h) determining whether contract costs are reasonable, allocable, and allowable;
 - (i) And participating as a voting member on performance evaluation boards.

16. The selection of grant and cooperative agreement recipients including: (a) approval of agreement activities; (b) negotiating the scope of work to be conducted under grants/cooperative agreements; (c) approval of modifications to grant/cooperative agreement budgets and activities; and (d) performance monitoring.
17. The approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency response to the administrative appeals of denials of Freedom of Information Act requests.
18. The conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in government programs.
19. The approval of Federal licensing actions and inspections.
20. The collection, control, and disbursement of fees, royalties, duties, fines, taxes and other public funds, unless authorized by statute, such as title 31 United States Code section 952 (relating to private collection contractors) and title 31 United States Code section 3718 (Relating to private attorney collection services), but not including (a) collection of fees, fines, penalties, costs or other charges from visitors to or patrons of mess halls, post or base exchange concessions, national parks, and similar entities or activities, or from other persons, where the amount to be collected is predetermined or can be readily calculated and the funds collected can be readily controlled using standard cash management techniques; and (b) routine voucher and invoice examination.
21. The control of the Treasury accounts.
22. The administration of public trusts.
23. The drafting of official agency proposals for legislation, Congressional testimony responses to Congressional correspondence, or responses to audit reports from an inspector general, the Government Accountability Office, or other Federal audit entity.
24. Representation of the government before administrative and judicial tribunals, unless statute expressly authorizes the use of attorney whose services are procured through contract.

**Statutory Restrictions on Contracting
(Title 10 United States Code Section 2465)**

- (a) Except as provided in subsection (b), funds appropriated to Department of Defense may not be obligated or expended for the purpose of entering into a contract for the performance of fire-fighting or security-guard functions at any military installation or facility.
- (b) The prohibition in subsection (a) does not apply to the following contracts:
 - (1) A contract to be carried out at a location outside the United States (including its commonwealths, territories, and possessions) at which members of the armed forces would have to be used for the performance of a function described in subsection (a) at the expense of unit readiness.
 - (2) A contract to be carried out on a Government-owned but privately operated installation.

- (3) A contract (or the renewal of a contract) for the performance of a function under contract on September 24, 1983.
- (4) A contract for the performance of firefighting functions if the contract is-
 - (A) for a period of one year or less; and
 - (B) covers only the performance of firefighting functions that, in the absence of the contract, would have to be performed by members of the armed forces who are not readily available to perform such functions by reason of a deployment.

**Non-Exhaustive Examples of Closely Associated With Inherently Governmental Functions
(Extract from Office of Federal Procurement Policy Letter 11-1 (September 12, 2011))**

1. Services in support of inherently governmental functions, including, but not limited to the following:
 - a. Performing budget preparation activities, such as workload modeling, fact finding, efficiency studies, and should-cost analysis.
 - b. Undertaking activities to support agency planning and reorganization.
 - c. Providing support for developing policies, including drafting documents, and conducting analyses, feasibility studies, and strategy options.
 - d. Providing services to support the development of regulations and legislative proposals pursuant to specific policy direction.
 - e. Supporting acquisition, including in the areas of:
 - i. Acquisition planning, such as by conducting market research; developing inputs for government cost estimates, and drafting statements of work and other pre-award documents.
 - ii. Source selection, such as by preparing a technical evaluation and associated documentation; participating as a technical advisor to a source selection board or as a nonvoting member of a source selection evaluation board; and drafting the price negotiations memorandum.
 - iii. Contract management, such as by assisting in the evaluation of a contractor's performance (e.g. by collecting information performing an analysis, or making a recommendation for a proposed performance rating), and providing support for assessing contract claims and preparing termination settlement documents.
 - f. Preparation of responses to Freedom of Information Act requests.
2. Work in a situation that permits or might permit access to confidential business information or other sensitive information (other than situations covered by the National Industrial Security Program described in Federal Acquisition Regulation 4.402(b)).
3. Dissemination of information regarding agency policies or regulations, such as conducting community relations campaigns, or conducting agency training courses.
4. Participation in a situation where it might be assumed that participants are agency employees or representatives, such as attending conferences on behalf of an agency.
5. Services as arbitrators or provision of alternative dispute resolution (ADR) services.
6. Construction of buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments.
7. Provision of inspection services.
8. Provision of legal advice and interpretations of regulations and statutes to government officials.
9. Provision of non-law enforcement security activities that do not directly involve criminal investigations, such as prisoner detention or transport and non-military national security details.

**Examples of Military Essential Functions
(summarized from DoD Instruction 1100.22)**

1. Missions involving operational risks and combatant status under the Law of War.
2. Specialized collective and individual training requiring military unique knowledge and skills based on recent operational experience
3. Independent advice to senior civilian leadership in Department requiring military unique knowledge and skills based on recent operational experience
4. Command and control arrangements best performed within the Uniform Code of Military Justice.
5. Rotation base for an operational capability.
6. Career progression.
7. Esprit de corps (such as military recruiters, military bands)



THE UNDER SECRETARY OF THE NAVY
WASHINGTON DC 20350-1000

FEB 21 2013

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Planning Guidance for Potential Civilian Furloughs

- References:**
- (a) Letter from Secretary of Defense Leon Panetta to the Honorable Joseph R. Biden, Jr., President of the Senate, dated 20 February 2013
 - (b) DoD Fact Sheet: Year-Long Sequestration and Continuing Resolution
 - (c) Secretary of Defense Memorandum for Department of Defense Civilian Employees, subject: Preparations for Potential Sequestration on 1 March 2013 and Furlough Notifications, dated 20 February 2013
 - (d) DoD Fact Sheet: Furlough Planning

1. On 20 February 2013, as required by statute, Secretary of Defense Leon Panetta notified the President of the Senate, Speaker of House, and other Congressional leaders of the possibility that the Department of Defense may be forced to furlough members of its civilian workforce (see reference (a)). These furloughs could result from the budgetary impacts of a year-long Continuing Resolution coupled with the across-the-board Federal spending cuts required by the Budget Control Act of 2011, commonly referred to as "sequestration" (see reference (b)).

2. As outlined in reference (c), the Administration is working closely with Congress to reach an agreement on a balanced deficit reduction plan that would avoid sequestration. In the event these efforts fail, then civilian furloughs could result. To prepare our people for this possibility, DoD published some general facts about the mechanics of implementing furloughs (see reference (d)). This memorandum provides commanders and budget submitting officers with further Department of the Navy (DON) guidance to plan for furloughs if they become necessary.

3. The impact of furloughs on our civilian workforce is not lost on DON leadership, and we hope to avert them if possible. However, simple prudence dictates that we plan for the worst and prepare our people for the possibility that furloughs may indeed occur. The following guidance reflects a consistent DoD-wide approach that will impact the entire Department in a similar manner.

SUBJECT: Planning for Potential Civilian Furloughs

4. If sequestration triggers, all appropriated fund employees, regardless of the funding source, would be subject to administrative furlough. Few, if any, exceptions will be granted, and any exception must come from one of the following six categories:

a. Civilians deployed in a combat zone or civilian mariners deployed onboard ships at sea (Military Sealift Command ships in a maintenance status overseas are subject to furlough of civilian mariners);

b. Civilians directly responsible for safety of life or property – only to the extent needed to prevent unacceptable risk or catastrophic gaps in the safety and protection of life or property;

c. Civilian employees paid with non-appropriated funds;

d. Employees exempt by law (i.e., employees appointed by the President with the advice and consent of the Senate – (PAS));

e. Foreign nationals;

f. All medical service civilian employees are subject to furlough except those that provide 24-hour inpatient care or emergency service, and personnel providing ancillary services directly supporting the 24-hour inpatient care and emergency services.

5. To prepare for the administrative furlough, all employees will initially be defaulted to furlough status. Absent approval from the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (M&RA)) and the Secretary of the Navy, BSO Commanders are limited to identifying those civilian employees who meet the stringent exception requirements outlined subparagraphs (a) through (f) above. Exceptions previously identified during shutdown or emergency (unplanned) events do not apply to administrative furlough exceptions — mission critical employees, while still identified as such, are not excepted during an administrative (planned) furlough. Any additional DON requests for exceptions will be submitted for consideration to the Office of the Secretary of Defense (Personnel & Readiness).

6. Any requests for exceptions must be submitted to the ASN (M&RA) by 27 February 2013 for consideration and approval by the Secretary of the Navy. Requests for exceptions should be submitted via the Director, Office of Civilian Human Resources in the format found in enclosure (1). This form will provide us with details on requested furlough exemptions as well as an estimate of lost furlough labor savings accompanying the requested exemptions.

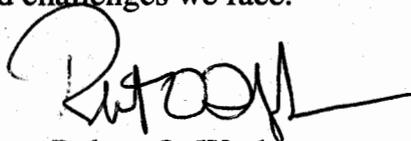
SUBJECT: Planning for Potential Civilian Furloughs

7. All administrative furloughs will be limited to 176 hours, approximately 22 workdays. For general planning, furloughs typically will be executed in increments of approximately 16 hours per pay period to mitigate the impact on the mission and employees. The hours/time for the administrative furloughs will be determined by Budget Submitting Office (BSO) Commanders and shall be dependent upon mission requirements. Plans to deviate from the general planning guidelines will be coordinated with ASN (M&RA) as there are potential ramifications to the employees and commands if modified plans are adopted. BSO Commanders may delegate the coordination and scheduling of the furloughs as appropriate for carrying out the mission requirements. (Note: Scheduling of furlough days for employees is subject to local bargaining requirements.)

8. During the furlough, DON leaders and managers must control leave and absences for the military and civilian workforce in order to mitigate the impact of the furlough on mission and readiness. Major Commands and the United States Marine Corps may not use contract funding or premium pay (e.g., compensatory time or overtime) to offset lost time under the furlough. Further, where employees are excepted from the administrative furlough, managers may deny paid personal leave if mission requirements are jeopardized.

9. We recognize that over the course of the furlough, DON's civilian workforce capability will be reduced by approximately 20 percent. Our Sailors and Marines will not be expected to replace that capacity and services will be negatively impacted. Additionally, the DON cannot transfer inherently governmental work to the contractor workforce. Finally, our furloughed civilians are prohibited by law from working from home or on-site (officially or unofficially) during their furlough days — employees and their supervisors will be subject to Anti-Deficiency Act violations and may be subject to disciplinary action.

10. We will continue to work with DoD to mitigate the impacts of the fiscal uncertainty on our workforce and our mission. I appreciate your dedication and ongoing service against the backdrop of the unprecedented challenges we face.



Robert O. Work

Enclosure: 1. Department of the Navy Civilian Personnel Furlough Exception Request

Distribution:
Echelon 1 and 2 Activities
Budget Submitting Office

SUBJECT: Department of the Navy Planning for Potential Civilian Furlough

cc:

UNSECNAV

ASN (FM&C)

OPNAV (VCNO, DNS, N1, N2/N6, N3/N5, N4, N8, N9)

ACMC (DMCS, DC M&RA)

OCHR

OLA

CHINFO

FMBE

Department of the Navy Administrative Record for FY 2013 Furlough Appeals
DoD Fact Sheet: Year-long Sequestration and Continuing Resolution

- **Sequestration: what gets cut in DoD:**
 - Except for military personnel funding, all parts of budget are cut (e.g., OCO funds).
 - Total FY13 reduction: \$46 billion or ~9% of total budget excluding military personnel
 - Beyond FY13, budgets reduced by \$50-55 billion a year through FY21.
 - Timing: largest cut takes place on March 1 (\$40 billion) with a smaller, second sequestration (\$6 billion) on March 27.
 - How applied:
 - For operating portion of budget, cuts must be equal in percentage terms for each budget account (e.g., Army active ops same as Navy reserve ops and Guard ops).
 - For investment portion of budget, cuts must be equal in percentage terms for each budget line item.
 - Very limited authority to move money around to correct imbalances and problems.

- **Continuing Resolution (CR): mechanics and problems:**
 - Will last at least six months (current expiration is March 27).
 - **This CR poses serious problems for DoD, especially if it is extended for an entire year.**
 - CR requires that we spend at same level as FY12, but in FY13 we are under a new strategy and needs are much different – **too many investment dollars, not enough operating dollars.**
 - CR does not permit DoD to start any new investment programs or increase production rates; must also buy exact same number/type of ships as last year.
 - **We are spending more on Afghan war than we planned two years ago, when we put together FY13 budget, and CR does not take this into account.**
 - Some of the CR problems may be solved as both appropriations Committees want to pass an appropriations bill which would offset some of the harmful effects of the CR.
 - Even if the CR is extended all year, we are working closely with Committees and hope that they will fix the worst of the problems (e.g., get money into the right appropriations and move money to fix OCO shortfalls).

- **However, a year-long sequestration and year-long CR in its current form, will require DoD to take much more drastic and irreversible actions.**
 - Result will be a readiness crisis and disruption of most investment programs.
 - Examples of actions and their effects:
 - **All Components will have to take the steps necessary to furlough civilians for up to 22 discontinuous work days (pay cuts of up to 20% for almost 6 months).**
 - Army will reduce training and maintenance for later deploying units to the point that about two-thirds of active brigade combat teams and most reserve teams (other than those teams in Afghanistan) will be at reduced readiness levels by the year's end.
 - Navy and Marine Corps will reduce readiness forcing cut backs on operations in critical areas such as the Pacific (up to one-third less naval presence in the Pacific).
 - Air Force will be forced to cut flying hours and weapon system maintenance leaving most flying units below acceptable readiness standards by the end of FY13.
 - TRICARE could be short up to \$3 billion in needed funds, which could lead to denials of elective services for active-duty dependents and retirees.
 - DoD will make cuts of roughly 9% in each of more than 2,500 investment line items – actions that will lead to delays in weapon programs and increases in unit costs.

DoD Fact Sheet: Furlough Planning

- **Overall approach**
 - Take other actions first while minimizing adverse effects on mission/readiness.
 - Consistency – all services/agencies take similar actions.
 - Most furloughed with limited exceptions:
 - Civilians deployed in combat zone;
 - Safety of life or property (only to extent needed to protect);
 - Employees paid with non-appropriated funds;
 - Employees exempt by law (Presidentially appointed, Senate confirmed);
 - Foreign nationals.
 - Exceptions must be approved by Component head.

- **Mechanics of furloughs**
 - Length: legal maximum for administrative furlough (w/o using RIF procedures) is 22 discontinuous work days (not to exceed 176 hours).
 - Maximum may be lower depending on schedule.
 - Timing: furloughs generally spread over maximum months; no more than 16 hours per pay period.
 - Local commanders determine exact days/hours (subject to local bargaining).

- **Consultation and notification**
 - Engage with unions as required.
 - Notify employees of proposal to furlough (permit response).
 - Notify employees of decision to furlough (appeal permitted).

- **Schedule**
 - February 20: Congressional notification and begin union bargaining.
 - Late March: Provide furlough proposal to employees.
 - Early April: Provide furlough decision to employees.
 - Late April: Furloughs begin.

- **Cancel or reduce furloughs if Congress acts to reduce or eliminate budgetary uncertainty**



U.S. Department of Defense
Office of the Assistant Secretary of Defense (Public Affairs)

News Transcript

On the Web:

<http://www.defense.gov/Transcripts/Transcript.aspx?TranscriptID=5191>

Media contact: +1 (703) 697-5131/697-5132

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<http://www.defense.gov/landing/comment.aspx>

or +1 (703) 571-3343

Presenter: Under Secretary of Defense and Chief Financial Officer Robert F. Hale and Acting Under Secretary of Defense for Personnel and Readiness Jessica Lynn Wright **February 20, 2013**

Department of Defense Press Briefing on Civilian Furlough Planning Efforts from the Pentagon

BRYAN WHITMAN: Good afternoon, and thank you for joining us today and for your interest in the topic today of sequestration, as well as most of you know by now, in accordance with the law, we have notified Congress today about the potential for furloughs. Today, with us we have our undersecretary comptroller, Mr. Bob Hale, and our acting undersecretary for personnel and readiness, Ms. Jessica Wright, here to address your questions. They do have some comments that they'd like to start with, with respect to sequestration and then the actual action that we took today with respect to notifying Congress on furloughs. And then they'll be available to take your questions. I'll help them in terms of getting your questions addressed, so --

UNDER SECRETARY ROBERT HALE: Okay. Well, good afternoon. Today, the Department of Defense faces some enormous budgetary uncertainty, really unparalleled in my experience. The possibility of sequestration starting on March 1. By the end of March, it could mean a \$46 billion reduction in our total top line, nine percent in all of our accounts, except military personnel, including our wartime accounts.

We will protect the wartime operating accounts, but that means larger disproportionate cuts in the base budget, operation and maintenance accounts. This is exacerbated by the continuing resolution, which if it stays in effect in its current form, has the money in the wrong places. Total dollars are okay, but it's the money in the wrong places. There are too many dollars in the investment accounts and too few in operation and maintenance.

And there's a pattern here. I already told you, protecting OCO [Overseas Contingency Operations] is going to put pressure on base budget operation and maintenance, so, too, will affect that the continuing resolution has not enough O&M [Operations & Maintenance] money.

And finally, we are spending at a higher than expected rate in our OCO budgets and -- we did not anticipate two years ago as much costs for transporting goods in and out of Afghanistan, and we have seen some higher operating tempo. Again, we will need to meet those costs, which means still further cuts in the base budget side of operation and maintenance.

The sum of all those effects means we are seriously short of operation and maintenance funds if sequestration goes into effect and the CR [continuing resolution] stays in effect. And this will have serious adverse effects on readiness.

So we've taken some short-term actions that I think you're generally familiar with to try to slow our spending, avoid more draconian cuts later, hiring freezes for civilians in effect in many of our organizations already, layoffs of temporary and term employees, sharp cutbacks in facilities maintenance, cutbacks in base operations.

But if sequestration and the CR last all year, there will have to be much more far-reaching changes. We will have to make cutbacks and delays in virtually every investment and program in the department, more than 2,500 of them. It will mean cutbacks in unit buys. It will mean increases or delays, increases in unit costs. We will have to cut back training, particularly for non-deployed units, and that will lead to actions such as about two-thirds of the Army combat and brigade teams being at unacceptable levels of readiness by the end of the year, excluding those actually deployed in Afghanistan. Most Air Force units that aren't deployed would be at below acceptable readiness levels by the end of the year.

You'd see cutbacks in Navy and Marine Corps readiness and deployments. You've already seen that we've decided to take a -- have one fewer carrier in the gulf. And, unfortunately, along with this long list of items, we will have to do if

sequestration and the CR last all year are furloughs for our civilian personnel.

We feel we don't have any choice but to impose furloughs, even though we would much prefer not to do it. We're more than 20 percent short in O&M, with seven months to go, much higher in some of the services, particularly the Army. Civilian personnel make up a substantial part of DOD O&M funding. We can't do reductions in force, especially at this point in the year. They'd cost us money in this year because of unused leave and severance pay, so furloughs are really the only way we have to quickly cut civilian personnel funding.

We have established some general approach to furloughs that we'll follow. One is to make them one of our approaches of last resort. We'll also insist on consistency across the department. Essentially, all of our organizations, if we have to furlough, will do so in about the same -- for about the same number of days.

There will be some very limited exceptions to these furloughs. For example, we will except civilians deployed. We will not furlough civilians deployed in combat zones. We will not furlough civilians who are required to maintain safety of life or property, but only to the extent that they have to do that to maintain safety of life or property. And by that, I mean if there are 20 policemen on a base, they don't automatically all -- they're not all automatically exempted from furloughs, only to the extent that commanders and managers determine they have to exempt some or all of them in order to maintain a safety in life and property.

We'll exempt employees paid with non-appropriated funds. It's slightly embarrassing, but it's true by law. Senate-confirmed political appointees are exempt by law, and we will exempt our foreign national employees.

So how would furloughs work in general? First, there's a whole series of notifications. We started the first one today, with the notification to Congress, along with a message by the secretary of defense to our civilian employees. That starts a 45-day clock ticking. Until that clock has run out, we cannot proceed with furloughs.

We will ask the components now to identify specific exceptions, and we'll review those for consistency. The components will begin required engagements with local unions, and will also -- and Jess Wright's organization would notify unions with national bargaining rights.

At some point in mid-March, we will send a notification to each employee who may be furloughed. That starts a 30-day clock, waiting period, before we can take any action. And then later on in April, we will send a decision to employees, and they have a one-week period, once we've made that decision, to appeal to the Merit Systems Protection Board.

The bottom line is, furloughs would not actually start for DOD employees until late April, and we certainly hope that -- even if sequestration is triggered on 1 March, we certainly hope that in the interim Congress will act to de-trigger sequestration or, if they can't accomplish that goal by March 1, as the president suggested, to take some short-term action while they're dealing with the broader issue.

Meanwhile, unfortunately, we'll have to continue our planning for furloughs. Frankly, this is one of the least -- or the most distasteful tasks I have faced in my four years in this job. But we will work it out.

And with that, I'd like to turn it over to Jess Wright, who will talk more about some of the furlough planning actions.

UNDER SECRETARY JESSICA WRIGHT: Thanks, Bob. Good afternoon.

Let me first say that my focus is clearly on people. Our civilians around the world provide invaluable support to national security, our nation's warfighters, and our families. And every day, they make countless contributions to the sacrifice -- and sacrifices in support of national defense.

The effects of sequestration and the continuing resolution on our military personnel will be devastating. But on our civilians, it will be catastrophic. These critical members of our workforce, they work in our depots. They maintain and repair our tanks, our aircrafts, our ships. They teach our kids. They care for our children. They provide medical treatment to all of our beneficiaries. They take care of our wounded warrior. They provide services and programs such as sexual assault prevention and suicide prevention, just to name a few.

So let me be clear. The first, the second, and the third order of effect on sequestration will be felt in the local commands and will be felt in the local communities all over the United States and, clearly, all over the globe. This is not a Beltway phenomenon. More than 80 percent of our civilians work outside of the D.C. metro area. They live and work in every state of the union.

If furloughs are enacted, civilians will experience a 20 percent decrease in their pay between late April and September. As a result, many families will be forced to make difficult decisions on where their financial obligations lie. Key benefits, such as life insurance benefits, health care, and retirement will generally continue. Those programs and policies are important -- these important benefits are mandated by the Office of the Personnel Management and they're applied consistently to all government employees.

Loss of pay won't only be felt by each employee, but it will be felt in the business communities where they serve, where their kids go to school and the neighborhoods that they live in. Furloughs will impact the majority of our civilian workforce, as Sec. Hale said. And the department will apply those furloughs if necessary in a consistent and an equitable fashion, with only few exceptions, as Sec. Hale said, relatively few exceptions.

While civilians will experience the impact directly to their wallets, our servicemembers, retirees, and families will clearly feel the effect of these actions. If sequestration is not averted, the associated furloughs will impact our warfighters, our veterans, and our family members in untold ways. So let me talk about a couple of those ways.

With respect to our schools, our goal is to preserve the accreditation of our schools and ensure quality education for all of our kids. As we continue to work with the Department of Defense Education Activity on how they will implement the furloughs, we are committed in mitigating the impact of sequestration on the school year for our kids.

Regarding health care, about 40 percent of our medical providers are civilians. This furlough, if impacted, will affect them greatly. But the department's intent and our goal is to mitigate that impact and provide quality care and access of care. And we are thoughtfully working through that process now.

And certainly, family members will feel the impact of this sequestration. While it's our intent to ease the impact of sequestration on family programs, it is clearly possible that operating hours of commissaries will be curtailed. And while it is our intent to preserve family members to the -- family programs to the greatest extent possible, some family programs may be affected, if the length of sequestration goes long and hard.

We understand here in the department that sequestration will be significant, not only to our civilian employees, but to the servicemen and women and their families. It will affect local communities, it will affect local businesses, it will affect our dedicated men and women that live in the local communities throughout our nation and clearly overseas. We know this.

And that's why our guiding principle throughout this process will be to lessen the impacts wherever we can. We are clearly grateful for the support of our warfighter, and we're clearly grateful for the support of the men and women of our civilian force that work to help the warfighter protect their mission.

Thank you.

MR. WHITMAN: Bob, why don't you start us off, and then Tony has a question.

Q: I have a question for Ms. Wright. You mentioned that every -- with regard to the furloughs, that every state would be affected. Can you say which states are affected the most?

UNDER SEC. WRIGHT: We have not done that research to find out where states will be affected the most. But clearly, where we have our large bases, where we have our large depots, they will be affected.

I don't know if you want to add to that, Bob.

UNDER SEC. HALE: We have some state-by-state data. And it's Virginia, California, I mean, as you might not be surprised, as Jess just said.

Q: We're talking about the furloughs, not sequestration in general? Or both?

UNDER SEC. WRIGHT: Both.

UNDER SEC. HALE: No, I'm talking about furloughs -- probably both, but I was talking about furloughs specifically.

Q: Virginia and California?

Q: Is that data available?

UNDER SEC. HALE: Yeah, we can get you that. I don't see why not.

Q: What do you expect (off mic)

Q: I have a broader question for you. Both the CBO [Congressional Budget Office] and the Center for Strategic and Budgetary Assessments have said that a \$45 billion cut would basically take the Defense Department back to 2007, 2006 levels, when you were fighting a huge war in Iraq and Afghanistan. Why can't the department absorb that kind of cut, rather than lay it all the -- and that experience all these purported draconian consequences? What's wrong with that picture? You seem to have a lot of money, if you look back at '07 and '06.

UNDER SEC. HALE: Well, first off, there's a timing issue. I mean, the \$46 billion cut will occur five months into the year, when we have expended a lot of the -- particularly on the operating side, we've extended -- or we'll have expended roughly five-twelfths of the money, so we're going to have to take it in a seven-month period and without, frankly, you know, time to get ready.

But more generally, I'd say I'm always troubled, if we're trying to determine the adequacy of defense budgets based on real dollar levels in a particular year. I mean, I think that you need to look at the threats that we face, and they remain quite substantial, I guess complex set of security challenges is the word. And, therefore, I don't think returning to some arbitrary past number for defense makes sense.

I mean, we need to -- we owe it to the public to figure out the amount that we think needs to be spent to carry out a national defense strategy and then ask for it, and we believe we've done that.

Q: One follow-up. Weapons programs, a lot of the industrial base is wondering, will this, in fact, lead to terminations of existing contracts? Or is it more slowing down of dollars for new contracts?

UNDER SEC. HALE: I don't anticipate that we will cancel many, if any contracts, because we'd incur a substantial costs, so it's more the latter, that we will not pick up options, that -- that we may not start or delay starting new contracts, but I wouldn't expect that we will terminate existing contracts.

And I would like to say, to reassure them, if you've got a contract with us, we're going to pay you. And I believe even under sequestration and furloughs, we will find a time to keep our payments to our employers and the vendors on time.

Q: Thank you.

Q: Can I ask a question about --

MR. WHITMAN: Let's go right here (off mic)

Q: If the base number of civilians that work for the Department of Defense is 800,000, how many do you expect to be furloughed? And have you said what the estimated savings would be from furloughs?

UNDER SEC. HALE: We don't know the exact number yet, because it will depend on those exceptions. First off, it will probably be more like 750,000, because about 50,000 of them are foreign nationals, and we decided not to attempt to furlough them. But there will be some exceptions that will make it smaller.

Our estimate is \$4 billion to \$5 billion of savings in the remainder of fiscal year 13. And again, it's going to depend on how many exceptions there are, and that's a process we've just started to ask our commands to identify.

Q: On the -- on the number of -- or the percentage that are likely to be furloughed, I realize you just started that, but you -- is it going to be more than 50 percent? And on the -

UNDER SEC. HALE: Oh, I think so, yeah.

Q: And on the 46,000 temporary and term employees that are being already terminated, can you say how far that process is along, how many of those people have been laid off, what percentage (off mic)

UNDER SEC. HALE: I mean, the latest data I saw -- this is an ongoing issue, in -- it was 6,000, 7,000 that are either laid off or are in the process of being laid off, but I don't think that's probably the end. I think you'll see more, and I -- but I honestly don't know, again -- for those near-term actions, that one in particular, the layoffs, we did allow mission-critical exceptions, and we -- and we don't know exactly what our commands will do.

Q: At what point will you have the mission critical?

UNDER SEC. HALE: Well, I would think, by the end of this month, we'd probably have a pretty good idea, because we'll be heading into more detailed planning at that point and actually -- assuming this goes forward, which I sure hope it doesn't, that we will be going forward.

Q: I have a question about the -- the exemption -- oh, I'm sorry.

Q: Go ahead (off mic)

Q: Okay. The exemptions. Can you tell us more about who is going to decide -- I mean, who -- which employees to exempt from furloughs and how that process works? And do you have any estimates on how much -- how many people might be exempted?

UNDER SEC. WRIGHT: We have powered down to the services to have them review their civilian employees with the -- with the exemption process and criteria that we have given them.

You know, I want to bring you back to our civilian workforces. It's hugely invaluable, and they contribute just tons to what we do here in the department and worldwide. But saying that, if we have to do this furlough, like Sec. Hale said, exemptions will be relatively small. We've asked the services to come back with a plan, to give us the plan on the 1st of March. We will review that plan, with the criteria that we've outlined for exemptions, and -- and go forward from there. So we don't have a correct -- we don't have a number yet that I can give you on who -- on who -- or a percentage that would be exempt.

Q: What will life on a military base look like, as far as, you know, with the closures and the stuff that you're talking about, the shortened hours? What do you expect to see?

UNDER SEC. WRIGHT: As I said in the opening comments, I -- I truly believe that our civilians add such value to the warfight effort and to life on a military base. And so, if furloughed, we will see a reduction in some of either the services or, for example, the commissary hours.

So life on a military base, if that base has a commissary, that will impact those individuals that use the commissary. And, frankly, until we find out what the exemptions are, until we find out how this is going to be applied, I can't give you a daily routine of what -- what a generic day would be on a military base, should we face such a catastrophic event as furloughing our civilian employees.

UNDER SEC. HALE: Can I answer that in a broader context and add on to what Jess has said? Our personnel are committed to carrying out a mission to defend the United States. And I think one thing you're going to see is a great deal of frustration, because they will see they can't train as much as they feel they need to and that the readiness of their units is degraded. If they're dealing with investments, they'll see disruption on all the programs they're managing, so there will be some aspects of daily life that will be affected. But I think that their satisfaction with the mission, if you will, is going to be adversely affected, and that's important to these people, both our civilians and our military.

MR. WHITMAN: Dan, over here.

Q: Does the furlough apply to intelligence employees that are funded by the national intelligence program? Because, as you know, the director of national intelligence said that those -- the furloughs should not apply to them.

UNDER SEC. HALE: I don't know that a final decision's been made there. We have said, as I mentioned, that for DOD employees, other than NIP [National Intelligence Program] employees, we will ensure consistency, decided that, but that's a decision that will have to be made by ODNI [Office of the Director of National Intelligence], and I don't know that they've made it.

Q: So that's a decision for ODNI, not DOD?

UNDER SEC. HALE: I think it would be, in conjunction with the Office of Management and Budget, which will oversee this for the government as a whole.

Q: And can you give me just a ballpark figure on how many people we're talking about under the NIP?

UNDER SEC. HALE: I want to say 25,000. Does that sound right, Mary? All right.

MR. WHITMAN: We can get that number.

UNDER SEC. HALE: Don't hold me. I think I'd better get back to you.

MR. WHITMAN: Let's go right here and then here.

Q: Okay. Mr. Hale, you just spoke of frustration on the bases. You know, what -- is there any type of, you know, study on what impact sequestration and this fiscal uncertainty has had on recruiting or will have on recruitment efforts, perhaps hurting commands themselves, but also just the ability of these services to recruit for the future?

UNDER SEC. WRIGHT: It could potentially affect the process -- military entrance processing stations, because the -- some of those individuals are civilian employees. So it could potentially affect the slowdown of that processing, the physicals that are performed, the testing that is given.

The recruiters are all military. And they are exempt from -- from a furlough. So, you know, the -- the second and third order of effect of getting somebody in can slow the process.

Q: You had said that, by the end of this process, it's possible you have two-thirds of troops would not -- be at unacceptable levels of readiness. Will that affect future deployments? I mean, after the -- will that slow down and change future deployments?

UNDER SEC. HALE: It could. I said two-thirds of the Army active combat brigade teams, other than those that are currently deployed, would be at below acceptable levels of readiness. Yes, it could affect their ability to deploy to a new contingency, if one occurred, or if this goes on long enough, even to Afghanistan and is a concern.

Q: (off mic) you said the OCO budget was higher than expected -- is that entirely because of the Pakistan land route close-down costs were higher there? Or is that --

UNDER SEC. HALE: No, there's a variety of reasons. That's part of it, but we were also -- I mean, you are estimating operating tempo two years ago when we put together the budget for this year, and we underestimated, particularly in the Army and in the Air Force.

MR. WHITMAN: Let's go to Mike and then Justin, and then we'll get over to that side of the room.

Q: Can I just -- just follow on the readiness question? How much of this -- because we've seen a lot of what appears to be a kind of scare tactics from -- from the services that really seem to be pushing out a message of -- of cutting kind of security issue things, like readiness. And what's the reality of readiness really being throttled -- throttled back here? You know, we're still at war, and what the message is, is that this, you know, has a long-term effect and you might have to keep troops on the ground longer.

I mean, is this something that will -- kind of allowed to be happening -- you know, that will allowed to be pushed down the road or --

UNDER SEC. HALE: Well, you know, I mean, we got seven months to go. We're short in the base budget O&M about \$35 billion compared to the president's budget request, about 23 percent, and that's DOD-wide, and it's probably close to twice that in the Army. We don't have a lot of choices.

Now, I can hope several things happen. That's the -- the result of sequestration, but also the current continuing resolution. If either got fixed, that would help, and we might see some action on either one. If both got fixed, that would help a lot.

If neither get fixed, if we see the CR extended through the year in its current form and sequestration lasted a year, I

think we're going to have serious readiness effects. I don't -- I don't know where we're going to get the money. These are legally binding limits. We will have to cut back on training significantly.

Q: And we've heard -- we've heard, you know, when -- up on the Hill, when some of the service chiefs are pushed, they said, well, you know, we could then move money around -- from this account to this account -- for other -- for other options. I mean, is -- is that an option for -- for readiness, as well?

UNDER SEC. HALE: We could try, but the only means of doing that is reprogramming. And it is a very limited technique, in that you've got to find -- so for every dollar you add, you have to cut somewhere else. And especially in an environment like this one, where we've seen sequestration cuts in the investment accounts, I don't think there are a lot of good sources. And moreover, you've got to get essentially every member of Congress to agree to this, or at least all the committees, and therefore it can't be anything contentious.

I've had four years of experience with reprogramming, and I think that it is not -- it's not realistic that we could move multiple billions. Moreover, there are legal limits on our transfer authority. Could some of this change? Yes. I mean, Congress can change the laws in ways that would make this easier. We are doing worst-case planning right now; I think that's a fair statement.

But if -- again, if the CR stays in effect and sequestration goes into effect for the whole year, I think we're going to see serious effects. I am worried.

UNDER SEC. WRIGHT: May I add?

UNDER SEC. HALE: Sure.

UNDER SEC. WRIGHT: If I can follow up and add the -- the people side of the house, if we do furlough the civilian employees, the civilian employees are the ones that maintain our equipment in -- in a lot of our depots. They run our ranges on posts, so they -- they, if furloughed, will not be there for that training environment.

So it's -- it's a second and third order of effect. It's just not the training dollars that can potentially be reprogrammed, but it's the people there to utilize and/or perform the jobs that they're required to perform.

Q: So the measures you're talking about are fairly drastic. Why wait until today, February 20th, to make these announcements? Do you accept the criticisms that the Pentagon should have been warning about these furloughs sooner so as to give time or urgency to Congress to do something about it?

UNDER SEC. HALE: Well, first, we started some slowdown in spending January 10th, when the deputy issued guidance, and we -- a number of the measures I mentioned went into effect shortly after that, hiring freezes, cut backs on facilities maintenance. We took significant efforts to try to -- to slow down our spending to avoid more draconian actions later.

You know, I know that people feel we should have said more earlier. I will say, it was 16 months ago Sec. Panetta first sent a letter to the United States Congress, saying the effects of sequestration would be devastating. That was October 2011.

After that, we did a whole series of assessments. We testified in August, and, again, I personally testified in September. And we listed every major item we're talking about. We said we'd have to do furloughs. We said there'd be cutbacks in readiness. We said that unit buys would go down and unit costs would go up, I mean, all the same things.

What we didn't do is detail budget planning. And I don't regret that, because had we done it six or eight months ago, it would've all been wrong. We wouldn't have known the effects of the continuing resolution. We wouldn't have known that Congress was going to change both the size and the date of sequestration. And moreover, we would have incurred the degradation in morale and productivity that's going on right now, and we would have done it six months ago.

So I don't regret not doing that. And I think we did sound the alarm in every way we could.

MR. WHITMAN: Let's go over to this side of the room (off mic)

Q: I'm wondering what kind of contact you're having with the White House and with Congress. There's going to have to be some cuts, so are you guys trying to offer up any solutions, like, look, don't do sequestration, we'll find some savings

for you here, here and here?

And also, I'm wondering, what other things would you be doing right now if you weren't spending all your time dealing with sequestration?

UNDER SEC. HALE: More time with my wife. No.

Well, let me answer your first question, which is really -- I think I'm not the right person to answer. I mean, we are responsible for providing the nation's security as best we can within the resources that are provided us.

We're very interested, obviously, in monitoring closely events, but I think I'd refer you to the White House or OMB. And to give you a more serious answer, although I would be spending more time with my wife, you know, when I first took this job -- actually, it was the last job I took -- my principal deputy said, you've got an investment and operating problem, Bob. You're going to be consumed by the operating side. You got to set aside some things you want to do that will last beyond you.

I've tried to do that in a couple of ways. One is try to improve financial information in the department and achieve auditable statements. Another one is to bring about a course-based certification program for defense financial managers and some other issues like that that are getting pretty short shrift right now, because I'm pretty much totally consumed with trying to help the department get through this.

So I think some longer-term issues that I believe would be good for the Department of Defense -- and I think the nation -- aren't getting the attention they would otherwise get.

Q: But there's no sense of, like, well, if this is going to happen and it's going to hurt so bad, let me give you some other options so that we all can get to this goal of, you know, deficit reduction that everyone seeks. So I'm just wondering, would that be a strategy for you guys to say, look, we're staring down the barrel here, let's do this instead, and we're cool with this, so let's do it (off mic)

UNDER SEC. HALE: Well, I mean, I think the president has made proposals; the Republicans have made proposals. I think the adjudication of those or the bargaining probably isn't -- I'm probably not the right guy to -- to be -- to be speaking to that, even though I'm intensely interested in the outcome.

MR. WHITMAN: Dave and (off mic)

Q: Can you explain a little bit of the rationale behind exempting foreign nationals from --

UNDER SEC. HALE: They're governed by status-of-forces agreements and probably would require some negotiation. And in some cases, particularly in Japan, they're paid almost entirely by the local -- by the foreign government, and so that probably wouldn't help us very much.

Q: So these are mostly people who are based overseas?

UNDER SEC. HALE: Oh, I think they're all based overseas.

UNDER SEC. WRIGHT: Oh, absolutely. Yes, yeah.

UNDER SEC. HALE: Yeah, these are foreign -- these are Japanese employees in Japan on our bases.

Q: (off mic) focus on one of the more important benefits that servicemembers see is the medical care. You mentioned, Ms. Wright, that 40 percent of the folks who provide the care are civilians. Well, that's going to cut into the services they provide. I think, like, elective surgeries would be canceled or postponed. What -- is that going to happen?

And in other times, you could actually throw that onto TRICARE, but TRICARE is going to be affected in this also, correct?

UNDER SEC. WRIGHT: Everything is going to be affected, should sequestration go in effect. That's a guarantee. I think that everybody will be impacted by this action. And I think it's incumbent upon us to try to ease that where we can.

So, yes, 40 percent of our medical providers are civilian employees. A couple of things. Because the war has changed, there are less of our uniformed providers that are in the war zone and -- and more so uniform providers that are within the confines of our medical treatment facilities. So that is one -- one benefit.

It is incumbent upon us to review the plan of Dr. Woodson and the surgeons and the services, as they come in, in March, to decide how we are best going to provide care and access to care. And so we will do that.

I would like to be able to give you more specifics, but until I see those plans, I would be only speculating, and that would be truly unfair. So after March 1, I will have a better understanding of how exactly we will provide the access and the care to our beneficiaries.

Q: And this gets us through -- even if sequestration comes in. We're all talking about just through September 2013. What happens next year? Does it suddenly get better in fiscal 2014? Or could we -- you mentioned RIFs [reductions in force] before, but said that there wasn't enough time left this year to do that. Could the civilian workforce be facing RIFs next year?

UNDER SEC. HALE: Well, I can't rule it out. I mean, the Budget Control Act actually requires that the caps on discretionary funding beyond fiscal 13 be lowered for defense by \$50 billion to \$55 billion a year, I mean, the other agencies, as well.

If those come to pass, then we will have to look at a new defense strategy. That would be the first thing we'd do, that would accept more risk and also accommodate a smaller military, and at that point, we would be talking about significant reductions in the size of the military workforce, as well, probably as the civilian workforce and -- and many others. The only difference is, there we would have some time and the ability to do it in a manner that reflects a new strategy, as opposed to this kind of across-the-board cuts that we face right now.

Q: So we still are facing problems?

UNDER SEC. HALE: Yes. I mean, potentially. We can hope for a big budget deal that arrives at some accommodation, and that -- and I devoutly would wish for some budget stability right now. And I think it would benefit the department and the nation. But absent a deal of that sort, then, yes, I think we'll continue to face some uncertainty into the future.

MR. WHITMAN: We've only got time for a couple more. Let's get a few folks that haven't had a chance (off mic)

Q: Hello. Are there any estimates of what kind of impact there will be on the contractor working force and what kind of the jobs might be lost?

UNDER SEC. HALE: I don't. I mean, there are a lot of private-sector agencies that have made job loss numbers. I'll let them speak for themselves.

I can tell you that we -- for sequestration, when you take \$45 billion, \$46 billion, \$4 billion to \$5 billion of that will come from furloughs, if we end up doing them for the maximum period of time. There would be some additional savings from laying off temporary and term employees, and I don't know for sure what that would be.

But it leaves maybe \$40 billion or that is going to be accommodated by cutbacks in purchases from the private sector, weapons purchases, service contracts, a lot of different kinds, so there will be very substantial effects on the private sector, as well. And -- but I -- I can't give you job loss numbers, although there are a number of private organizations that have made estimates.

Q: What -- what specific changes in law would you like to see Congress make to give you more flexibility to manage this challenge? And also, in FY [fiscal year] 14, what sorts of cuts are you having to make? And what's your top line, do you expect?

UNDER SEC. HALE: Well, first off, the change I want the United States Congress to make is to -- is to pass a balanced budget deficit reduction package that the president can sign and de-trigger sequestration and to pass appropriations bills. That's what I'd like for Christmas; I know it's late, but I really would like it. That's what would solve our problem.

In terms of -- of flexibility, you know, we're five months into the fiscal year, facing a \$46 billion cut, even if you said you can do it wherever you want, we would have to go after just about every dollar that isn't obligated in order to get those

cuts that quickly.

And -- and I know that there have been suggestions that, well, we can just, quote, "solve this problem" by giving flexibility, I don't think it would help that much this far into the fiscal year. And if it makes sequestration more likely to either occur or persist, I think it's a bad deal, the flexibility.

As far as the future, at the moment, the guidance we have from OMB is not to count on these -- not to plan for these large cuts that could occur under the Budget Control Act if Congress doesn't make some change in the law the president can accept and they go into effect. Then, yes, we would have to -- as I said to the other question, we would have to look at a new defense strategy, a smaller military, and that would include a smaller civilian workforce and a variety of other changes.

Q: So what number are you planning to in FY 14?

UNDER SEC. HALE: You know, that -- I'm not -- I can't give you that number until they release the budget, but it's not too far off from the numbers we were planning a year ago for fiscal 14. Does that help?

Q: (off mic)

UNDER SEC. HALE: I wish I knew. They've said mid-March, they being OMB, and they will make this decision, but I don't have a specific date.

Q: (off mic) mid-March versus mid-April or early (off mic)

UNDER SEC. HALE: I believe they've said mid-March.

Q: Let me try one more specifically on the service contractor workforce. The department has described them as part of the total force many times. You seem like you have a pretty solid plan on the civilian workforce and how you're going to handle that and how they're going to contribute to the O&M reductions. Is there a similar detailed plan on the contractor workforce?

UNDER SEC. HALE: Well, it's managed differently, in the sense that we go out to the private sector and -- and order services, and they, of course, manage their workforce, so we wouldn't be involved in that. We are developing plans with increasing levels of detail for the -- what we would buy from the private sector, in the process of looking at all of our investment programs, 2,500 of them -- it takes a lot of work -- to figure out what we won't do to accommodate sequestration cuts and similarly in the service contract area.

I won't tell you all of that's done, but we're -- we're moving along well. I think we will be ready for sequestration, if we have to, by March 1. And under the law, we owe a detailed spend plan by April 1. And that would give more fidelity on exactly the changes. But in terms of managing the workforce, that's really something that will be done by the private companies.

MR. WHITMAN: Let's bring this to an end, but let's go back here and we'll let you finish it (off mic)

Q: On the FY 14 budget, do you expect to roll it out in parts, to roll out the base budget and the OCO budget separately, the other parts separately? Will we be getting it in pieces (off mic)

UNDER SEC. WRIGHT: I think that's possible. I mean, for the OCO budget, we need troop level decisions. We're getting those now, after the State of the Union message, but we still have to put that budget together, so they may not come out together. I just don't -- since I don't know the exact timing of release, I can't be sure, but they may come out separately.

Q: Okay, and this is just actually a numbers clarification thing, so it's not a good one to end on. But given that you're five-twelfths of the way through the year, you've got -- you're exempting military personnel. There are some civilian exemptions. And in warzones, there's going to be -- (inaudible) -- exempted. What percent -- this \$48 billion represents what percent of the available pie that could be cut? I mean, when you take all those other numbers out, it's not just a 20 percent of the last half year, so it's less than that, isn't it? What's the potential pie that you're cutting?

UNDER SEC. HALE: Oh, I see what you mean. Well, in the -- you know, the problem is, the investment -- I'd say divide \$46 billion by five-twelfths, but that wouldn't be right, because the investment accounts tend to obligate slowly. And I don't know that I have that number in my head. I mean, I'm going to guess we're a quarter obligated now overall.

Does that sound roughly right, Mary?

UNDER SEC. HALE: All right. And so we've got three-quarters left, and we're taking \$46 billion out. Don't hold me to that too closely, please. But it's probably in that ballpark, because the investment accounts tend to obligate more toward the end of the year.

MR. WHITMAN: All right, folks. Thank you again for your interest in this. And if we have any follow-up questions, please don't hesitate to go to the press office. We'll try to get an answer for you.



SECRETARY OF DEFENSE
1 000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

FEB 20 2013

MEMORANDUM FOR DEPARTMENT OF DEFENSE CIVILIAN EMPLOYEES

SUBJECT: Preparations for Potential Sequestration on March 1 and Furlough Notifications

For more than a year and a half, the President, the Joint Chiefs of Staff, and I have repeatedly voiced our deep concerns over the half a trillion dollars in automatic across-the-board cuts that would be imposed under sequestration and the severe damage that it would do to both this Department and our national defense.

The Administration continues to work with Congress to reach agreement on a balanced deficit reduction plan to avoid these cuts. Meanwhile, because another trigger for sequestration is approaching on March 1st, the Department's leadership has begun extensive planning on how to implement the required spending reductions. These cuts will be magnified because the Department has been forced to operate under a six-month continuing resolution that has already compelled us to take steps to reduce spending.

In the event of sequestration, we will do everything we can to continue to perform our core mission of providing for the security of the United States, but there is no mistaking that the rigid nature and scale of the cuts forced upon this Department will result in a serious erosion of readiness across the force.

I have also been deeply concerned about the potential direct impact of sequestration on you and your families. We are doing everything possible to limit the worst effects on DoD personnel – but I regret that our flexibility within the law is extremely limited. The President has used his legal authority to exempt military personnel funding from sequestration, but we have no legal authority to exempt civilian personnel funding from reductions. As a result, should sequestration occur and continue for a substantial period, DoD will be forced to place the vast majority of its civilian workforce on administrative furlough.

Today, I notified Congress that furloughs could occur under sequestration. I can assure you that, if we have to implement furloughs, all affected employees will be provided at least 30 days' notice prior to executing a furlough and your benefits will be protected to the maximum extent possible. We will work to ensure that furloughs are executed in a consistent and appropriate manner, and we will also continue to engage in discussions with employee unions as appropriate. More information and answers to frequently asked questions regarding furloughs can be found at www.opm.gov/furlough, under the "administrative furlough" section.



OSD001644-13

Working with your component heads and supervisors, the Department's leaders will continue to keep you informed. As we deal with these difficult issues, I want to thank you for your patience, hard work, and continued dedication to our mission of protecting the country.

Our most important asset in the Department is our world-class personnel. You are fighting every day to keep our country strong and secure, and rest assured that the leaders of this Department will continue to fight with you and for you.

A handwritten signature in black ink, appearing to be "Johnston", written in a cursive style with a long horizontal flourish extending to the right.



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

FEB 20 2013

The Honorable Joseph R. Biden, Jr.
President of the Senate
United States Senate
S-212 Capitol Building
Washington, DC 20510

Dear Mr. President:

In accordance with statute, I am providing a report on potential civilian furloughs within the Department of Defense. Specifically, title 10, U.S.C., section 1597(e), provides that the Secretary of Defense “may not implement any involuntary reduction or furlough of civilian positions ... until the expiration of the 45-day period beginning on the date on which the Secretary submits to Congress a report setting forth the reasons why such reduction or furloughs are required and a description of any change in workload or positions requirements that will result from such reductions or furloughs.” This letter provides the report and information required by this section.

We remain hopeful that the Administration and Congress will reach an agreement to avoid the across-the-board reductions in Federal spending required by the Budget Control Act of 2011, commonly known as “sequestration.” The Department must, however, continue to plan for such reductions should Congress not take action prior to sequestration taking effect on March 1, 2013. If sequestration is not avoided, the magnitude of the potential reductions will damage force readiness, slow major acquisition programs, and necessitate civilian furlough actions that will negatively affect our Federal civilian workforce. Overall, sequestration will put us on a path toward a hollow force and inflict serious damage on our national security.

If faced with sequestration, the Defense Department will be forced to forego critical objectives. As we make the difficult decisions about how to maintain our national security to the greatest extent we can in light of these destructive cuts, the Department will have to consider furloughs across the entire defense civilian workforce in order to meet the fiscal target mandated by sequestration. Because there will be no change in the requirements for work to be performed by the Department’s workforce to maintain our national security, the workload on each employee and the requirements for each position that will result from such furloughs will be increased beyond what can reasonably be achieved. The furloughs contemplated by this notice will do real harm to our national security. Moreover, we understand that furloughs would have serious adverse effects on the livelihood, morale, and productivity of our workforce, and where possible we will take steps to minimize those effects.



Nevertheless, if required, it is my goal to apply furlough actions in a consistent and equitable manner across the Department, though variations may occur because of the mission and budgetary requirements of each military department and agency. Each military department and agency within the Department will prepare detailed sequestration plans, and the Department will submit an updated plan for operations under a sequestration to Congress, as required by section 116(b) of the Continuing Appropriations Resolution, 2013, Public. Law 112-175.

Finally, if furlough actions prove to be necessary, every affected employee would be subject to furlough for up to 22 discontinuous work days (176 total hours), the maximum number of furlough days allowed without triggering additional notification requirements that follow reduction-in-force procedures (though such an extended furlough action would still constitute a temporary placement on non-pay/non-duty status, rather than a permanent separation from service). We will provide affected employees the requisite advance notice before a furlough occurs. The Department is also engaged in the necessary and appropriate discussions with employee unions, and will discharge any applicable collective bargaining obligations that may arise. In the event an agreement is reached that averts sequestration and restores needed funding, we will immediately cancel any furloughs that have resulted and cease furlough planning.

While furloughs would be disruptive and damaging to our ability to carry out the defense mission, there are no viable alternatives for the Department if sequestration actually occurs. We will continue to work with Congress in an effort to avoid sequestration and furloughs. A similar letter is being sent to the Speaker of the House and the defense oversight committees.

Sincerely,





DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:

12351

CL

From: Commandant of the Marine Corps
To: My Civilian Marines

Subj: SEQUESTRATION IMPACTS; POSSIBLE FURLOUGHS

1. Civilian Marines are critical to the Marine Corps' role in protecting our Nation. I appreciate that you have already sacrificed through a decade of high tempo deployments and combat operations. You have remained by our side during nearly three years of pay freezes and increasing work. Thank you for all that you do and have done for our Corps and country. Unfortunately, I may have to ask you to do even more.

2. As you are aware, there has been much speculation about our current fiscal situation. This is my first opportunity to address the matter with you. Our Nation's political leaders are working hard to resolve these issues. One issue involves what is referred to as "sequestration"—or across the board budget reductions—which could take effect on March 1, 2013, absent further legislation. The President has expressed his intention to exempt military personnel funding from these cuts. The law does not, however, permit similar civilian funding protections.

3. There is no shortage of examples of Civilian Marine dedication. In the past year, 66 employees crossed the 40 year service milestone; another 1,300 employees have 30 years of service. One of those with 40 years has been a mainstay at Headquarters Marine Corps, faithfully serving through the 9/11 attacks and the following decade of war. Our civilians are interwoven throughout, contributing to our entire organization. Our nearly 450 Family Readiness Officers directly support the operating forces, allowing our operators to focus on the mission at hand. A group of 36 Civilian Marines in the Marine Corps Facility Services Directorate are universally recognized for enabling operators to conduct realistic training and effectively execute their missions. These Civilian Marines typify the remarkable performance of over 20,000 Civilian Marines serving our Corps.

4. Every civilian in our organization is important to me, just as is every Marine. I want to ensure that all Civilian Marines, as well as the Marines and Sailors within our ranks, understand that

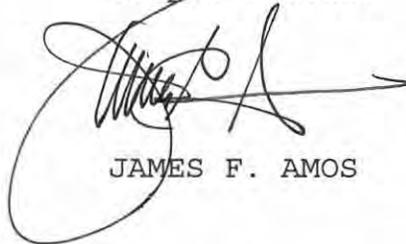
I intend to do my utmost to ensure that the Marine Corps continues to accomplish its missions, while keeping faith with you.

5. The current situation requires tough decisions. With or without sequestration, challenging fiscal times lie ahead. In addition to our active duty force reductions of 20,000 Marines, I anticipate reductions in programs and other areas. The Marine Corps, like the rest of our Armed Forces, will have to find ways to accomplish missions within reduced budgets. Some form of reduction in civilian personnel accounts over the coming year is likely unavoidable. As a result, there may be administrative furloughs. Potential actions will only occur after a careful examination of other viable cost-reduction options.

6. Our continued success will be built on a team approach, one in which everyone involved is kept fully informed to the extent possible. Your expertise and insights will add value to the effort. While I know that it's difficult, our situation requires patience so that we can properly analyze our options. No matter what happens, we will work together to minimize any adverse impacts on the mission, and reduce as much as possible any adverse effects on you and your family.

7. I greatly appreciate the importance of what our Civilian Marines do each and every day, the sacrifices you make on behalf of our Nation, and the value you add to our Corps. You have all contributed through your service to our organization; unfortunately, this situation may require me to ask you to sacrifice yet again. We are one Marine Corps family, and we will continue as such. Regardless of what may lie ahead, I know that as a team we can successfully weather any challenge. In its truest sense, I remain...

Semper Fidelis

A handwritten signature in black ink, appearing to read 'J. Amos', with a large, sweeping flourish that extends to the right and loops back under the signature.

JAMES F. AMOS

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DEPARTMENT OF THE NAVY
 HEADQUARTERS UNITED STATES MARINE CORPS
 3000 MARINE CORPS PENTAGON
 WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
 7000
 BE
 22 Jan 13

From: Fiscal Director of the Marine Corps, Programs and
 Resources Department, Headquarters, United States Marine Corps
 To: Distribution

Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

Ref: (a) DepSecDef memorandum of 10 Jan 13: Handling Budgetary
 Uncertainty in Fiscal Year 2013
 (b) DoN Budget Guidance Memorandum BG 12-3A
 (c) P&R Marine Corps Action Tracking System Task #2013-1-190.X
 (d) Fiscal Director ltr 7000/RFE of 1 Oct 12

1. Purpose. The Department of Defense continues to operate under a Continuing Resolution (CR) that currently runs through 27 March, but could possibly be extended to cover the full fiscal year. Further, the potential sequestration under the Budget Control Act was delayed but not eliminated under the 2012 American Taxpayer Relief Act; this Act also made additional topline reductions. The confluence of these events has presented the Marine Corps with a great deal of fiscal uncertainty and may adversely impact readiness due to the possibility of smaller budgets in both the current FY as well into the foreseeable future. Accordingly, it is prudent that the Marine Corps begin immediately to pursue reversible/recoverable actions to reduce expenditure rates and mitigate budget execution risks. This letter explains the steps the Marine Corps has taken to date and directs additional budgetary actions (in accordance with reference (a)) that will be undertaken in support of the overall Marine Corps effort.

2. Background. For initial planning purposes, the Marine Corps has made the assumption that it will be operating under the constraints of an annualized CR for FY13. This means that during FY13 there may be no new starts (including military construction (MILCON)), multi-year procurements, and no quantity increases from the FY12 enactment to the FY13 CR level - we will be executing to the lower of either FY13 annualized CR or the PB13 amount.

In addition to the impact of the annualized CR, the Marine Corps has also begun planning in anticipation of reductions associated with the sequestration, which further compounds the already adverse effect of the CR. The sequestration base is calculated by adding the annualized FY13 CR (rate of operations of base FY12 enacted plus the FY13 Overseas Contingency Operations (OCO) budget request) and FY12 and earlier prior year unobligated balances for active prior year

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Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

accounts. A 9% reduction was then applied to this base to arrive at projected sequestration reductions. It is important to note that the full extent of the law encompasses sequestration-related cuts through FY21; as a result, commanders and activity heads need to take a long term view toward sequestration and understand the future impacts of decisions made today.

3. Initial Actions

a. Rebalancing to Address Continuing Resolution Shortfalls. The manner in which the CR must be implemented had a disproportionate effect on some elements of the Marine Corps' Operation and Maintenance appropriation, in particular the operating forces and ground depot maintenance. Accordingly, the Commandant directed the rebalancing of \$392M to offset shortfalls in Marine Corps Logistics Command, Marine Corps Forces U.S. Cyber Command, and in the operating forces; this funding shift is reflected in the controls promulgated in reference (c).

b. Slow Down of Spending. Due to the uncertainty described in preceding paragraphs, the Commandant has authorized steps be undertaken immediately to slow spending in the 2nd Quarter of FY13. Accordingly, the Deputy Commandant, Programs and Resources will not allocate \$150M originally planned for distribution in the 2nd Quarter in order to aid in mitigating the longer term uncertainty of an annualized CR and sequestration. Should sequestration be averted, this action is reversible, and the funding will then be allocated in accordance with the Commandant's priorities.

c. Civilian Personnel (CIVPERS)

(1) Manage to Payroll (MTP). The Marine Corps will not immediately implement an across the board hiring freeze; however, MTP controls have been adjusted, and commands and activities must manage their respective payrolls within these reduced levels. Commanders must understand that additional CIVPERS actions (such as a hiring freeze) may ultimately be directed.

(2) Civilian Furloughs. The Marine Corps will not implement furloughs in the near term. Commands and activities are directed to assess the potential impact of furloughs, but this is contingency planning only. Accordingly, commands and agencies may plan for furloughs, assuming one furloughed day per week for all employees starting on or about 27 April 2013 and continuing for 22 weeks. Commands and activities will develop contingency/continuity of operations plans to address the potential impact of furloughs and will provide the ramifications of such furloughs in their impact statements (reference (c)). Commands will assume that any savings associated with civilian furloughs will be held centrally and managed by Programs

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and Resources Department to offset Service-wide shortfalls as directed by the Commandant.

(3) Temporary Employment. Commands and activities are authorized (but not directed) to reduce temporary employee levels, and should consider such reductions consistent with current requirements and projected workload. Commands and activities will provide Programs and Resources Department with their plan for reducing temporary employees and the associated impact of this decision.

(4) Term Employment. Commands and activities may, but are not directed to, release term employees when their current terms expire, consistent with current requirements and projected workload. Early release of Marine Corps term employees prior to expiration of their term is not authorized at this time, but planning for the possibility of such a future decision should be undertaken. Commands and activities will provide their plan for reducing term employees and the associated ramifications of this decision in their impact statements (reference (c)).

(5) Depot Maintenance. No action that involves cancellation of depot activities may be taken prior to 15 February per references (a) and (b).

4. Near Term Actions and Planning Guidance

a. Operation and Maintenance Accounts

(1) Commands and activities have already assessed the impact of sequestration and CR cuts and submitted both impact statements and implementation plans in PBDD. Reference (c) provided revised controls for commands and activities and is intended to support refined planning and analyses with more detailed fiscal controls. These controls are based on the rebalancing of funds directed by the Commandant and assume an annualized CR and a 9% sequestration reduction. Commands and activities will analyze these refined controls and will provide implementation plans to Programs and Resources Department Coordination Branch (RFC) in PBDD as directed in reference (c).

(2) Commands and activities should consider the following guidance when preparing implementation plans:

(a) Travel. Per references (a) and (b), non-mission essential travel activities should be postponed or cancelled, and in cases where this is not possible due to mission requirements, travel will be approved by the first general officer/flag officer in the traveler's chain of command. Postponement of travel incurred in the execution/planning of combat operations and associated training is

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excepted. In all cases, travel expenses should be minimized to the greatest extent feasible.

(b) Conferences. Per reference (b), any government-sponsored conferences scheduled from January to March should be moved to April or beyond. For those conferences that cannot be easily delayed or are considered mission essential, the conference will be reviewed and approved by the first general officer/flag officer in the chain of command and resubmitted for final approval in accordance with current directives. For non-government sponsored conferences, U.S. government participation is not prohibited, but should contribute to the Marine Corps' mission and be adjusted to minimize costs. Invited speakers should seek approval of the first general/flag officer in the chain of command to ensure that participation is essential to the outcome of the conference. Every effort should be made to consider alternatives to formal conferences to include venues such as VTC, teleconferences, etc.

(c) Administrative Support/Information Technology. Commands and activities should review costs associated with printing and reproduction, review legal requirements for printing, limit purchase of promotional items not directly associated with the Marine Corps' recruiting mission, review the use and assignment of employee IT devices, and reduce participation in ceremonies, commemorations, etc. where possible.

(d) Contracting. Where possible, all contract awards should be postponed beyond 1 April to preserve fiscal flexibility later in the year. Commands and activities should discuss significant contract obligations with Programs and Resources Department personnel prior to committing the Marine Corps to such contract obligations.

(e) Studies and analysis efforts. Commands and activities should review the need for contracted studies and analyses and postpone studies that are not critical to mission accomplishment.

(f) Facilities Sustainment. Commands and activities should slow facilities sustainment expenditures, postponing these commitments to later in the fiscal year in cases where safety and life support are not in jeopardy. Note that current sequestration/CR planning projects the possibility of a reduction of Facilities, Sustainment, Restoration, and Modernization (FSRM) funding to as low as 60% of the requirement.

b. Investment Accounts and Military Construction

(1) Reference (c) promulgated updated annualized CR and Sequestration controls for Procurement, Marine Corps (PMC), Procurement of Ammunition, Navy and Marine Corps (PANMC), Research,

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Development, Test, and Evaluation, Navy (RDT&EN) and Family Housing Operations (FHOPS). These controls have been updated to reflect the most recent sequestration and CR reductions as well as estimated prior year unobligated balances (updated to reflect actual execution through mid January and projections through the end of February).

(2) Based on these new controls, Marine Corps Systems Command will update/revise its sequestration impact statements, develop PBDD loads for the CR13 and sequestration undistributed amounts (spread to the MCPC level and appropriate fiscal year), complete PBIS loads in the specified format, and submit these in accordance with the timelines promulgated in reference (c).

(3) Construction accounts. Investment Branch (RFI) will work with Installations and Logistics Department (I&L) (LFL) to develop CR and sequestration impacts by project and year.

c. Military Personnel Accounts. While military personnel accounts are exempted by sequestration, they are affected by the CR. Manning Branch (RFM), Programs and Resources Department will submit revised implementation plans for military personnel accounts to account for the impacts of the CR. On a monthly basis, RFM will provide assessments of funding shortfalls or assets against PB13 and against an annualized CR.

5. Coordinating Instructions

a. New Starts (including MILCON), Quantity Increases, and Multiyear Procurements. In accordance with references (a) and (d), while under a CR, the Marine Corps does not have the authority to initiate any FY 2013 new starts or multiyear procurements nor may it contract for increases in procurement over FY 2012 quantities or planned PB13 or OCO13 levels (whichever is the lesser amount). These limits must be considered by commands and activities when developing implementation plans.

b. Control of Pre-decisional Information. All personnel are reminded that discussion of sequestration information outside of DoD is prohibited. Further, this information may not be shared with contractor personnel.

c. Congressional and Public Affairs Guidance. The Department of the Navy is the central control authority for messaging and the narrative related to either the CR or sequestration. Requests for information from any organization on these topics should be coordinated with Programs and Resources Department.

7. Points of contact. Points of contact in this matter are as follows:

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- [REDACTED], Director, Budget and Execution Division,
[REDACTED].
- [REDACTED], Deputy Director, Budget and
Execution Division, [REDACTED].
- [REDACTED], Head, O&M Execution Branch,
[REDACTED].
- [REDACTED] Head, O&M Formulation Branch,
[REDACTED] (703) 614-7946.
- [REDACTED] Head, Investment Branch,
[REDACTED].
- [REDACTED] Head, Budget and Congressional
Coordination Branch, [REDACTED].

Ann-Cecile M. McDermott

ANN-CECILE M. MCDERMOTT

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Commanding General, Marine Forces Command
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Commanding General, Marine Forces Southern Command
Commanding General, Marine Forces Cyber Command
Commanding General, Marine Corps Forces Special Operations Command
Commanding General, Marine Corps Logistics Command
Commanding General, Marine Corps Recruiting Command
Commanding General, Marine Corps Installation Command
Commanding General, Marine Corps Systems Command
Commanding General, Training and Education Command
Deputy Commandant for Manpower and Reserve Affairs
Deputy Commandant for Installations and Logistics
Deputy Commandant for Plans, Policies, and Operations

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January 14, 2013

M-13-03

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jeffrey D. Zients 
Deputy Director for Management

SUBJECT: Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources

In the coming months, executive departments and agencies (agencies) will confront significant uncertainty regarding the amount of budgetary resources available for the remainder of the fiscal year. In particular, unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling approximately \$85 billion in budgetary resources across the Federal Government. Further uncertainty is created by the expiration of the Continuing Appropriations Resolution, 2013 (CR) on March 27, 2013. This memorandum directs agencies to take certain steps to plan for and manage this budgetary uncertainty.

The Administration continues to urge Congress to take prompt action to address the current budgetary uncertainty, including through the enactment of balanced deficit reduction to avoid sequestration. Should Congress fail to act to avoid sequestration, there will be significant and harmful impacts on a wide variety of Government services and operations. For example, should sequestration remain in place for an extended period of time, hundreds of thousands of families will lose critical education and wellness services through Head Start and nutrition assistance programs. The Department of Defense will face deep cuts that will reduce readiness of non-deployed units, delay needed investments in equipment and facilities, and cut services for military families. And Federal agencies will likely need to furlough hundreds of thousands of employees and reduce essential services such as food inspections, air travel safety, prison security, border patrols, and other mission-critical activities.

At this time, agencies do not have clarity regarding the manner in which Congress will address these issues or the amount of budgetary resources that will be available through the remainder of the fiscal year. Until Congress acts, agencies must continue to prepare for the possibility that they will need to operate with reduced budgetary resources.

Prior to passage of the American Taxpayer Relief Act of 2012 (ATRA), the President was required to issue a sequestration order on January 2, 2013. Although the ATRA postponed this date by two months, agencies had already engaged in extensive planning for operations under post-sequestration funding levels before this postponement was effected. In light of persistent budgetary uncertainty, all agencies should continue these planning activities, in coordination with the Office of Management and Budget (OMB), and should intensify efforts to identify actions that may be required should sequestration occur.

Agencies should generally adhere to the following guiding principles, to the extent practicable and appropriate, in preparing plans to operate with reduced budgetary resources in the event that sequestration occurs:

- use any available flexibility to reduce operational risks and minimize impacts on the agency's core mission in service of the American people;
- identify and address operational challenges that could potentially have a significant deleterious effect on the agency's mission or otherwise raise life, safety, or health concerns;
- identify the most appropriate means to reduce civilian workforce costs where necessary – this may include imposing hiring freezes, releasing temporary employees or not renewing term or contract hires, authorizing voluntary separation incentives and voluntary early retirements, or implementing administrative furloughs (appropriate guidance for administrative furloughs can be found on the OPM website [\[here\]](#)); consistent with Section 3(a)(ii) of Executive Order 13522, allow employees' exclusive representatives to have pre-decisional involvement in these matters to the fullest extent practicable;
- review grants and contracts to determine where cost savings may be achieved in a manner that is consistent with the applicable terms and conditions, remaining mindful of the manner in which individual contracts or grants advance the core mission of the agency;
- take into account funding flexibilities, including the availability of reprogramming and transfer authority; and,
- be cognizant of the requirements of the Worker Adjustment and Retraining Notification (WARN) Act, 29 U.S.C. §§ 2101-2109.

While agency plans should reflect intensified efforts to prepare for operations under a potential sequestration, actions that would implement reductions specifically designed as a response to sequestration should generally not be taken at this time. In some cases, however, the overall budgetary uncertainty and operational constraints may require that certain actions be taken in the immediate- or near-term. Agencies presented with these circumstances should continue to act in a prudent manner to ensure that operational risks are avoided and adequate funding is available for the remainder of the fiscal year to meet the agency's core requirements and mission. Should circumstances require an agency to take actions that would constitute a change from normal practice and result in a reduction of normal spending and operations in the

immediate- or near-term, the agency must coordinate closely with its OMB Resource Management Office (RMO) before taking any such actions.

All agencies should work with their OMB RMO on the appropriate timing to submit draft contingency plans for operating under sequestration for review. Furthermore, should Congress take action that affects the current budgetary uncertainty, OMB will provide agencies with additional guidance as appropriate.



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

JAN 14 2013

BUDGET GUIDANCE MEMORANDUM BG 12-3A

Subj: IMPLEMENTATION OF ANNUAL CONTINUING RESOLUTION AND SEQUESTRATION ON THE FY 2013 DEPARTMENT OF THE NAVY BUDGET

Ref: (a) SECDEF memo on "Handling Budget Uncertainty in FY13" dated 10 January 2013
(b) ALNAV dated 11 January 2013

Encl: (1) DON CR and Sequestration Funding Targets by BSO
(2) Investment Template for Spreading Sequestration Reductions by Year
(3) Template for CR and Sequestration Impact Statements
(4) Working Capital Fund Impact Template

1. Purpose. To provide an update on the current status of sequestration, describe Department of the Navy (DON) timelines and processes, provide revised sequestration targets, solicit inputs for implementation plans for DON programs and impact statements for larger DON programs. This detailed planning effort will inform the DON sequestration implementation plan due to OSD on 1 February 2013. While this sequestration planning effort affects the majority of DON programs, it is considered to be an internal deliberation and is not to be discussed outside the Department.

2. Background. The Budget Control Act (BCA) of 2011 (Public Law 112-25) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) to re-attain a balanced budget by the introduction of an automatic process of across-the-board cuts, known as sequestration. Per the BCA, sequestration was to have taken effect on 2 January 2013 if the Joint Select Committee on Deficit Reduction failed to propose, and Congress failed to enact, a bill including at least \$1.2 trillion in deficit reduction. On 2 January 2013, Congress and the President enacted the American Taxpayer Relief Act of 2012 (ATRA) which deferred sequestration effects until 1 March 2013. The administration is hopeful that Congress will pass a series of bills that would end the continuing resolution and avert sequestration. Reference (a) highlights additional information and guidance on sequestration and can be found at: https://fmbweb1.nmci.navy.mil/exec/Debt_Ceiling.htm.

3. Action. BSOs are to begin execution of DON Tier Alpha actions to preserve funding under the FY 2013 Continuing Resolution. This direction is also provided in references (a) and (b). Development and submission of DON implementation plans and CR and Sequestration Impact Statements by BSOs are described below.

4. Estimating the Impact of Sequestration. The DON has followed the OMB method for calculating the sequestration impact, assuming operations under an annual Continuing Resolution (CR). The base for sequestration includes the following:

- The FY 2013 Annualized CR is calculated from the FY 2012 Enacted appropriation and is adjusted upward by 0.612%.

- The FY 2013 Overseas Contingency Operation (OCO) budget request.
- The FY 2012 and earlier prior year unobligated balances for active accounts. The current forecast for unobligated balances in this guidance uses data through 31 December 2012.

Sequestration Impact = (FY 2013 Annualized CR + FY 2013 OCO request + PY Unobligated Balances) * 9%

a. Until a more definitized sequestration number is available, a 9% reduction will be applied to the sequestration base shown above. BSOs should be aware that the unobligated balance forecast will be updated to include an obligation projection through the end of February of 2013 for final planning estimates, however, this data will not be available from OSD until ~20 January. Revised OSD unobligated balance data will be provided as soon as available. FMB will work with BSOs where any significant changes are observed.

b. The DON also assumes that it will be expected to continue to operate within the limitations of an annualized Continuing Resolution, which reduces flexibility - no FY 2013 new starts and no quantity increases from the FY 2012 enactment to the FY 2013 CR level. As a result, the program control will be established as follows:

- (1) The sequestration reduction described above will be applied to the lower of either the FY 2013 Annualized CR amount (FY 2012+0.612%), or the FY 2013 President's Budget Request.
- (2) Military Personnel funding is excluded from sequestration action but not from the CR.
- (3) Where the PB13 amount was lower than the annualized level of the FY2013 CR, no CR adjustment has been made. Where the FY 2013 CR amount was lower than PB13, an adjustment has been entered - - thereby picking the lower of either the FY 2013 annualized CR or PB13 amounts.
- (4) The purpose for this is to exclude funds from consideration that might not materialize under an appropriation that would artificially enhance budgets.

c. Enclosure (1) reflects the proposed controls as articulated above. Due to the large number of prior year projects and the large prior year balances in SCN and MILCON, including many ships and projects that do not have funding in FY 2013, enclosure (1) provides total sequestration amounts at the appropriation level for SCN, MCN, MCNR, and FHCON. Distribution by fiscal year and line item will be provided separately by FMB 2.

d. While there may be reprogramming authority or other mechanisms provided later for realignments across appropriation, this DON effort presumes no flexibility for realignments within the FY 2013 CR. Also, the sequestration reductions provided must be applied at the PPA level (P-1/R-1/C-1) for investment accounts in FY 2013, but may be realigned among FY 2013 and prior years with active and available unobligated balances. Enclosure (2) provides a template for BSOs to complete to report recommended adjustments across fiscal years within a P-1/R-1/C-1 line item.

5. Civilian Personnel.

a. Hiring Freeze. Per references (a) and (b), a hiring freeze is now in effect for Navy commands. This hiring freeze will be managed by BSO Commanders. Hiring actions may be performed under the hiring freeze for critical billets that the Commander defines as "essential."

No additional job offers will be made by the OCHR Human Resources Service Centers until each BSO develops and issues their hiring freeze plan. BSOs must satisfy their local union notification and bargaining requirements associated with their plan. The Marine Corps direction regarding potential civilian personnel actions will be issued by HQMC to reflect decisions by the Commandant, as applicable. Any Marine Corps hiring freeze will be announced separately and managed by HQMC. ASN(M&RA) will work with individual BSOs to address questions and approve hiring freeze plans. ASN(M&RA) POC for the hiring freeze is Mr. Doug Lundberg at Douglas.Lundberg@navy.mil.

- 1) BSOs are alerted that for reimbursable billets the fund holder must coordinate with the BSO early enough to ensure that the reimbursable workforce is planned, available, and funded.
- 2) More specifically, NAVSEA and the Shipyards must coordinate with the Fleets, as the fund holder, to ensure proper levels of reimbursable workforce are planned and funded. Joint decisions to determine essential work and appropriate work force are essential.
- 3) Beyond the Fleet workforce, BSOs must be sensitive to other reimbursable work, e.g., SOCOM, DHP, Intelligence, and FMS
- 4) DoD has authorized voluntary separation incentives and voluntary early retirements. BSOs can look at this option when considering personnel action.

b. Civilian Personnel Furlough. If implemented, civilian furloughs will be centrally managed and will be a government-wide effort with limited exceptions. The White House will control future guidance with respect to a civilian furlough. Within this effort, BSOs should assume in their implementation plans a one-day furlough per week starting 16 April 2013 and continuing for 22 weeks. In any cases where risk to safety or security are untenable, BSOs should submit an impact statement highlighting the specific issue or circumstance that will result from the furlough. In the event a furlough is not authorized, BSOs should be assessing alternative measures to achieve the required reductions. OCHR will provide supplemental guidance on furloughs. ASN(M&RA) POC for furloughs is Mr. Doug Lundberg at Douglas.Lundberg@navy.mil.

c. Temporary and Term Employment. Per references (a) and (b), BSO Commanders are authorized to reduce temporary and term employee levels. BSO Commanders will manage this effort for critical billets that the Commander defines as “essential.” BSOs are reminded that Tier Alpha presumed a level of savings from these cuts. If temp and term savings do not materialize, BSOs would have to offer alternate cuts. The termination of term employees may require advance notice and appeal rights. When developing plans, BSOs should not propose releasing temporary employees prior to 15 February. You should consult with OCHR if terminating term employees is part of your proposed action plan. ASN(M&RA) POC for temporary and term employee action is Mr. Doug Lundberg at Douglas.Lundberg@navy.mil.

d. Navy Working Capital Fund (NWCF). As civilian personnel at NWCF entities are driven by workload requirements, coordination between customers and WCF entities is critical to ensuring an appropriately sized WCF workforce. Revised customer spend plans will drive changes to WCF requirements. Requirements from paragraph 4.a, 4.b, and 4.c above apply to WCF employees as well.

6. Implementation Plans and Impact. Based on the CR and sequestration targets provided in enclosure (1), BSOs will develop implementation plans in PBIS for O&M, SCN, and Military Construction and will submit sequestration impact statements based on the below direction. Specific direction is as follows:

a. Operation and Maintenance Accounts. FMB has coordinated extensively with BSO Comptrollers on the development of Tier Alpha cuts to address the CR, and is working on Tier Bravo options to deal with sequestration reductions. Revised BSO targets for the CR and sequestration adjustments are provided in enclosure (1) and in a new PBIS control table entitled "Sequestration Planning Control". BSOs will note that CR and sequestration targets are provided at the appropriation level of funding, and these adjustments must be spread by AG SAG in PBIS. As stated, CR rules allow BSOs flexibility to apply the CR adjustments as appropriate to achieve the previously coordinated Tier Alpha reductions - - sequestration cuts to be addressed by the Tier Bravo options will be developed. BSO implementation plans will be due in PBIS to FMB NLT than 25 January 2013. For updates to any unexpected O&M adjustments in Tier Alpha, BSOs will submit an implementation impact statement to FMB1 describing the change. In addition, the following should be provided per reference (a):

- Extent of civilian hiring freezes, expected number of temps/terms released; impact of the furlough.
- Reduction to Flying Hour, Steaming Days, Vehicle Miles and other operations/training/support activities that affect force readiness.
- Any areas receiving disproportionate cuts

Questions regarding O&M implementation plans or impact statements should be forwarded to James.Moser@navy.mil or james.moser@navy.smil.mil.

b. Investment Accounts: For procurement, research and development accounts, sequestration and CR impacts (where applicable) are applied at the Line Item (P-1, R-1) level of detail. Sequestration adjustments may be made for all investment programs at the PPA level by realigning the sequestration reduction among FY13 funding and any prior years with active and available unobligated balances. These recommended adjustments will be provided to FMB 2 in the enclosure (2) template addressed in paragraph 3.d and will be entered in PBIS for Issue 64293 at the P-1, R-1 and C-1 level of detail. BSO input for PBIS records and enclosure (2) will be due to FMB NLT than 25 January 2013.

For significant investment programs (ACAT 1D, ACAT 1C, MAIS, Joint, Special Interest) an implementation impact statement will be submitted to FMB 2. Enclosure (3) provides the template to be used to report recommended sequestration adjustments among fiscal years for a line item, the impact of a year-long CR (funding, authorization, new starts, quantity impact, rate of operations, multiyear procurement), and the impact to the program of the sequestration reduction. Enclosures (2) and (3) will be used for the development of the DON submission to OSD, possible year-long CR anomalies, and follow-on actions to sequestration. Questions regarding investment spend plans or impact statements should be forwarded to Burchard.Jackson@navy.mil or Burchard.Jackson@navy.smil.mil.

c. Construction and Family Housing accounts. NAVFAC will work with FMB2 to report CR and sequestration impact by project and year for Military Construction and Family Housing Construction. In addition, for Family Housing Operations, any Quality of Life issues should be identified.

d. Navy Working Capital Fund (NWCF). NWCF activities should coordinate with the BSOs on potential reductions in customer funding for their planned DON orders. BSOs are requested to complete enclosure (4) to indicate where proposed reductions will significantly impact NWCF customer orders. This information will be used in a subsequent data call to NWCF Activities to assess changes to FY 2013 financial operations, including revenue and net operating results. Questions on this template should be directed to the acting FMB 41, CDR Steve Macdonald, at 703-692-4842.

e. Military Personnel. While Military personnel accounts were exempted by sequestration, they are affected by the continuing resolution. BSOs will submit revised implementation plans for military personnel accounts to account for the impacts of the CR highlighted in enclosure (1) and are due to FMB NLT than 25 January 2013. BSOs should take into account any under-execution in FY 2013 that will result in surpluses and report these via enclosure (3) to FMB 1.

f. Conferences for all Appropriations. Any government-sponsored conferences scheduled from January to March 2013 should be postponed to April or beyond. Per current approval authorities, re-approval is required for those conferences that cannot be easily delayed, are considered absolutely mission essential, or are required to maintain professional license or equivalent certifications. Re-approval will be contingent on showing estimated costs have been minimized to the greatest degree possible. For non-government sponsored conferences, U.S. government participation is not prohibited, but should contribute to the DON's mission and be adjusted to minimize costs, especially travel and lodging. Invited speakers included in conference requests should seek the approval of the next higher command level to verify speaker need before the conference request is submitted for re-approval. All future conference requests will include a FO/GO/SES endorsement highlighting how costs have been minimized and whether the conference is mission critical and/or fulfills license and certification requirements.

g. Travel and Training for all Appropriations. All non-mission essential travel and training should be minimized to the greatest degree possible. The first FO/GO/SES in the chain of command should determine whether travel is mission essential. This guidance is effective through 1 April. It will then be reviewed and adjusted based on the outcome of the final FY 2013 topline.

7. New Starts, Quantity Increases and Multiyear Procurements. While under a year-long CR, DoN commands do not have the authority to initiate any FY 2013 new starts, multiyear procurements, or contract for increases in procurement over FY 2012 quantities. These limits must be considered by BSOs when developing investment implementation plans. The impact statements should address any problems with these CR limitations which may later be included as legislative proposals or anomalies in requesting relief from OMB and /or congress.

8. Control of pre-decisional information. Participants are reminded that discussion of sequestration information outside of DoD is not permitted.

9. Congressional and Public Affairs Guidance. CHINFO is the central control authority for messaging and the DON narrative related to either the CR, or sequestration. Requests for information from any organization on these topics should be coordinated with CHINFO to ensure a consistent message that includes the OSD/SECNAV perspective is provided.

10. Action. Per references (a) and (b), BSOs are to begin executing initial actions of DON Tier Alpha options to preserve funding under the FY 2013 Continuing Resolution. BSOs are to also upload implementation plans in PBIS and provide enclosure (2) and (3) completed templates for for investment programs NLT 25 January 2013. Questions related to this memorandum may be directed to Mr Bill Orton at (703) 695-5827, or William.Orton@navy.mil. Questions concerning spend plans may be forwarded to Mr Dennis Kelley at (703) 692-1679 or Dennis.Kelley@navy.mil. Questions on O&M spend plans should be forwarded to Mr. James Moser at (703) 695-5803 or James.Moser@navy.mil. Questions regarding investment spend plans or impact statements should be forwarded to CAPT Cory Jackson at (703) 697-1618 Burchard.Jackson@navy.mil.

I KNOW THIS
IS HARD WORK BUT
IT MUST BE DONE
ACCURATELY AND
QUICKLY!



J.P. MULLOY
Rear Admiral, U.S. Navy
Deputy Assistant Secretary of
the Navy for Budget

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(See next page)

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DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

JAN 10 2013

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Handling Budgetary Uncertainty in Fiscal Year 2013

Two sources of uncertainty are creating budgetary challenges for the Department of Defense (DoD) in 2013. The first is the fact that the Department is operating under a Continuing Resolution (CR) through at least March 27, 2013. Because most operating funding was planned to increase from Fiscal Year (FY) 2012 to FY 2013, but is instead being held at FY 2012 levels under the CR, funds will run short at current rates of expenditure if the CR continues through the end of the fiscal year in its current form. The Secretary will continue to urge the Congress to enact appropriations bills for FY 2013. But if the CR were to be extended through the end of the fiscal year, it would hinder our ability to maintain a ready force.

The second source of uncertainty is the potential sequestration recently deferred from January 2, 2013 to March 1, 2013 by the American Taxpayer Relief Act of 2012. The possibility of sequestration occurring as late as the beginning of the sixth month of the fiscal year creates significant additional uncertainty for the management of the Department.

Either of these problems, in isolation, would present serious budget execution challenges to the Department, negatively impacting readiness and resulting in other undesirable outcomes. This situation would be made even more challenging by the need to protect funds for wartime operations.

Near-Term Actions

Given the overall budgetary uncertainty faced by the Department, and in particular the immediate operational issues presented by the CR, it is prudent to take certain steps now in order to help avoid serious future problems. I therefore authorize all Defense Components to begin implementing measures that will help mitigate our budget execution risks. For now, and to the extent possible, any actions taken must be reversible at a later date in the event that Congress acts to remove the risks I have described. The actions should be structured to minimize harmful effects on our people and on operations and unit readiness.

Categories of approved actions are identified in Table 1. The authority to implement these actions shall remain in effect until they are revoked in a subsequent memorandum from my office. If Components believe they must take actions that go beyond the categories listed in Table 1, they should present the options for my review and approval prior to their implementation.

Intensified Planning for Longer-Term Budgetary Uncertainty

Given the added challenge of a potential sequestration in March, we must also intensify efforts to plan future actions that might be required should that happen. This planning does not assume these unfortunate events will occur, only that we must be ready.

As they formulate draft plans, Components should follow the guidance that directs the Department to take all possible steps to mitigate harmful effects associated with this budgetary uncertainty and to maintain a strong defense. The details of the guidance are summarized below:

- For the operating portions of the DoD budget:
 - Exempt all military personnel funding from sequestration reductions, in accordance with the decision made by the President in July 2012.
 - Fully protect funding for wartime operations.
 - Fully protect Wounded Warrior programs.
 - To the extent feasible, protect programs most closely associated with the new defense strategy.
 - Reduce civilian workforce costs using the following actions (all subject to mission-critical exemptions, and appropriate consultation with union representatives consistent with Executive Order 13522):
 - Release temporary employees and do not renew term hires.
 - Impose hiring freezes.
 - Authorize voluntary separation incentives and voluntary early retirements to the extent feasible.
 - Consider the possibility of furloughs of up to 30 calendar days or 22 discontinuous workdays.
 - To the extent feasible, protect family programs.

- To the extent feasible, protect funding most directly associated with readiness; focus the necessary cuts on later deploying units.
- For the investment portions of the DoD budget (procurement, RDT&E, construction):
 - Protect investments funded in Overseas Contingency Operations if associated with urgent operational needs.
 - To the extent feasible, protect programs mostly closely associated with the new defense strategy.
 - Take prudent steps to minimize disruption and added costs (e.g., avoid penalties associated with potential contract cancellations where feasible; prudently manage construction projects funded with prior-year monies).

While we are hopeful of avoiding budgetary problems, draft Component plans should reflect the possibility that we may have to operate under a year-long CR and that sequestration takes place. Table 2 shows the types of information that should be included in the plans. Components should submit these draft plans to the Under Secretary of Defense (Comptroller) by February 1, 2013. The Under Secretary of Defense (Comptroller) will work with the Components to adjust this schedule if changes are required due to the deadlines for the preparation of the FY 2014 President's Budget submission.

I appreciate your patience as we work through these difficult budgetary times. The Department will continue to do its best to resolve these budgetary uncertainties in a manner that permits us to support our current defense strategy and maintain a strong defense.

If addressees have questions about this memorandum, they should direct them to the Under Secretary of Defense (Comptroller).

A handwritten signature in cursive script that reads "Ashton Carter". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Attachments:
As stated

Table 1. Categories of Approved Near-Term Actions

- Freeze civilian hiring (with exceptions for mission-critical activities*).
- Provide authority to terminate employment of temporary hires and to notify term employees that their contracts will not be renewed (with exceptions for mission-critical activities and when appropriate in terms of personnel timing*).
- Reduce base operating funding.
- Curtail travel, training, and conferences (all with exceptions for mission-critical activities* including those required to maintain professional licensure or equivalent certifications).
- Curtail facilities maintenance or Facilities Sustainment, Restoration, and Modernization (FSRM) (with exceptions for mission-critical activities*).
 - If necessary, services/agencies are authorized to fund FSRM at levels below current guidance.
- Curtail administrative expenses such as supply purchases, business IT, ceremonies, etc. (with exceptions for mission-critical activities*).
- Review contracts and studies for possible cost-savings.
- Cancel 3rd and 4th quarter ship maintenance availabilities and aviation and ground depot-level maintenance activities. Take this action no earlier than February 15, 2013.
- Clear all R&D and production contracts and contract modifications that obligate more than \$500 million with the USD(AT&L) prior to award.
- For Science and Technology accounts, provide the USD(AT&L) and the Assistant Secretary of Defense (Research & Engineering) with an assessment of the impact that budgetary uncertainty may have on meeting Departmental research priorities.

*Approvals will be granted by Component heads or by senior officials designated by the Component head.

Components with personnel serving Combatant Commanders (COCOMs) must consult with the COCOMs before implementing actions that affect them. Disputes will be brought to the attention of the Chairman of the Joint Chiefs of Staff for further resolution.

Components receiving reimbursements should coordinate with customer before taking actions that would affect the customer's mission.

Table 2. Information to Be Included in Draft Implementation Plans

The following information should be provided at the Component level. Information by commands and bases/installations is not required.

- For operating accounts, identify major actions to include, at a minimum:
 - Extent of civilian hiring freezes; expected number of temps/terms released; expected number, duration, and nature of furloughs.
 - Reductions in flying hours, steaming days, vehicle miles, and other operations/training/support activities that affect force readiness.
 - Areas of budgets experiencing disproportionate cuts.
- For investment accounts:
 - Plans for large programs (ACAT 1D and 1C, and MAIS programs).
 - Include major changes in unit buys, delays, etc.
 - Significant changes in all joint programs.
- Identify and prioritize any essential reprogramming actions with offsets.

H. R. 8

One Hundred Twelfth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Tuesday,
the third day of January, two thousand and twelve*

An Act

Entitled the "American Taxpayer Relief Act of 2012".

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "American Taxpayer Relief Act of 2012".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—GENERAL EXTENSIONS

- Sec. 101. Permanent extension and modification of 2001 tax relief.
- Sec. 102. Permanent extension and modification of 2003 tax relief.
- Sec. 103. Extension of 2009 tax relief.
- Sec. 104. Permanent alternative minimum tax relief.

TITLE II—INDIVIDUAL TAX EXTENDERS

- Sec. 201. Extension of deduction for certain expenses of elementary and secondary school teachers.
- Sec. 202. Extension of exclusion from gross income of discharge of qualified principal residence indebtedness.
- Sec. 203. Extension of parity for exclusion from income for employer-provided mass transit and parking benefits.
- Sec. 204. Extension of mortgage insurance premiums treated as qualified residence interest.
- Sec. 205. Extension of deduction of State and local general sales taxes.
- Sec. 206. Extension of special rule for contributions of capital gain real property made for conservation purposes.
- Sec. 207. Extension of above-the-line deduction for qualified tuition and related expenses.
- Sec. 208. Extension of tax-free distributions from individual retirement plans for charitable purposes.
- Sec. 209. Improve and make permanent the provision authorizing the Internal Revenue Service to disclose certain return and return information to certain prison officials.

TITLE III—BUSINESS TAX EXTENDERS

- Sec. 301. Extension and modification of research credit.
- Sec. 302. Extension of temporary minimum low-income tax credit rate for non-federally subsidized new buildings.
- Sec. 303. Extension of housing allowance exclusion for determining area median gross income for qualified residential rental project exempt facility bonds.
- Sec. 304. Extension of Indian employment tax credit.

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- Sec. 305. Extension of new markets tax credit.
- Sec. 306. Extension of railroad track maintenance credit.
- Sec. 307. Extension of mine rescue team training credit.
- Sec. 308. Extension of employer wage credit for employees who are active duty members of the uniformed services.
- Sec. 309. Extension of work opportunity tax credit.
- Sec. 310. Extension of qualified zone academy bonds.
- Sec. 311. Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.
- Sec. 312. Extension of 7-year recovery period for motorsports entertainment complexes.
- Sec. 313. Extension of accelerated depreciation for business property on an Indian reservation.
- Sec. 314. Extension of enhanced charitable deduction for contributions of food inventory.
- Sec. 315. Extension of increased expensing limitations and treatment of certain real property as section 179 property.
- Sec. 316. Extension of election to expense mine safety equipment.
- Sec. 317. Extension of special expensing rules for certain film and television productions.
- Sec. 318. Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 319. Extension of modification of tax treatment of certain payments to controlling exempt organizations.
- Sec. 320. Extension of treatment of certain dividends of regulated investment companies.
- Sec. 321. Extension of RIC qualified investment entity treatment under FIRPTA.
- Sec. 322. Extension of subpart F exception for active financing income.
- Sec. 323. Extension of look-thru treatment of payments between related controlled foreign corporations under foreign personal holding company rules.
- Sec. 324. Extension of temporary exclusion of 100 percent of gain on certain small business stock.
- Sec. 325. Extension of basis adjustment to stock of S corporations making charitable contributions of property.
- Sec. 326. Extension of reduction in S-corporation recognition period for built-in gains tax.
- Sec. 327. Extension of empowerment zone tax incentives.
- Sec. 328. Extension of tax-exempt financing for New York Liberty Zone.
- Sec. 329. Extension of temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the Virgin Islands.
- Sec. 330. Modification and extension of American Samoa economic development credit.
- Sec. 331. Extension and modification of bonus depreciation.

TITLE IV—ENERGY TAX EXTENDERS

- Sec. 401. Extension of credit for energy-efficient existing homes.
- Sec. 402. Extension of credit for alternative fuel vehicle refueling property.
- Sec. 403. Extension of credit for 2- or 3-wheeled plug-in electric vehicles.
- Sec. 404. Extension and modification of cellulosic biofuel producer credit.
- Sec. 405. Extension of incentives for biodiesel and renewable diesel.
- Sec. 406. Extension of production credit for Indian coal facilities placed in service before 2009.
- Sec. 407. Extension and modification of credits with respect to facilities producing energy from certain renewable resources.
- Sec. 408. Extension of credit for energy-efficient new homes.
- Sec. 409. Extension of credit for energy-efficient appliances.
- Sec. 410. Extension and modification of special allowance for cellulosic biofuel plant property.
- Sec. 411. Extension of special rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities.
- Sec. 412. Extension of alternative fuels excise tax credits.

TITLE V—UNEMPLOYMENT

- Sec. 501. Extension of emergency unemployment compensation program.
- Sec. 502. Temporary extension of extended benefit provisions.
- Sec. 503. Extension of funding for reemployment services and reemployment and eligibility assessment activities.
- Sec. 504. Additional extended unemployment benefits under the Railroad Unemployment Insurance Act.

TITLE VI—MEDICARE AND OTHER HEALTH EXTENSIONS

Subtitle A—Medicare Extensions

- Sec. 601. Medicare physician payment update.

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- Sec. 602. Work geographic adjustment.
- Sec. 603. Payment for outpatient therapy services.
- Sec. 604. Ambulance add-on payments.
- Sec. 605. Extension of Medicare inpatient hospital payment adjustment for low-volume hospitals.
- Sec. 606. Extension of the Medicare-dependent hospital (MDH) program.
- Sec. 607. Extension for specialized Medicare Advantage plans for special needs individuals.
- Sec. 608. Extension of Medicare reasonable cost contracts.
- Sec. 609. Performance improvement.
- Sec. 610. Extension of funding outreach and assistance for low-income programs.

Subtitle B—Other Health Extensions

- Sec. 621. Extension of the qualifying individual (QI) program.
- Sec. 622. Extension of Transitional Medical Assistance (TMA).
- Sec. 623. Extension of Medicaid and CHIP Express Lane option.
- Sec. 624. Extension of family-to-family health information centers.
- Sec. 625. Extension of Special Diabetes Program for Type I diabetes and for Indians.

Subtitle C—Other Health Provisions

- Sec. 631. IPPS documentation and coding adjustment for implementation of MS-DRGs.
- Sec. 632. Revisions to the Medicare ESRD bundled payment system to reflect findings in the GAO report.
- Sec. 633. Treatment of multiple service payment policies for therapy services.
- Sec. 634. Payment for certain radiology services furnished under the Medicare hospital outpatient department prospective payment system.
- Sec. 635. Adjustment of equipment utilization rate for advanced imaging services.
- Sec. 636. Medicare payment of competitive prices for diabetic supplies and elimination of overpayment for diabetic supplies.
- Sec. 637. Medicare payment adjustment for non-emergency ambulance transports for ESRD beneficiaries.
- Sec. 638. Removing obstacles to collection of overpayments.
- Sec. 639. Medicare advantage coding intensity adjustment.
- Sec. 640. Elimination of all funding for the Medicare Improvement Fund.
- Sec. 641. Rebasement of State DSH allotments.
- Sec. 642. Repeal of CLASS program.
- Sec. 643. Commission on Long-Term Care.
- Sec. 644. Consumer Operated and Oriented Plan program contingency fund.

TITLE VII—EXTENSION OF AGRICULTURAL PROGRAMS

- Sec. 701. 1-year extension of agricultural programs.
- Sec. 702. Supplemental agricultural disaster assistance.

TITLE VIII—MISCELLANEOUS PROVISIONS

- Sec. 801. Strategic delivery systems.
- Sec. 802. No cost of living adjustment in pay of members of congress.

TITLE IX—BUDGET PROVISIONS

Subtitle A—Modifications of Sequestration

- Sec. 901. Treatment of sequester.
- Sec. 902. Amounts in applicable retirement plans may be transferred to designated Roth accounts without distribution.

Subtitle B—Budgetary Effects

- Sec. 911. Budgetary effects.

TITLE I—GENERAL EXTENSIONS

SEC. 101. PERMANENT EXTENSION AND MODIFICATION OF 2001 TAX RELIEF.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—The Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking title IX.

(2) CONFORMING AMENDMENT.—The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 is amended by striking section 304.

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(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable, plan, or limitation years beginning after December 31, 2012, and estates of decedents dying, gifts made, or generation skipping transfers after December 31, 2012.

(b) APPLICATION OF INCOME TAX TO CERTAIN HIGH-INCOME TAXPAYERS.—

(1) INCOME TAX RATES.—

(A) TREATMENT OF 25-, 28-, AND 33-PERCENT RATE BRACKETS.—Paragraph (2) of section 1(i) is amended to read as follows:

“(2) 25-, 28-, AND 33-PERCENT RATE BRACKETS.—The tables under subsections (a), (b), (c), (d), and (e) shall be applied—

“(A) by substituting ‘25%’ for ‘28%’ each place it appears (before the application of subparagraph (B)),

“(B) by substituting ‘28%’ for ‘31%’ each place it appears, and

“(C) by substituting ‘33%’ for ‘36%’ each place it appears.”.

(B) 35-PERCENT RATE BRACKET.—Subsection (i) of section 1 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) MODIFICATIONS TO INCOME TAX BRACKETS FOR HIGH-INCOME TAXPAYERS.—

“(A) 35-PERCENT RATE BRACKET.—In the case of taxable years beginning after December 31, 2012—

“(i) the rate of tax under subsections (a), (b), (c), and (d) on a taxpayer’s taxable income in the highest rate bracket shall be 35 percent to the extent such income does not exceed an amount equal to the excess of—

“(I) the applicable threshold, over

“(II) the dollar amount at which such bracket begins, and

“(ii) the 39.6 percent rate of tax under such subsections shall apply only to the taxpayer’s taxable income in such bracket in excess of the amount to which clause (i) applies.

“(B) APPLICABLE THRESHOLD.—For purposes of this paragraph, the term ‘applicable threshold’ means—

“(i) \$450,000 in the case of subsection (a),

“(ii) \$425,000 in the case of subsection (b),

“(iii) \$400,000 in the case of subsection (c), and

“(iv) $\frac{1}{2}$ the amount applicable under clause (i) (after adjustment, if any, under subparagraph (C)) in the case of subsection (d).

“(C) INFLATION ADJUSTMENT.—For purposes of this paragraph, with respect to taxable years beginning in calendar years after 2013, each of the dollar amounts under clauses (i), (ii), and (iii) of subparagraph (B) shall be adjusted in the same manner as under paragraph (1)(C)(i), except that subsection (f)(3)(B) shall be applied by substituting ‘2012’ for ‘1992’.”.

(2) PHASEOUT OF PERSONAL EXEMPTIONS AND ITEMIZED DEDUCTIONS.—

H. R. 8—5

(A) OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.—
Section 68 is amended—

(i) by striking subsection (b) and inserting the following:

“(b) APPLICABLE AMOUNT.—

“(1) IN GENERAL.—For purposes of this section, the term ‘applicable amount’ means—

“(A) \$300,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),

“(B) \$275,000 in the case of a head of household (as defined in section 2(b)),

“(C) \$250,000 in the case of an individual who is not married and who is not a surviving spouse or head of household, and

“(D) $\frac{1}{2}$ the amount applicable under subparagraph (A) (after adjustment, if any, under paragraph (2)) in the case of a married individual filing a separate return.

For purposes of this paragraph, marital status shall be determined under section 7703.

“(2) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in calendar years after 2013, each of the dollar amounts under subparagraphs (A), (B), and (C) of paragraph (1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that section 1(f)(3)(B) shall be applied by substituting ‘2012’ for ‘1992’.

If any amount after adjustment under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.”, and

(ii) by striking subsections (f) and (g).

(B) PHASEOUT OF DEDUCTIONS FOR PERSONAL EXEMPTIONS.—

(i) IN GENERAL.—Paragraph (3) of section 151(d) is amended—

(I) by striking “the threshold amount” in subparagraphs (A) and (B) and inserting “the applicable amount in effect under section 68(b)”,

(II) by striking subparagraph (C) and redesignating subparagraph (D) as subparagraph (C), and

(III) by striking subparagraphs (E) and (F).

(ii) CONFORMING AMENDMENTS.—Paragraph (4) of section 151(d) is amended—

(I) by striking subparagraph (B),

(II) by redesignating clauses (i) and (ii) of subparagraph (A) as subparagraphs (A) and (B), respectively, and by indenting such subparagraphs (as so redesignated) accordingly, and

(III) by striking all that precedes “in a calendar year after 1989,” and inserting the following:

“(4) INFLATION ADJUSTMENT.—In the case of any taxable year beginning”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2012.

(c) MODIFICATIONS OF ESTATE TAX.—

H. R. 8—6

(1) **MAXIMUM ESTATE TAX RATE EQUAL TO 40 PERCENT.**—The table contained in subsection (c) of section 2001, as amended by section 302(a)(2) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, is amended by striking “Over \$500,000” and all that follows and inserting the following:

“Over \$500,000 but not over \$750,000.	\$155,800, plus 37 percent of the excess of such amount over \$500,000.
Over \$750,000 but not over \$1,000,000.	\$248,300, plus 39 percent of the excess of such amount over \$750,000.
Over \$1,000,000	\$345,800, plus 40 percent of the excess of such amount over \$1,000,000.”.

(2) **TECHNICAL CORRECTION.**—Clause (i) of section 2010(c)(4)(B) is amended by striking “basic exclusion amount” and inserting “applicable exclusion amount”.

(3) **EFFECTIVE DATES.**—

(A) **IN GENERAL.**—Except as otherwise provided by in this paragraph, the amendments made by this subsection shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, 2012.

(B) **TECHNICAL CORRECTION.**—The amendment made by paragraph (2) shall take effect as if included in the amendments made by section 303 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

SEC. 102. PERMANENT EXTENSION AND MODIFICATION OF 2003 TAX RELIEF.

(a) **PERMANENT EXTENSION.**—The Jobs and Growth Tax Relief Reconciliation Act of 2003 is amended by striking section 303.

(b) **20-PERCENT CAPITAL GAINS RATE FOR CERTAIN HIGH INCOME INDIVIDUALS.**—

(1) **IN GENERAL.**—Paragraph (1) of section 1(h) is amended by striking subparagraph (C), by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F) and by inserting after subparagraph (B) the following new subparagraphs:

“(C) 15 percent of the lesser of—

“(i) so much of the adjusted net capital gain (or, if less, taxable income) as exceeds the amount on which a tax is determined under subparagraph (B), or

“(ii) the excess of—

“(I) the amount of taxable income which would (without regard to this paragraph) be taxed at a rate below 39.6 percent, over

“(II) the sum of the amounts on which a tax is determined under subparagraphs (A) and (B),

“(D) 20 percent of the adjusted net capital gain (or, if less, taxable income) in excess of the sum of the amounts on which tax is determined under subparagraphs (B) and (C).”.

H. R. 8—7

(2) **MINIMUM TAX.**—Paragraph (3) of section 55(b) is amended by striking subparagraph (C), by redesignating subparagraph (D) as subparagraph (E), and by inserting after subparagraph (B) the following new subparagraphs:

“(C) 15 percent of the lesser of—

“(i) so much of the adjusted net capital gain (or, if less, taxable excess) as exceeds the amount on which tax is determined under subparagraph (B), or

“(ii) the excess described in section 1(h)(1)(C)(ii),

plus

“(D) 20 percent of the adjusted net capital gain (or, if less, taxable excess) in excess of the sum of the amounts on which tax is determined under subparagraphs (B) and (C), plus”.

(c) **CONFORMING AMENDMENTS.**—

(1) The following provisions are each amended by striking “15 percent” and inserting “20 percent”:

(A) Section 531.

(B) Section 541.

(C) Section 1445(e)(1).

(D) The second sentence of section 7518(g)(6)(A).

(E) Section 53511(f)(2) of title 46, United States Code.

(2) Sections 1(h)(1)(B) and 55(b)(3)(B) are each amended by striking “5 percent (0 percent in the case of taxable years beginning after 2007)” and inserting “0 percent”.

(3) Section 1445(e)(6) is amended by striking “15 percent (20 percent in the case of taxable years beginning after December 31, 2010)” and inserting “20 percent”.

(d) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as otherwise provided, the amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2012.

(2) **WITHHOLDING.**—The amendments made by paragraphs (1)(C) and (3) of subsection (c) shall apply to amounts paid on or after January 1, 2013.

SEC. 103. EXTENSION OF 2009 TAX RELIEF.

(a) **5-YEAR EXTENSION OF AMERICAN OPPORTUNITY TAX CREDIT.**—

(1) **IN GENERAL.**—Section 25A(i) is amended by striking “in 2009, 2010, 2011, or 2012” and inserting “after 2008 and before 2018”.

(2) **TREATMENT OF POSSESSIONS.**—Section 1004(c)(1) of division B of the American Recovery and Reinvestment Tax Act of 2009 is amended by striking “in 2009, 2010, 2011, and 2012” each place it appears and inserting “after 2008 and before 2018”.

(b) **5-YEAR EXTENSION OF CHILD TAX CREDIT.**—Section 24(d)(4) is amended—

(1) by striking “2009, 2010, 2011, AND 2012” in the heading and inserting “FOR CERTAIN YEARS”, and

(2) by striking “in 2009, 2010, 2011, or 2012” and inserting “after 2008 and before 2018”.

(c) **5-YEAR EXTENSION OF EARNED INCOME TAX CREDIT.**—Section 32(b)(3) is amended—

(1) by striking “2009, 2010, 2011, AND 2012” in the heading and inserting “FOR CERTAIN YEARS”, and

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(2) by striking “in 2009, 2010, 2011, or 2012” and inserting “after 2008 and before 2018”.

(d) PERMANENT EXTENSION OF RULE DISREGARDING REFUNDS IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.—Section 6409 is amended to read as follows:

“SEC. 6409. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.

“Notwithstanding any other provision of law, any refund (or advance payment with respect to a refundable credit) made to any individual under this title shall not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual (or any other individual) for benefits or assistance (or the amount or extent of benefits or assistance) under any Federal program or under any State or local program financed in whole or in part with Federal funds.”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2012.

(2) RULE REGARDING DISREGARD OF REFUNDS.—The amendment made by subsection (d) shall apply to amounts received after December 31, 2012.

SEC. 104. PERMANENT ALTERNATIVE MINIMUM TAX RELIEF.

(a) 2012 EXEMPTION AMOUNTS MADE PERMANENT.—

(1) IN GENERAL.—Paragraph (1) of section 55(d) is amended—

(A) by striking “\$45,000” and all that follows through “2011” in subparagraph (A) and inserting “\$78,750”,

(B) by striking “\$33,750” and all that follows through “2011” in subparagraph (B) and inserting “\$50,600”, and

(C) by striking “paragraph (1)(A)” in subparagraph (C) and inserting “subparagraph (A)”.

(b) EXEMPTION AMOUNTS INDEXED FOR INFLATION.—

(1) IN GENERAL.—Subsection (d) of section 55 is amended by adding at the end the following new paragraph:

“(4) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2012, the amounts described in subparagraph (B) shall each be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2011’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) AMOUNTS DESCRIBED.—The amounts described in this subparagraph are—

“(i) each of the dollar amounts contained in subsection (b)(1)(A)(i),

“(ii) each of the dollar amounts contained in paragraph (1), and

“(iii) each of the dollar amounts in subparagraphs (A) and (B) of paragraph (3).

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“(C) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the nearest multiple of \$100.”.

(2) CONFORMING AMENDMENTS.—

(A) Clause (iii) of section 55(b)(1)(A) is amended by striking “by substituting” and all that follows through “appears.” and inserting “by substituting 50 percent of the dollar amount otherwise applicable under subclause (I) and subclause (II) thereof.”.

(B) Paragraph (3) of section 55(d) is amended—

(i) by striking “or (2)” in subparagraph (A),

(ii) by striking “and” at the end of subparagraph (B), and

(iii) by striking subparagraph (C) and inserting the following new subparagraphs:

“(C) 50 percent of the dollar amount applicable under subparagraph (A) in the case of a taxpayer described in subparagraph (C) or (D) of paragraph (1), and

“(D) \$150,000 in the case of a taxpayer described in paragraph (2).”.

(c) ALTERNATIVE MINIMUM TAX RELIEF FOR NONREFUNDABLE CREDITS.—

(1) IN GENERAL.—Subsection (a) of section 26 is amended to read as follows:

“(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the sum of—

“(1) the taxpayer’s regular tax liability for the taxable year reduced by the foreign tax credit allowable under section 27(a), and

“(2) the tax imposed by section 55(a) for the taxable year.”.

(2) CONFORMING AMENDMENTS.—

(A) ADOPTION CREDIT.—

(i) Section 23(b) is amended by striking paragraph (4).

(ii) Section 23(c) is amended by striking paragraphs (1) and (2) and inserting the following:

“(1) IN GENERAL.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section and sections 25D and 1400C), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.”.

(iii) Section 23(c) is amended by redesignating paragraph (3) as paragraph (2).

(B) CHILD TAX CREDIT.—

(i) Section 24(b) is amended by striking paragraph (3).

(ii) Section 24(d)(1) is amended—

(I) by striking “section 26(a)(2) or subsection (b)(3), as the case may be,” each place it appears in subparagraphs (A) and (B) and inserting “section 26(a)”, and

(II) by striking “section 26(a)(2) or subsection (b)(3), as the case may be” in the second last sentence and inserting “section 26(a)”.

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(C) CREDIT FOR INTEREST ON CERTAIN HOME MORTGAGES.—Section 25(e)(1)(C) is amended to read as follows:

“(C) APPLICABLE TAX LIMIT.—For purposes of this paragraph, the term ‘applicable tax limit’ means the limitation imposed by section 26(a) for the taxable year reduced by the sum of the credits allowable under this subpart (other than this section and sections 23, 25D, and 1400C).”

(D) HOPE AND LIFETIME LEARNING CREDITS.—Section 25A(i) is amended—

(i) by striking paragraph (5) and by redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively, and

(ii) by striking “section 26(a)(2) or paragraph (5), as the case may be” in paragraph (5), as redesignated by clause (i), and inserting “section 26(a)”.

(E) SAVERS’ CREDIT.—Section 25B is amended by striking subsection (g).

(F) RESIDENTIAL ENERGY EFFICIENT PROPERTY.—Section 25D(c) is amended to read as follows:

“(c) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.”

(G) CERTAIN PLUG-IN ELECTRIC VEHICLES.—Section 30(c)(2) is amended to read as follows:

“(2) PERSONAL CREDIT.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”

(H) ALTERNATIVE MOTOR VEHICLE CREDIT.—Section 30B(g)(2) is amended to read as follows:

“(2) PERSONAL CREDIT.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”

(I) NEW QUALIFIED PLUG-IN ELECTRIC VEHICLE CREDIT.—Section 30D(c)(2) is amended to read as follows:

“(2) PERSONAL CREDIT.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”

(J) CROSS REFERENCES.—Section 55(c)(3) is amended by striking “26(a), 30C(d)(2),” and inserting “30C(d)(2)”.

(K) FOREIGN TAX CREDIT.—Section 904 is amended by striking subsection (i) and by redesignating subsections (j), (k), and (l) as subsections (i), (j), and (k), respectively.

(L) FIRST-TIME HOME BUYER CREDIT FOR THE DISTRICT OF COLUMBIA.—Section 1400C(d) is amended to read as follows:

“(d) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section and section 25D), such excess shall be carried to the

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succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

TITLE II—INDIVIDUAL TAX EXTENDERS

SEC. 201. EXTENSION OF DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) is amended by striking “or 2011” and inserting “2011, 2012, or 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 202. EXTENSION OF EXCLUSION FROM GROSS INCOME OF DISCHARGE OF QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.

(a) IN GENERAL.—Subparagraph (E) of section 108(a)(1) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to indebtedness discharged after December 31, 2012.

SEC. 203. EXTENSION OF PARITY FOR EXCLUSION FROM INCOME FOR EMPLOYER-PROVIDED MASS TRANSIT AND PARKING BENEFITS.

(a) IN GENERAL.—Paragraph (2) of section 132(f) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to months after December 31, 2011.

SEC. 204. EXTENSION OF MORTGAGE INSURANCE PREMIUMS TREATED AS QUALIFIED RESIDENCE INTEREST.

(a) IN GENERAL.—Subclause (I) of section 163(h)(3)(E)(iv) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) TECHNICAL AMENDMENTS.—Clause (i) of section 163(h)(4)(E) is amended—

(1) by striking “Veterans Administration” and inserting “Department of Veterans Affairs”, and

(2) by striking “Rural Housing Administration” and inserting “Rural Housing Service”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or accrued after December 31, 2011.

SEC. 205. EXTENSION OF DEDUCTION OF STATE AND LOCAL GENERAL SALES TAXES.

(a) IN GENERAL.—Subparagraph (I) of section 164(b)(5) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

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SEC. 206. EXTENSION OF SPECIAL RULE FOR CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES.

(a) **IN GENERAL.**—Clause (vi) of section 170(b)(1)(E) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **CONTRIBUTIONS BY CERTAIN CORPORATE FARMERS AND RANCHERS.**—Clause (iii) of section 170(b)(2)(B) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2011.

SEC. 207. EXTENSION OF ABOVE-THE-LINE DEDUCTION FOR QUALIFIED TUITION AND RELATED EXPENSES.

(a) **IN GENERAL.**—Subsection (e) of section 222 is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 208. EXTENSION OF TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.

(a) **IN GENERAL.**—Subparagraph (F) of section 408(d)(8) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE; SPECIAL RULE.**—

(1) **EFFECTIVE DATE.**—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2011.

(2) **SPECIAL RULES.**—For purposes of subsections (a)(6), (b)(3), and (d)(8) of section 408 of the Internal Revenue Code of 1986, at the election of the taxpayer (at such time and in such manner as prescribed by the Secretary of the Treasury)—

(A) any qualified charitable distribution made after December 31, 2012, and before February 1, 2013, shall be deemed to have been made on December 31, 2012, and

(B) any portion of a distribution from an individual retirement account to the taxpayer after November 30, 2012, and before January 1, 2013, may be treated as a qualified charitable distribution to the extent that—

(i) such portion is transferred in cash after the distribution to an organization described in section 408(d)(8)(B)(i) before February 1, 2013, and

(ii) such portion is part of a distribution that would meet the requirements of section 408(d)(8) but for the fact that the distribution was not transferred directly to an organization described in section 408(d)(8)(B)(i).

SEC. 209. IMPROVE AND MAKE PERMANENT THE PROVISION AUTHORIZING THE INTERNAL REVENUE SERVICE TO DISCLOSE CERTAIN RETURN AND RETURN INFORMATION TO CERTAIN PRISON OFFICIALS.

(a) **IN GENERAL.**—Paragraph (10) of section 6103(k) is amended to read as follows:

“(10) **DISCLOSURE OF CERTAIN RETURNS AND RETURN INFORMATION TO CERTAIN PRISON OFFICIALS.**—

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“(A) IN GENERAL.—Under such procedures as the Secretary may prescribe, the Secretary may disclose to officers and employees of the Federal Bureau of Prisons and of any State agency charged with the responsibility for administration of prisons any returns or return information with respect to individuals incarcerated in Federal or State prison systems whom the Secretary has determined may have filed or facilitated the filing of a false or fraudulent return to the extent that the Secretary determines that such disclosure is necessary to permit effective Federal tax administration.

“(B) DISCLOSURE TO CONTRACTOR-RUN PRISONS.—Under such procedures as the Secretary may prescribe, the disclosures authorized by subparagraph (A) may be made to contractors responsible for the operation of a Federal or State prison on behalf of such Bureau or agency.

“(C) RESTRICTIONS ON USE OF DISCLOSED INFORMATION.—Any return or return information received under this paragraph shall be used only for the purposes of and to the extent necessary in taking administrative action to prevent the filing of false and fraudulent returns, including administrative actions to address possible violations of administrative rules and regulations of the prison facility and in administrative and judicial proceedings arising from such administrative actions.

“(D) RESTRICTIONS ON REDISCLOSURE AND DISCLOSURE TO LEGAL REPRESENTATIVES.—Notwithstanding subsection (h)—

“(i) RESTRICTIONS ON REDISCLOSURE.—Except as provided in clause (ii), any officer, employee, or contractor of the Federal Bureau of Prisons or of any State agency charged with the responsibility for administration of prisons shall not disclose any information obtained under this paragraph to any person other than an officer or employee or contractor of such Bureau or agency personally and directly engaged in the administration of prison facilities on behalf of such Bureau or agency.

“(ii) DISCLOSURE TO LEGAL REPRESENTATIVES.—The returns and return information disclosed under this paragraph may be disclosed to the duly authorized legal representative of the Federal Bureau of Prisons, State agency, or contractor charged with the responsibility for administration of prisons, or of the incarcerated individual accused of filing the false or fraudulent return who is a party to an action or proceeding described in subparagraph (C), solely in preparation for, or for use in, such action or proceeding.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 6103(a) is amended by inserting “subsection (k)(10),” after “subsection (e)(1)(D)(iii).”.

(2) Paragraph (4) of section 6103(p) is amended—

(A) by inserting “subsection (k)(10),” before “subsection (l)(10),” in the matter preceding subparagraph (A),

(B) in subparagraph (F)(i)—

(i) by inserting “(k)(10),” before “or (l)(6),” and

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- (ii) by inserting “subsection (k)(10) or” before “subsection (l)(10),”, and
- (C) by inserting “subsection (k)(10) or” before “subsection (l)(10),” both places it appears in the matter following subparagraph (F)(iii).
- (3) Paragraph (2) of section 7213(a) is amended by inserting “(k)(10),” before “(l)(6),”.
- (c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

TITLE III—BUSINESS TAX EXTENDERS

SEC. 301. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

- (a) EXTENSION.—
 - (1) IN GENERAL.—Subparagraph (B) of section 41(h)(1) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.
 - (2) CONFORMING AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.
- (b) INCLUSION OF QUALIFIED RESEARCH EXPENSES AND GROSS RECEIPTS OF AN ACQUIRED PERSON.—
 - (1) PARTIAL INCLUSION OF PRE-ACQUISITION QUALIFIED RESEARCH EXPENSES AND GROSS RECEIPTS.—Subparagraph (A) of section 41(f)(3) is amended to read as follows:
 - “(A) ACQUISITIONS.—
 - “(i) IN GENERAL.—If a person acquires the major portion of either a trade or business or a separate unit of a trade or business (hereinafter in this paragraph referred to as the ‘acquired business’) of another person (hereinafter in this paragraph referred to as the ‘predecessor’), then the amount of qualified research expenses paid or incurred by the acquiring person during the measurement period shall be increased by the amount determined under clause (ii), and the gross receipts of the acquiring person for such period shall be increased by the amount determined under clause (iii).
 - “(ii) AMOUNT DETERMINED WITH RESPECT TO QUALIFIED RESEARCH EXPENSES.—The amount determined under this clause is—
 - “(I) for purposes of applying this section for the taxable year in which such acquisition is made, the acquisition year amount, and
 - “(II) for purposes of applying this section for any taxable year after the taxable year in which such acquisition is made, the qualified research expenses paid or incurred by the predecessor with respect to the acquired business during the measurement period.
 - “(iii) AMOUNT DETERMINED WITH RESPECT TO GROSS RECEIPTS.—The amount determined under this clause is the amount which would be determined under clause (ii) if ‘the gross receipts of’ were substituted for ‘the qualified research expenses paid or incurred by’ each place it appears in clauses (ii) and (iv).

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“(iv) ACQUISITION YEAR AMOUNT.—For purposes of clause (ii), the acquisition year amount is the amount equal to the product of—

“(I) the qualified research expenses paid or incurred by the predecessor with respect to the acquired business during the measurement period, and

“(II) the number of days in the period beginning on the date of the acquisition and ending on the last day of the taxable year in which the acquisition is made, divided by the number of days in the acquiring person’s taxable year.

“(v) SPECIAL RULES FOR COORDINATING TAXABLE YEARS.—In the case of an acquiring person and a predecessor whose taxable years do not begin on the same date—

“(I) each reference to a taxable year in clauses (ii) and (iv) shall refer to the appropriate taxable year of the acquiring person,

“(II) the qualified research expenses paid or incurred by the predecessor, and the gross receipts of the predecessor, during each taxable year of the predecessor any portion of which is part of the measurement period shall be allocated equally among the days of such taxable year,

“(III) the amount of such qualified research expenses taken into account under clauses (ii) and (iv) with respect to a taxable year of the acquiring person shall be equal to the total of the expenses attributable under subclause (II) to the days occurring during such taxable year, and

“(IV) the amount of such gross receipts taken into account under clause (iii) with respect to a taxable year of the acquiring person shall be equal to the total of the gross receipts attributable under subclause (II) to the days occurring during such taxable year.

“(vi) MEASUREMENT PERIOD.—For purposes of this subparagraph, the term ‘measurement period’ means, with respect to the taxable year of the acquiring person for which the credit is determined, any period of the acquiring person preceding such taxable year which is taken into account for purposes of determining the credit for such year.”.

(2) EXPENSES AND GROSS RECEIPTS OF A PREDECESSOR.—Subparagraph (B) of section 41(f)(3) is amended to read as follows:

“(B) DISPOSITIONS.—If the predecessor furnished to the acquiring person such information as is necessary for the application of subparagraph (A), then, for purposes of applying this section for any taxable year ending after such disposition, the amount of qualified research expenses paid or incurred by, and the gross receipts of, the predecessor during the measurement period (as defined in

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subparagraph (A)(vi), determined by substituting ‘predecessor’ for ‘acquiring person’ each place it appears) shall be reduced by—

“(i) in the case of the taxable year in which such disposition is made, an amount equal to the product of—

“(I) the qualified research expenses paid or incurred by, or gross receipts of, the predecessor with respect to the acquired business during the measurement period (as so defined and so determined), and

“(II) the number of days in the period beginning on the date of acquisition (as determined for purposes of subparagraph (A)(iv)(II)) and ending on the last day of the taxable year of the predecessor in which the disposition is made, divided by the number of days in the taxable year of the predecessor, and

“(ii) in the case of any taxable year ending after the taxable year in which such disposition is made, the amount described in clause (i)(I).”.

(c) **AGGREGATION OF EXPENDITURES.**—Paragraph (1) of section 41(f) is amended—

(1) by striking “shall be its proportionate shares of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, giving rise to the credit” in subparagraph (A)(ii) and inserting “shall be determined on a proportionate basis to its share of the aggregate of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, taken into account by such controlled group for purposes of this section”, and

(2) by striking “shall be its proportionate shares of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, giving rise to the credit” in subparagraph (B)(ii) and inserting “shall be determined on a proportionate basis to its share of the aggregate of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, taken into account by all such persons under common control for purposes of this section”.

(d) **EFFECTIVE DATE.**—

(1) **EXTENSION.**—The amendments made by subsection (a) shall apply to amounts paid or incurred after December 31, 2011.

(2) **MODIFICATIONS.**—The amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2011.

SEC. 302. EXTENSION OF TEMPORARY MINIMUM LOW-INCOME TAX CREDIT RATE FOR NON-FEDERALLY SUBSIDIZED NEW BUILDINGS.

(a) **IN GENERAL.**—Subparagraph (A) of section 42(b)(2) is amended by striking “and before December 31, 2013” and inserting “with respect to housing credit dollar amount allocations made before January 1, 2014”.

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(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 303. EXTENSION OF HOUSING ALLOWANCE EXCLUSION FOR DETERMINING AREA MEDIAN GROSS INCOME FOR QUALIFIED RESIDENTIAL RENTAL PROJECT EXEMPT FACILITY BONDS.

(a) IN GENERAL.—Subsection (b) of section 3005 of the Housing Assistance Tax Act of 2008 is amended by striking “January 1, 2012” each place it appears and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the enactment of section 3005 of the Housing Assistance Tax Act of 2008.

SEC. 304. EXTENSION OF INDIAN EMPLOYMENT TAX CREDIT.

(a) IN GENERAL.—Subsection (f) of section 45A is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 305. EXTENSION OF NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Subparagraph (G) of section 45D(f)(1) is amended by striking “2010 and 2011” and inserting “2010, 2011, 2012, and 2013”.

(b) CARRYOVER OF UNUSED LIMITATION.—Paragraph (3) of section 45D(f) is amended by striking “2016” and inserting “2018”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2011.

SEC. 306. EXTENSION OF RAILROAD TRACK MAINTENANCE CREDIT.

(a) IN GENERAL.—Subsection (f) of section 45G is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred in taxable years beginning after December 31, 2011.

SEC. 307. EXTENSION OF MINE RESCUE TEAM TRAINING CREDIT.

(a) IN GENERAL.—Subsection (e) of section 45N is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 308. EXTENSION OF EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.

(a) IN GENERAL.—Subsection (f) of section 45P is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 2011.

SEC. 309. EXTENSION OF WORK OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 51(c)(4) is amended by striking “after” and all that follows and inserting “after December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to individuals who begin work for the employer after December 31, 2011.

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SEC. 310. EXTENSION OF QUALIFIED ZONE ACADEMY BONDS.

(a) **IN GENERAL.**—Paragraph (1) of section 54E(c) is amended by inserting “, 2012, and 2013” after “for 2011”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to obligations issued after December 31, 2011.

SEC. 311. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS, QUALIFIED RESTAURANT BUILDINGS AND IMPROVEMENTS, AND QUALIFIED RETAIL IMPROVEMENTS.

(a) **IN GENERAL.**—Clauses (iv), (v), and (ix) of section 168(e)(3)(E) are each amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after December 31, 2011.

SEC. 312. EXTENSION OF 7-YEAR RECOVERY PERIOD FOR MOTOR-SPORTS ENTERTAINMENT COMPLEXES.

(a) **IN GENERAL.**—Subparagraph (D) of section 168(i)(15) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 313. EXTENSION OF ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON AN INDIAN RESERVATION.

(a) **IN GENERAL.**—Paragraph (8) of section 168(j) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 314. EXTENSION OF ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) **IN GENERAL.**—Clause (iv) of section 170(e)(3)(C) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made after December 31, 2011.

SEC. 315. EXTENSION OF INCREASED EXPENSING LIMITATIONS AND TREATMENT OF CERTAIN REAL PROPERTY AS SECTION 179 PROPERTY.

(a) **IN GENERAL.**—

(1) **DOLLAR LIMITATION.**—Section 179(b)(1) is amended—

(A) by striking “2010 or 2011,” in subparagraph (B) and inserting “2010, 2011, 2012, or 2013, and”,

(B) by striking subparagraph (C),

(C) by redesignating subparagraph (D) as subparagraph (C), and

(D) in subparagraph (C), as so redesignated, by striking “2012” and inserting “2013”.

(2) **REDUCTION IN LIMITATION.**—Section 179(b)(2) is amended—

(A) by striking “2010 or 2011,” in subparagraph (B) and inserting “2010, 2011, 2012, or 2013, and”,

(B) by striking subparagraph (C),

(C) by redesignating subparagraph (D) as subparagraph (C), and

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(D) in subparagraph (C), as so redesignated, by striking “2012” and inserting “2013”.

(3) CONFORMING AMENDMENT.—Subsection (b) of section 179 is amended by striking paragraph (6).

(b) COMPUTER SOFTWARE.—Section 179(d)(1)(A)(ii) is amended by striking “2013” and inserting “2014”.

(c) ELECTION.—Section 179(c)(2) is amended by striking “2013” and inserting “2014”.

(d) SPECIAL RULES FOR TREATMENT OF QUALIFIED REAL PROPERTY.—

(1) IN GENERAL.—Section 179(f)(1) is amended by striking “2010 or 2011” and inserting “2010, 2011, 2012, or 2013”.

(2) CARRYOVER LIMITATION.—

(A) IN GENERAL.—Section 179(f)(4) is amended by striking “2011” each place it appears and inserting “2013”.

(B) CONFORMING AMENDMENT.—Subparagraph (C) of section 179(f)(4) is amended—

(i) in the heading, by striking “2010” and inserting “2010, 2011 AND 2012”, and

(ii) by adding at the end the following: “For the last taxable year beginning in 2013, the amount determined under subsection (b)(3)(A) for such taxable year shall be determined without regard to this paragraph.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 316. EXTENSION OF ELECTION TO EXPENSE MINE SAFETY EQUIPMENT.

(a) IN GENERAL.—Subsection (g) of section 179E is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 317. EXTENSION OF SPECIAL EXPENSING RULES FOR CERTAIN FILM AND TELEVISION PRODUCTIONS.

(a) IN GENERAL.—Subsection (f) of section 181 is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to productions commencing after December 31, 2011.

SEC. 318. EXTENSION OF DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.

(a) IN GENERAL.—Subparagraph (C) of section 199(d)(8) is amended—

(1) by striking “first 6 taxable years” and inserting “first 8 taxable years”, and

(2) by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 319. EXTENSION OF MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Clause (iv) of section 512(b)(13)(E) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

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(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to payments received or accrued after December 31, 2011.

SEC. 320. EXTENSION OF TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.

(a) **IN GENERAL.**—Paragraphs (1)(C)(v) and (2)(C)(v) of section 871(k) are each amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 321. EXTENSION OF RIC QUALIFIED INVESTMENT ENTITY TREATMENT UNDER FIRPTA.

(a) **IN GENERAL.**—Clause (ii) of section 897(h)(4)(A) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendment made by subsection (a) shall take effect on January 1, 2012. Notwithstanding the preceding sentence, such amendment shall not apply with respect to the withholding requirement under section 1445 of the Internal Revenue Code of 1986 for any payment made before the date of the enactment of this Act.

(2) **AMOUNTS WITHHELD ON OR BEFORE DATE OF ENACTMENT.**—In the case of a regulated investment company—

(A) which makes a distribution after December 31, 2011, and before the date of the enactment of this Act; and

(B) which would (but for the second sentence of paragraph (1)) have been required to withhold with respect to such distribution under section 1445 of such Code, such investment company shall not be liable to any person to whom such distribution was made for any amount so withheld and paid over to the Secretary of the Treasury.

SEC. 322. EXTENSION OF SUBPART F EXCEPTION FOR ACTIVE FINANCING INCOME.

(a) **EXEMPT INSURANCE INCOME.**—Paragraph (10) of section 953(e) is amended—

(1) by striking “January 1, 2012” and inserting “January 1, 2014”, and

(2) by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **SPECIAL RULE FOR INCOME DERIVED IN THE ACTIVE CONDUCT OF BANKING, FINANCING, OR SIMILAR BUSINESSES.**—Paragraph (9) of section 954(h) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2011, and to taxable years of United States shareholders with or within which any such taxable year of such foreign corporation ends.

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SEC. 323. EXTENSION OF LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY RULES.

(a) **IN GENERAL.**—Subparagraph (C) of section 954(c)(6) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2011, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 324. EXTENSION OF TEMPORARY EXCLUSION OF 100 PERCENT OF GAIN ON CERTAIN SMALL BUSINESS STOCK.

(a) **IN GENERAL.**—Paragraph (4) of section 1202(a) is amended—
(1) by striking “January 1, 2012” and inserting “January 1, 2014”, and

(2) by striking “AND 2011” and inserting “, 2011, 2012, AND 2013” in the heading thereof.

(b) **TECHNICAL AMENDMENTS.**—

(1) **SPECIAL RULE FOR 2009 AND CERTAIN PERIOD IN 2010.**—Paragraph (3) of section 1202(a) is amended by adding at the end the following new flush sentence:

“In the case of any stock which would be described in the preceding sentence (but for this sentence), the acquisition date for purposes of this subsection shall be the first day on which such stock was held by the taxpayer determined after the application of section 1223.”

(2) **100 PERCENT EXCLUSION.**—Paragraph (4) of section 1202(a) is amended by adding at the end the following new flush sentence:

“In the case of any stock which would be described in the preceding sentence (but for this sentence), the acquisition date for purposes of this subsection shall be the first day on which such stock was held by the taxpayer determined after the application of section 1223.”

(c) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—The amendments made by subsection (a) shall apply to stock acquired after December 31, 2011.

(2) **SUBSECTION (b)(1).**—The amendment made by subsection (b)(1) shall take effect as if included in section 1241(a) of division B of the American Recovery and Reinvestment Act of 2009.

(3) **SUBSECTION (b)(2).**—The amendment made by subsection (b)(2) shall take effect as if included in section 2011(a) of the Creating Small Business Jobs Act of 2010.

SEC. 325. EXTENSION OF BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.

(a) **IN GENERAL.**—Paragraph (2) of section 1367(a) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2011.

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SEC. 326. EXTENSION OF REDUCTION IN S-CORPORATION RECOGNITION PERIOD FOR BUILT-IN GAINS TAX.

- (a) **IN GENERAL.**—Paragraph (7) of section 1374(d) is amended—
 (1) by redesignating subparagraph (C) as subparagraph (D), and
 (2) by inserting after subparagraph (B) the following new subparagraph:

“(C) **SPECIAL RULE FOR 2012 AND 2013.**—For purposes of determining the net recognized built-in gain for taxable years beginning in 2012 or 2013, subparagraphs (A) and (D) shall be applied by substituting ‘5-year’ for ‘10-year’., and

- (3) by adding at the end the following new subparagraph:

“(E) **INSTALLMENT SALES.**—If an S corporation sells an asset and reports the income from the sale using the installment method under section 453, the treatment of all payments received shall be governed by the provisions of this paragraph applicable to the taxable year in which such sale was made.”.

- (b) **TECHNICAL AMENDMENT.**—Subparagraph (B) of section 1374(d)(2) is amended by inserting “described in subparagraph (A)” after “, for any taxable year”.

- (c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 327. EXTENSION OF EMPOWERMENT ZONE TAX INCENTIVES.

- (a) **IN GENERAL.**—Clause (i) of section 1391(d)(1)(A) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

- (b) **INCREASED EXCLUSION OF GAIN ON STOCK OF EMPOWERMENT ZONE BUSINESSES.**—Subparagraph (C) of section 1202(a)(2) is amended—

- (1) by striking “December 31, 2016” and inserting “December 31, 2018”; and

- (2) by striking “2016” in the heading and inserting “2018”.

- (c) **TREATMENT OF CERTAIN TERMINATION DATES SPECIFIED IN NOMINATIONS.**—In the case of a designation of an empowerment zone the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A)(i) of section 1391(d)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such section shall not apply with respect to such designation if, after the date of the enactment of this section, the entity which made such nomination amends the nomination to provide for a new termination date in such manner as the Secretary of the Treasury (or the Secretary’s designee) may provide.

- (d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to periods after December 31, 2011.

SEC. 328. EXTENSION OF TAX-EXEMPT FINANCING FOR NEW YORK LIBERTY ZONE.

- (a) **IN GENERAL.**—Subparagraph (D) of section 1400L(d)(2) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

- (b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to bonds issued after December 31, 2011.

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**SEC. 329. EXTENSION OF TEMPORARY INCREASE IN LIMIT ON COVER
OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE
VIRGIN ISLANDS.**

(a) **IN GENERAL.**—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2011.

**SEC. 330. MODIFICATION AND EXTENSION OF AMERICAN SAMOA ECO-
NOMIC DEVELOPMENT CREDIT.**

(a) **MODIFICATION.**—

(1) **IN GENERAL.**—Subsection (a) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended by striking “if such corporation” and all that follows and inserting “if—

“(1) in the case of a taxable year beginning before January 1, 2012, such corporation—

“(A) is an existing credit claimant with respect to American Samoa, and

“(B) elected the application of section 936 of the Internal Revenue Code of 1986 for its last taxable year beginning before January 1, 2006, and

“(2) in the case of a taxable year beginning after December 31, 2011, such corporation meets the requirements of subsection (e).”.

(2) **REQUIREMENTS.**—Section 119 of division A of such Act is amended by adding at the end the following new subsection:

“(e) **QUALIFIED PRODUCTION ACTIVITIES INCOME REQUIREMENT.**—A corporation meets the requirement of this subsection if such corporation has qualified production activities income, as defined in subsection (c) of section 199 of the Internal Revenue Code of 1986, determined by substituting ‘American Samoa’ for ‘the United States’ each place it appears in paragraphs (3), (4), and (6) of such subsection (c), for the taxable year.”.

(b) **EXTENSION.**—Subsection (d) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended by striking “shall apply” and all that follows and inserting “shall apply—

“(1) in the case of a corporation that meets the requirements of subparagraphs (A) and (B) of subsection (a)(1), to the first 8 taxable years of such corporation which begin after December 31, 2006, and before January 1, 2014, and

“(2) in the case of a corporation that does not meet the requirements of subparagraphs (A) and (B) of subsection (a)(1), to the first 2 taxable years of such corporation which begin after December 31, 2011, and before January 1, 2014.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 331. EXTENSION AND MODIFICATION OF BONUS DEPRECIATION.

(a) **IN GENERAL.**—Paragraph (2) of section 168(k) is amended—

(1) by striking “January 1, 2014” in subparagraph (A)(iv) and inserting “January 1, 2015”, and

(2) by striking “January 1, 2013” each place it appears and inserting “January 1, 2014”.

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(b) SPECIAL RULE FOR FEDERAL LONG-TERM CONTRACTS.— Clause (ii) of section 460(c)(6)(B) is amended by inserting “, or after December 31, 2012, and before January 1, 2014 (January 1, 2015, in the case of property described in section 168(k)(2)(B))” before the period.

(c) EXTENSION OF ELECTION TO ACCELERATE THE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

(1) IN GENERAL.—Subclause (II) of section 168(k)(4)(D)(iii) is amended by striking “2013” and inserting “2014”.

(2) ROUND 3 EXTENSION PROPERTY.—Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph:

“(J) SPECIAL RULES FOR ROUND 3 EXTENSION PROPERTY.—

“(i) IN GENERAL.—In the case of round 3 extension property, this paragraph shall be applied without regard to—

“(I) the limitation described in subparagraph (B)(i) thereof, and

“(II) the business credit increase amount under subparagraph (E)(iii) thereof.

“(ii) TAXPAYERS PREVIOUSLY ELECTING ACCELERATION.—In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, or a taxpayer who made the election under subparagraph (I)(iii) for its first taxable year ending after December 31, 2010—

“(I) the taxpayer may elect not to have this paragraph apply to round 3 extension property, but

“(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 3 extension property.

The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 3 extension property.

“(iii) TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.—In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, nor made the election under subparagraph (I)(iii) for any taxable year ending after December 31, 2010—

“(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2012, and each subsequent taxable year, and

“(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to

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eligible qualified property which is round 3 extension property.

“(iv) ROUND 3 EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘round 3 extension property’ means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 331(a) of the American Taxpayer Relief Act of 2012 (and the application of such extension to this paragraph pursuant to the amendment made by section 331(c)(1) of such Act).”.

(d) NORMALIZATION RULES AMENDMENT.—Clause (ii) of section 168(i)(9)(A) is amended by inserting “(respecting all elections made by the taxpayer under this section)” after “such property”.

(e) CONFORMING AMENDMENTS.—

(1) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2013” and inserting “JANUARY 1, 2014”.

(2) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2013” and inserting “PRE-JANUARY 1, 2014”.

(3) Subparagraph (C) of section 168(n)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(4) Subparagraph (D) of section 1400L(b)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(5) Subparagraph (B) of section 1400N(d)(3) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2012, in taxable years ending after such date.

TITLE IV—ENERGY TAX EXTENDERS

SEC. 401. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT EXISTING HOMES.

(a) IN GENERAL.—Paragraph (2) of section 25C(g) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 402. EXTENSION OF CREDIT FOR ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY.

(a) IN GENERAL.—Paragraph (2) of section 30C(g) is amended by striking “December 31, 2011.” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 403. EXTENSION OF CREDIT FOR 2- OR 3-WHEELED PLUG-IN ELECTRIC VEHICLES.

(a) IN GENERAL.—Section 30D is amended by adding at the end the following new subsection:

“(g) CREDIT ALLOWED FOR 2- AND 3-WHEELED PLUG-IN ELECTRIC VEHICLES.—

“(1) IN GENERAL.—In the case of a qualified 2- or 3-wheeled plug-in electric vehicle—

“(A) there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the applicable amount with respect

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to each such qualified 2- or 3-wheeled plug-in electric vehicle placed in service by the taxpayer during the taxable year, and

“(B) the amount of the credit allowed under subparagraph (A) shall be treated as a credit allowed under subsection (a).

“(2) APPLICABLE AMOUNT.—For purposes of paragraph (1), the applicable amount is an amount equal to the lesser of—

“(A) 10 percent of the cost of the qualified 2- or 3-wheeled plug-in electric vehicle, or

“(B) \$2,500.

“(3) QUALIFIED 2- OR 3-WHEELED PLUG-IN ELECTRIC VEHICLE.—The term ‘qualified 2- or 3-wheeled plug-in electric vehicle’ means any vehicle which—

“(A) has 2 or 3 wheels,

“(B) meets the requirements of subparagraphs (A), (B), (C), (E), and (F) of subsection (d)(1) (determined by substituting ‘2.5 kilowatt hours’ for ‘4 kilowatt hours’ in subparagraph (F)(i)),

“(C) is manufactured primarily for use on public streets, roads, and highways,

“(D) is capable of achieving a speed of 45 miles per hour or greater, and

“(E) is acquired after December 31, 2011, and before January 1, 2014.”

(b) CONFORMING AMENDMENTS.—

(1) NO DOUBLE BENEFIT.—Paragraph (2) of section 30D(f) is amended—

(A) by striking “new qualified plug-in electric drive motor vehicle” and inserting “vehicle for which a credit is allowable under subsection (a)”, and

(B) by striking “allowed under subsection (a)” and inserting “allowed under such subsection”.

(2) AIR QUALITY AND SAFETY STANDARDS.—Section 30D(f)(7) is amended by striking “motor vehicle” and inserting “vehicle”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to vehicles acquired after December 31, 2011.

SEC. 404. EXTENSION AND MODIFICATION OF CELLULOSIC BIOFUEL PRODUCER CREDIT.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (H) of section 40(b)(6) is amended to read as follows:

“(H) APPLICATION OF PARAGRAPH.—

“(i) IN GENERAL.—This paragraph shall apply with respect to qualified cellulosic biofuel production after December 31, 2008, and before January 1, 2014.

“(ii) NO CARRYOVER TO CERTAIN YEARS AFTER EXPIRATION.—If this paragraph ceases to apply for any period by reason of clause (i), rules similar to the rules of subsection (e)(2) shall apply.”

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 40(e) is amended by striking “or subsection (b)(6)(H)”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in section 15321(b) of the Heartland, Habitat, and Horticulture Act of 2008.

(b) ALGAE TREATED AS A QUALIFIED FEEDSTOCK.—

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(1) IN GENERAL.—Subclause (I) of section 40(b)(6)(E)(i) is amended to read as follows:

“(I) is derived by, or from, qualified feedstocks, and”.

(2) QUALIFIED FEEDSTOCK; SPECIAL RULES FOR ALGAE.—Paragraph (6) of section 40(b) is amended by redesignating subparagraphs (F), (G), and (H), as amended by this Act, as subparagraphs (H), (I), and (J), respectively, and by inserting after subparagraph (E) the following new subparagraphs:

“(F) QUALIFIED FEEDSTOCK.—For purposes of this paragraph, the term ‘qualified feedstock’ means—

“(i) any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, and

“(ii) any cultivated algae, cyanobacteria, or lemna.

“(G) SPECIAL RULES FOR ALGAE.—In the case of fuel which is derived by, or from, feedstock described in subparagraph (F)(ii) and which is sold by the taxpayer to another person for refining by such other person into a fuel which meets the requirements of subparagraph (E)(i)(II) and the refined fuel is not excluded under subparagraph (E)(iii)—

“(i) such sale shall be treated as described in subparagraph (C)(i),

“(ii) such fuel shall be treated as meeting the requirements of subparagraph (E)(i)(II) and as not being excluded under subparagraph (E)(iii) in the hands of such taxpayer, and

“(iii) except as provided in this subparagraph, such fuel (and any fuel derived from such fuel) shall not be taken into account under subparagraph (C) with respect to the taxpayer or any other person.”.

(3) CONFORMING AMENDMENTS.—

(A) Section 40, as amended by paragraph (2), is amended—

(i) by striking “cellulosic biofuel” each place it appears in the text thereof and inserting “second generation biofuel”,

(ii) by striking “CELLULOSIC” in the headings of subsections (b)(6), (b)(6)(E), and (d)(3)(D) and inserting “SECOND GENERATION”, and

(iii) by striking “CELLULOSIC” in the headings of subsections (b)(6)(C), (b)(6)(D), (b)(6)(H), (d)(6), and (e)(3) and inserting “SECOND GENERATION”.

(B) Clause (ii) of section 40(b)(6)(E) is amended by striking “Such term shall not” and inserting “The term ‘second generation biofuel’ shall not”.

(C) Paragraph (1) of section 4101(a) is amended by striking “cellulosic biofuel” and inserting “second generation biofuel”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to fuels sold or used after the date of the enactment of this Act.

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SEC. 405. EXTENSION OF INCENTIVES FOR BIODIESEL AND RENEWABLE DIESEL.

(a) CREDITS FOR BIODIESEL AND RENEWABLE DIESEL USED AS FUEL.—Subsection (g) of section 40A is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EXCISE TAX CREDITS AND OUTLAY PAYMENTS FOR BIODIESEL AND RENEWABLE DIESEL FUEL MIXTURES.—

(1) Paragraph (6) of section 6426(c) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(2) Subparagraph (B) of section 6427(e)(6) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2011.

SEC. 406. EXTENSION OF PRODUCTION CREDIT FOR INDIAN COAL FACILITIES PLACED IN SERVICE BEFORE 2009.

(a) IN GENERAL.—Subparagraph (A) of section 45(e)(10) is amended by striking “7-year period” each place it appears and inserting “8-year period”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to coal produced after December 31, 2012.

SEC. 407. EXTENSION AND MODIFICATION OF CREDITS WITH RESPECT TO FACILITIES PRODUCING ENERGY FROM CERTAIN RENEWABLE RESOURCES.

(a) PRODUCTION TAX CREDIT.—

(1) EXTENSION FOR WIND FACILITIES.—Paragraph (1) of section 45(d) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(2) EXCLUSION OF PAPER WHICH IS COMMONLY RECYCLED FROM DEFINITION OF MUNICIPAL SOLID WASTE.—Section 45(c)(6) is amended by inserting “, except that such term does not include paper which is commonly recycled and which has been segregated from other solid waste (as so defined)” after “(42 U.S.C. 6903)”.

(3) MODIFICATION TO DEFINITION OF QUALIFIED FACILITY.—

(A) IN GENERAL.—The following provisions of section 45(d), as amended by paragraph (1), are each amended by striking “before January 1, 2014” and inserting “the construction of which begins before January 1, 2014”:

- (i) Paragraph (1).
- (ii) Paragraph (2)(A)(i).
- (iii) Paragraph (3)(A)(i)(I).
- (iv) Paragraph (6).
- (v) Paragraph (7).
- (vi) Paragraph (9)(B).
- (vii) Paragraph (11)(B).

(B) CERTAIN CLOSED-LOOP BIOMASS FACILITIES.—Subparagraph (A) of section 45(d)(2) is amended by adding at the end the following new flush sentence:

“For purposes of clause (ii), a facility shall be treated as modified before January 1, 2014, if the construction of such modification begins before such date.”

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(C) CERTAIN OPEN-LOOP BIOMASS FACILITIES.—Clause (ii) of section 45(d)(3)(A) is amended by striking “is originally placed in service” and inserting “the construction of which begins”.

(D) GEOTHERMAL FACILITIES.—

(i) IN GENERAL.—Paragraph (4) of section 45(d) is amended by striking “and before January 1, 2014” and all that follows and inserting “and which—

“(A) in the case of a facility using solar energy, is placed in service before January 1, 2006, or

“(B) in the case of a facility using geothermal energy, the construction of which begins before January 1, 2014.

Such term shall not include any property described in section 48(a)(3) the basis of which is taken into account by the taxpayer for purposes of determining the energy credit under section 48.”.

(E) INCREMENTAL HYDROPOWER PRODUCTION.—Paragraph (9) of section 45(d) is amended—

(i) by redesignating subparagraphs (A) and (B), as amended by subparagraph (A), as clauses (i) and (ii), respectively, and by moving such clauses (as so redesignated) 2 ems to the right,

(ii) by striking “In the case of a facility” and inserting the following:

“(A) IN GENERAL.—In the case of a facility”,

(iii) by redesignating subparagraph (C) as subparagraph (B), and

(iv) by adding at the end the following new subparagraph:

“(C) SPECIAL RULE.—For purposes of subparagraph (A)(i), an efficiency improvement or addition to capacity shall be treated as placed in service before January 1, 2014, if the construction of such improvement or addition begins before such date.”.

(b) EXTENSION OF ELECTION TO TREAT QUALIFIED FACILITIES AS ENERGY PROPERTY.—Subparagraph (C) of section 48(a)(5) is amended to read as follows:

“(C) QUALIFIED INVESTMENT CREDIT FACILITY.—For purposes of this paragraph, the term ‘qualified investment credit facility’ means any facility—

“(i) which is a qualified facility (within the meaning of section 45) described in paragraph (1), (2), (3), (4), (6), (7), (9), or (11) of section 45(d),

“(ii) which is placed in service after 2008 and the construction of which begins before January 1, 2014, and

“(iii) with respect to which—

“(I) no credit has been allowed under section 45, and

“(II) the taxpayer makes an irrevocable election to have this paragraph apply.”.

(c) TECHNICAL CORRECTIONS.—

(1) Subparagraph (D) of section 48(a)(5) is amended—

(A) by striking “and” at the end of clause (i)(II),

(B) by striking the period at the end of clause (ii) and inserting a comma, and

(C) by adding at the end the following new clauses:

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“(iii) which is constructed, reconstructed, erected, or acquired by the taxpayer, and

“(iv) the original use of which commences with the taxpayer.”.

(2) Paragraphs (1) and (2) of subsection (a) of section 1603 of division B of the American Recovery and Reinvestment Act of 2009 are each amended by striking “placed in service” and inserting “originally placed in service by such person”.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) MODIFICATION TO DEFINITION OF MUNICIPAL SOLID WASTE.—The amendments made by subsection (a)(2) shall apply to electricity produced and sold after the date of the enactment of this Act, in taxable years ending after such date.

(3) TECHNICAL CORRECTIONS.—The amendments made by subsection (c) shall apply as if included in the enactment of the provisions of the American Recovery and Reinvestment Act of 2009 to which they relate.

SEC. 408. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT NEW HOMES.

(a) IN GENERAL.—Subsection (g) of section 45L is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) ENERGY SAVINGS REQUIREMENTS.—Clause (i) of section 45L(c)(1)(A) is amended by striking “2003 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of this section” and inserting “2006 International Energy Conservation Code, as such Code (including supplements) is in effect on January 1, 2006”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to homes acquired after December 31, 2011.

SEC. 409. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT APPLIANCES.

(a) IN GENERAL.—Section 45M(b) is amended by striking “2011” each place it appears other than in the provisions specified in subsection (b) and inserting “2011, 2012, or 2013”.

(b) PROVISIONS SPECIFIED.—The provisions of section 45M(b) specified in this subsection are subparagraph (C) of paragraph (1) and subparagraph (E) of paragraph (2).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to appliances produced after December 31, 2011.

SEC. 410. EXTENSION AND MODIFICATION OF SPECIAL ALLOWANCE FOR CELLULOSIC BIOFUEL PLANT PROPERTY.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (D) of section 168(l)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property placed in service after December 31, 2012.

(b) ALGAE TREATED AS A QUALIFIED FEEDSTOCK FOR PURPOSES OF BONUS DEPRECIATION FOR BIOFUEL PLANT PROPERTY.—

(1) IN GENERAL.—Subparagraph (A) of section 168(l)(2) is amended by striking “solely to produce cellulosic biofuel” and

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inserting “solely to produce second generation biofuel (as defined in section 40(b)(6)(E))”.

(2) CONFORMING AMENDMENTS.—Subsection (1) of section 168, as amended by subsection (a), is amended—

(A) by striking “cellulosic biofuel” each place it appears in the text thereof and inserting “second generation biofuel”,

(B) by striking paragraph (3) and redesignating paragraphs (4) through (8) as paragraphs (3) through (7), respectively,

(C) by striking “CELLULOSIC” in the heading of such subsection and inserting “SECOND GENERATION”, and

(D) by striking “CELLULOSIC” in the heading of paragraph (2) and inserting “SECOND GENERATION”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

SEC. 411. EXTENSION OF SPECIAL RULE FOR SALES OR DISPOSITIONS TO IMPLEMENT FERC OR STATE ELECTRIC RESTRUCTURING POLICY FOR QUALIFIED ELECTRIC UTILITIES.

(a) IN GENERAL.—Paragraph (3) of section 451(i) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions after December 31, 2011.

SEC. 412. EXTENSION OF ALTERNATIVE FUELS EXCISE TAX CREDITS.

(a) IN GENERAL.—Sections 6426(d)(5) and 6426(e)(3) are each amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) OUTLAY PAYMENTS FOR ALTERNATIVE FUELS.—Paragraph (6) of section 6427(e) is amended—

(1) in subparagraph (C)—

(A) by striking “or alternative fuel mixture (as defined in subsection (d)(2) or (e)(3) of section 6426)” and inserting “(as defined in section 6426(d)(2))”, and

(B) by striking “December 31, 2011, and” and inserting “December 31, 2013,”

(2) in subparagraph (D)—

(A) by striking “or alternative fuel mixture”, and

(B) by striking the period at the end and inserting “, and”, and

(3) by adding at the end the following new subparagraph:
“(E) any alternative fuel mixture (as defined in section 6426(e)(2)) sold or used after December 31, 2011.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2011.

TITLE V—UNEMPLOYMENT

SEC. 501. EXTENSION OF EMERGENCY UNEMPLOYMENT COMPENSATION PROGRAM.

(a) EXTENSION.—Section 4007(a)(2) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended by striking “January 2, 2013” and inserting “January 1, 2014”.

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(b) **FUNDING.**—Section 4004(e)(1) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended—

(1) in subparagraph (H), by striking “and” at the end;

and

(2) by inserting after subparagraph (I) the following:

“(J) the amendments made by section 501(a) of the American Taxpayer Relief Act of 2012;”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the enactment of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96)

SEC. 502. TEMPORARY EXTENSION OF EXTENDED BENEFIT PROVISIONS.

(a) **IN GENERAL.**—Section 2005 of the Assistance for Unemployed Workers and Struggling Families Act, as contained in Public Law 111–5 (26 U.S.C. 3304 note), is amended—

(1) by striking “December 31, 2012” each place it appears and inserting “December 31, 2013”; and

(2) in subsection (c), by striking “June 30, 2013” and inserting “June 30, 2014”.

(b) **EXTENSION OF MATCHING FOR STATES WITH NO WAITING WEEK.**—Section 5 of the Unemployment Compensation Extension Act of 2008 (Public Law 110–449; 26 U.S.C. 3304 note) is amended by striking “June 30, 2013” and inserting “June 30, 2014”.

(c) **EXTENSION OF MODIFICATION OF INDICATORS UNDER THE EXTENDED BENEFIT PROGRAM.**—Section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note) is amended—

(1) in subsection (d), by striking “December 31, 2012” and inserting “December 31, 2013”; and

(2) in subsection (f)(2), by striking “December 31, 2012” and inserting “December 31, 2013”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the enactment of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96).

SEC. 503. EXTENSION OF FUNDING FOR REEMPLOYMENT SERVICES AND REEMPLOYMENT AND ELIGIBILITY ASSESSMENT ACTIVITIES.

(a) **IN GENERAL.**—Section 4004(c)(2)(A) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended by striking “through fiscal year 2013” and inserting “through fiscal year 2014”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the enactment of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96).

SEC. 504. ADDITIONAL EXTENDED UNEMPLOYMENT BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

(a) **EXTENSION.**—Section 2(c)(2)(D)(iii) of the Railroad Unemployment Insurance Act, as added by section 2006 of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5) and as amended by section 9 of the Worker, Homeownership, and Business Assistance Act of 2009 (Public Law 111–92), section 505 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111–312), section 202 of the Temporary Payroll Tax Cut Continuation Act of 2011 (Public

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Law 112–78), and section 2124 of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96), is amended—

(1) by striking “June 30, 2012” and inserting “June 30, 2013”; and

(2) by striking “December 31, 2012” and inserting “December 31, 2013”.

(b) **CLARIFICATION ON AUTHORITY TO USE FUNDS.**—Funds appropriated under either the first or second sentence of clause (iv) of section 2(c)(2)(D) of the Railroad Unemployment Insurance Act shall be available to cover the cost of additional extended unemployment benefits provided under such section 2(c)(2)(D) by reason of the amendments made by subsection (a) as well as to cover the cost of such benefits provided under such section 2(c)(2)(D), as in effect on the day before the date of enactment of this Act.

(c) **FUNDING FOR ADMINISTRATION.**—Out of any funds in the Treasury not otherwise appropriated, there are appropriated to the Railroad Retirement Board \$250,000 for administrative expenses associated with the payment of additional extended unemployment benefits provided under section 2(c)(2)(D) of the Railroad Unemployment Insurance Act by reason of the amendments made by subsection (a), to remain available until expended.

TITLE VI—MEDICARE AND OTHER HEALTH EXTENSIONS

Subtitle A—Medicare Extensions

SEC. 601. MEDICARE PHYSICIAN PAYMENT UPDATE.

(a) **IN GENERAL.**—Section 1848(d) of the Social Security Act (42 U.S.C. 1395w–4(d)) is amended by adding at the end the following new paragraph:

“(14) **UPDATE FOR 2013.**—

“(A) **IN GENERAL.**—Subject to paragraphs (7)(B), (8)(B), (9)(B), (10)(B), (11)(B), (12)(B), and (13)(B), in lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for 2013, the update to the single conversion factor for such year shall be zero percent.

“(B) **NO EFFECT ON COMPUTATION OF CONVERSION FACTOR FOR 2014 AND SUBSEQUENT YEARS.**—The conversion factor under this subsection shall be computed under paragraph (1)(A) for 2014 and subsequent years as if subparagraph (A) had never applied.”.

(b) **ADVANCEMENT OF CLINICAL DATA REGISTRIES TO IMPROVE THE QUALITY OF HEALTH CARE.**—

(1) **IN GENERAL.**—Section 1848(m)(3) of the Social Security Act (42 U.S.C. 1395w–4(m)(3)) is amended—

(A) by redesignating subparagraph (D) as subparagraph (F); and

(B) by inserting after subparagraph (C) the following new subparagraphs:

“(D) **SATISFACTORY REPORTING MEASURES THROUGH PARTICIPATION IN A QUALIFIED CLINICAL DATA REGISTRY.**—For 2014 and subsequent years, the Secretary shall treat

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an eligible professional as satisfactorily submitting data on quality measures under subparagraph (A) if, in lieu of reporting measures under subsection (k)(2)(C), the eligible professional is satisfactorily participating, as determined by the Secretary, in a qualified clinical data registry (as described in subparagraph (E)) for the year.

“(E) QUALIFIED CLINICAL DATA REGISTRY.—

“(i) IN GENERAL.—The Secretary shall establish requirements for an entity to be considered a qualified clinical data registry. Such requirements shall include a requirement that the entity provide the Secretary with such information, at such times, and in such manner, as the Secretary determines necessary to carry out this subsection.

“(ii) CONSIDERATIONS.—In establishing the requirements under clause (i), the Secretary shall consider whether an entity—

“(I) has in place mechanisms for the transparency of data elements and specifications, risk models, and measures;

“(II) requires the submission of data from participants with respect to multiple payers;

“(III) provides timely performance reports to participants at the individual participant level; and

“(IV) supports quality improvement initiatives for participants.

“(iii) MEASURES.—With respect to measures used by a qualified clinical data registry—

“(I) sections 1890(b)(7) and 1890A(a) shall not apply; and

“(II) measures endorsed by the entity with a contract with the Secretary under section 1890(a) may be used.

“(iv) CONSULTATION.—In carrying out this subparagraph, the Secretary shall consult with interested parties.

“(v) DETERMINATION.—The Secretary shall establish a process to determine whether or not an entity meets the requirements established under clause (i). Such process may involve one or both of the following:

“(I) A determination by the Secretary.

“(II) A designation by the Secretary of one or more independent organizations to make such determination.”.

(2) GAO STUDY AND REPORT ON INCORPORATING REGISTRY DATA INTO THE MEDICARE PROGRAM IN ORDER TO IMPROVE QUALITY AND EFFICIENCY.—

(A) STUDY.—The Comptroller General of the United States shall conduct a study on the potential of clinical data registries to improve the quality and efficiency of care in the Medicare program, including through payment system incentives. Such study shall include an analysis of the role of health information technology in facilitating clinical data registries and the use of data from such registries among private health insurers as well as other entities the Comptroller General determines appropriate.

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(B) REPORT.—Not later than November 15, 2013, the Comptroller General of the United States shall submit to Congress a report on the study conducted under subparagraph (A), together with recommendations for such legislation and administrative action as the Comptroller General determines appropriate.

SEC. 602. WORK GEOGRAPHIC ADJUSTMENT.

Section 1848(e)(1)(E) of the Social Security Act (42 U.S.C. 1395w-4(e)(1)(E)) is amended by striking “before January 1, 2013” and inserting “before January 1, 2014”.

SEC. 603. PAYMENT FOR OUTPATIENT THERAPY SERVICES.

(a) EXTENSION.—Section 1833(g) of the Social Security Act (42 U.S.C. 1395l(g)) is amended—

(1) in paragraph (5)(A), in the first sentence, by striking “December 31, 2012” and inserting “December 31, 2013”; and

(2) in paragraph (6)—

(A) by striking “December 31, 2012” and inserting “December 31, 2013”; and

(B) by inserting “or 2013” after “during 2012”.

(b) APPLICATION OF THERAPY CAP TO THERAPY FURNISHED AS PART OF OUTPATIENT CRITICAL ACCESS HOSPITAL SERVICES.—Section 1833(g)(6) of the Social Security Act (42 U.S.C. 1395l(g)(6)), as amended by subsection (a), is amended—

(1) by striking “In applying” and inserting “(A) In applying”; and

(2) by adding at the end the following new subparagraph:
 “(B)(i) With respect to outpatient therapy services furnished beginning on or after January 1, 2013, and before January 1, 2014, for which payment is made under section 1834(g), the Secretary shall count toward the uniform dollar limitations described in paragraphs (1) and (3) and the threshold described in paragraph (5)(C) the amount that would be payable under this part if such services were paid under section 1834(k)(1)(B) instead of being paid under section 1834(g).”

“(ii) Nothing in clause (i) shall be construed as changing the method of payment for outpatient therapy services under section 1834(g).”

(c) BENEFICIARY PROTECTIONS.—Section 1833(g)(5) of the Social Security Act (42 U.S.C. 1395l(g)(5)) is amended by adding at the end the following new subparagraph:

“(D) With respect to services furnished on or after January 1, 2013, where payment may not be made as a result of application of paragraphs (1) and (3), section 1879 shall apply in the same manner as such section applies to a denial that is made by reason of section 1862(a)(1).”

(d) IMPLEMENTATION.—Notwithstanding any other provision of law, the Secretary of Health and Human Services may implement the provisions of, and the amendments made by, this section by program instruction or otherwise.

SEC. 604. AMBULANCE ADD-ON PAYMENTS.

(a) GROUND AMBULANCE.—Section 1834(l)(13)(A) of the Social Security Act (42 U.S.C. 1395m(l)(13)(A)) is amended—

(1) in the matter preceding clause (i), by striking “January 1, 2013” and inserting “January 1, 2014”; and

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(2) in each of clauses (i) and (ii), by striking “January 1, 2013” and inserting “January 1, 2014” each place it appears.

(b) AIR AMBULANCE.—Section 146(b)(1) of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275), as amended by sections 3105(b) and 10311(b) of the Patient Protection and Affordable Care Act (Public Law 111–148), section 106(b) of the Medicare and Medicaid Extenders Act of 2010 (Public Law 111–309), section 306(b) of the Temporary Payroll Tax Cut Continuation Act of 2011 (Public Law 112–78), and section 3007(b) of the Middle Class Tax Relief and Job Creation Act of 2012 (Public Law 112–96), is amended by striking “December 31, 2012” and inserting “June 30, 2013”.

(c) SUPER RURAL AMBULANCE.—Section 1834(l)(12)(A) of the Social Security Act (42 U.S.C. 1395m(l)(12)(A)) is amended in the first sentence by striking “January 1, 2013” and inserting “January 1, 2014”.

(d) STUDIES OF AMBULANCE COSTS.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall conduct a study of each of the following:

(A) A study that analyzes data on existing cost reports for ambulance services furnished by hospitals and critical access hospitals, including variation by characteristics of such providers of services.

(B) A study of the feasibility of obtaining cost data on a periodic basis from all ambulance providers of services and suppliers for potential use in examining the appropriateness of the Medicare add-on payments for ground ambulance services furnished under the fee schedule under section 1834(l) of the Social Security Act (42 U.S.C. 1395m(l)) and in preparing for future reform of such payment system.

(2) COMPONENTS OF ONE OF THE STUDIES.—In conducting the study under paragraph (1)(B), the Secretary shall—

(A) consult with industry on the design of such cost collection efforts;

(B) explore use of cost surveys and cost reports to collect appropriate cost data and the periodicity of such cost data collection;

(C) examine the feasibility of development of a standard cost reporting tool for providers of services and suppliers of ground ambulance services; and

(D) examine the ability to furnish such cost data by various types of ambulance providers of services and suppliers, especially by rural and super-rural providers of services and suppliers.

(3) REPORTS.—

(A) EXISTING COST REPORTS.—Not later than October 1, 2013, the Secretary shall submit a report to Congress on the study conducted under paragraph (1)(A), together with recommendations for such legislation and administrative action as the Secretary determines appropriate.

(B) OBTAINING COST DATA.—Not later than July 1, 2014, the Secretary shall submit a report to Congress on the study conducted under paragraph (1)(B), together with recommendations for such legislation and administrative action as the Secretary determines appropriate.

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SEC. 605. EXTENSION OF MEDICARE INPATIENT HOSPITAL PAYMENT ADJUSTMENT FOR LOW-VOLUME HOSPITALS.

Section 1886(d)(12) of the Social Security Act (42 U.S.C. 1395ww(d)(12)) is amended—

- (1) in subparagraph (B), in the matter preceding clause (i), by striking “2013” and inserting “2014”;
- (2) in subparagraph (C)(i), by striking “and 2012” each place it appears and inserting “, 2012, and 2013”; and
- (3) in subparagraph (D), by striking “and 2012” and inserting “, 2012, and 2013”.

SEC. 606. EXTENSION OF THE MEDICARE-DEPENDENT HOSPITAL (MDH) PROGRAM.

(a) **EXTENSION OF PAYMENT METHODOLOGY.**—Section 1886(d)(5)(G) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(G)) is amended—

- (1) in clause (i), by striking “October 1, 2012” and inserting “October 1, 2013”; and
- (2) in clause (ii)(II), by striking “October 1, 2012” and inserting “October 1, 2013”.

(b) **CONFORMING AMENDMENTS.**—

(1) **EXTENSION OF TARGET AMOUNT.**—Section 1886(b)(3)(D) of the Social Security Act (42 U.S.C. 1395ww(b)(3)(D)) is amended—

- (A) in the matter preceding clause (i), by striking “October 1, 2012” and inserting “October 1, 2013”; and
- (B) in clause (iv), by striking “through fiscal year 2012” and inserting “through fiscal year 2013”.

(2) **PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.**—Section 13501(e)(2) of the Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. 1395ww note) is amended by striking “through fiscal year 2012” and inserting “through fiscal year 2013”.

SEC. 607. EXTENSION FOR SPECIALIZED MEDICARE ADVANTAGE PLANS FOR SPECIAL NEEDS INDIVIDUALS.

Section 1859(f)(1) of the Social Security Act (42 U.S.C. 1395w-28(f)(1)) is amended by striking “2014” and inserting “2015”.

SEC. 608. EXTENSION OF MEDICARE REASONABLE COST CONTRACTS.

Section 1876(h)(5)(C)(ii) of the Social Security Act (42 U.S.C. 1395mm(h)(5)(C)(ii)) is amended, in the matter preceding subclause (I), by striking “January 1, 2013” and inserting “January 1, 2014”.

SEC. 609. PERFORMANCE IMPROVEMENT.

(a) **EXTENSION OF FUNDING FOR CONTRACT WITH CONSENSUS-BASED ENTITY REGARDING PERFORMANCE MEASUREMENT.**—

(1) **IN GENERAL.**—Section 1890(d) of the Social Security Act (42 U.S.C. 1395aaa(d)) is amended by striking “fiscal years 2009 through 2012” and inserting “fiscal years 2009 through 2013”.

(2) **REVISION TO DUTIES.**—Section 1890(b) of the Social Security Act (42 U.S.C. 1395aaa(b)) is amended by striking paragraph (4).

(b) **PROVIDING DATA FOR PERFORMANCE IMPROVEMENT IN A TIMELY MANNER.**—

(1) **IN GENERAL.**—The Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall

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develop a strategy to provide data for performance improvement in a timely manner to applicable providers under the Medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.), including with respect to the provision of the following:

(A) Utilization data, including such data for items and services under parts A, B, and D of the Medicare program.

(B) Feedback on quality data submitted by the applicable provider under the Medicare program.

(2) CONSIDERATIONS.—In developing the strategy under paragraph (1), the Secretary shall consider—

(A) the type of applicable provider receiving the data;

(B) the frequency of providing the data so that it can be the most relevant in improving provider performance;

(C) risk adjustment methods;

(D) presentation of the data in a meaningful manner and easily understandable format;

(E) with respect to utilization data, the provision of data that the Secretary determines would be useful to improve the performance of the type of applicable provider involved; and

(F) administrative costs involved with providing data.

(3) SUBMISSION AND AVAILABILITY OF INITIAL STRATEGY.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall—

(A) submit to the relevant committees of Congress the strategy described in paragraph (1); and

(B) post such strategy on the website of the Centers for Medicare & Medicaid Services.

(4) STRATEGY UPDATE.—

(A) FEEDBACK FROM STAKEHOLDERS.—The Secretary shall seek feedback from stakeholders on the initial strategy submitted under paragraph (3).

(B) STRATEGY UPDATE.—The Secretary shall—

(i) update the strategy described in paragraph (1) based on the feedback submitted under subparagraph (A); and

(ii) not later than 18 months after the date of the enactment of this Act—

(I) submit such updated strategy to the relevant committees of Congress; and

(II) post such updated strategy on the website of the Centers for Medicare & Medicaid Services.

(5) GAO STUDY AND REPORT ON PRIVATE SECTOR INFORMATION SHARING ACTIVITIES.—

(A) STUDY.—The Comptroller General of the United States (in this paragraph referred to as the “Comptroller General”) shall conduct a study on information sharing activities. Such study shall include an analysis of—

(i) how private sector entities share timely data with hospitals, physicians, and other providers and what lessons can be learned from those activities;

(ii) how the Medicare program currently shares data with providers, including what data is provided and to which providers, and what divisions within the Centers for Medicare & Medicaid Services oversee those efforts;

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(iii) what, if any, differences there are between the private sector and the Medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) in terms of sharing data; and

(iv) what, if any, barriers there are for the Centers for Medicare & Medicaid Services to sharing timely data with applicable providers and recommendations to eliminate or reduce such barriers.

(B) REPORT.—Not later than 8 months after the date of the enactment of this Act, the Comptroller General shall submit to the relevant committees of Congress a report containing the results of the study conducted under subparagraph (A), together with recommendations for such legislation and administrative action as the Comptroller General determines appropriate.

(6) DEFINITIONS.—In this subsection:

(A) APPLICABLE PROVIDER.—The term “applicable provider” means the following:

(i) A critical access hospital (as defined in section 1861(mm)(1) of the Social Security Act (42 U.S.C. 1395xx(mm)(1))).

(ii) A hospital (as defined in section 1861(e) of such Act (42 U.S.C. 1395x(e))).

(iii) A physician (as defined in section 1861(r) of such Act (42 U.S.C. 1395x(r))).

(iv) Any other provider the Secretary determines should receive the information described in subsection (a).

(B) PERFORMANCE IMPROVEMENT.—The term “performance improvement” means improvements in quality, reducing per capita costs, and other criteria the Secretary determines appropriate.

SEC. 610. EXTENSION OF FUNDING OUTREACH AND ASSISTANCE FOR LOW-INCOME PROGRAMS.

(a) ADDITIONAL FUNDING FOR STATE HEALTH INSURANCE PROGRAMS.—Subsection (a)(1)(B) of section 119 of the Medicare Improvements for Patients and Providers Act of 2008 (42 U.S.C. 1395b–3 note), as amended by section 3306 of the Patient Protection and Affordable Care Act Public Law 111–148), is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause: “(iii) for fiscal year 2013, of \$7,500,000.”

(b) ADDITIONAL FUNDING FOR AREA AGENCIES ON AGING.—Subsection (b)(1)(B) of such section 119, as so amended, is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause: “(iii) for fiscal year 2013, of \$7,500,000.”

(c) ADDITIONAL FUNDING FOR AGING AND DISABILITY RESOURCE CENTERS.—Subsection (c)(1)(B) of such section 119, as so amended, is amended—

(1) in clause (i), by striking “and” at the end;

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(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause:
“(iii) for fiscal year 2013, of \$5,000,000.”

(d) **ADDITIONAL FUNDING FOR CONTRACT WITH THE NATIONAL CENTER FOR BENEFITS AND OUTREACH ENROLLMENT.**—Subsection (d)(2) of such section 119, as so amended, is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause:
“(iii) for fiscal year 2013, of \$5,000,000.”

Subtitle B—Other Health Extensions

SEC. 621. EXTENSION OF THE QUALIFYING INDIVIDUAL (QI) PROGRAM.

(a) **EXTENSION.**—Section 1902(a)(10)(E)(iv) of the Social Security Act (42 U.S.C. 1396a(a)(10)(E)(iv)) is amended by striking “2012” and inserting “2013”.

(b) **EXTENDING TOTAL AMOUNT AVAILABLE FOR ALLOCATION.**—Section 1933(g) of such Act (42 U.S.C. 1396u–3(g)) is amended—

(1) in paragraph (2)—

(A) in subparagraph (Q), by striking “and” after the semicolon;

(B) in subparagraph (R), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new subparagraphs:

“(S) for the period that begins on January 1, 2013, and ends on September 30, 2013, the total allocation amount is \$485,000,000; and

“(T) for the period that begins on October 1, 2013, and ends on December 31, 2013, the total allocation amount is \$300,000,000.”; and

(2) in paragraph (3), in the matter preceding subparagraph (A), by striking “or (R)” and inserting “(R), or (T)”.

SEC. 622. EXTENSION OF TRANSITIONAL MEDICAL ASSISTANCE (TMA).

Sections 1902(e)(1)(B) and 1925(f) of the Social Security Act (42 U.S.C. 1396a(e)(1)(B), 1396r–6(f)) are each amended by striking “2012” and inserting “2013”.

SEC. 623. EXTENSION OF MEDICAID AND CHIP EXPRESS LANE OPTION.

Section 1902(e)(13)(I) of the Social Security Act (42 U.S.C. 1396a(e)(13)(I)) is amended by striking “2013” and inserting “2014”.

SEC. 624. EXTENSION OF FAMILY-TO-FAMILY HEALTH INFORMATION CENTERS.

Section 501(c)(1)(A)(iii) of the Social Security Act (42 U.S.C. 701(c)(1)(A)(iii)) is amended by striking “2012” and inserting “2013”.

SEC. 625. EXTENSION OF SPECIAL DIABETES PROGRAM FOR TYPE I DIABETES AND FOR INDIANS.

(a) **SPECIAL DIABETES PROGRAMS FOR TYPE I DIABETES.**—Section 330B(b)(2)(C) of the Public Health Service Act (42 U.S.C. 254c–2(b)(2)(C)) is amended by striking “2013” and inserting “2014”.

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(b) SPECIAL DIABETES PROGRAMS FOR INDIANS.—Section 330C(c)(2)(C) of the Public Health Service Act (42 U.S.C. 254c–3(c)(2)(C)) is amended by striking “2013” and inserting “2014”.

Subtitle C—Other Health Provisions

SEC. 631. IPPS DOCUMENTATION AND CODING ADJUSTMENT FOR IMPLEMENTATION OF MS-DRGS.

(a) RULE OF CONSTRUCTION AND CLARIFICATION.—

(1) RULE OF CONSTRUCTION.—Nothing in the amendments made by subsection (b) shall be construed as changing the existing authority under section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)) to make prospective documentation and coding adjustments to the standardized amounts under such section 1886(d) to correct for changes in the coding or classification of discharges that do not reflect real changes in case mix.

(2) CLARIFICATION.—Effective on the date of the enactment of this section, except as provided in section 7(b)(1)(B)(ii) of the TMA, Abstinence Education, and QI Programs Extension Act of 2007, as added by subsection (b)(2)(A)(ii)(IV) of this section, the Secretary of Health and Human Services shall not have authority to fully recoup past overpayments related to documentation and coding changes from fiscal years 2008 and 2009.

(b) ADJUSTMENT.—Section 7 of the TMA, Abstinence Education, and QI Programs Extension Act of 2007 (Public Law 110–90; 121 Stat. 986) is amended—

(1) in the heading, by striking “LIMITATION” and all that follows through “ADJUSTMENT” and inserting “DOCUMENTATION AND CODING ADJUSTMENTS”; and

(2) in subsection (b)—

(A) in paragraph (1)—

(i) in the matter before subparagraph (A)—

(I) by striking “or 2009” and inserting “, 2009, or 2010”; and

(II) by inserting “or otherwise applied for such year” after “applied under subsection (a)”; and

(ii) in subparagraph (B)—

(I) by inserting “(i)” after “(B)”; and

(II) by striking “or decrease”; and

(III) by striking the period at the end and inserting “; and”; and

(IV) by adding at the end the following:

“(ii) make an additional adjustment to the standardized amounts under such section 1886(d) based upon the Secretary’s estimates for discharges occurring only during fiscal years 2014, 2015, 2016, and 2017 to fully offset \$11,000,000,000 (which represents the amount of the increase in aggregate payments from fiscal years 2008 through 2013 for which an adjustment was not previously applied).”; and

(B) in paragraph (3)—

(i) in subparagraph (A), by inserting before the semicolon the following: “or affecting the Secretary’s authority under such paragraph to apply a prospective

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adjustment to offset aggregate additional payments related to documentation and coding improvements made with respect to discharges during fiscal year 2010”; and

(ii) in subparagraph (B), by striking “and 2012” and inserting “2012, 2014, 2015, 2016, and 2017”.

SEC. 632. REVISIONS TO THE MEDICARE ESRD BUNDLED PAYMENT SYSTEM TO REFLECT FINDINGS IN THE GAO REPORT.

(a) **ADJUSTMENT TO ESRD BUNDLED PAYMENT RATE TO ACCOUNT FOR CHANGES IN THE UTILIZATION OF CERTAIN DRUGS AND BIOLOGICALS.**—Section 1881(b)(14) of the Social Security Act (42 U.S.C. 1395rr(b)(14)) is amended by adding at the end the following new subparagraph:

“(I) For services furnished on or after January 1, 2014, the Secretary shall, by comparing per patient utilization data from 2007 with such data from 2012, make reductions to the single payment that would otherwise apply under this paragraph for renal dialysis services to reflect the Secretary’s estimate of the change in the utilization of drugs and biologicals described in clauses (ii), (iii), and (iv) of subparagraph (B) (other than oral-only ESRD-related drugs, as such term is used in the final rule promulgated by the Secretary in the Federal Register on August 12, 2010 (75 Fed. Reg. 49030)). In making reductions under the preceding sentence, the Secretary shall take into account the most recently available data on average sales prices and changes in prices for drugs and biological reflected in the ESRD market basket percentage increase factor under subparagraph (F).”.

(b) **TWO-YEAR DELAY OF IMPLEMENTATION OF ORAL-ONLY ESRD-RELATED DRUGS IN THE ESRD PROSPECTIVE PAYMENT SYSTEM; MONITORING.**—

(1) **DELAY.**—The Secretary of Health and Human Services may not implement the policy under section 413.174(f)(6) of title 42, Code of Federal Regulations (relating to oral-only ESRD-related drugs in the ESRD prospective payment system), prior to January 1, 2016.

(2) **MONITORING.**—With respect to the implementation of oral-only ESRD-related drugs in the ESRD prospective payment system under subsection (b)(14) of section 1881 of the Social Security Act (42 U.S.C. 1395rr(b)(14)), the Secretary of Health and Human Services shall monitor the bone and mineral metabolism of individuals with end stage renal disease.

(c) **ANALYSIS OF CASE MIX PAYMENT ADJUSTMENTS.**—By not later than January 1, 2016, the Secretary of Health and Human Services shall—

(1) conduct an analysis of the case mix payment adjustments being used under section 1881(b)(14)(D)(i) of the Social Security Act (42 U.S.C. 1395rr(b)(14)(D)(i)); and

(2) make appropriate revisions to such case mix payment adjustments.

(d) **UPDATED GAO REPORT.**—Not later than December 31, 2015, the Comptroller General of the United States shall submit to Congress a report that updates the report submitted to Congress under section 10336 of the Patient Protection and Affordable Care Act (Public Law 111–148; 124 Stat. 974). The updated report shall include an analysis of how the Secretary of Health and Human Services has addressed points raised in the report submitted under

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such section 10336 with respect to the Secretary's preparations to implement payment for oral-only ESRD-related drugs in the bundled prospective payment system under section 1881(b)(14) of the Social Security Act (42 U.S.C. 1395rr(b)(14)).

SEC. 633. TREATMENT OF MULTIPLE SERVICE PAYMENT POLICIES FOR THERAPY SERVICES.

(a) **SERVICES FURNISHED BY PHYSICIANS AND CERTAIN OTHER PROVIDERS.**—Section 1848(b)(7) of the Social Security Act (42 U.S.C. 1395w-4(b)(7)) is amended—

(1) by striking “2011,” and inserting “2011, and before April 1, 2013,”; and

(2) by adding at the end the following new sentence: “In the case of such services furnished on or after April 1, 2013, and for which payment is made under such fee schedules, instead of the 25 percent multiple procedure payment reduction specified in such final rule, the reduction percentage shall be 50 percent.”.

(b) **SERVICES FURNISHED BY OTHER PROVIDERS.**—Section 1834(k) of the Social Security Act (42 U.S.C. 1395m(k)) is amended by adding at the end the following new paragraph:

“(7) **ADJUSTMENT IN DISCOUNT FOR CERTAIN MULTIPLE THERAPY SERVICES.**—In the case of therapy services furnished on or after April 1, 2013, and for which payment is made under this subsection pursuant to the applicable fee schedule amount (as defined in paragraph (3)), instead of the 25 percent multiple procedure payment reduction specified in the final rule published by the Secretary in the Federal Register on November 29, 2010, the reduction percentage shall be 50 percent.”.

SEC. 634. PAYMENT FOR CERTAIN RADIOLOGY SERVICES FURNISHED UNDER THE MEDICARE HOSPITAL OUTPATIENT DEPARTMENT PROSPECTIVE PAYMENT SYSTEM.

Section 1833(t)(16) of the Social Security Act (42 U.S.C. 1395l(t)(16)) is amended by adding at the end the following new subparagraph:

“(D) **SPECIAL PAYMENT RULE.**—

“(i) **IN GENERAL.**—In the case of covered OPD services furnished on or after April 1, 2013, in a hospital described in clause (ii), if—

“(I) the payment rate that would otherwise apply under this subsection for stereotactic radiosurgery, complete course of treatment of cranial lesion(s) consisting of 1 session that is multi-source Cobalt 60 based (identified as of January 1, 2013, by HCPCS code 77371 (and any succeeding code) and reimbursed as of such date under APC 0127 (and any succeeding classification group)); exceeds

“(II) the payment rate that would otherwise apply under this subsection for linear accelerator based stereotactic radiosurgery, complete course of therapy in one session (identified as of January 1, 2013, by HCPCS code G0173 (and any succeeding code) and reimbursed as of such date under APC 0067 (and any succeeding classification group)),

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the payment rate for the service described in subclause (I) shall be reduced to an amount equal to the payment rate for the service described in subclause (II).

“(ii) HOSPITAL DESCRIBED.—A hospital described in this clause is a hospital that is not—

“(I) located in a rural area (as defined in section 1886(d)(2)(D));

“(II) classified as a rural referral center under section 1886(d)(5)(C); or

“(III) a sole community hospital (as defined in section 1886(d)(5)(D)(iii)).

“(iii) NOT BUDGET NEUTRAL.—In making any budget neutrality adjustments under this subsection for 2013 (with respect to covered OPD services furnished on or after April 1, 2013, and before January 1, 2014) or a subsequent year, the Secretary shall not take into account the reduced expenditures that result from the application of this subparagraph.”.

SEC. 635. ADJUSTMENT OF EQUIPMENT UTILIZATION RATE FOR ADVANCED IMAGING SERVICES.

Section 1848 of the Social Security Act (42 U.S.C. 1395w-4) is amended—

(1) in subsection (b)(4)(C)—

(A) by striking “and subsequent years” and inserting “, 2012, and 2013”; and

(B) by adding at the end the following new sentence: “With respect to fee schedules established for 2014 and subsequent years, in such methodology, the Secretary shall use a 90 percent utilization rate.”; and

(2) in subsection (c)(2)(B)(v)(III), by striking “change in the utilization rate applicable to 2011, as described in” and inserting “changes in the utilization rate applicable to 2011 and 2014, as described in the first and second sentence, respectively, of”.

SEC. 636. MEDICARE PAYMENT OF COMPETITIVE PRICES FOR DIABETIC SUPPLIES AND ELIMINATION OF OVERPAYMENT FOR DIABETIC SUPPLIES.

(a) APPLICATION OF COMPETITIVE BIDDING PRICES FOR DIABETIC SUPPLIES.—Section 1834(a)(1) of the Social Security Act (42 U.S.C. 1395m(a)(1)) is amended—

(1) in subparagraph (F), in the matter preceding clause (i), by striking “subparagraph (G)” and inserting “subparagraphs (G) and (H)”; and

(2) by adding at the end the following new subparagraph: “(H) DIABETIC SUPPLIES.—

“(i) IN GENERAL.—On or after the date described in clause (ii), the payment amount under this part for diabetic supplies, including testing strips, that are non-mail order items (as defined by the Secretary) shall be equal to the single payment amounts established under the national mail order competition for diabetic supplies under section 1847.

“(ii) DATE DESCRIBED.—The date described in this clause is the date of the implementation of the single payment amounts under the national mail order competition for diabetic supplies under section 1847.”.

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(b) OVERPAYMENT ELIMINATION FOR DIABETIC SUPPLIES.—Section 1834(a) of the Social Security Act (42 U.S.C. 1395m(a)) is amended by adding at the end the following new paragraph:

“(22) SPECIAL PAYMENT RULE FOR DIABETIC SUPPLIES.—Notwithstanding the preceding provisions of this subsection, for purposes of determining the payment amount under this subsection for diabetic supplies furnished on or after the first day of the calendar quarter during 2013 that is at least 30 days after the date of the enactment of this paragraph and before the date described in paragraph (1)(H)(ii), the Secretary shall recalculate and apply the covered item update under paragraph (14) as if subparagraph (J)(i) of such paragraph was amended by striking ‘but only if furnished through mail order.’”.

SEC. 637. MEDICARE PAYMENT ADJUSTMENT FOR NON-EMERGENCY AMBULANCE TRANSPORTS FOR ESRD BENEFICIARIES.

Section 1834(l) of the Social Security Act (42 U.S.C. 1395m(l)) is amended by adding at the end the following new paragraph:

“(15) PAYMENT ADJUSTMENT FOR NON-EMERGENCY AMBULANCE TRANSPORTS FOR ESRD BENEFICIARIES.—The fee schedule amount otherwise applicable under the preceding provisions of this subsection shall be reduced by 10 percent for ambulance services furnished on or after October 1, 2013, consisting of non-emergency basic life support services involving transport of an individual with end-stage renal disease for renal dialysis services (as described in section 1881(b)(14)(B)) furnished other than on an emergency basis by a provider of services or a renal dialysis facility.”.

SEC. 638. REMOVING OBSTACLES TO COLLECTION OF OVERPAYMENTS.

(a) IN GENERAL.—The last sentence of subsections (b) and (c) of section 1870 of the Social Security Act (42 U.S.C. 1395gg) are each amended—

- (1) by striking “third year” and inserting “fifth year”; and
- (2) by striking “three-year” and inserting “five-year”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 639. MEDICARE ADVANTAGE CODING INTENSITY ADJUSTMENT.

Section 1853(a)(1)(C)(ii)(III) of the Social Security Act (42 U.S.C. 1395w-23(a)(1)(C)(ii)(III)) is amended—

- (1) by striking “1.3 percentage points” and inserting “1.5 percentage points”; and
- (2) by striking “5.7 percent” and inserting “5.9 percent”.

SEC. 640. ELIMINATION OF ALL FUNDING FOR THE MEDICARE IMPROVEMENT FUND.

Section 1898(b)(1) of the Social Security Act (42 U.S.C. 1395iii(b)(1)) is amended by striking subparagraphs (A), (B), and (C) and inserting the following new subparagraphs:

- “(A) fiscal year 2014, \$0; and
- “(B) fiscal year 2015, \$0.”.

SEC. 641. REBASING OF STATE DSH ALLOTMENTS.

Section 1923(f)(8) of the Social Security Act (42 U.S.C. 1396r-4(f)(8)) is amended to read as follows:

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“(8) SPECIAL RULES FOR CALCULATING DSH ALLOTMENTS FOR CERTAIN FISCAL YEARS.—

“(A) FISCAL YEAR 2021.—Only with respect to fiscal year 2021, the DSH allotment for a State, in lieu of the amount determined under paragraph (3) for the State for that year, shall be equal to the DSH allotment for the State as reduced under paragraph (7) for fiscal year 2020, increased, subject to subparagraphs (B) and (C) of paragraph (3), and paragraph (5), by the percentage change in the consumer price index for all urban consumers (all items; U.S. city average), for fiscal year 2020.

“(B) FISCAL YEAR 2022.—Only with respect to fiscal year 2022, the DSH allotment for a State, in lieu of the amount determined under paragraph (3) for the State for that year, shall be equal to the DSH allotment for the State for fiscal year 2021, as determined under subparagraph (A), increased, subject to subparagraphs (B) and (C) of paragraph (3), and paragraph (5), by the percentage change in the consumer price index for all urban consumers (all items; U.S. city average), for fiscal year 2021.

“(C) SUBSEQUENT FISCAL YEARS.—The DSH allotment for a State for fiscal years after fiscal year 2022 shall be calculated under paragraph (3) without regard to this paragraph and paragraph (7).”.

SEC. 642. REPEAL OF CLASS PROGRAM.

(a) REPEAL.—Title XXXII of the Public Health Service Act (42 U.S.C. 3001l et seq.; relating to the CLASS program) is repealed.

(b) CONFORMING CHANGES.—

(1) Title VIII of the Patient Protection and Affordable Care Act (Public Law 111–148; 124 Stat. 119, 846–847) is repealed.

(2) Section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)) is amended—

(A) by striking paragraphs (81) and (82);

(B) in paragraph (80), by inserting “and” at the end;

and

(C) by redesignating paragraph (83) as paragraph (81).

(3) Paragraphs (2) and (3) of section 6021(d) of the Deficit Reduction Act of 2005 (42 U.S.C. 1396p note) are amended to read as such paragraphs were in effect on the day before the date of the enactment of section 8002(d) of the Patient Protection and Affordable Care Act (Public Law 111–148). Of the funds appropriated by paragraph (3) of such section 6021(d), as amended by the Patient Protection and Affordable Care Act, the unobligated balance is rescinded.

SEC. 643. COMMISSION ON LONG-TERM CARE.

(a) ESTABLISHMENT.—There is established a commission to be known as the Commission on Long-Term Care (referred to in this section as the “Commission”).

(b) DUTIES.—

(1) IN GENERAL.—The Commission shall develop a plan for the establishment, implementation, and financing of a comprehensive, coordinated, and high-quality system that ensures the availability of long-term services and supports for individuals in need of such services and supports, including elderly individuals, individuals with substantial cognitive or functional limitations, other individuals who require assistance to perform

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activities of daily living, and individuals desiring to plan for future long-term care needs.

(2) EXISTING HEALTH CARE PROGRAMS.—For purposes of developing the plan described in paragraph (1), the Commission shall provide recommendations for—

(A) addressing the interaction of a long-term services and support system with existing programs for long-term services and supports, including the Medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) and the Medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.), and private long-term care insurance;

(B) improvements to such health care programs that are necessary for ensuring the availability of long-term services and supports; and

(C) issues related to workers who provide long-term services and supports, including—

(i) whether the number of such workers is adequate to provide long-term services and supports to individuals with long-term care needs;

(ii) workforce development necessary to deliver high-quality services to such individuals;

(iii) development of entities that have the capacity to serve as employers and fiscal agents for workers who provide long-term services and supports in the homes of such individuals; and

(iv) addressing gaps in Federal and State infrastructure that prevent delivery of high-quality long term services and supports to such individuals.

(3) ADDITIONAL CONSIDERATIONS.—For purposes of developing the plan described in paragraph (1), the Commission shall take into account projected demographic changes and trends in the population of the United States, as well as the potential for development of new technologies, delivery systems, or other mechanisms to improve the availability and quality of long-term services and supports.

(4) CONSULTATION.—For purposes of developing the plan described in paragraph (1), the Commission shall consult with the Medicare Payment Advisory Commission, the Medicaid and CHIP Payment and Access Commission, the National Council on Disability, and relevant consumer groups.

(c) MEMBERSHIP.—

(1) IN GENERAL.—The Commission shall be composed of 15 members, to be appointed not later than 30 days after the date of enactment of this Act, as follows:

(A) The President of the United States shall appoint 3 members.

(B) The majority leader of the Senate shall appoint 3 members.

(C) The minority leader of the Senate shall appoint 3 members.

(D) The Speaker of the House of Representatives shall appoint 3 members.

(E) The minority leader of the House of Representatives shall appoint 3 members.

(2) REPRESENTATION.—The membership of the Commission shall include individuals who—

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- (A) represent the interests of—
- (i) consumers of long-term services and supports and related insurance products, as well as their representatives;
 - (ii) older adults;
 - (iii) individuals with cognitive or functional limitations;
 - (iv) family caregivers for individuals described in clause (i), (ii), or (iii);
 - (v) the health care workforce who directly provide long-term services and supports;
 - (vi) private long-term care insurance providers;
 - (vii) employers;
 - (viii) State insurance departments; and
 - (ix) State Medicaid agencies;
- (B) have demonstrated experience in dealing with issues related to long-term services and supports, health care policy, and public and private insurance; and
- (C) represent the health care interests and needs of a variety of geographic areas and demographic groups.
- (3) CHAIRMAN AND VICE-CHAIRMAN.—The Commission shall elect a chairman and vice chairman from among its members.
- (4) VACANCIES.—Any vacancy in the membership of the Commission shall be filled in the manner in which the original appointment was made and shall not affect the power of the remaining members to execute the duties of the Commission.
- (5) QUORUM.—A quorum shall consist of 8 members of the Commission, except that 4 members may conduct a hearing under subsection (e)(1).
- (6) MEETINGS.—The Commission shall meet at the call of its chairman or a majority of its members.
- (7) COMPENSATION AND REIMBURSEMENT OF EXPENSES.—
- (A) IN GENERAL.—To enable the Commission to exercise its powers, functions, and duties, there are authorized to be disbursed by the Senate the actual and necessary expenses of the Commission approved by the chairman and vice chairman, subject to subparagraph (B) and the rules and regulations of the Senate.
 - (B) MEMBERS.—Members of the Commission are not entitled to receive compensation for service on the Commission. Members may be reimbursed for travel, subsistence, and other necessary expenses incurred in carrying out the duties of the Commission.
- (d) STAFF AND ETHICAL STANDARDS.—
- (1) STAFF.—The chairman and vice chairman of the Commission may jointly appoint and fix the compensation of staff as they deem necessary, within the guidelines for employees of the Senate and following all applicable rules and employment requirements of the Senate.
 - (2) ETHICAL STANDARDS.—Members of the Commission who serve in the House of Representatives shall be governed by the ethics rules and requirements of the House. Members of the Senate who serve on the Commission and staff of the Commission shall comply with the ethics rules of the Senate.
- (e) POWERS.—
- (1) HEARINGS AND OTHER ACTIVITIES.—For the purpose of carrying out its duties, the Commission may hold such hearings

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and undertake such other activities as the Commission determines to be necessary to carry out its duties.

(2) STUDIES BY GENERAL ACCOUNTING OFFICE.—Upon the request of the Commission, the Comptroller General of the United States shall conduct such studies or investigations as the Commission determines to be necessary to carry out its duties.

(3) COST ESTIMATES BY CONGRESSIONAL BUDGET OFFICE.—Upon the request of the Commission, the Director of the Congressional Budget Office shall provide to the Commission such cost estimates as the Commission determines to be necessary to carry out its duties.

(4) DETAIL OF FEDERAL EMPLOYEES.—Upon the request of the Commission, the head of any Federal agency is authorized to detail, without reimbursement, any of the personnel of such agency to the Commission to assist the Commission in carrying out its duties. Any such detail shall not interrupt or otherwise affect the civil service status or privileges of the Federal employee.

(5) TECHNICAL ASSISTANCE.—Upon the request of the Commission, the head of a Federal agency shall provide such technical assistance to the Commission as the Commission determines to be necessary to carry out its duties.

(6) USE OF MAILS.—The Commission may use the United States mails in the same manner and under the same conditions as Federal agencies.

(7) OBTAINING INFORMATION.—The Commission may secure directly from any Federal agency information necessary to enable it to carry out its duties, if the information may be disclosed under section 552 of title 5, United States Code. Upon request of the Chairman of the Commission, the head of such agency shall furnish such information to the Commission.

(8) ADMINISTRATIVE SUPPORT SERVICES.—Upon the request of the Commission, the Administrator of General Services shall provide to the Commission on a reimbursable basis such administrative support services as the Commission may request.

(f) COMMISSION CONSIDERATION.—

(1) APPROVAL OF REPORT AND LEGISLATIVE LANGUAGE.—

(A) IN GENERAL.—Not later than 6 months after appointment of the members of the Commission (as described in subsection (c)(1)), the Commission shall vote on a comprehensive and detailed report based on the long-term care plan described in subsection (b)(1) that contains any recommendations or proposals for legislative or administrative action as the Commission deems appropriate, including proposed legislative language to carry out the recommendations or proposals (referred to in this section as the “Commission bill”).

(B) APPROVAL BY MAJORITY OF MEMBERS.—The Commission bill shall require the approval of a majority of the members of the Commission.

(2) TRANSMISSION OF COMMISSION BILL.—

(A) IN GENERAL.—If the Commission bill is approved by the Commission pursuant to paragraph (1), then not later than 10 days after such approval, the Commission

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shall submit the Commission bill to the President, the Vice President, the Speaker of the House of Representatives, and the majority and minority Leaders of each House on Congress.

(B) COMMISSION BILL TO BE MADE PUBLIC.—Upon the approval or disapproval of the Commission bill pursuant to paragraph (1), the Commission shall promptly make such proposal, and a record of the vote, available to the public.

(g) TERMINATION.—The Commission shall terminate 30 days after the vote described in subsection (f)(1).

(h) CONSIDERATION OF COMMISSION RECOMMENDATIONS.—If approved by the majority required by subsection (f)(1), the Commission bill that has been submitted pursuant to subsection (f)(2)(A) shall be introduced in the Senate (by request) on the next day on which the Senate is in session by the majority leader of the Senate or by a Member of the Senate designated by the majority leader of the Senate and shall be introduced in the House of Representatives (by request) on the next legislative day by the majority leader of the House or by a member of the House designated by the majority leader of the House.

SEC. 644. CONSUMER OPERATED AND ORIENTED PLAN PROGRAM CONTINGENCY FUND.

(a) ESTABLISHMENT.—The Secretary of Health and Human Services shall establish a fund to be used to provide assistance and oversight to qualified nonprofit health insurance issuers that have been awarded loans or grants under section 1322 of the Patient Protection and Affordable Care Act (42 U.S.C. 18042) prior to the date of enactment of this Act.

(b) TRANSFER AND RESCISSION.—

(1) TRANSFER.—From the unobligated balance of funds appropriated under section 1322(g) of the Patient Protection and Affordable Care Act (42 U.S.C. 18042(g)), 10 percent of such sums are hereby transferred to the fund established under subsection (a) to remain available until expended.

(2) RESCISSION.—Except as provided for in paragraph (1), amounts appropriated under section 1322(g) of the Patient Protection and Affordable Care Act (42 U.S.C. 18042(g)) that are unobligated as of the date of enactment of this Act are rescinded.

TITLE VII—EXTENSION OF AGRICULTURAL PROGRAMS

SEC. 701. 1-YEAR EXTENSION OF AGRICULTURAL PROGRAMS.

(a) EXTENSION.—Except as otherwise provided in this section and amendments made by this section and notwithstanding any other provision of law, the authorities provided by each provision of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 1651) and each amendment made by that Act (and for mandatory programs at such funding levels), as in effect on September 30, 2012, shall continue, and the Secretary of Agriculture shall carry out the authorities, until the later of—

(1) September 30, 2013; or

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(2) the date specified in the provision of that Act or amendment made by that Act.

(b) COMMODITY PROGRAMS.—

(1) IN GENERAL.—The terms and conditions applicable to a covered commodity or loan commodity (as those terms are defined in section 1001 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8702)) or to peanuts, sugarcane, or sugar beets for the 2012 crop year pursuant to title I of that Act (7 U.S.C. 8702 et seq.) and each amendment made by that title shall be applicable to the 2013 crop year for that covered commodity, loan commodity, peanuts, sugarcane, or sugar beets.

(2) MILK.—

(A) IN GENERAL.—Notwithstanding subsection (a), the Secretary of Agriculture shall carry out the dairy product price support program under section 1501 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8771) through December 31, 2013.

(B) MILK INCOME LOSS CONTRACT PROGRAM.—Section 1506 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8773) is amended by striking “2012” each place it appears in subsections (c)(3), (d)(1), (d)(2), (e)(2)(A), (g), and (h)(1) and inserting “2013”.

(3) SUSPENSION OF PERMANENT PRICE SUPPORT AUTHORITIES.—The provisions of law specified in subsections (a) through (c) of section 1602 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8782) shall be suspended—

(A) for the 2013 crop or production year of a covered commodity (as that term is defined in section 1001 of that Act (7 U.S.C. 8702)), peanuts, sugarcane, and sugar, as appropriate; and

(B) in the case of milk, through December 31, 2013.

(c) CONSERVATION PROGRAMS.—

(1) CONSERVATION RESERVE.—Section 1231(d) of the Food Security Act of 1985 (16 U.S.C. 3831(d)) is amended in the second sentence by striking “and 2012” and inserting “2012, and 2013”.

(2) VOLUNTARY PUBLIC ACCESS.—Section 1240R of the Food Security Act of 1985 (16 U.S.C. 3839bb-5) is amended by striking subsection (f) and inserting the following:

“(f) FUNDING.—

“(1) FISCAL YEARS 2009 THROUGH 2012.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section, to the maximum extent practicable, \$50,000,000 for the period of fiscal years 2009 through 2012.

“(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$10,000,000 for fiscal year 2013.”

(d) SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM.—

(1) EMPLOYMENT AND TRAINING PROGRAM.—Section 16(h)(1)(A) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(h)(1)(A)) is amended by inserting “, except that for fiscal year 2013, the amount shall be \$79,000,000” before the period at the end.

(2) NUTRITION EDUCATION.—Section 28(d)(1) of the Food and Nutrition Act of 2008 (7 U.S.C. 2036a(d)(1)) is amended—

(A) in subparagraph (A), by striking “and” after the semicolon at the end; and

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(B) by striking subparagraph (B) and inserting the following:

“(B) for fiscal year 2012, \$388,000,000;

“(C) for fiscal year 2013, \$285,000,000;

“(D) for fiscal year 2014, \$401,000,000;

“(E) for fiscal year 2015, \$407,000,000; and

“(F) for fiscal year 2016 and each subsequent fiscal year, the applicable amount during the preceding fiscal year, as adjusted to reflect any increases for the 12-month period ending the preceding June 30 in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

(e) RESEARCH PROGRAMS.—

(1) ORGANIC AGRICULTURE RESEARCH AND EXTENSION INITIATIVE.—Section 1672B(f) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5925b(f)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING FOR FISCAL YEARS 2009 THROUGH 2012”;

(B) in the heading of paragraph (2), by striking “ADDITIONAL FUNDING” and inserting “DISCRETIONARY FUNDING FOR FISCAL YEARS 2009 THROUGH 2012”; and

(C) by adding at the end the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$25,000,000 for fiscal year 2013.”.

(2) SPECIALTY CROP RESEARCH INITIATIVE.—Section 412(h) of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7632(h)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING FOR FISCAL YEARS 2008 THROUGH 2012”;

(B) in the heading of paragraph (2), by inserting “FOR FISCAL YEARS 2008 THROUGH 2012” after “APPROPRIATIONS”;

(C) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(D) by inserting after paragraph (2) the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$100,000,000 for fiscal year 2013.”.

(3) BEGINNING FARMER AND RANCHER DEVELOPMENT PROGRAM.—Section 7405(h) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 3319f(h)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING FOR FISCAL YEARS 2009 THROUGH 2012”;

(B) in the heading of paragraph (2), by inserting “FOR FISCAL YEARS 2008 THROUGH 2012” after “APPROPRIATIONS”; and

(C) by adding at the end the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$30,000,000 for fiscal year 2013.”.

(f) ENERGY PROGRAMS.—

(1) BIOBASED MARKETS PROGRAM.—Section 9002(h) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C.

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8102(h) is amended in paragraph (2) by striking “2012” and inserting “2013”.

(2) BIOREFINERY ASSISTANCE.—Section 9003(h)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8103(h)(2)) is amended by striking “2012” and inserting “2013”.

(3) REPOWERING ASSISTANCE.—Section 9004(d)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8104(d)(2)) is amended by striking “2012” and inserting “2013”.

(4) BIOENERGY PROGRAM FOR ADVANCED BIOFUELS.—Section 9005(g)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8105(g)(2)) is amended by striking “2012” and inserting “2013”.

(5) BIODIESEL FUEL EDUCATION PROGRAM.—Section 9006 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8106) is amended by striking subsection (d) and inserting the following:

“(d) FUNDING.—

“(1) FISCAL YEARS 2009 THROUGH 2012.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section \$1,000,000 for each of fiscal years 2008 through 2012.

“(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$1,000,000 for fiscal year 2013.”

(6) RURAL ENERGY FOR AMERICA PROGRAM.—Section 9007(g)(3) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8107(g)(3)) is amended by striking “2012” and inserting “2013”.

(7) BIOMASS RESEARCH AND DEVELOPMENT.—Section 9008(h)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8108(h)(2)) is amended by striking “2012” and inserting “2013”.

(8) RURAL ENERGY SELF-SUFFICIENCY INITIATIVE.—Section 9009(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8109(d)) is amended by striking “2012” and inserting “2013”.

(9) FEEDSTOCK FLEXIBILITY PROGRAM FOR BIOENERGY PRODUCERS.—Section 9010(b) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8110(b)) is amended in paragraphs (1)(A) and (2)(A) by striking “2012” each place it appears and inserting “2013”.

(10) BIOMASS CROP ASSISTANCE PROGRAM.—Section 9011(f) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8111(f)) is amended—

(A) by striking “(f) FUNDING.—Of the funds” and inserting “(f) FUNDING.—

“(1) FISCAL YEARS 2008 THROUGH 2012.—Of the funds”; and

(B) adding at the end the following:

“(2) FISCAL YEAR 2013.—

“(A) IN GENERAL.—There is authorized to be appropriated to carry out this section \$20,000,000 for fiscal year 2013.

“(B) MULTIYEAR CONTRACTS.—For each multiyear contract entered into by the Secretary during a fiscal year under this paragraph, the Secretary shall ensure that sufficient funds are obligated from the amounts appropriated

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for that fiscal year to fully cover all payments required by the contract for all years of the contract.”.

(11) FOREST BIOMASS FOR ENERGY.—Section 9012(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8112(d)) is amended by striking “2012” and inserting “2013”.

(12) COMMUNITY WOOD ENERGY PROGRAM.—Section 9013(e) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8113(e)) is amended by striking “2012” and inserting “2013”.

(g) HORTICULTURE AND ORGANIC AGRICULTURE PROGRAMS.—

(1) FARMERS MARKET PROMOTION PROGRAM.—Section 6(e) of the Farmer-to-Consumer Direct Marketing Act of 1976 (7 U.S.C. 3005(e)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “FISCAL YEARS 2008 THROUGH 2012”;

(B) by redesignating paragraphs (2), (3), and (4) as paragraphs (3), (4), and (5), respectively;

(C) by inserting after paragraph (1) the following:

“(2) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$10,000,000 for fiscal year 2013.”;

(D) in paragraph (3) (as so redesignated), by striking “paragraph (1)” and inserting “paragraph (1) or (2)”;

(E) in paragraph (5) (as so redesignated), by striking “paragraph (2)” and inserting “paragraph (3)”.

(2) NATIONAL CLEAN PLANT NETWORK.—Section 10202(e) of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 7761(e)) is amended—

(A) by striking “Of the funds” and inserting the following:

“(1) FISCAL YEARS 2009 THROUGH 2012.—Of the funds”; and

(B) by adding at the end the following:

“(2) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out the Program \$5,000,000 for fiscal year 2013.”.

(3) NATIONAL ORGANIC CERTIFICATION COST-SHARE PROGRAM.—Section 10606 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523) is amended—

(A) in subsection (a), by striking “Of funds of the Commodity Credit Corporation, the Secretary of Agriculture (acting through the Agricultural Marketing Service) shall use \$22,000,000 for fiscal year 2008, to remain available until expended, to” and inserting “The Secretary of Agriculture (acting through the Agricultural Marketing Service) shall”; and

(B) by adding at the end the following:

“(d) FUNDING.—

“(1) MANDATORY FUNDING FOR FISCAL YEARS 2008 THROUGH 2012.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section \$22,000,000 for the period of fiscal years 2008 through 2012.

“(2) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$22,000,000 for fiscal year 2013, to remain available until expended.”.

(4) ORGANIC PRODUCTION AND MARKET DATA INITIATIVES.—Section 7407(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 5925c(d)) is amended—

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(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING THROUGH FISCAL YEAR 2012”;

(B) in the heading of paragraph (2), by striking “ADDITIONAL FUNDING” and inserting “DISCRETIONARY FUNDING FOR FISCAL YEARS 2008 THROUGH 2012”; and

(C) by adding at the end the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$5,000,000, to remain available until expended.”.

(h) OUTREACH AND TECHNICAL ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS OR RANCHERS.—Section 2501(a)(4) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279(a)(4)) is amended—

(1) in the heading of subparagraph (A), by striking “IN GENERAL” and inserting “FISCAL YEARS 2009 THROUGH 2012”;

(2) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively;

(3) by inserting after subparagraph (A) the following:

“(B) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$20,000,000 for fiscal year 2013.”;

(4) in subparagraph (C) (as so redesignated), by striking “subparagraph (A)” and inserting “subparagraph (A) or (B)”; and

(5) in subparagraph (D) (as so redesignated), by striking “subparagraph (A)” and inserting “subparagraph (A) or (B)”.

(i) EXCEPTIONS.—

(1) IN GENERAL.—Subsection (a) does not apply with respect to mandatory funding provided by programs authorized by provisions of law amended by subsections (d) through (h).

(2) CONSERVATION.—Subsection (a) does not apply with respect to the programs specified in paragraphs (3)(B), (4), (6), and (7) of section 1241(a) of the Food Security Act of 1985 (16 U.S.C. 3841(a)), relating to the conservation stewardship program, farmland protection program, environmental quality incentives program, and wildlife habitat incentives program, for which program authority was extended through fiscal year 2014 by section 716 of Public Law 112–55 (125 Stat. 582).

(3) TRADE.—Subsection (a) does not apply with respect to the following provisions of law:

(A) Section 3206 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 1726c) relating to the use of Commodity Credit Corporation funds to support local and regional food aid procurement projects.

(B) Section 3107(l)(1) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o–1(l)(1)) relating to the use of Commodity Credit Corporation funds to carry out the McGovern-Dole International Food for Education and Child Nutrition Program.

(4) SURVEY OF FOODS PURCHASED BY SCHOOL FOOD AUTHORITIES.—Subsection (a) does not apply with respect to section 4307 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 1893) relating to the use of Commodity Credit Corporation funds for a survey and report regarding foods purchased by school food authorities.

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(5) RURAL DEVELOPMENT.—Subsection (a) does not apply with respect to the following provisions of law:

(A) Section 379E(d)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008s(d)(1)), relating to funding of the rural microentrepreneur assistance program.

(B) Section 6029 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 1955) relating to funding of pending rural development loan and grant applications.

(C) Section 231(b)(7)(A) of the Agricultural Risk Protection Act of 2000 (7 U.S.C. 1632a(b)(7)(A)), relating to funding of value-added agricultural market development program grants.

(D) Section 375(e)(6)(B) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008j(e)(6)(B)) relating to the use of Commodity Credit Corporation funds for the National Sheep Industry Improvement Center.

(6) MARKET LOSS ASSISTANCE FOR ASPARAGUS PRODUCERS.—Subsection (a) does not apply with respect to section 10404(d) of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2112).

(7) SUPPLEMENTAL AGRICULTURAL DISASTER ASSISTANCE.—Subsection (a) does not apply with respect to section 531 of the Federal Crop Insurance Act (7 U.S.C. 1531) and title IX of the Trade Act of 1974 (19 U.S.C. 2497 et seq.) relating to the provision of supplemental agricultural disaster assistance.

(8) PIGFORD CLAIMS.—Subsection (a) does not apply with respect to section 14012 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2209) relating to determination on the merits of Pigford claims.

(9) HEARTLAND, HABITAT, HARVEST, AND HORTICULTURE ACT OF 2008.—Subsection (a) does not apply with respect to title XV of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2246), and amendments made by that title, relating to the provision of supplemental agricultural disaster assistance under title IX of the Trade Act of 1974 (19 U.S.C. 2497 et seq.), certain revenue and tax provisions, and certain trade benefits and other matters.

(j) EFFECTIVE DATE.—Except as otherwise provided in this section, this section and the amendments made by this section take effect on the earlier of—

- (1) the date of the enactment of this Act; or
- (2) September 30, 2012.

SEC. 702. SUPPLEMENTAL AGRICULTURAL DISASTER ASSISTANCE.

(a) IN GENERAL.—Section 531 of the Federal Crop Insurance Act (7 U.S.C. 1531) is amended—

(1) in subsection (a)(5)—

(A) in the matter preceding clause (i), by striking the first “under”; and

(B) by redesignating clauses (i) through (iii) as subparagraphs (A), (B), and (C), respectively, and indenting appropriately;

(2) in subsection (c)—

(A) in paragraph (1), by striking “use such sums as are necessary from the Trust Fund to”; and

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(B) by adding at the end the following:

“(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$80,000,000 for each of fiscal years 2012 and 2013.”;

(3) in subsection (d)—

(A) in paragraph (2), by striking “use such sums as are necessary from the Trust Fund to”; and

(B) by adding at the end the following:

“(7) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$400,000,000 for each of fiscal years 2012 and 2013.”;

(4) in subsection (e)—

(A) in paragraph (1), by striking “use up to \$50,000,000 per year from the Trust Fund to”; and

(B) by adding at the end the following:

“(4) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$50,000,000 for each of fiscal years 2012 and 2013.”;

(5) in subsection (f)—

(A) in paragraph (2)(A), by striking “use such sums as are necessary from the Trust Fund to”; and

(B) by adding at the end the following:

“(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$20,000,000 for each of fiscal years 2012 and 2013.”; and

(6) in subsection (i), by inserting “or, in the case of subsections (c) through (f), September 30, 2013” after “2011”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on October 1, 2012.

TITLE VIII—MISCELLANEOUS PROVISIONS

SEC. 801. STRATEGIC DELIVERY SYSTEMS.

(a) IN GENERAL.—Paragraph 3 of section 495(c) of title 10, United States Code,, as added by section 1035 of the National Defense Authorization Act for Fiscal Year 2013, is amended—

(1) by striking “that” before “the Russian Federation” and inserting “whether”; and

(2) by inserting “strategic” before “arms control obligations”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as if included in the enactment of the National Defense Authorization Act for Fiscal Year 2013.

SEC. 802. NO COST OF LIVING ADJUSTMENT IN PAY OF MEMBERS OF CONGRESS.

Notwithstanding any other provision of law, no adjustment shall be made under section 601(a) of the Legislative Reorganization Act of 1946 (2 U.S.C. 31) (relating to cost of living adjustments for Members of Congress) during fiscal year 2013.

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TITLE IX—BUDGET PROVISIONS

Subtitle A—Modifications of Sequestration

SEC. 901. TREATMENT OF SEQUESTER.

(a) ADJUSTMENT.—Section 251A(3) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subparagraph (C), by striking “and” after the semicolon;

(2) in subparagraph (D), by striking the period and inserting “; and”; and

(3) by inserting at the end the following:

“(E) for fiscal year 2013, reducing the amount calculated under subparagraphs (A) through (D) by \$24,000,000,000.”.

(b) AFTER SESSION SEQUESTER.—Notwithstanding any other provision of law, the fiscal year 2013 spending reductions required by section 251(a)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be evaluated and implemented on March 27, 2013.

(c) POSTPONEMENT OF BUDGET CONTROL ACT SEQUESTER FOR FISCAL YEAR 2013.—Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in paragraph (4), by striking “January 2, 2013” and inserting “March 1, 2013”; and

(2) in paragraph (7)(A), by striking “January 2, 2013” and inserting “March 1, 2013”.

(d) ADDITIONAL ADJUSTMENTS.—

(1) SECTION 251.—Paragraphs (2) and (3) of section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended to read as follows:

“(2) for fiscal year 2013—

“(A) for the security category, as defined in section 250(c)(4)(B), \$684,000,000,000 in budget authority; and

“(B) for the nonsecurity category, as defined in section 250(c)(4)(A), \$359,000,000,000 in budget authority;

“(3) for fiscal year 2014—

“(A) for the security category, \$552,000,000,000 in budget authority; and

“(B) for the nonsecurity category, \$506,000,000,000 in budget authority;”.

(e) 2013 SEQUESTER.—On March 1, 2013, the President shall order a sequestration for fiscal year 2013 pursuant to section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by this section, pursuant to which, only for the purposes of the calculation in sections 251A(5)(A), 251A(6)(A), and 251A(7)(A), section 251(c)(2) shall be applied as if it read as follows:

“(2) For fiscal year 2013—

“(A) for the security category, \$544,000,000,000 in budget authority; and

“(B) for the nonsecurity category, \$499,000,000,000 in budget authority;”.

H. R. 8—59

SEC. 902. AMOUNTS IN APPLICABLE RETIREMENT PLANS MAY BE TRANSFERRED TO DESIGNATED ROTH ACCOUNTS WITHOUT DISTRIBUTION.

(a) **IN GENERAL.**—Section 402A(c)(4) is amended by adding at the end the following:

“(E) **SPECIAL RULE FOR CERTAIN TRANSFERS.**—In the case of an applicable retirement plan which includes a qualified Roth contribution program—

“(i) the plan may allow an individual to elect to have the plan transfer any amount not otherwise distributable under the plan to a designated Roth account maintained for the benefit of the individual,

“(ii) such transfer shall be treated as a distribution to which this paragraph applies which was contributed in a qualified rollover contribution (within the meaning of section 408A(e)) to such account, and

“(iii) the plan shall not be treated as violating the provisions of section 401(k)(2)(B)(i), 403(b)(7)(A)(i), 403(b)(11), or 457(d)(1)(A), or of section 8433 of title 5, United States Code, solely by reason of such transfer.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to transfers after December 31, 2012, in taxable years ending after such date.

Subtitle B—Budgetary Effects

SEC. 911. BUDGETARY EFFECTS.

(a) **PAYGO SCORECARD.**—The budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) **SENATE PAYGO SCORECARD.**—The budgetary effects of this Act shall not be entered on any PAYGO scorecard maintained for purposes of section 201 of S. Con. Res. 21 (110th Congress).

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Jerry Brown
Governor
State of California
Sacramento, CA 95814

Dear Governor Brown:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in California.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy could be forced to cancel maintenance on 5 ships in San Diego and aircraft maintenance in North Island. The Army would lose \$54 million in base operations funding across California, including cuts at the Presidio of Monterrey and Fort Irwin. Operations at Sierra Army Depot could experience a reduction of as much as \$167 million. The Air Force would suffer a cut of at least \$26 million to their operations in the State, including reductions in facilities projects at Beale, Edwards, Travis, and Vandenberg Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in California as we compile a more complete list.





**SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000**

DEC 20 2012

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implications of Ongoing Fiscal Cliff Negotiations

We are providing you this information regarding the potential impact of sequestration here at DoD. As you are all likely aware, the Administration and Congress are continuing to work to resolve a series of economic or fiscal events, collectively referred to as the "fiscal cliff," that are scheduled to occur around the end of the year. One of the key issues involves potential across-the-board reductions in Federal spending—also known as "sequestration"—which were put in place by the Budget Control Act of 2011. Under current law, these reductions are scheduled to take effect on January 2, 2013. Many of you have raised questions regarding the impact of a potential sequestration for the Department of Defense, and I would like to take a moment to clarify a few things.

I want to start by noting that this past summer, the President indicated his intent to exercise his legal authority to exempt military personnel funding from sequestration. This means that military endstrength will not be affected by sequestration in FY2013.

Our civilian employees should keep in mind that the Administration remains focused on working with Congress to reach agreement on a balanced deficit reduction plan that avoids such cuts. Sequestration was never intended to be implemented, and there is no reason why both sides should not be able to come together and prevent this scenario.

Nevertheless, with only a couple of weeks left before sequestration could occur should a deal not be reached, it is important to clarify the potential implications. Let me start by explaining what sequestration is and what it is not. Sequestration is an across-the-board reduction in budgetary resources for all accounts within the Department of Defense that have not been exempted by Congress. If it occurs, sequestration will reduce our budgetary resources for the remainder of the fiscal year (which runs through September 30). These cuts, while significant and harmful to our collective mission as an agency, would not necessarily require immediate reductions in spending. Under sequestration, we would still have funds available after January 2, 2013, but our overall funding for the remainder of the year would be reduced. Accordingly, this situation is different from other scenarios we have encountered in recent years, such as threats of government shutdown due to a lapse in appropriations.

For these reasons, I do not expect our day-to-day operations to change dramatically on or immediately after January 2, 2013, should sequestration occur. This means that we will not be executing any immediate civilian personnel actions, such as furloughs, on that date. Should we have to operate under reduced funding levels for an extended period of time, we may have to consider furloughs or other actions in the future. But let me assure you that we will carefully examine other options to reduce costs within the agency before taking such action, taking into



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consideration our obligation to execute our core mission. Moreover, if such action proves to be necessary, we would provide affected employees the requisite advance notice before a furlough or other personnel action would occur. We would also immediately cancel any scheduled personnel actions should a deficit reduction agreement be reached that restores our agency funding.

I want to assure you that we will do our very best to provide clear information about the status of events as they unfold.

Finally, let me express my gratitude during this holiday season for your continued hard work and dedication to the vital mission of the Department of Defense. Your contributions touch people's lives in many significant ways, and I want you to know how deeply appreciative the President and myself are for all that you do.

A handwritten signature in black ink, appearing to be "J. Gates", with a long horizontal line extending to the right.

DISTRIBUTION:
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DIRECTORS OF THE DOD FIELD ACTIVITIES



**DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010**

SEP 25 2012

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Guidance on Fiscal Year 2013 Joint Committee Sequestration

The Budget Control Act of 2011 (BCA) established the Joint Select Committee on Deficit Reduction (Joint Committee) and charged it with developing a proposal that would achieve at least \$1.2 trillion in deficit reduction. Last November, the Joint Committee announced that it could not reach agreement on a deficit reduction plan. This failure triggered an enforcement mechanism of automatic funding cuts in Fiscal Year (FY) 2013, known as sequestration, above and beyond the reductions already reflected in the FY 2013 budget the Department submitted in February. The law requires the President to issue a sequestration order on January 2, 2013, to implement the required cuts unless Congress acts to avoid it.

The additional funding cuts required under the BCA are very large. A recent report by the Office of Management and Budget (OMB) estimates that the cuts in the Department of Defense (DoD) budget would exceed \$50 billion in FY 2013 alone. The law further requires that the FY 2013 cuts be implemented in an indiscriminate, across-the-board manner that will greatly exacerbate their adverse effects. These large cuts would lead to devastating effects on the Department and virtually every other Federal agency. For this reason, the Administration strongly believes that Congress needs to act to avoid sequestration by passing a balanced deficit reduction package that the President can sign.

If Congress fails to enact balanced deficit reduction and avoid sequestration, DoD and other affected agencies must be prepared, under the BCA, to implement sequestration on January 2, 2013. On July 31, 2012, OMB issued the attached guidance informing agencies that OMB will be consulting with them on matters related to the issuance of the sequestration order. Over the longer term, in the absence of congressional action on a balanced deficit reduction plan in advance of January 2, 2013, OMB will undertake additional activities related to the implementation of the sequestration. Within DoD, the Under Secretary of Defense (Comptroller) will take the lead in these efforts and, working with OMB as necessary, will ensure that the Department is ready to implement sequestration in January if it occurs.



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BUDGET CONTROL ACT OF 2011

125 STAT. 240

PUBLIC LAW 112–25—AUG. 2, 2011

Public Law 112–25
112th Congress

An Act

To provide for budget control.

Aug. 2, 2011
[S. 365]

Budget Control
Act of 2011.

2 USC 900 note.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Budget Control Act of 2011”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 2. Severability.

TITLE I—TEN-YEAR DISCRETIONARY CAPS WITH SEQUESTER

- Sec. 101. Enforcing discretionary spending limits.
- Sec. 102. Definitions.
- Sec. 103. Reports and orders.
- Sec. 104. Expiration.
- Sec. 105. Amendments to the Congressional Budget and Impoundment Control Act of 1974.
- Sec. 106. Senate budget enforcement.

TITLE II—VOTE ON THE BALANCED BUDGET AMENDMENT

- Sec. 201. Vote on the balanced budget amendment.
- Sec. 202. Consideration by the other House.

TITLE III—DEBT CEILING DISAPPROVAL PROCESS

- Sec. 301. Debt ceiling disapproval process.
- Sec. 302. Enforcement of budget goal.

TITLE IV—JOINT SELECT COMMITTEE ON DEFICIT REDUCTION

- Sec. 401. Establishment of Joint Select Committee.
- Sec. 402. Expedited consideration of joint committee recommendations.
- Sec. 403. Funding.
- Sec. 404. Rulemaking.

TITLE V—PELL GRANT AND STUDENT LOAN PROGRAM CHANGES

- Sec. 501. Federal Pell grants.
- Sec. 502. Termination of authority to make interest subsidized loans to graduate and professional students.
- Sec. 503. Termination of direct loan repayment incentives.
- Sec. 504. Inapplicability of title IV negotiated rulemaking and master calendar exception.

2 USC 900 note.

SEC. 2. SEVERABILITY.

If any provision of this Act, or any application of such provision to any person or circumstance, is held to be unconstitutional, the remainder of this Act and the application of this Act to any other person or circumstance shall not be affected.

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TITLE I—TEN-YEAR DISCRETIONARY CAPS WITH SEQUESTER

SEC. 101. ENFORCING DISCRETIONARY SPENDING LIMITS.

Section 251 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended to read as follows:

2 USC 901.

“SEC. 251. ENFORCING DISCRETIONARY SPENDING LIMITS.

“(a) ENFORCEMENT.—

“(1) SEQUESTRATION.—Within 15 calendar days after Congress adjourns to end a session there shall be a sequestration to eliminate a budget-year breach, if any, within any category.

Deadline.

“(2) ELIMINATING A BREACH.—Each non-exempt account within a category shall be reduced by a dollar amount calculated by multiplying the enacted level of sequestrable budgetary resources in that account at that time by the uniform percentage necessary to eliminate a breach within that category.

“(3) MILITARY PERSONNEL.—If the President uses the authority to exempt any personnel account from sequestration under section 255(f), each account within subfunctional category 051 (other than those military personnel accounts for which the authority provided under section 255(f) has been exercised) shall be further reduced by a dollar amount calculated by multiplying the enacted level of non-exempt budgetary resources in that account at that time by the uniform percentage necessary to offset the total dollar amount by which outlays are not reduced in military personnel accounts by reason of the use of such authority.

“(4) PART-YEAR APPROPRIATIONS.—If, on the date specified in paragraph (1), there is in effect an Act making or continuing appropriations for part of a fiscal year for any budget account, then the dollar sequestration calculated for that account under paragraphs (2) and (3) shall be subtracted from—

“(A) the annualized amount otherwise available by law in that account under that or a subsequent part-year appropriation; and

“(B) when a full-year appropriation for that account is enacted, from the amount otherwise provided by the full-year appropriation for that account.

“(5) LOOK-BACK.—If, after June 30, an appropriation for the fiscal year in progress is enacted that causes a breach within a category for that year (after taking into account any sequestration of amounts within that category), the discretionary spending limits for that category for the next fiscal year shall be reduced by the amount or amounts of that breach.

“(6) WITHIN-SESSION SEQUESTRATION.—If an appropriation for a fiscal year in progress is enacted (after Congress adjourns to end the session for that budget year and before July 1 of that fiscal year) that causes a breach within a category for that year (after taking into account any prior sequestration of amounts within that category), 15 days later there shall be a sequestration to eliminate that breach within that category following the procedures set forth in paragraphs (2) through (4).

Deadline.

“(7) ESTIMATES.—

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“(A) CBO ESTIMATES.—As soon as practicable after Congress completes action on any discretionary appropriation, CBO, after consultation with the Committees on the Budget of the House of Representatives and the Senate, shall provide OMB with an estimate of the amount of discretionary new budget authority and outlays for the current year, if any, and the budget year provided by that legislation.

Deadline.
Reports.

“(B) OMB ESTIMATES AND EXPLANATION OF DIFFERENCES.—Not later than 7 calendar days (excluding Saturdays, Sundays, and legal holidays) after the date of enactment of any discretionary appropriation, OMB shall transmit a report to the House of Representatives and to the Senate containing the CBO estimate of that legislation, an OMB estimate of the amount of discretionary new budget authority and outlays for the current year, if any, and the budget year provided by that legislation, and an explanation of any difference between the 2 estimates. If during the preparation of the report OMB determines that there is a significant difference between OMB and CBO, OMB shall consult with the Committees on the Budget of the House of Representatives and the Senate regarding that difference and that consultation shall include, to the extent practicable, written communication to those committees that affords such committees the opportunity to comment before the issuance of the report.

Consultation.

“(C) ASSUMPTIONS AND GUIDELINES.—OMB estimates under this paragraph shall be made using current economic and technical assumptions. OMB shall use the OMB estimates transmitted to the Congress under this paragraph. OMB and CBO shall prepare estimates under this paragraph in conformance with scorekeeping guidelines determined after consultation among the Committees on the Budget of the House of Representatives and the Senate, CBO, and OMB.

“(D) ANNUAL APPROPRIATIONS.—For purposes of this paragraph, amounts provided by annual appropriations shall include any discretionary appropriations for the current year, if any, and the budget year in accounts for which funding is provided in that legislation that result from previously enacted legislation.

“(b) ADJUSTMENTS TO DISCRETIONARY SPENDING LIMITS.—

“(1) CONCEPTS AND DEFINITIONS.—When the President submits the budget under section 1105 of title 31, United States Code, OMB shall calculate and the budget shall include adjustments to discretionary spending limits (and those limits as cumulatively adjusted) for the budget year and each outyear to reflect changes in concepts and definitions. Such changes shall equal the baseline levels of new budget authority and outlays using up-to-date concepts and definitions, minus those levels using the concepts and definitions in effect before such changes. Such changes may only be made after consultation with the Committees on Appropriations and the Budget of the House of Representatives and the Senate, and that consultation shall include written communication to such committees that affords such committees the opportunity to comment before official action is taken with respect to such changes.

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“(2) SEQUESTRATION REPORTS.—When OMB submits a sequestration report under section 254(e), (f), or (g) for a fiscal year, OMB shall calculate, and the sequestration report and subsequent budgets submitted by the President under section 1105(a) of title 31, United States Code, shall include adjustments to discretionary spending limits (and those limits as adjusted) for the fiscal year and each succeeding year, as follows:

“(A) EMERGENCY APPROPRIATIONS; OVERSEAS CONTINGENCY OPERATIONS/GLOBAL WAR ON TERRORISM.—If, for any fiscal year, appropriations for discretionary accounts are enacted that—

“(i) the Congress designates as emergency requirements in statute on an account by account basis and the President subsequently so designates, or

“(ii) the Congress designates for Overseas Contingency Operations/Global War on Terrorism in statute on an account by account basis and the President subsequently so designates,

the adjustment shall be the total of such appropriations in discretionary accounts designated as emergency requirements or for Overseas Contingency Operations/Global War on Terrorism, as applicable.

“(B) CONTINUING DISABILITY REVIEWS AND REDETERMINATIONS.—(i) If a bill or joint resolution making appropriations for a fiscal year is enacted that specifies an amount for continuing disability reviews under titles II and XVI of the Social Security Act and for the cost associated with conducting redeterminations of eligibility under title XVI of the Social Security Act, then the adjustments for that fiscal year shall be the additional new budget authority provided in that Act for such expenses for that fiscal year, but shall not exceed—

“(I) for fiscal year 2012, \$623,000,000 in additional new budget authority;

“(II) for fiscal year 2013, \$751,000,000 in additional new budget authority;

“(III) for fiscal year 2014, \$924,000,000 in additional new budget authority;

“(IV) for fiscal year 2015, \$1,123,000,000 in additional new budget authority;

“(V) for fiscal year 2016, \$1,166,000,000 in additional new budget authority;

“(VI) for fiscal year 2017, \$1,309,000,000 in additional new budget authority;

“(VII) for fiscal year 2018, \$1,309,000,000 in additional new budget authority;

“(VIII) for fiscal year 2019, \$1,309,000,000 in additional new budget authority;

“(IX) for fiscal year 2020, \$1,309,000,000 in additional new budget authority; and

“(X) for fiscal year 2021, \$1,309,000,000 in additional new budget authority.

“(ii) As used in this subparagraph—

“(I) the term ‘continuing disability reviews’ means continuing disability reviews under sections 221(i) and 1614(a)(4) of the Social Security Act;

Definitions.

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“(II) the term ‘redetermination’ means redetermination of eligibility under sections 1611(c)(1) and 1614(a)(3)(H) of the Social Security Act; and

“(III) the term ‘additional new budget authority’ means the amount provided for a fiscal year, in excess of \$273,000,000, in an appropriation Act and specified to pay for the costs of continuing disability reviews and redeterminations under the heading ‘Limitation on Administrative Expenses’ for the Social Security Administration.

“(C) HEALTH CARE FRAUD AND ABUSE CONTROL.—(i) If a bill or joint resolution making appropriations for a fiscal year is enacted that specifies an amount for the health care fraud abuse control program at the Department of Health and Human Services (75-8393-0-7-571), then the adjustments for that fiscal year shall be the amount of additional new budget authority provided in that Act for such program for that fiscal year, but shall not exceed—

“(I) for fiscal year 2012, \$270,000,000 in additional new budget authority;

“(II) for fiscal year 2013, \$299,000,000 in additional new budget authority;

“(III) for fiscal year 2014, \$329,000,000 in additional new budget authority;

“(IV) for fiscal year 2015, \$361,000,000 in additional new budget authority;

“(V) for fiscal year 2016, \$395,000,000 in additional new budget authority;

“(VI) for fiscal year 2017, \$414,000,000 in additional new budget authority;

“(VII) for fiscal year 2018, \$434,000,000 in additional new budget authority;

“(VIII) for fiscal year 2019, \$454,000,000 in additional new budget authority;

“(IX) for fiscal year 2020, \$475,000,000 in additional new budget authority; and

“(X) for fiscal year 2021, \$496,000,000 in additional new budget authority.

Definition.

“(ii) As used in this subparagraph, the term ‘additional new budget authority’ means the amount provided for a fiscal year, in excess of \$311,000,000, in an appropriation Act and specified to pay for the costs of the health care fraud and abuse control program.

“(D) DISASTER FUNDING.—

“(i) If, for fiscal years 2012 through 2021, appropriations for discretionary accounts are enacted that Congress designates as being for disaster relief in statute, the adjustment for a fiscal year shall be the total of such appropriations for the fiscal year in discretionary accounts designated as being for disaster relief, but not to exceed the total of—

“(I) the average funding provided for disaster relief over the previous 10 years, excluding the highest and lowest years; and

“(II) the amount, for years when the enacted new discretionary budget authority designated as being for disaster relief for the preceding fiscal

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year was less than the average as calculated in subclause (I) for that fiscal year, that is the difference between the enacted amount and the allowable adjustment as calculated in such subclause for that fiscal year.

“(ii) OMB shall report to the Committees on Appropriations and Budget in each House the average calculated pursuant to clause (i)(II), not later than 30 days after the date of the enactment of the Budget Control Act of 2011.

“(iii) For the purposes of this subparagraph, the term ‘disaster relief’ means activities carried out pursuant to a determination under section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5122(2)).” Definition.

“(iv) Appropriations considered disaster relief under this subparagraph in a fiscal year shall not be eligible for adjustments under subparagraph (A) for the fiscal year.

“(c) DISCRETIONARY SPENDING LIMIT.—As used in this part, the term ‘discretionary spending limit’ means—” Definition.

“(1) with respect to fiscal year 2012—

“(A) for the security category, \$684,000,000,000 in new budget authority; and

“(B) for the nonsecurity category, \$359,000,000,000 in new budget authority;

“(2) with respect to fiscal year 2013—

“(A) for the security category, \$686,000,000,000 in new budget authority; and

“(B) for the nonsecurity category, \$361,000,000,000 in new budget authority;

“(3) with respect to fiscal year 2014, for the discretionary category, \$1,066,000,000,000 in new budget authority;

“(4) with respect to fiscal year 2015, for the discretionary category, \$1,086,000,000,000 in new budget authority;

“(5) with respect to fiscal year 2016, for the discretionary category, \$1,107,000,000,000 in new budget authority;

“(6) with respect to fiscal year 2017, for the discretionary category, \$1,131,000,000,000 in new budget authority;

“(7) with respect to fiscal year 2018, for the discretionary category, \$1,156,000,000,000 in new budget authority;

“(8) with respect to fiscal year 2019, for the discretionary category, \$1,182,000,000,000 in new budget authority;

“(9) with respect to fiscal year 2020, for the discretionary category, \$1,208,000,000,000 in new budget authority; and

“(10) with respect to fiscal year 2021, for the discretionary category, \$1,234,000,000,000 in new budget authority;

as adjusted in strict conformance with subsection (b).”.

SEC. 102. DEFINITIONS.

Section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) Strike paragraph (4) and insert the following new paragraph:

“(4)(A) The term ‘nonsecurity category’ means all discretionary appropriations not included in the security category defined in subparagraph (B).”

2 USC 900.

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“(B) The term ‘security category’ includes discretionary appropriations associated with agency budgets for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account (95-0401-0-1-054), and all budget accounts in budget function 150 (international affairs).

“(C) The term ‘discretionary category’ includes all discretionary appropriations.”.

(2) In paragraph (8)(C), strike “the food stamp program” and insert “the Supplemental Nutrition Assistance Program”.

(3) Strike paragraph (14) and insert the following new paragraph:

“(14) The term ‘outyear’ means a fiscal year one or more years after the budget year.”.

(4) At the end, add the following new paragraphs:

“(20) The term ‘emergency’ means a situation that—

“(A) requires new budget authority and outlays (or new budget authority and the outlays flowing therefrom) for the prevention or mitigation of, or response to, loss of life or property, or a threat to national security; and

“(B) is unanticipated.

“(21) The term ‘unanticipated’ means that the underlying situation is—

“(A) sudden, which means quickly coming into being or not building up over time;

“(B) urgent, which means a pressing and compelling need requiring immediate action;

“(C) unforeseen, which means not predicted or anticipated as an emerging need; and

“(D) temporary, which means not of a permanent duration.”.

SEC. 103. REPORTS AND ORDERS.

2 USC 904. Section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended as follows:

(1) In subsection (c)(2), strike “2002” and insert “2021”.

(2) At the end of subsection (e), insert “This report shall also contain a preview estimate of the adjustment for disaster funding for the upcoming fiscal year.”.

(3) In subsection (f)(2)(A), strike “2002” and insert “2021”; before the concluding period insert “, including a final estimate of the adjustment for disaster funding”.

SEC. 104. EXPIRATION.

2 USC 900 note. (a) REPEALER.—Section 275 of the Balanced Budget and Emergency Deficit Control Act of 1985 is repealed.

2 USC 902 note. (b) CONFORMING CHANGE.—Sections 252(d)(1), 254(c), 254(f)(3), and 254(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall not apply to the Congressional Budget Office.

SEC. 105. AMENDMENTS TO THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974.

2 USC 645. (a) ADJUSTMENTS.—Section 314 of the Congressional Budget Act of 1974 is amended as follows:

(1) Strike subsection (a) and insert the following:

“(a) ADJUSTMENTS.—After the reporting of a bill or joint resolution or the offering of an amendment thereto or the submission

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of a conference report thereon, the chairman of the Committee on the Budget of the House of Representatives or the Senate may make appropriate budgetary adjustments of new budget authority and the outlays flowing therefrom in the same amount as required by section 251(b) of the Balanced Budget and Emergency Deficit Control Act of 1985.”

(2) Strike subsections (b) and (e) and redesignate subsections (c) and (d) as subsections (b) and (c), respectively.

(3) At the end, add the following new subsections:

“(d) EMERGENCIES IN THE HOUSE OF REPRESENTATIVES.— (1) In the House of Representatives, if a reported bill or joint resolution, or amendment thereto or conference report thereon, contains a provision providing new budget authority and outlays or reducing revenue, and a designation of such provision as an emergency requirement pursuant to 251(b)(2)(A) of the Balanced Budget and Emergency Deficit Control Act of 1985, the chair of the Committee on the Budget of the House of Representatives shall not count the budgetary effects of such provision for purposes of title III and title IV of the Congressional Budget Act of 1974 and the Rules of the House of Representatives.

“(2)(A) In the House of Representatives, if a reported bill or joint resolution, or amendment thereto or conference report thereon, contains a provision providing new budget authority and outlays or reducing revenue, and a designation of such provision as an emergency pursuant to paragraph (1), the chair of the Committee on the Budget shall not count the budgetary effects of such provision for purposes of this title and title IV and the Rules of the House of Representatives.

“(B) In the House of Representatives, a proposal to strike a designation under subparagraph (A) shall be excluded from an evaluation of budgetary effects for purposes of this title and title IV and the Rules of the House of Representatives.

“(C) An amendment offered under subparagraph (B) that also proposes to reduce each amount appropriated or otherwise made available by the pending measure that is not required to be appropriated or otherwise made available shall be in order at any point in the reading of the pending measure.

“(e) ENFORCEMENT OF DISCRETIONARY SPENDING CAPS.—It shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report that would cause the discretionary spending limits as set forth in section 251 of the Balanced Budget and Emergency Deficit Control Act to be exceeded.”

(b) DEFINITIONS.—Section 3 of the Congressional Budget and Impoundment Control Act of 1974 is amended by adding at the end the following new paragraph:

2 USC 622.

“(11) The terms ‘emergency’ and ‘unanticipated’ have the meanings given to such terms in section 250(c) of the Balanced Budget and Emergency Deficit Control Act of 1985.”

(c) APPEALS FOR DISCRETIONARY CAPS.—Section 904(c)(2) of the Congressional Budget Act of 1974 is amended by striking “and 312(c)” and inserting “312(c), and 314(e)”.

2 USC 621 note.

SEC. 106. SENATE BUDGET ENFORCEMENT.

2 USC 631 note.

(a) IN GENERAL.—

Applicability.

(1) For the purpose of enforcing the Congressional Budget Act of 1974 through April 15, 2012, including section 300 of

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that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(1) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2012 with appropriate budgetary levels for fiscal years 2011 and 2013 through 2021.

(2) For the purpose of enforcing the Congressional Budget Act of 1974 after April 15, 2012, including section 300 of that Act, and enforcing budgetary points of order in prior concurrent resolutions on the budget, the allocations, aggregates, and levels set in subsection (b)(2) shall apply in the Senate in the same manner as for a concurrent resolution on the budget for fiscal year 2013 with appropriate budgetary levels for fiscal years 2012 and 2014 through 2022.

(b) COMMITTEE ALLOCATIONS, AGGREGATES, AND LEVELS.—

(1) As soon as practicable after the date of enactment of this section, the Chairman of the Committee on the Budget shall file—

(A) for the Committee on Appropriations, committee allocations for fiscal years 2011 and 2012 consistent with the discretionary spending limits set forth in this Act for the purpose of enforcing section 302 of the Congressional Budget Act of 1974;

(B) for all committees other than the Committee on Appropriations, committee allocations for fiscal years 2011, 2012, 2012 through 2016, and 2012 through 2021 consistent with the Congressional Budget Office's March 2011 baseline adjusted to account for the budgetary effects of this Act and legislation enacted prior to this Act but not included in the Congressional Budget Office's March 2011 baseline, for the purpose of enforcing section 302 of the Congressional Budget Act of 1974;

(C) aggregate spending levels for fiscal years 2011 and 2012 and aggregate revenue levels for fiscal years 2011, 2012, 2012 through 2016, 2012 through 2021 consistent with the Congressional Budget Office's March 2011 baseline adjusted to account for the budgetary effects of this Act and legislation enacted prior to this Act but not included in the Congressional Budget Office's March 2011 baseline, and the discretionary spending limits set forth in this Act for the purpose of enforcing section 311 of the Congressional Budget Act of 1974; and

(D) levels of Social Security revenues and outlays for fiscal years 2011, 2012, 2012 through 2016, and 2012 through 2021 consistent with the Congressional Budget Office's March 2011 baseline adjusted to account for the budgetary effects of this Act and legislation enacted prior to this Act but not included in the Congressional Budget Office's March 2011 baseline, for the purpose of enforcing sections 302 and 311 of the Congressional Budget Act of 1974.

(2) Not later than April 15, 2012, the Chairman of the Committee on the Budget shall file—

(A) for the Committee on Appropriations, committee allocations for fiscal years 2012 and 2013 consistent with the discretionary spending limits set forth in this Act for

Deadline.

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the purpose of enforcing section 302 of the Congressional Budget Act of 1974;

(B) for all committees other than the Committee on Appropriations, committee allocations for fiscal years 2012, 2013, 2013 through 2017, and 2013 through 2022 consistent with the Congressional Budget Office's March 2012 baseline for the purpose of enforcing section 302 of the Congressional Budget Act of 1974;

(C) aggregate spending levels for fiscal years 2012 and 2013 and aggregate revenue levels for fiscal years 2012, 2013, 2013–2017, and 2013–2022 consistent with the Congressional Budget Office's March 2012 baseline and the discretionary spending limits set forth in this Act for the purpose of enforcing section 311 of the Congressional Budget Act of 1974; and

(D) levels of Social Security revenues and outlays for fiscal years 2012 and 2013, 2013–2017, and 2013–2022 consistent with the Congressional Budget Office's March 2012 baseline budget for the purpose of enforcing sections 302 and 311 of the Congressional Budget Act of 1974.

(c) SENATE PAY-AS-YOU-GO SCORECARD.—

(1) Effective on the date of enactment of this section, for the purpose of enforcing section 201 of S. Con. Res. 21 (110th Congress), the Chairman of the Senate Committee on the Budget shall reduce any balances of direct spending and revenues for any fiscal year to 0 (zero).

Effective date.

(2) Not later than April 15, 2012, for the purpose of enforcing section 201 of S. Con. Res. 21 (110th Congress), the Chairman of the Senate Committee on the Budget shall reduce any balances of direct spending and revenues for any fiscal year to 0 (zero).

Deadline.

(3) Upon resetting the Senate paygo scorecard pursuant to paragraph (2), the Chairman shall publish a notification of such action in the Congressional Record.

Notification.
Congressional
Record.

(d) FURTHER ADJUSTMENTS.—

(1) The Chairman of the Committee on the Budget of the Senate may revise any allocations, aggregates, or levels set pursuant to this section to account for any subsequent adjustments to discretionary spending limits made pursuant to this Act.

(2) With respect to any allocations, aggregates, or levels set or adjustments made pursuant to this section, sections 412 through 414 of S. Con. Res. 13 (111th Congress) shall remain in effect.

(e) EXPIRATION.—

(1) Subsections (a)(1), (b)(1), and (c)(1) shall expire if a concurrent resolution on the budget for fiscal year 2012 is agreed to by the Senate and House of Representatives pursuant to section 301 of the Congressional Budget Act of 1974.

(2) Subsections (a)(2), (b)(2), and (c)(2) shall expire if a concurrent resolution on the budget for fiscal year 2013 is agreed to by the Senate and House of Representatives pursuant to section 301 of the Congressional Budget Act of 1974.

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TITLE II—VOTE ON THE BALANCED BUDGET AMENDMENT

SEC. 201. VOTE ON THE BALANCED BUDGET AMENDMENT.

Time period.

After September 30, 2011, and not later than December 31, 2011, the House of Representatives and Senate, respectively, shall vote on passage of a joint resolution, the title of which is as follows: "Joint resolution proposing a balanced budget amendment to the Constitution of the United States."

SEC. 202. CONSIDERATION BY THE OTHER HOUSE.

Deadline.

(a) HOUSE CONSIDERATION.—

(1) REFERRAL.—If the House receives a joint resolution described in section 201 from the Senate, such joint resolution shall be referred to the Committee on the Judiciary. If the committee fails to report the joint resolution within five legislative days, it shall be in order to move that the House discharge the committee from further consideration of the joint resolution. Such a motion shall not be in order after the House has disposed of a motion to discharge the joint resolution. The previous question shall be considered as ordered on the motion to its adoption without intervening motion except twenty minutes of debate equally divided and controlled by the proponent and an opponent. If such a motion is adopted, the House shall proceed immediately to consider the joint resolution in accordance with paragraph (3). A motion to reconsider the vote by which the motion is disposed of shall not be in order.

(2) PROCEEDING TO CONSIDERATION.—After the joint resolution has been referred to the appropriate calendar or the committee has been discharged (other than by motion) from its consideration, it shall be in order to move to proceed to consider the joint resolution in the House. Such a motion shall not be in order after the House has disposed of a motion to proceed with respect to the joint resolution. The previous question shall be considered as ordered on the motion to its adoption without intervening motion. A motion to reconsider the vote by which the motion is disposed of shall not be in order.

(3) CONSIDERATION.—The joint resolution shall be considered as read. All points of order against the joint resolution and against its consideration are waived. The previous question shall be considered as ordered on the joint resolution to its passage without intervening motion except two hours of debate equally divided and controlled by the proponent and an opponent and one motion to limit debate on the joint resolution. A motion to reconsider the vote on passage of the joint resolution shall not be in order.

Deadline.

(b) SENATE CONSIDERATION.—(1) If the Senate receives a joint resolution described in section 201 from the House of Representatives, such joint resolution shall be referred to the appropriate committee of the Senate. If such committee has not reported the joint resolution at the close of the fifth session day after its receipt by the Senate, such committee shall be automatically discharged from further consideration of the joint resolution and it shall be placed on the appropriate calendar.

(2) Consideration of the joint resolution and on all debatable motions and appeals in connection therewith, shall be limited to

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not more than 20 hours, which shall be divided equally between the majority and minority leaders or their designees. A motion further to limit debate is in order and not debatable. An amendment to, or a motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the joint resolution is not in order. Any debatable motion or appeal is debatable for not to exceed 1 hour, to be divided equally between those favoring and those opposing the motion or appeal. All time used for consideration of the joint resolution, including time used for quorum calls and voting, shall be counted against the total 20 hours of consideration.

(3) If the Senate has voted to proceed to a joint resolution, the vote on passage of the joint resolution shall be taken on or before the close of the seventh session day after such joint resolution has been reported or discharged or immediately following the conclusion of consideration of the joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the Senate.

Deadline.

TITLE III—DEBT CEILING DISAPPROVAL PROCESS

SEC. 301. DEBT CEILING DISAPPROVAL PROCESS.

(a) IN GENERAL.—Subchapter I of chapter 31 of subtitle III of title 31, United States Code, is amended—

- (1) in section 3101(b), by striking “or otherwise” and inserting “or as provided by section 3101A or otherwise”; and
- (2) by inserting after section 3101 the following:

“§ 3101A. Presidential modification of the debt ceiling

“(a) IN GENERAL.—

“(1) \$900 BILLION.—

“(A) CERTIFICATION.—If, not later than December 31, 2011, the President submits a written certification to Congress that the President has determined that the debt subject to limit is within \$100,000,000,000 of the limit in section 3101(b) and that further borrowing is required to meet existing commitments, the Secretary of the Treasury may exercise authority to borrow an additional \$900,000,000,000, subject to the enactment of a joint resolution of disapproval enacted pursuant to this section. Upon submission of such certification, the limit on debt provided in section 3101(b) (referred to in this section as the ‘debt limit’) is increased by \$400,000,000,000.

Deadline.

“(B) RESOLUTION OF DISAPPROVAL.—Congress may consider a joint resolution of disapproval of the authority under subparagraph (A) as provided in subsections (b) through (f). The joint resolution of disapproval considered under this section shall contain only the language provided in subsection (b)(2). If the time for disapproval has lapsed without enactment of a joint resolution of disapproval under this section, the debt limit is increased by an additional \$500,000,000,000.

“(2) ADDITIONAL AMOUNT.—

“(A) CERTIFICATION.—If, after the debt limit is increased by \$900,000,000,000 under paragraph (1), the

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President submits a written certification to Congress that the President has determined that the debt subject to limit is within \$100,000,000,000 of the limit in section 3101(b) and that further borrowing is required to meet existing commitments, the Secretary of the Treasury may, subject to the enactment of a joint resolution of disapproval enacted pursuant to this section, exercise authority to borrow an additional amount equal to—

“(i) \$1,200,000,000,000, unless clause (ii) or (iii) applies;

“(ii) \$1,500,000,000,000 if the Archivist of the United States has submitted to the States for their ratification a proposed amendment to the Constitution of the United States pursuant to a joint resolution entitled ‘Joint resolution proposing a balanced budget amendment to the Constitution of the United States’; or

“(iii) if a joint committee bill to achieve an amount greater than \$1,200,000,000,000 in deficit reduction as provided in section 401(b)(3)(B)(i)(II) of the Budget Control Act of 2011 is enacted, an amount equal to the amount of that deficit reduction, but not greater than \$1,500,000,000,000, unless clause (ii) applies.

“(B) RESOLUTION OF DISAPPROVAL.—Congress may consider a joint resolution of disapproval of the authority under subparagraph (A) as provided in subsections (b) through (f). The joint resolution of disapproval considered under this section shall contain only the language provided in subsection (b)(2). If the time for disapproval has lapsed without enactment of a joint resolution of disapproval under this section, the debt limit is increased by the amount authorized under subparagraph (A).

“(b) JOINT RESOLUTION OF DISAPPROVAL.—

Deadlines.

“(1) IN GENERAL.—Except for the \$400,000,000,000 increase in the debt limit provided by subsection (a)(1)(A), the debt limit may not be raised under this section if, within 50 calendar days after the date on which Congress receives a certification described in subsection (a)(1) or within 15 calendar days after Congress receives the certification described in subsection (a)(2) (regardless of whether Congress is in session), there is enacted into law a joint resolution disapproving the President’s exercise of authority with respect to such additional amount.

Definition.

“(2) CONTENTS OF JOINT RESOLUTION.—For the purpose of this section, the term ‘joint resolution’ means only a joint resolution—

“(A)(i) for the certification described in subsection (a)(1), that is introduced on September 6, 7, 8, or 9, 2011 (or, if the Senate was not in session, the next calendar day on which the Senate is in session); and

“(ii) for the certification described in subsection (a)(2), that is introduced between the date the certification is received and 3 calendar days after that date;

“(B) which does not have a preamble;

“(C) the title of which is only as follows: ‘Joint resolution relating to the disapproval of the President’s exercise of authority to increase the debt limit, as submitted under section 3101A of title 31, United States Code, on

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_____’ (with the blank containing the date of such submission); and

“(D) the matter after the resolving clause of which is only as follows: ‘That Congress disapproves of the President’s exercise of authority to increase the debt limit, as exercised pursuant to the certification under section 3101A(a) of title 31, United States Code.’”

“(c) EXPEDITED CONSIDERATION IN HOUSE OF REPRESENTATIVES.—

“(1) RECONVENING.—Upon receipt of a certification described in subsection (a)(2), the Speaker, if the House would otherwise be adjourned, shall notify the Members of the House that, pursuant to this section, the House shall convene not later than the second calendar day after receipt of such certification.

Notification.
Deadline.

“(2) REPORTING AND DISCHARGE.—Any committee of the House of Representatives to which a joint resolution is referred shall report it to the House without amendment not later than 5 calendar days after the date of introduction of a joint resolution described in subsection (a). If a committee fails to report the joint resolution within that period, the committee shall be discharged from further consideration of the joint resolution and the joint resolution shall be referred to the appropriate calendar.

“(3) PROCEEDING TO CONSIDERATION.—After each committee authorized to consider a joint resolution reports it to the House or has been discharged from its consideration, it shall be in order, not later than the sixth day after introduction of a joint resolution under subsection (a), to move to proceed to consider the joint resolution in the House. All points of order against the motion are waived. Such a motion shall not be in order after the House has disposed of a motion to proceed on a joint resolution addressing a particular submission. The previous question shall be considered as ordered on the motion to its adoption without intervening motion. The motion shall not be debatable. A motion to reconsider the vote by which the motion is disposed of shall not be in order.

Deadline.

“(4) CONSIDERATION.—The joint resolution shall be considered as read. All points of order against the joint resolution and against its consideration are waived. The previous question shall be considered as ordered on the joint resolution to its passage without intervening motion except two hours of debate equally divided and controlled by the proponent and an opponent. A motion to reconsider the vote on passage of the joint resolution shall not be in order.

“(d) EXPEDITED PROCEDURE IN SENATE.—

“(1) RECONVENING.—Upon receipt of a certification under subsection (a)(2), if the Senate has adjourned or recessed for more than 2 days, the majority leader of the Senate, after consultation with the minority leader of the Senate, shall notify the Members of the Senate that, pursuant to this section, the Senate shall convene not later than the second calendar day after receipt of such message.

Notification.
Deadline.

“(2) PLACEMENT ON CALENDAR.—Upon introduction in the Senate, the joint resolution shall be immediately placed on the calendar.

“(3) FLOOR CONSIDERATION.—

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Time period.
Waiver.

“(A) IN GENERAL.—Notwithstanding Rule XXII of the Standing Rules of the Senate, it is in order at any time during the period beginning on the day after the date on which Congress receives a certification under subsection (a) and, for the certification described in subsection (a)(1), ending on September 14, 2011, and for the certification described in subsection (a)(2), on the 6th day after the date on which Congress receives a certification under subsection (a) (even though a previous motion to the same effect has been disagreed to) to move to proceed to the consideration of the joint resolution, and all points of order against the joint resolution (and against consideration of the joint resolution) are waived. The motion to proceed is not debatable. The motion is not subject to a motion to postpone. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the resolution is agreed to, the joint resolution shall remain the unfinished business until disposed of.

“(B) CONSIDERATION.—Consideration of the joint resolution, and on all debatable motions and appeals in connection therewith, shall be limited to not more than 10 hours, which shall be divided equally between the majority and minority leaders or their designees. A motion further to limit debate is in order and not debatable. An amendment to, or a motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the joint resolution is not in order.

“(C) VOTE ON PASSAGE.—If the Senate has voted to proceed to a joint resolution, the vote on passage of the joint resolution shall occur immediately following the conclusion of consideration of the joint resolution, and a single quorum call at the conclusion of the debate if requested in accordance with the rules of the Senate.

“(D) RULINGS OF THE CHAIR ON PROCEDURE.—Appeals from the decisions of the Chair relating to the application of the rules of the Senate, as the case may be, to the procedure relating to a joint resolution shall be decided without debate.

“(e) AMENDMENT NOT IN ORDER.—A joint resolution of disapproval considered pursuant to this section shall not be subject to amendment in either the House of Representatives or the Senate.

“(f) COORDINATION WITH ACTION BY OTHER HOUSE.—

“(1) IN GENERAL.—If, before passing the joint resolution, one House receives from the other a joint resolution—

“(A) the joint resolution of the other House shall not be referred to a committee; and

“(B) the procedure in the receiving House shall be the same as if no joint resolution had been received from the other House until the vote on passage, when the joint resolution received from the other House shall supplant the joint resolution of the receiving House.

“(2) TREATMENT OF JOINT RESOLUTION OF OTHER HOUSE.—If the Senate fails to introduce or consider a joint resolution under this section, the joint resolution of the House shall be entitled to expedited floor procedures under this section.

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“(3) TREATMENT OF COMPANION MEASURES.—If, following passage of the joint resolution in the Senate, the Senate then receives the companion measure from the House of Representatives, the companion measure shall not be debatable.

“(4) CONSIDERATION AFTER PASSAGE.—(A) If Congress passes a joint resolution, the period beginning on the date the President is presented with the joint resolution and ending on the date the President signs, allows to become law without his signature, or vetoes and returns the joint resolution (but excluding days when either House is not in session) shall be disregarded in computing the appropriate calendar day period described in subsection (b)(1).

“(B) Debate on a veto message in the Senate under this section shall be 1 hour equally divided between the majority and minority leaders or their designees.

“(5) VETO OVERRIDE.—If within the appropriate calendar day period described in subsection (b)(1), Congress overrides a veto of the joint resolution with respect to authority exercised pursuant to paragraph (1) or (2) of subsection (a), the limit on debt provided in section 3101(b) shall not be raised, except for the \$400,000,000,000 increase in the limit provided by subsection (a)(1)(A).

“(6) SEQUESTRATION.—(A) If within the 50-calendar day period described in subsection (b)(1), the President signs the joint resolution, the President allows the joint resolution to become law without his signature, or Congress overrides a veto of the joint resolution with respect to authority exercised pursuant to paragraph (1) of subsection (a), there shall be a sequestration to reduce spending by \$400,000,000,000. OMB shall implement the sequestration forthwith.

Time period.
President.

“(B) OMB shall implement each half of such sequestration in accordance with section 255, section 256, and subsections (c), (d), (e), and (f) of section 253 of the Balanced Budget and Emergency Deficit Control Act of 1985, and for the purpose of such implementation the term ‘excess deficit’ means the amount specified in subparagraph (A).

Definition.

“(g) RULES OF HOUSE OF REPRESENTATIVES AND SENATE.—This subsection and subsections (b), (c), (d), (e), and (f) (other than paragraph (6)) are enacted by Congress—

“(1) as an exercise of the rulemaking power of the Senate and House of Representatives, respectively, and as such it is deemed a part of the rules of each House, respectively, but applicable only with respect to the procedure to be followed in that House in the case of a joint resolution, and it supersedes other rules only to the extent that it is inconsistent with such rules; and

“(2) with full recognition of the constitutional right of either House to change the rules (so far as relating to the procedure of that House) at any time, in the same manner, and to the same extent as in the case of any other rule of that House.”.

(b) CONFORMING AMENDMENT.—The table of sections for chapter 31 of title 31, United States Code, is amended by inserting after the item relating to section 3101 the following new item:

“3101A. Presidential modification of the debt ceiling.”.

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SEC. 302. ENFORCEMENT OF BUDGET GOAL.

(a) IN GENERAL.—The Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting after section 251 the following new section:

2 USC 901a.

“SEC. 251A. ENFORCEMENT OF BUDGET GOAL.

Deadline.

“Unless a joint committee bill achieving an amount greater than \$1,200,000,000,000 in deficit reduction as provided in section 401(b)(3)(B)(i)(II) of the Budget Control Act of 2011 is enacted by January 15, 2012, the discretionary spending limits listed in section 251(c) shall be revised, and discretionary appropriations and direct spending shall be reduced, as follows:

Definitions.

“(1) REVISED SECURITY CATEGORY; REVISED NONSECURITY CATEGORY.—(A) The term ‘revised security category’ means discretionary appropriations in budget function 050.

“(B) The term ‘revised nonsecurity category’ means discretionary appropriations other than in budget function 050.

“(2) REVISED DISCRETIONARY SPENDING LIMITS.—The discretionary spending limits for fiscal years 2013 through 2021 under section 251(c) shall be replaced with the following:

“(A) For fiscal year 2013—

“(i) for the security category, \$546,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$501,000,000,000 in budget authority.

“(B) For fiscal year 2014—

“(i) for the security category, \$556,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$510,000,000,000 in budget authority.

“(C) For fiscal year 2015—

“(i) for the security category, \$566,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$520,000,000,000 in budget authority.

“(D) For fiscal year 2016—

“(i) for the security category, \$577,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$530,000,000,000 in budget authority.

“(E) For fiscal year 2017—

“(i) for the security category, \$590,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$541,000,000,000 in budget authority.

“(F) For fiscal year 2018—

“(i) for the security category, \$603,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$553,000,000,000 in budget authority.

“(G) For fiscal year 2019—

“(i) for the security category, \$616,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$566,000,000,000 in budget authority.

“(H) For fiscal year 2020—

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“(i) for the security category, \$630,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$578,000,000,000 in budget authority.

“(I) For fiscal year 2021—

“(i) for the security category, \$644,000,000,000 in budget authority; and

“(ii) for the nonsecurity category, \$590,000,000,000 in budget authority.

“(3) CALCULATION OF TOTAL DEFICIT REDUCTION.—OMB shall calculate the amount of the deficit reduction required by this section for each of fiscal years 2013 through 2021 by—

“(A) starting with \$1,200,000,000,000;

“(B) subtracting the amount of deficit reduction achieved by the enactment of a joint committee bill, as provided in section 401(b)(3)(B)(i)(II) of the Budget Control Act of 2011;

“(C) reducing the difference by 18 percent to account for debt service; and

“(D) dividing the result by 9.

“(4) ALLOCATION TO FUNCTIONS.—On January 2, 2013, for fiscal year 2013, and in its sequestration preview report for fiscal years 2014 through 2021 pursuant to section 254(c), OMB shall allocate half of the total reduction calculated pursuant to paragraph (3) for that year to discretionary appropriations and direct spending accounts within function 050 (defense function) and half to accounts in all other functions (nondefense functions).

Effective date.

“(5) DEFENSE FUNCTION REDUCTION.—OMB shall calculate the reductions to discretionary appropriations and direct spending for each of fiscal years 2013 through 2021 for defense function spending as follows:

“(A) DISCRETIONARY.—OMB shall calculate the reduction to discretionary appropriations by—

“(i) taking the total reduction for the defense function allocated for that year under paragraph (4);

“(ii) multiplying by the discretionary spending limit for the revised security category for that year; and

“(iii) dividing by the sum of the discretionary spending limit for the security category and OMB’s baseline estimate of nonexempt outlays for direct spending programs within the defense function for that year.

“(B) DIRECT SPENDING.—OMB shall calculate the reduction to direct spending by taking the total reduction for the defense function required for that year under paragraph (4) and subtracting the discretionary reduction calculated pursuant to subparagraph (A).

“(6) NONDEFENSE FUNCTION REDUCTION.—OMB shall calculate the reduction to discretionary appropriations and to direct spending for each of fiscal years 2013 through 2021 for programs in nondefense functions as follows:

“(A) DISCRETIONARY.—OMB shall calculate the reduction to discretionary appropriations by—

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“(i) taking the total reduction for nondefense functions allocated for that year under paragraph (4);

“(ii) multiplying by the discretionary spending limit for the revised nonsecurity category for that year; and

“(iii) dividing by the sum of the discretionary spending limit for the revised nonsecurity category and OMB’s baseline estimate of nonexempt outlays for direct spending programs in nondefense functions for that year.

“(B) DIRECT SPENDING.—OMB shall calculate the reduction to direct spending programs by taking the total reduction for nondefense functions required for that year under paragraph (4) and subtracting the discretionary reduction calculated pursuant to subparagraph (A).

“(7) IMPLEMENTING DISCRETIONARY REDUCTIONS.—

“(A) FISCAL YEAR 2013.—On January 2, 2013, for fiscal year 2013, OMB shall calculate and the President shall order a sequestration, effective upon issuance and under the procedures set forth in section 253(f), to reduce each account within the security category or nonsecurity category by a dollar amount calculated by multiplying the baseline level of budgetary resources in that account at that time by a uniform percentage necessary to achieve—

“(i) for the revised security category, an amount equal to the defense function discretionary reduction calculated pursuant to paragraph (5); and

“(ii) for the revised nonsecurity category, an amount equal to the nondefense function discretionary reduction calculated pursuant to paragraph (6).

“(B) FISCAL YEARS 2014–2021.—On the date of the submission of its sequestration preview report for fiscal years 2014 through 2021 pursuant to section 254(c) for each of fiscal years 2014 through 2021, OMB shall reduce the discretionary spending limit—

“(i) for the revised security category by the amount of the defense function discretionary reduction calculated pursuant to paragraph (5); and

“(ii) for the revised nonsecurity category by the amount of the nondefense function discretionary reduction calculated pursuant to paragraph (6).

“(8) IMPLEMENTING DIRECT SPENDING REDUCTIONS.—On the date specified in paragraph (4) during each applicable year, OMB shall prepare and the President shall order a sequestration, effective upon issuance, of nonexempt direct spending to achieve the direct spending reduction calculated pursuant to paragraphs (5) and (6). When implementing the sequestration of direct spending pursuant to this paragraph, OMB shall follow the procedures specified in section 6 of the Statutory Pay-As-You-Go Act of 2010, the exemptions specified in section 255, and the special rules specified in section 256, except that the percentage reduction for the Medicare programs specified in section 256(d) shall not be more than 2 percent for a fiscal year.

“(9) ADJUSTMENT FOR MEDICARE.—If the percentage reduction for the Medicare programs would exceed 2 percent for a fiscal year in the absence of paragraph (8), OMB shall

Effective date.
President.
Sequestration
order.

President.
Sequestration
order.

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increase the reduction for all other discretionary appropriations and direct spending under paragraph (6) by a uniform percentage to a level sufficient to achieve the reduction required by paragraph (6) in the non-defense function.

“(10) IMPLEMENTATION OF REDUCTIONS.—Any reductions imposed under this section shall be implemented in accordance with section 256(k).

“(11) REPORT.—On the dates specified in paragraph (4), OMB shall submit a report to Congress containing information about the calculations required under this section, the adjusted discretionary spending limits, a listing of the reductions required for each nonexempt direct spending account, and any other data and explanations that enhance public understanding of this title and actions taken under it.”

(b) CONFORMING AMENDMENT.—The table of contents set forth in section 250(a) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended by inserting after the item relating to section 251 the following:

“Sec. 251A. Enforcement of budget goal.”

TITLE IV—JOINT SELECT COMMITTEE ON DEFICIT REDUCTION

SEC. 401. ESTABLISHMENT OF JOINT SELECT COMMITTEE.

2 USC 900 note.

(a) DEFINITIONS.—In this title:

(1) JOINT COMMITTEE.—The term “joint committee” means the Joint Select Committee on Deficit Reduction established under subsection (b)(1).

(2) JOINT COMMITTEE BILL.—The term “joint committee bill” means a bill consisting of the proposed legislative language of the joint committee recommended under subsection (b)(3)(B) and introduced under section 402(a).

(b) ESTABLISHMENT OF JOINT SELECT COMMITTEE.—

(1) ESTABLISHMENT.—There is established a joint select committee of Congress to be known as the “Joint Select Committee on Deficit Reduction”.

(2) GOAL.—The goal of the joint committee shall be to reduce the deficit by at least \$1,500,000,000,000 over the period of fiscal years 2012 to 2021.

(3) DUTIES.—

(A) IN GENERAL.—

(i) IMPROVING THE SHORT-TERM AND LONG-TERM FISCAL IMBALANCE.—The joint committee shall provide recommendations and legislative language that will significantly improve the short-term and long-term fiscal imbalance of the Federal Government.

Recommendations.

(ii) RECOMMENDATIONS OF COMMITTEES.—Not later than October 14, 2011, each committee of the House of Representatives and the Senate may transmit to the joint committee its recommendations for changes in law to reduce the deficit consistent with the goal described in paragraph (2) for the joint committee’s consideration.

Deadline.

(B) REPORT, RECOMMENDATIONS, AND LEGISLATIVE LANGUAGE.—

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(i) IN GENERAL.—Not later than November 23, 2011, the joint committee shall vote on—

(I) a report that contains a detailed statement of the findings, conclusions, and recommendations of the joint committee and the estimate of the Congressional Budget Office required by paragraph (5)(D)(ii); and

(II) proposed legislative language to carry out such recommendations as described in subclause (I), which shall include a statement of the deficit reduction achieved by the legislation over the period of fiscal years 2012 to 2021.

Any change to the Rules of the House of Representatives or the Standing Rules of the Senate included in the report or legislative language shall be considered to be merely advisory.

(ii) APPROVAL OF REPORT AND LEGISLATIVE LANGUAGE.—The report of the joint committee and the proposed legislative language described in clause (i) shall require the approval of a majority of the members of the joint committee.

Time period.

(iii) ADDITIONAL VIEWS.—A member of the joint committee who gives notice of an intention to file supplemental, minority, or additional views at the time of final joint committee vote on the approval of the report and legislative language under clause (ii) shall be entitled to 3 calendar days in which to file such views in writing with the staff director of the joint committee. Such views shall then be included in the joint committee report and printed in the same volume, or part thereof, and their inclusion shall be noted on the cover of the report. In the absence of timely notice, the joint committee report may be printed and transmitted immediately without such views.

(iv) TRANSMISSION OF REPORT AND LEGISLATIVE LANGUAGE.—If the report and legislative language are approved by the joint committee pursuant to clause (ii), then not later than December 2, 2011, the joint committee shall submit the joint committee report and legislative language described in clause (i) to the President, the Vice President, the Speaker of the House of Representatives, and the majority and minority Leaders of each House of Congress.

(v) REPORT AND LEGISLATIVE LANGUAGE TO BE MADE PUBLIC.—Upon the approval or disapproval of the joint committee report and legislative language pursuant to clause (ii), the joint committee shall promptly make the full report and legislative language, and a record of the vote, available to the public.

(4) MEMBERSHIP.—

(A) IN GENERAL.—The joint committee shall be composed of 12 members appointed pursuant to subparagraph (B).

(B) APPOINTMENT.—Members of the joint committee shall be appointed as follows:

(i) The majority leader of the Senate shall appoint three members from among Members of the Senate.

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(ii) The minority leader of the Senate shall appoint three members from among Members of the Senate.

(iii) The Speaker of the House of Representatives shall appoint three members from among Members of the House of Representatives.

(iv) The minority leader of the House of Representatives shall appoint three members from among Members of the House of Representatives.

(C) CO-CHAIRS.—

(i) IN GENERAL.—There shall be two Co-Chairs of the joint committee. The majority leader of the Senate shall appoint one Co-Chair from among the members of the joint committee. The Speaker of the House of Representatives shall appoint the second Co-Chair from among the members of the joint committee. The Co-Chairs shall be appointed not later than 14 calendar days after the date of enactment of this Act.

Appointments.

Deadline.

(ii) STAFF DIRECTOR.—The Co-Chairs, acting jointly, shall hire the staff director of the joint committee.

(D) DATE.—Members of the joint committee shall be appointed not later than 14 calendar days after the date of enactment of this Act.

Appointments.

Deadline.

(E) PERIOD OF APPOINTMENT.—Members shall be appointed for the life of the joint committee. Any vacancy in the joint committee shall not affect its powers, but shall be filled not later than 14 calendar days after the date on which the vacancy occurs, in the same manner as the original designation was made. If a member of the joint committee ceases to be a Member of the House of Representatives or the Senate, as the case may be, the member is no longer a member of the joint committee and a vacancy shall exist.

Deadline.

(5) ADMINISTRATION.—

(A) IN GENERAL.—To enable the joint committee to exercise its powers, functions, and duties, there are authorized to be disbursed by the Senate the actual and necessary expenses of the joint committee approved by the co-chairs, subject to the rules and regulations of the Senate.

(B) EXPENSES.—In carrying out its functions, the joint committee is authorized to incur expenses in the same manner and under the same conditions as the Joint Economic Committee is authorized by section 11 of Public Law 79-304 (15 U.S.C. 1024 (d)).

(C) QUORUM.—Seven members of the joint committee shall constitute a quorum for purposes of voting, meeting, and holding hearings.

(D) VOTING.—

(i) PROXY VOTING.—No proxy voting shall be allowed on behalf of the members of the joint committee.

(ii) CONGRESSIONAL BUDGET OFFICE ESTIMATES.—The Congressional Budget Office shall provide estimates of the legislation (as described in paragraph (3)(B)) in accordance with sections 308(a) and 201(f) of the Congressional Budget Act of 1974 (2 U.S.C. 639(a) and 601(f))(including estimates of the effect of

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interest payment on the debt). In addition, the Congressional Budget Office shall provide information on the budgetary effect of the legislation beyond the year 2021. The joint committee may not vote on any version of the report, recommendations, or legislative language unless such estimates are available for consideration by all members of the joint committee at least 48 hours prior to the vote as certified by the Co-Chairs.

Deadline.

Deadlines. (E) MEETINGS.—

(i) INITIAL MEETING.—Not later than 45 calendar days after the date of enactment of this Act, the joint committee shall hold its first meeting.

(ii) AGENDA.—The Co-Chairs of the joint committee shall provide an agenda to the joint committee members not less than 48 hours in advance of any meeting.

Deadlines. (F) HEARINGS.—

(i) IN GENERAL.—The joint committee may, for the purpose of carrying out this section, hold such hearings, sit and act at such times and places, require attendance of witnesses and production of books, papers, and documents, take such testimony, receive such evidence, and administer such oaths as the joint committee considers advisable.

(ii) HEARING PROCEDURES AND RESPONSIBILITIES OF CO-CHAIRS.—

(I) ANNOUNCEMENT.—The Co-Chairs of the joint committee shall make a public announcement of the date, place, time, and subject matter of any hearing to be conducted, not less than 7 days in advance of such hearing, unless the Co-Chairs determine that there is good cause to begin such hearing at an earlier date.

(II) WRITTEN STATEMENT.—A witness appearing before the joint committee shall file a written statement of proposed testimony at least 2 calendar days before the appearance of the witness, unless the requirement is waived by the Co-Chairs, following their determination that there is good cause for failure to comply with such requirement.

(G) TECHNICAL ASSISTANCE.—Upon written request of the Co-Chairs, a Federal agency shall provide technical assistance to the joint committee in order for the joint committee to carry out its duties.

(c) STAFF OF JOINT COMMITTEE.—

(1) IN GENERAL.—The Co-Chairs of the joint committee may jointly appoint and fix the compensation of staff as they deem necessary, within the guidelines for employees of the Senate and following all applicable rules and employment requirements of the Senate.

(2) ETHICAL STANDARDS.—Members on the joint committee who serve in the House of Representatives shall be governed by the ethics rules and requirements of the House. Members of the Senate who serve on the joint committee and staff of the joint committee shall comply with the ethics rules of the Senate.

Compliance.

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(d) **TERMINATION.**—The joint committee shall terminate on January 31, 2012.

SEC. 402. EXPEDITED CONSIDERATION OF JOINT COMMITTEE RECOMMENDATIONS. 2 USC 900 note.

(a) **INTRODUCTION.**—If approved by the majority required by section 401(b)(3)(B)(ii), the proposed legislative language submitted pursuant to section 401(b)(3)(B)(iv) shall be introduced in the Senate (by request) on the next day on which the Senate is in session by the majority leader of the Senate or by a Member of the Senate designated by the majority leader of the Senate and shall be introduced in the House of Representatives (by request) on the next legislative day by the majority leader of the House or by a Member of the House designated by the majority leader of the House.

(b) **CONSIDERATION IN THE HOUSE OF REPRESENTATIVES.**—

(1) **REFERRAL AND REPORTING.**—Any committee of the House of Representatives to which the joint committee bill is referred shall report it to the House without amendment not later than December 9, 2011. If a committee fails to report the joint committee bill within that period, it shall be in order to move that the House discharge the committee from further consideration of the bill. Such a motion shall not be in order after the last committee authorized to consider the bill reports it to the House or after the House has disposed of a motion to discharge the bill. The previous question shall be considered as ordered on the motion to its adoption without intervening motion except 20 minutes of debate equally divided and controlled by the proponent and an opponent. If such a motion is adopted, the House shall proceed immediately to consider the joint committee bill in accordance with paragraphs (2) and (3). A motion to reconsider the vote by which the motion is disposed of shall not be in order.

(2) **PROCEEDING TO CONSIDERATION.**—After the last committee authorized to consider a joint committee bill reports it to the House or has been discharged (other than by motion) from its consideration, it shall be in order to move to proceed to consider the joint committee bill in the House. Such a motion shall not be in order after the House has disposed of a motion to proceed with respect to the joint committee bill. The previous question shall be considered as ordered on the motion to its adoption without intervening motion. A motion to reconsider the vote by which the motion is disposed of shall not be in order.

(3) **CONSIDERATION.**—The joint committee bill shall be considered as read. All points of order against the joint committee bill and against its consideration are waived. The previous question shall be considered as ordered on the joint committee bill to its passage without intervening motion except 2 hours of debate equally divided and controlled by the proponent and an opponent and one motion to limit debate on the joint committee bill. A motion to reconsider the vote on passage of the joint committee bill shall not be in order.

Waiver.

(4) **VOTE ON PASSAGE.**—The vote on passage of the joint committee bill shall occur not later than December 23, 2011.

Deadline.

(c) **EXPEDITED PROCEDURE IN THE SENATE.**—

(1) **COMMITTEE CONSIDERATION.**—A joint committee bill introduced in the Senate under subsection (a) shall be jointly

Reports.
Deadline.

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referred to the committee or committees of jurisdiction, which committees shall report the bill without any revision and with a favorable recommendation, an unfavorable recommendation, or without recommendation, not later than December 9, 2011. If any committee fails to report the bill within that period, that committee shall be automatically discharged from consideration of the bill, and the bill shall be placed on the appropriate calendar.

Deadline.

(2) MOTION TO PROCEED.—Notwithstanding Rule XXII of the Standing Rules of the Senate, it is in order, not later than 2 days of session after the date on which a joint committee bill is reported or discharged from all committees to which it was referred, for the majority leader of the Senate or the majority leader's designee to move to proceed to the consideration of the joint committee bill. It shall also be in order for any Member of the Senate to move to proceed to the consideration of the joint committee bill at any time after the conclusion of such 2-day period. A motion to proceed is in order even though a previous motion to the same effect has been disagreed to. All points of order against the motion to proceed to the joint committee bill are waived. The motion to proceed is not debatable. The motion is not subject to a motion to postpone. A motion to reconsider the vote by which the motion is agreed to or disagreed to shall not be in order. If a motion to proceed to the consideration of the joint committee bill is agreed to, the joint committee bill shall remain the unfinished business until disposed of.

Waiver.

(3) CONSIDERATION.—All points of order against the joint committee bill and against consideration of the joint committee bill are waived. Consideration of the joint committee bill and of all debatable motions and appeals in connection therewith shall not exceed a total of 30 hours which shall be divided equally between the Majority and Minority Leaders or their designees. A motion further to limit debate on the joint committee bill is in order, shall require an affirmative vote of three-fifths of the Members duly chosen and sworn, and is not debatable. Any debatable motion or appeal is debatable for not to exceed 1 hour, to be divided equally between those favoring and those opposing the motion or appeal. All time used for consideration of the joint committee bill, including time used for quorum calls and voting, shall be counted against the total 30 hours of consideration.

(4) NO AMENDMENTS.—An amendment to the joint committee bill, or a motion to postpone, or a motion to proceed to the consideration of other business, or a motion to recommit the joint committee bill, is not in order.

Deadline.

(5) VOTE ON PASSAGE.—If the Senate has voted to proceed to the joint committee bill, the vote on passage of the joint committee bill shall occur immediately following the conclusion of the debate on a joint committee bill, and a single quorum call at the conclusion of the debate if requested. The vote on passage of the joint committee bill shall occur not later than December 23, 2011.

(6) RULINGS OF THE CHAIR ON PROCEDURE.—Appeals from the decisions of the Chair relating to the application of the rules of the Senate, as the case may be, to the procedure

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relating to a joint committee bill shall be decided without debate.

(d) AMENDMENT.—The joint committee bill shall not be subject to amendment in either the House of Representatives or the Senate.

(e) CONSIDERATION BY THE OTHER HOUSE.—

(1) IN GENERAL.—If, before passing the joint committee bill, one House receives from the other a joint committee bill—

(A) the joint committee bill of the other House shall not be referred to a committee; and

(B) the procedure in the receiving House shall be the same as if no joint committee bill had been received from the other House until the vote on passage, when the joint committee bill received from the other House shall supplant the joint committee bill of the receiving House.

(2) REVENUE MEASURE.—This subsection shall not apply to the House of Representatives if the joint committee bill received from the Senate is a revenue measure.

(f) RULES TO COORDINATE ACTION WITH OTHER HOUSE.—

(1) TREATMENT OF JOINT COMMITTEE BILL OF OTHER HOUSE.—If the Senate fails to introduce or consider a joint committee bill under this section, the joint committee bill of the House shall be entitled to expedited floor procedures under this section.

(2) TREATMENT OF COMPANION MEASURES IN THE SENATE.—If following passage of the joint committee bill in the Senate, the Senate then receives the joint committee bill from the House of Representatives, the House-passed joint committee bill shall not be debatable. The vote on passage of the joint committee bill in the Senate shall be considered to be the vote on passage of the joint committee bill received from the House of Representatives.

(3) VETOES.—If the President vetoes the joint committee bill, debate on a veto message in the Senate under this section shall be 1 hour equally divided between the majority and minority leaders or their designees.

(g) LOSS OF PRIVILEGE.—The provisions of this section shall cease to apply to the joint committee bill if—

(1) the joint committee fails to vote on the report or proposed legislative language required under section 401(b)(3)(B)(i) not later than November 23, 2011; or

(2) the joint committee bill does not pass both Houses not later than December 23, 2011.

Deadlines.

SEC. 403. FUNDING.

2 USC 900 note.

Funding for the joint committee shall be derived in equal portions from—

(1) the applicable accounts of the House of Representatives; and

(2) the contingent fund of the Senate from the appropriations account “Miscellaneous Items”, subject to the rules and regulations of the Senate.

SEC. 404. RULEMAKING.

2 USC 900 note.

The provisions of this title are enacted by Congress—

(1) as an exercise of the rulemaking power of the House of Representatives and the Senate, respectively, and as such they shall be considered as part of the rules of each House, respectively, or of that House to which they specifically apply,

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and such rules shall supersede other rules only to the extent that they are inconsistent therewith; and

(2) with full recognition of the constitutional right of either House to change such rules (so far as relating to such House) at any time, in the same manner, and to the same extent as in the case of any other rule of such House.

TITLE V—PELL GRANT AND STUDENT LOAN PROGRAM CHANGES

SEC. 501. FEDERAL PELL GRANTS.

Section 401(b)(7)(A)(iv) of the Higher Education Act of 1965 (20 U.S.C. 1070a(b)(7)(A)(iv)) is amended—

(1) in subclause (II), by striking “\$3,183,000,000” and inserting “\$13,183,000,000”; and

(2) in subclause (III), by striking “\$0” and inserting “\$7,000,000,000”.

SEC. 502. TERMINATION OF AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS TO GRADUATE AND PROFESSIONAL STUDENTS.

Section 455(a) of the Higher Education Act of 1965 (20 U.S.C. 1087e(a)) is amended by adding at the end the following new paragraph:

“(3) TERMINATION OF AUTHORITY TO MAKE INTEREST SUBSIDIZED LOANS TO GRADUATE AND PROFESSIONAL STUDENTS.—

“(A) IN GENERAL.—Subject to subparagraph (B) and notwithstanding any provision of this part or part B, for any period of instruction beginning on or after July 1, 2012—

“(i) a graduate or professional student shall not be eligible to receive a Federal Direct Stafford loan under this part; and

“(ii) the maximum annual amount of Federal Direct Unsubsidized Stafford loans such a student may borrow in any academic year (as defined in section 481(a)(2)) or its equivalent shall be the maximum annual amount for such student determined under section 428H, plus an amount equal to the amount of Federal Direct Stafford loans the student would have received in the absence of this subparagraph.

“(B) EXCEPTION.—Subparagraph (A) shall not apply to an individual enrolled in course work specified in paragraph (3)(B) or (4)(B) of section 484(b).”.

SEC. 503. TERMINATION OF DIRECT LOAN REPAYMENT INCENTIVES.

Section 455(b)(8) of the Higher Education Act of 1965 (20 U.S.C. 1087e(b)(8)) is amended—

(1) in subparagraph (A)—

(A) by amending the header to read as follows: “(A) INCENTIVES FOR LOANS DISBURSED BEFORE JULY 1, 2012.—”; and

(B) by inserting “with respect to loans for which the first disbursement of principal is made before July 1, 2012,” after “of this part”;

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(2) in subparagraph (B), by inserting “with respect to loans for which the first disbursement of principal is made before July 1, 2012” after “repayment incentives”; and

(3) by adding at the end the following new subparagraph:

“(C) NO REPAYMENT INCENTIVES FOR NEW LOANS DISBURSED ON OR AFTER JULY 1, 2012.—Notwithstanding any other provision of this part, the Secretary is prohibited from authorizing or providing any repayment incentive not otherwise authorized under this part to encourage on-time repayment of a loan under this part for which the first disbursement of principal is made on or after July 1, 2012, including any reduction in the interest or origination fee rate paid by a borrower of such a loan, except that the Secretary may provide for an interest rate reduction for a borrower who agrees to have payments on such a loan automatically electronically debited from a bank account.”.

SEC. 504. INAPPLICABILITY OF TITLE IV NEGOTIATED RULEMAKING AND MASTER CALENDAR EXCEPTION.

20 USC 1089
note.

Sections 482(c) and 492 of the Higher Education Act of 1965 (20 U.S.C. 1089(c), 1098a) shall not apply to the amendments made by this title, or to any regulations promulgated under those amendments.

Approved August 2, 2011.

LEGISLATIVE HISTORY—S. 365:

CONGRESSIONAL RECORD, Vol. 157 (2011):

Feb. 17, considered and passed Senate.

Aug. 1, considered and passed House, amended.

Aug. 2, Senate concurred in House amendment.





**DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010**

SEP 25 2012

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Guidance on Fiscal Year 2013 Joint Committee Sequestration

The Budget Control Act of 2011 (BCA) established the Joint Select Committee on Deficit Reduction (Joint Committee) and charged it with developing a proposal that would achieve at least \$1.2 trillion in deficit reduction. Last November, the Joint Committee announced that it could not reach agreement on a deficit reduction plan. This failure triggered an enforcement mechanism of automatic funding cuts in Fiscal Year (FY) 2013, known as sequestration, above and beyond the reductions already reflected in the FY 2013 budget the Department submitted in February. The law requires the President to issue a sequestration order on January 2, 2013, to implement the required cuts unless Congress acts to avoid it.

The additional funding cuts required under the BCA are very large. A recent report by the Office of Management and Budget (OMB) estimates that the cuts in the Department of Defense (DoD) budget would exceed \$50 billion in FY 2013 alone. The law further requires that the FY 2013 cuts be implemented in an indiscriminate, across-the-board manner that will greatly exacerbate their adverse effects. These large cuts would lead to devastating effects on the Department and virtually every other Federal agency. For this reason, the Administration strongly believes that Congress needs to act to avoid sequestration by passing a balanced deficit reduction package that the President can sign.

If Congress fails to enact balanced deficit reduction and avoid sequestration, DoD and other affected agencies must be prepared, under the BCA, to implement sequestration on January 2, 2013. On July 31, 2012, OMB issued the attached guidance informing agencies that OMB will be consulting with them on matters related to the issuance of the sequestration order. Over the longer term, in the absence of congressional action on a balanced deficit reduction plan in advance of January 2, 2013, OMB will undertake additional activities related to the implementation of the sequestration. Within DoD, the Under Secretary of Defense (Comptroller) will take the lead in these efforts and, working with OMB as necessary, will ensure that the Department is ready to implement sequestration in January if it occurs.



In the meantime, consistent with OMB guidance, DoD needs to continue normal spending and operations. We do not want our programs, personnel, and activities to begin to suffer the harmful effects of sequestration while there is still a chance it can be avoided. I am therefore directing that all commanders and managers in the Department of Defense continue the defense mission under current laws and policies, without taking any steps that assume sequestration will occur. Commanders should not, for example, curtail planned training, maintenance, healthcare or family programs. Commanders and managers should not alarm our employees and their families by announcing personnel actions related to sequestration or by suggesting that these actions are likely. Nor should commanders and managers hold back on the obligation of funds – either for investments or for operating programs – if those funds would have been obligated in the absence of the sequester threat.

If you have questions about this guidance, please consult your chain of command. Addressees on this memo who have questions should direct them to the Under Secretary of Defense (Comptroller).

A handwritten signature in black ink, reading "Robert B. Carter". The signature is written in a cursive style with a large, sweeping initial "R".

Attachment:
As stated



**SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000**

DEC 20 2012

MEMORANDUM FOR: SEE DISTRIBUTION

SUBJECT: Implications of Ongoing Fiscal Cliff Negotiations

We are providing you this information regarding the potential impact of sequestration here at DoD. As you are all likely aware, the Administration and Congress are continuing to work to resolve a series of economic or fiscal events, collectively referred to as the "fiscal cliff," that are scheduled to occur around the end of the year. One of the key issues involves potential across-the-board reductions in Federal spending—also known as "sequestration"—which were put in place by the Budget Control Act of 2011. Under current law, these reductions are scheduled to take effect on January 2, 2013. Many of you have raised questions regarding the impact of a potential sequestration for the Department of Defense, and I would like to take a moment to clarify a few things.

I want to start by noting that this past summer, the President indicated his intent to exercise his legal authority to exempt military personnel funding from sequestration. This means that military endstrength will not be affected by sequestration in FY2013.

Our civilian employees should keep in mind that the Administration remains focused on working with Congress to reach agreement on a balanced deficit reduction plan that avoids such cuts. Sequestration was never intended to be implemented, and there is no reason why both sides should not be able to come together and prevent this scenario.

Nevertheless, with only a couple of weeks left before sequestration could occur should a deal not be reached, it is important to clarify the potential implications. Let me start by explaining what sequestration is and what it is not. Sequestration is an across-the-board reduction in budgetary resources for all accounts within the Department of Defense that have not been exempted by Congress. If it occurs, sequestration will reduce our budgetary resources for the remainder of the fiscal year (which runs through September 30). These cuts, while significant and harmful to our collective mission as an agency, would not necessarily require immediate reductions in spending. Under sequestration, we would still have funds available after January 2, 2013, but our overall funding for the remainder of the year would be reduced. Accordingly, this situation is different from other scenarios we have encountered in recent years, such as threats of government shutdown due to a lapse in appropriations.

For these reasons, I do not expect our day-to-day operations to change dramatically on or immediately after January 2, 2013, should sequestration occur. This means that we will not be executing any immediate civilian personnel actions, such as furloughs, on that date. Should we have to operate under reduced funding levels for an extended period of time, we may have to consider furloughs or other actions in the future. But let me assure you that we will carefully examine other options to reduce costs within the agency before taking such action, taking into



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consideration our obligation to execute our core mission. Moreover, if such action proves to be necessary, we would provide affected employees the requisite advance notice before a furlough or other personnel action would occur. We would also immediately cancel any scheduled personnel actions should a deficit reduction agreement be reached that restores our agency funding.

I want to assure you that we will do our very best to provide clear information about the status of events as they unfold.

Finally, let me express my gratitude during this holiday season for your continued hard work and dedication to the vital mission of the Department of Defense. Your contributions touch people's lives in many significant ways, and I want you to know how deeply appreciative the President and myself are for all that you do.

A handwritten signature in black ink, appearing to be "J. Gates", with a long horizontal line extending to the right.

DISTRIBUTION:
SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
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DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
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DIRECTOR, ADMINISTRATION AND MANAGEMENT
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H. R. 8

One Hundred Twelfth Congress of the United States of America

AT THE SECOND SESSION

*Begun and held at the City of Washington on Tuesday,
the third day of January, two thousand and twelve*

An Act

Entitled the "American Taxpayer Relief Act of 2012".

*Be it enacted by the Senate and House of Representatives of
the United States of America in Congress assembled,*

SECTION 1. SHORT TITLE, ETC.

(a) SHORT TITLE.—This Act may be cited as the "American Taxpayer Relief Act of 2012".

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—GENERAL EXTENSIONS

- Sec. 101. Permanent extension and modification of 2001 tax relief.
- Sec. 102. Permanent extension and modification of 2003 tax relief.
- Sec. 103. Extension of 2009 tax relief.
- Sec. 104. Permanent alternative minimum tax relief.

TITLE II—INDIVIDUAL TAX EXTENDERS

- Sec. 201. Extension of deduction for certain expenses of elementary and secondary school teachers.
- Sec. 202. Extension of exclusion from gross income of discharge of qualified principal residence indebtedness.
- Sec. 203. Extension of parity for exclusion from income for employer-provided mass transit and parking benefits.
- Sec. 204. Extension of mortgage insurance premiums treated as qualified residence interest.
- Sec. 205. Extension of deduction of State and local general sales taxes.
- Sec. 206. Extension of special rule for contributions of capital gain real property made for conservation purposes.
- Sec. 207. Extension of above-the-line deduction for qualified tuition and related expenses.
- Sec. 208. Extension of tax-free distributions from individual retirement plans for charitable purposes.
- Sec. 209. Improve and make permanent the provision authorizing the Internal Revenue Service to disclose certain return and return information to certain prison officials.

TITLE III—BUSINESS TAX EXTENDERS

- Sec. 301. Extension and modification of research credit.
- Sec. 302. Extension of temporary minimum low-income tax credit rate for non-federally subsidized new buildings.
- Sec. 303. Extension of housing allowance exclusion for determining area median gross income for qualified residential rental project exempt facility bonds.
- Sec. 304. Extension of Indian employment tax credit.

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- Sec. 305. Extension of new markets tax credit.
- Sec. 306. Extension of railroad track maintenance credit.
- Sec. 307. Extension of mine rescue team training credit.
- Sec. 308. Extension of employer wage credit for employees who are active duty members of the uniformed services.
- Sec. 309. Extension of work opportunity tax credit.
- Sec. 310. Extension of qualified zone academy bonds.
- Sec. 311. Extension of 15-year straight-line cost recovery for qualified leasehold improvements, qualified restaurant buildings and improvements, and qualified retail improvements.
- Sec. 312. Extension of 7-year recovery period for motorsports entertainment complexes.
- Sec. 313. Extension of accelerated depreciation for business property on an Indian reservation.
- Sec. 314. Extension of enhanced charitable deduction for contributions of food inventory.
- Sec. 315. Extension of increased expensing limitations and treatment of certain real property as section 179 property.
- Sec. 316. Extension of election to expense mine safety equipment.
- Sec. 317. Extension of special expensing rules for certain film and television productions.
- Sec. 318. Extension of deduction allowable with respect to income attributable to domestic production activities in Puerto Rico.
- Sec. 319. Extension of modification of tax treatment of certain payments to controlling exempt organizations.
- Sec. 320. Extension of treatment of certain dividends of regulated investment companies.
- Sec. 321. Extension of RIC qualified investment entity treatment under FIRPTA.
- Sec. 322. Extension of subpart F exception for active financing income.
- Sec. 323. Extension of look-thru treatment of payments between related controlled foreign corporations under foreign personal holding company rules.
- Sec. 324. Extension of temporary exclusion of 100 percent of gain on certain small business stock.
- Sec. 325. Extension of basis adjustment to stock of S corporations making charitable contributions of property.
- Sec. 326. Extension of reduction in S-corporation recognition period for built-in gains tax.
- Sec. 327. Extension of empowerment zone tax incentives.
- Sec. 328. Extension of tax-exempt financing for New York Liberty Zone.
- Sec. 329. Extension of temporary increase in limit on cover over of rum excise taxes to Puerto Rico and the Virgin Islands.
- Sec. 330. Modification and extension of American Samoa economic development credit.
- Sec. 331. Extension and modification of bonus depreciation.

TITLE IV—ENERGY TAX EXTENDERS

- Sec. 401. Extension of credit for energy-efficient existing homes.
- Sec. 402. Extension of credit for alternative fuel vehicle refueling property.
- Sec. 403. Extension of credit for 2- or 3-wheeled plug-in electric vehicles.
- Sec. 404. Extension and modification of cellulosic biofuel producer credit.
- Sec. 405. Extension of incentives for biodiesel and renewable diesel.
- Sec. 406. Extension of production credit for Indian coal facilities placed in service before 2009.
- Sec. 407. Extension and modification of credits with respect to facilities producing energy from certain renewable resources.
- Sec. 408. Extension of credit for energy-efficient new homes.
- Sec. 409. Extension of credit for energy-efficient appliances.
- Sec. 410. Extension and modification of special allowance for cellulosic biofuel plant property.
- Sec. 411. Extension of special rule for sales or dispositions to implement FERC or State electric restructuring policy for qualified electric utilities.
- Sec. 412. Extension of alternative fuels excise tax credits.

TITLE V—UNEMPLOYMENT

- Sec. 501. Extension of emergency unemployment compensation program.
- Sec. 502. Temporary extension of extended benefit provisions.
- Sec. 503. Extension of funding for reemployment services and reemployment and eligibility assessment activities.
- Sec. 504. Additional extended unemployment benefits under the Railroad Unemployment Insurance Act.

TITLE VI—MEDICARE AND OTHER HEALTH EXTENSIONS

Subtitle A—Medicare Extensions

- Sec. 601. Medicare physician payment update.

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- Sec. 602. Work geographic adjustment.
- Sec. 603. Payment for outpatient therapy services.
- Sec. 604. Ambulance add-on payments.
- Sec. 605. Extension of Medicare inpatient hospital payment adjustment for low-volume hospitals.
- Sec. 606. Extension of the Medicare-dependent hospital (MDH) program.
- Sec. 607. Extension for specialized Medicare Advantage plans for special needs individuals.
- Sec. 608. Extension of Medicare reasonable cost contracts.
- Sec. 609. Performance improvement.
- Sec. 610. Extension of funding outreach and assistance for low-income programs.

Subtitle B—Other Health Extensions

- Sec. 621. Extension of the qualifying individual (QI) program.
- Sec. 622. Extension of Transitional Medical Assistance (TMA).
- Sec. 623. Extension of Medicaid and CHIP Express Lane option.
- Sec. 624. Extension of family-to-family health information centers.
- Sec. 625. Extension of Special Diabetes Program for Type I diabetes and for Indians.

Subtitle C—Other Health Provisions

- Sec. 631. IPPS documentation and coding adjustment for implementation of MS-DRGs.
- Sec. 632. Revisions to the Medicare ESRD bundled payment system to reflect findings in the GAO report.
- Sec. 633. Treatment of multiple service payment policies for therapy services.
- Sec. 634. Payment for certain radiology services furnished under the Medicare hospital outpatient department prospective payment system.
- Sec. 635. Adjustment of equipment utilization rate for advanced imaging services.
- Sec. 636. Medicare payment of competitive prices for diabetic supplies and elimination of overpayment for diabetic supplies.
- Sec. 637. Medicare payment adjustment for non-emergency ambulance transports for ESRD beneficiaries.
- Sec. 638. Removing obstacles to collection of overpayments.
- Sec. 639. Medicare advantage coding intensity adjustment.
- Sec. 640. Elimination of all funding for the Medicare Improvement Fund.
- Sec. 641. Rebasement of State DSH allotments.
- Sec. 642. Repeal of CLASS program.
- Sec. 643. Commission on Long-Term Care.
- Sec. 644. Consumer Operated and Oriented Plan program contingency fund.

TITLE VII—EXTENSION OF AGRICULTURAL PROGRAMS

- Sec. 701. 1-year extension of agricultural programs.
- Sec. 702. Supplemental agricultural disaster assistance.

TITLE VIII—MISCELLANEOUS PROVISIONS

- Sec. 801. Strategic delivery systems.
- Sec. 802. No cost of living adjustment in pay of members of congress.

TITLE IX—BUDGET PROVISIONS

Subtitle A—Modifications of Sequestration

- Sec. 901. Treatment of sequester.
- Sec. 902. Amounts in applicable retirement plans may be transferred to designated Roth accounts without distribution.

Subtitle B—Budgetary Effects

- Sec. 911. Budgetary effects.

TITLE I—GENERAL EXTENSIONS

SEC. 101. PERMANENT EXTENSION AND MODIFICATION OF 2001 TAX RELIEF.

(a) PERMANENT EXTENSION.—

(1) IN GENERAL.—The Economic Growth and Tax Relief Reconciliation Act of 2001 is amended by striking title IX.

(2) CONFORMING AMENDMENT.—The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 is amended by striking section 304.

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(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable, plan, or limitation years beginning after December 31, 2012, and estates of decedents dying, gifts made, or generation skipping transfers after December 31, 2012.

(b) APPLICATION OF INCOME TAX TO CERTAIN HIGH-INCOME TAXPAYERS.—

(1) INCOME TAX RATES.—

(A) TREATMENT OF 25-, 28-, AND 33-PERCENT RATE BRACKETS.—Paragraph (2) of section 1(i) is amended to read as follows:

“(2) 25-, 28-, AND 33-PERCENT RATE BRACKETS.—The tables under subsections (a), (b), (c), (d), and (e) shall be applied—

“(A) by substituting ‘25%’ for ‘28%’ each place it appears (before the application of subparagraph (B)),

“(B) by substituting ‘28%’ for ‘31%’ each place it appears, and

“(C) by substituting ‘33%’ for ‘36%’ each place it appears.”.

(B) 35-PERCENT RATE BRACKET.—Subsection (i) of section 1 is amended by redesignating paragraph (3) as paragraph (4) and by inserting after paragraph (2) the following new paragraph:

“(3) MODIFICATIONS TO INCOME TAX BRACKETS FOR HIGH-INCOME TAXPAYERS.—

“(A) 35-PERCENT RATE BRACKET.—In the case of taxable years beginning after December 31, 2012—

“(i) the rate of tax under subsections (a), (b), (c), and (d) on a taxpayer’s taxable income in the highest rate bracket shall be 35 percent to the extent such income does not exceed an amount equal to the excess of—

“(I) the applicable threshold, over

“(II) the dollar amount at which such bracket begins, and

“(ii) the 39.6 percent rate of tax under such subsections shall apply only to the taxpayer’s taxable income in such bracket in excess of the amount to which clause (i) applies.

“(B) APPLICABLE THRESHOLD.—For purposes of this paragraph, the term ‘applicable threshold’ means—

“(i) \$450,000 in the case of subsection (a),

“(ii) \$425,000 in the case of subsection (b),

“(iii) \$400,000 in the case of subsection (c), and

“(iv) $\frac{1}{2}$ the amount applicable under clause (i) (after adjustment, if any, under subparagraph (C)) in the case of subsection (d).

“(C) INFLATION ADJUSTMENT.—For purposes of this paragraph, with respect to taxable years beginning in calendar years after 2013, each of the dollar amounts under clauses (i), (ii), and (iii) of subparagraph (B) shall be adjusted in the same manner as under paragraph (1)(C)(i), except that subsection (f)(3)(B) shall be applied by substituting ‘2012’ for ‘1992’.”.

(2) PHASEOUT OF PERSONAL EXEMPTIONS AND ITEMIZED DEDUCTIONS.—

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(A) OVERALL LIMITATION ON ITEMIZED DEDUCTIONS.—
Section 68 is amended—

(i) by striking subsection (b) and inserting the following:

“(b) APPLICABLE AMOUNT.—

“(1) IN GENERAL.—For purposes of this section, the term ‘applicable amount’ means—

“(A) \$300,000 in the case of a joint return or a surviving spouse (as defined in section 2(a)),

“(B) \$275,000 in the case of a head of household (as defined in section 2(b)),

“(C) \$250,000 in the case of an individual who is not married and who is not a surviving spouse or head of household, and

“(D) $\frac{1}{2}$ the amount applicable under subparagraph (A) (after adjustment, if any, under paragraph (2)) in the case of a married individual filing a separate return.

For purposes of this paragraph, marital status shall be determined under section 7703.

“(2) INFLATION ADJUSTMENT.—In the case of any taxable year beginning in calendar years after 2013, each of the dollar amounts under subparagraphs (A), (B), and (C) of paragraph (1) shall be increased by an amount equal to—

“(A) such dollar amount, multiplied by

“(B) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, except that section 1(f)(3)(B) shall be applied by substituting ‘2012’ for ‘1992’.

If any amount after adjustment under the preceding sentence is not a multiple of \$50, such amount shall be rounded to the next lowest multiple of \$50.”, and

(ii) by striking subsections (f) and (g).

(B) PHASEOUT OF DEDUCTIONS FOR PERSONAL EXEMPTIONS.—

(i) IN GENERAL.—Paragraph (3) of section 151(d) is amended—

(I) by striking “the threshold amount” in subparagraphs (A) and (B) and inserting “the applicable amount in effect under section 68(b)”,

(II) by striking subparagraph (C) and redesignating subparagraph (D) as subparagraph (C), and

(III) by striking subparagraphs (E) and (F).

(ii) CONFORMING AMENDMENTS.—Paragraph (4) of section 151(d) is amended—

(I) by striking subparagraph (B),

(II) by redesignating clauses (i) and (ii) of subparagraph (A) as subparagraphs (A) and (B), respectively, and by indenting such subparagraphs (as so redesignated) accordingly, and

(III) by striking all that precedes “in a calendar year after 1989,” and inserting the following:

“(4) INFLATION ADJUSTMENT.—In the case of any taxable year beginning”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to taxable years beginning after December 31, 2012.

(c) MODIFICATIONS OF ESTATE TAX.—

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(1) **MAXIMUM ESTATE TAX RATE EQUAL TO 40 PERCENT.**—The table contained in subsection (c) of section 2001, as amended by section 302(a)(2) of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, is amended by striking “Over \$500,000” and all that follows and inserting the following:

“Over \$500,000 but not over \$750,000.	\$155,800, plus 37 percent of the excess of such amount over \$500,000.
Over \$750,000 but not over \$1,000,000.	\$248,300, plus 39 percent of the excess of such amount over \$750,000.
Over \$1,000,000	\$345,800, plus 40 percent of the excess of such amount over \$1,000,000.”.

(2) **TECHNICAL CORRECTION.**—Clause (i) of section 2010(c)(4)(B) is amended by striking “basic exclusion amount” and inserting “applicable exclusion amount”.

(3) **EFFECTIVE DATES.**—

(A) **IN GENERAL.**—Except as otherwise provided by in this paragraph, the amendments made by this subsection shall apply to estates of decedents dying, generation-skipping transfers, and gifts made, after December 31, 2012.

(B) **TECHNICAL CORRECTION.**—The amendment made by paragraph (2) shall take effect as if included in the amendments made by section 303 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

SEC. 102. PERMANENT EXTENSION AND MODIFICATION OF 2003 TAX RELIEF.

(a) **PERMANENT EXTENSION.**—The Jobs and Growth Tax Relief Reconciliation Act of 2003 is amended by striking section 303.

(b) **20-PERCENT CAPITAL GAINS RATE FOR CERTAIN HIGH INCOME INDIVIDUALS.**—

(1) **IN GENERAL.**—Paragraph (1) of section 1(h) is amended by striking subparagraph (C), by redesignating subparagraphs (D) and (E) as subparagraphs (E) and (F) and by inserting after subparagraph (B) the following new subparagraphs:

“(C) 15 percent of the lesser of—

“(i) so much of the adjusted net capital gain (or, if less, taxable income) as exceeds the amount on which a tax is determined under subparagraph (B), or

“(ii) the excess of—

“(I) the amount of taxable income which would (without regard to this paragraph) be taxed at a rate below 39.6 percent, over

“(II) the sum of the amounts on which a tax is determined under subparagraphs (A) and (B),

“(D) 20 percent of the adjusted net capital gain (or, if less, taxable income) in excess of the sum of the amounts on which tax is determined under subparagraphs (B) and (C).”.

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(2) **MINIMUM TAX.**—Paragraph (3) of section 55(b) is amended by striking subparagraph (C), by redesignating subparagraph (D) as subparagraph (E), and by inserting after subparagraph (B) the following new subparagraphs:

“(C) 15 percent of the lesser of—

“(i) so much of the adjusted net capital gain (or, if less, taxable excess) as exceeds the amount on which tax is determined under subparagraph (B), or

“(ii) the excess described in section 1(h)(1)(C)(ii), plus

“(D) 20 percent of the adjusted net capital gain (or, if less, taxable excess) in excess of the sum of the amounts on which tax is determined under subparagraphs (B) and (C), plus”.

(c) **CONFORMING AMENDMENTS.**—

(1) The following provisions are each amended by striking “15 percent” and inserting “20 percent”:

(A) Section 531.

(B) Section 541.

(C) Section 1445(e)(1).

(D) The second sentence of section 7518(g)(6)(A).

(E) Section 53511(f)(2) of title 46, United States Code.

(2) Sections 1(h)(1)(B) and 55(b)(3)(B) are each amended by striking “5 percent (0 percent in the case of taxable years beginning after 2007)” and inserting “0 percent”.

(3) Section 1445(e)(6) is amended by striking “15 percent (20 percent in the case of taxable years beginning after December 31, 2010)” and inserting “20 percent”.

(d) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—Except as otherwise provided, the amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2012.

(2) **WITHHOLDING.**—The amendments made by paragraphs (1)(C) and (3) of subsection (c) shall apply to amounts paid on or after January 1, 2013.

SEC. 103. EXTENSION OF 2009 TAX RELIEF.

(a) **5-YEAR EXTENSION OF AMERICAN OPPORTUNITY TAX CREDIT.**—

(1) **IN GENERAL.**—Section 25A(i) is amended by striking “in 2009, 2010, 2011, or 2012” and inserting “after 2008 and before 2018”.

(2) **TREATMENT OF POSSESSIONS.**—Section 1004(c)(1) of division B of the American Recovery and Reinvestment Tax Act of 2009 is amended by striking “in 2009, 2010, 2011, and 2012” each place it appears and inserting “after 2008 and before 2018”.

(b) **5-YEAR EXTENSION OF CHILD TAX CREDIT.**—Section 24(d)(4) is amended—

(1) by striking “2009, 2010, 2011, AND 2012” in the heading and inserting “FOR CERTAIN YEARS”, and

(2) by striking “in 2009, 2010, 2011, or 2012” and inserting “after 2008 and before 2018”.

(c) **5-YEAR EXTENSION OF EARNED INCOME TAX CREDIT.**—Section 32(b)(3) is amended—

(1) by striking “2009, 2010, 2011, AND 2012” in the heading and inserting “FOR CERTAIN YEARS”, and

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(2) by striking “in 2009, 2010, 2011, or 2012” and inserting “after 2008 and before 2018”.

(d) PERMANENT EXTENSION OF RULE DISREGARDING REFUNDS IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.—Section 6409 is amended to read as follows:

“SEC. 6409. REFUNDS DISREGARDED IN THE ADMINISTRATION OF FEDERAL PROGRAMS AND FEDERALLY ASSISTED PROGRAMS.

“Notwithstanding any other provision of law, any refund (or advance payment with respect to a refundable credit) made to any individual under this title shall not be taken into account as income, and shall not be taken into account as resources for a period of 12 months from receipt, for purposes of determining the eligibility of such individual (or any other individual) for benefits or assistance (or the amount or extent of benefits or assistance) under any Federal program or under any State or local program financed in whole or in part with Federal funds.”.

(e) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to taxable years beginning after December 31, 2012.

(2) RULE REGARDING DISREGARD OF REFUNDS.—The amendment made by subsection (d) shall apply to amounts received after December 31, 2012.

SEC. 104. PERMANENT ALTERNATIVE MINIMUM TAX RELIEF.

(a) 2012 EXEMPTION AMOUNTS MADE PERMANENT.—

(1) IN GENERAL.—Paragraph (1) of section 55(d) is amended—

(A) by striking “\$45,000” and all that follows through “2011” in subparagraph (A) and inserting “\$78,750”,

(B) by striking “\$33,750” and all that follows through “2011” in subparagraph (B) and inserting “\$50,600”, and

(C) by striking “paragraph (1)(A)” in subparagraph (C) and inserting “subparagraph (A)”.

(b) EXEMPTION AMOUNTS INDEXED FOR INFLATION.—

(1) IN GENERAL.—Subsection (d) of section 55 is amended by adding at the end the following new paragraph:

“(4) INFLATION ADJUSTMENT.—

“(A) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2012, the amounts described in subparagraph (B) shall each be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘calendar year 2011’ for ‘calendar year 1992’ in subparagraph (B) thereof.

“(B) AMOUNTS DESCRIBED.—The amounts described in this subparagraph are—

“(i) each of the dollar amounts contained in subsection (b)(1)(A)(i),

“(ii) each of the dollar amounts contained in paragraph (1), and

“(iii) each of the dollar amounts in subparagraphs (A) and (B) of paragraph (3).

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“(C) ROUNDING.—Any increase determined under subparagraph (A) shall be rounded to the nearest multiple of \$100.”.

(2) CONFORMING AMENDMENTS.—

(A) Clause (iii) of section 55(b)(1)(A) is amended by striking “by substituting” and all that follows through “appears.” and inserting “by substituting 50 percent of the dollar amount otherwise applicable under subclause (I) and subclause (II) thereof.”.

(B) Paragraph (3) of section 55(d) is amended—

(i) by striking “or (2)” in subparagraph (A),

(ii) by striking “and” at the end of subparagraph (B), and

(iii) by striking subparagraph (C) and inserting the following new subparagraphs:

“(C) 50 percent of the dollar amount applicable under subparagraph (A) in the case of a taxpayer described in subparagraph (C) or (D) of paragraph (1), and

“(D) \$150,000 in the case of a taxpayer described in paragraph (2).”.

(c) ALTERNATIVE MINIMUM TAX RELIEF FOR NONREFUNDABLE CREDITS.—

(1) IN GENERAL.—Subsection (a) of section 26 is amended to read as follows:

“(a) LIMITATION BASED ON AMOUNT OF TAX.—The aggregate amount of credits allowed by this subpart for the taxable year shall not exceed the sum of—

“(1) the taxpayer’s regular tax liability for the taxable year reduced by the foreign tax credit allowable under section 27(a), and

“(2) the tax imposed by section 55(a) for the taxable year.”.

(2) CONFORMING AMENDMENTS.—

(A) ADOPTION CREDIT.—

(i) Section 23(b) is amended by striking paragraph (4).

(ii) Section 23(c) is amended by striking paragraphs (1) and (2) and inserting the following:

“(1) IN GENERAL.—If the credit allowable under subsection (a) for any taxable year exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section and sections 25D and 1400C), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.”.

(iii) Section 23(c) is amended by redesignating paragraph (3) as paragraph (2).

(B) CHILD TAX CREDIT.—

(i) Section 24(b) is amended by striking paragraph (3).

(ii) Section 24(d)(1) is amended—

(I) by striking “section 26(a)(2) or subsection (b)(3), as the case may be,” each place it appears in subparagraphs (A) and (B) and inserting “section 26(a)”, and

(II) by striking “section 26(a)(2) or subsection (b)(3), as the case may be” in the second last sentence and inserting “section 26(a)”.

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(C) CREDIT FOR INTEREST ON CERTAIN HOME MORTGAGES.—Section 25(e)(1)(C) is amended to read as follows:

“(C) APPLICABLE TAX LIMIT.—For purposes of this paragraph, the term ‘applicable tax limit’ means the limitation imposed by section 26(a) for the taxable year reduced by the sum of the credits allowable under this subpart (other than this section and sections 23, 25D, and 1400C).”

(D) HOPE AND LIFETIME LEARNING CREDITS.—Section 25A(i) is amended—

(i) by striking paragraph (5) and by redesignating paragraphs (6) and (7) as paragraphs (5) and (6), respectively, and

(ii) by striking “section 26(a)(2) or paragraph (5), as the case may be” in paragraph (5), as redesignated by clause (i), and inserting “section 26(a)”.

(E) SAVERS’ CREDIT.—Section 25B is amended by striking subsection (g).

(F) RESIDENTIAL ENERGY EFFICIENT PROPERTY.—Section 25D(c) is amended to read as follows:

“(c) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under this subpart (other than this section), such excess shall be carried to the succeeding taxable year and added to the credit allowable under subsection (a) for such succeeding taxable year.”.

(G) CERTAIN PLUG-IN ELECTRIC VEHICLES.—Section 30(c)(2) is amended to read as follows:

“(2) PERSONAL CREDIT.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”.

(H) ALTERNATIVE MOTOR VEHICLE CREDIT.—Section 30B(g)(2) is amended to read as follows:

“(2) PERSONAL CREDIT.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”.

(I) NEW QUALIFIED PLUG-IN ELECTRIC VEHICLE CREDIT.—Section 30D(c)(2) is amended to read as follows:

“(2) PERSONAL CREDIT.—For purposes of this title, the credit allowed under subsection (a) for any taxable year (determined after application of paragraph (1)) shall be treated as a credit allowable under subpart A for such taxable year.”.

(J) CROSS REFERENCES.—Section 55(c)(3) is amended by striking “26(a), 30C(d)(2),” and inserting “30C(d)(2)”.

(K) FOREIGN TAX CREDIT.—Section 904 is amended by striking subsection (i) and by redesignating subsections (j), (k), and (l) as subsections (i), (j), and (k), respectively.

(L) FIRST-TIME HOME BUYER CREDIT FOR THE DISTRICT OF COLUMBIA.—Section 1400C(d) is amended to read as follows:

“(d) CARRYFORWARD OF UNUSED CREDIT.—If the credit allowable under subsection (a) exceeds the limitation imposed by section 26(a) for such taxable year reduced by the sum of the credits allowable under subpart A of part IV of subchapter A (other than this section and section 25D), such excess shall be carried to the

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succeeding taxable year and added to the credit allowable under subsection (a) for such taxable year.”.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

TITLE II—INDIVIDUAL TAX EXTENDERS

SEC. 201. EXTENSION OF DEDUCTION FOR CERTAIN EXPENSES OF ELEMENTARY AND SECONDARY SCHOOL TEACHERS.

(a) IN GENERAL.—Subparagraph (D) of section 62(a)(2) is amended by striking “or 2011” and inserting “2011, 2012, or 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 202. EXTENSION OF EXCLUSION FROM GROSS INCOME OF DISCHARGE OF QUALIFIED PRINCIPAL RESIDENCE INDEBTEDNESS.

(a) IN GENERAL.—Subparagraph (E) of section 108(a)(1) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to indebtedness discharged after December 31, 2012.

SEC. 203. EXTENSION OF PARITY FOR EXCLUSION FROM INCOME FOR EMPLOYER-PROVIDED MASS TRANSIT AND PARKING BENEFITS.

(a) IN GENERAL.—Paragraph (2) of section 132(f) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to months after December 31, 2011.

SEC. 204. EXTENSION OF MORTGAGE INSURANCE PREMIUMS TREATED AS QUALIFIED RESIDENCE INTEREST.

(a) IN GENERAL.—Subclause (I) of section 163(h)(3)(E)(iv) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) TECHNICAL AMENDMENTS.—Clause (i) of section 163(h)(4)(E) is amended—

(1) by striking “Veterans Administration” and inserting “Department of Veterans Affairs”, and

(2) by striking “Rural Housing Administration” and inserting “Rural Housing Service”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to amounts paid or accrued after December 31, 2011.

SEC. 205. EXTENSION OF DEDUCTION OF STATE AND LOCAL GENERAL SALES TAXES.

(a) IN GENERAL.—Subparagraph (I) of section 164(b)(5) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

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SEC. 206. EXTENSION OF SPECIAL RULE FOR CONTRIBUTIONS OF CAPITAL GAIN REAL PROPERTY MADE FOR CONSERVATION PURPOSES.

(a) **IN GENERAL.**—Clause (vi) of section 170(b)(1)(E) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **CONTRIBUTIONS BY CERTAIN CORPORATE FARMERS AND RANCHERS.**—Clause (iii) of section 170(b)(2)(B) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to contributions made in taxable years beginning after December 31, 2011.

SEC. 207. EXTENSION OF ABOVE-THE-LINE DEDUCTION FOR QUALIFIED TUITION AND RELATED EXPENSES.

(a) **IN GENERAL.**—Subsection (e) of section 222 is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 208. EXTENSION OF TAX-FREE DISTRIBUTIONS FROM INDIVIDUAL RETIREMENT PLANS FOR CHARITABLE PURPOSES.

(a) **IN GENERAL.**—Subparagraph (F) of section 408(d)(8) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE; SPECIAL RULE.**—

(1) **EFFECTIVE DATE.**—The amendment made by this section shall apply to distributions made in taxable years beginning after December 31, 2011.

(2) **SPECIAL RULES.**—For purposes of subsections (a)(6), (b)(3), and (d)(8) of section 408 of the Internal Revenue Code of 1986, at the election of the taxpayer (at such time and in such manner as prescribed by the Secretary of the Treasury)—

(A) any qualified charitable distribution made after December 31, 2012, and before February 1, 2013, shall be deemed to have been made on December 31, 2012, and

(B) any portion of a distribution from an individual retirement account to the taxpayer after November 30, 2012, and before January 1, 2013, may be treated as a qualified charitable distribution to the extent that—

(i) such portion is transferred in cash after the distribution to an organization described in section 408(d)(8)(B)(i) before February 1, 2013, and

(ii) such portion is part of a distribution that would meet the requirements of section 408(d)(8) but for the fact that the distribution was not transferred directly to an organization described in section 408(d)(8)(B)(i).

SEC. 209. IMPROVE AND MAKE PERMANENT THE PROVISION AUTHORIZING THE INTERNAL REVENUE SERVICE TO DISCLOSE CERTAIN RETURN AND RETURN INFORMATION TO CERTAIN PRISON OFFICIALS.

(a) **IN GENERAL.**—Paragraph (10) of section 6103(k) is amended to read as follows:

“(10) **DISCLOSURE OF CERTAIN RETURNS AND RETURN INFORMATION TO CERTAIN PRISON OFFICIALS.**—

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“(A) IN GENERAL.—Under such procedures as the Secretary may prescribe, the Secretary may disclose to officers and employees of the Federal Bureau of Prisons and of any State agency charged with the responsibility for administration of prisons any returns or return information with respect to individuals incarcerated in Federal or State prison systems whom the Secretary has determined may have filed or facilitated the filing of a false or fraudulent return to the extent that the Secretary determines that such disclosure is necessary to permit effective Federal tax administration.

“(B) DISCLOSURE TO CONTRACTOR-RUN PRISONS.—Under such procedures as the Secretary may prescribe, the disclosures authorized by subparagraph (A) may be made to contractors responsible for the operation of a Federal or State prison on behalf of such Bureau or agency.

“(C) RESTRICTIONS ON USE OF DISCLOSED INFORMATION.—Any return or return information received under this paragraph shall be used only for the purposes of and to the extent necessary in taking administrative action to prevent the filing of false and fraudulent returns, including administrative actions to address possible violations of administrative rules and regulations of the prison facility and in administrative and judicial proceedings arising from such administrative actions.

“(D) RESTRICTIONS ON REDISCLOSURE AND DISCLOSURE TO LEGAL REPRESENTATIVES.—Notwithstanding subsection (h)—

“(i) RESTRICTIONS ON REDISCLOSURE.—Except as provided in clause (ii), any officer, employee, or contractor of the Federal Bureau of Prisons or of any State agency charged with the responsibility for administration of prisons shall not disclose any information obtained under this paragraph to any person other than an officer or employee or contractor of such Bureau or agency personally and directly engaged in the administration of prison facilities on behalf of such Bureau or agency.

“(ii) DISCLOSURE TO LEGAL REPRESENTATIVES.—The returns and return information disclosed under this paragraph may be disclosed to the duly authorized legal representative of the Federal Bureau of Prisons, State agency, or contractor charged with the responsibility for administration of prisons, or of the incarcerated individual accused of filing the false or fraudulent return who is a party to an action or proceeding described in subparagraph (C), solely in preparation for, or for use in, such action or proceeding.”.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (3) of section 6103(a) is amended by inserting “subsection (k)(10),” after “subsection (e)(1)(D)(iii).”.

(2) Paragraph (4) of section 6103(p) is amended—

(A) by inserting “subsection (k)(10),” before “subsection (l)(10),” in the matter preceding subparagraph (A),

(B) in subparagraph (F)(i)—

(i) by inserting “(k)(10),” before “or (l)(6),” and

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- (ii) by inserting “subsection (k)(10) or” before “subsection (l)(10),”, and
- (C) by inserting “subsection (k)(10) or” before “subsection (l)(10),” both places it appears in the matter following subparagraph (F)(iii).
- (3) Paragraph (2) of section 7213(a) is amended by inserting “(k)(10),” before “(l)(6),”.
- (c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date of the enactment of this Act.

TITLE III—BUSINESS TAX EXTENDERS

SEC. 301. EXTENSION AND MODIFICATION OF RESEARCH CREDIT.

- (a) EXTENSION.—
 - (1) IN GENERAL.—Subparagraph (B) of section 41(h)(1) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.
 - (2) CONFORMING AMENDMENT.—Subparagraph (D) of section 45C(b)(1) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.
- (b) INCLUSION OF QUALIFIED RESEARCH EXPENSES AND GROSS RECEIPTS OF AN ACQUIRED PERSON.—
 - (1) PARTIAL INCLUSION OF PRE-ACQUISITION QUALIFIED RESEARCH EXPENSES AND GROSS RECEIPTS.—Subparagraph (A) of section 41(f)(3) is amended to read as follows:
 - “(A) ACQUISITIONS.—
 - “(i) IN GENERAL.—If a person acquires the major portion of either a trade or business or a separate unit of a trade or business (hereinafter in this paragraph referred to as the ‘acquired business’) of another person (hereinafter in this paragraph referred to as the ‘predecessor’), then the amount of qualified research expenses paid or incurred by the acquiring person during the measurement period shall be increased by the amount determined under clause (ii), and the gross receipts of the acquiring person for such period shall be increased by the amount determined under clause (iii).
 - “(ii) AMOUNT DETERMINED WITH RESPECT TO QUALIFIED RESEARCH EXPENSES.—The amount determined under this clause is—
 - “(I) for purposes of applying this section for the taxable year in which such acquisition is made, the acquisition year amount, and
 - “(II) for purposes of applying this section for any taxable year after the taxable year in which such acquisition is made, the qualified research expenses paid or incurred by the predecessor with respect to the acquired business during the measurement period.
 - “(iii) AMOUNT DETERMINED WITH RESPECT TO GROSS RECEIPTS.—The amount determined under this clause is the amount which would be determined under clause (ii) if ‘the gross receipts of’ were substituted for ‘the qualified research expenses paid or incurred by’ each place it appears in clauses (ii) and (iv).

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“(iv) ACQUISITION YEAR AMOUNT.—For purposes of clause (ii), the acquisition year amount is the amount equal to the product of—

“(I) the qualified research expenses paid or incurred by the predecessor with respect to the acquired business during the measurement period, and

“(II) the number of days in the period beginning on the date of the acquisition and ending on the last day of the taxable year in which the acquisition is made, divided by the number of days in the acquiring person’s taxable year.

“(v) SPECIAL RULES FOR COORDINATING TAXABLE YEARS.—In the case of an acquiring person and a predecessor whose taxable years do not begin on the same date—

“(I) each reference to a taxable year in clauses (ii) and (iv) shall refer to the appropriate taxable year of the acquiring person,

“(II) the qualified research expenses paid or incurred by the predecessor, and the gross receipts of the predecessor, during each taxable year of the predecessor any portion of which is part of the measurement period shall be allocated equally among the days of such taxable year,

“(III) the amount of such qualified research expenses taken into account under clauses (ii) and (iv) with respect to a taxable year of the acquiring person shall be equal to the total of the expenses attributable under subclause (II) to the days occurring during such taxable year, and

“(IV) the amount of such gross receipts taken into account under clause (iii) with respect to a taxable year of the acquiring person shall be equal to the total of the gross receipts attributable under subclause (II) to the days occurring during such taxable year.

“(vi) MEASUREMENT PERIOD.—For purposes of this subparagraph, the term ‘measurement period’ means, with respect to the taxable year of the acquiring person for which the credit is determined, any period of the acquiring person preceding such taxable year which is taken into account for purposes of determining the credit for such year.”.

(2) EXPENSES AND GROSS RECEIPTS OF A PREDECESSOR.—Subparagraph (B) of section 41(f)(3) is amended to read as follows:

“(B) DISPOSITIONS.—If the predecessor furnished to the acquiring person such information as is necessary for the application of subparagraph (A), then, for purposes of applying this section for any taxable year ending after such disposition, the amount of qualified research expenses paid or incurred by, and the gross receipts of, the predecessor during the measurement period (as defined in

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subparagraph (A)(vi), determined by substituting ‘predecessor’ for ‘acquiring person’ each place it appears) shall be reduced by—

“(i) in the case of the taxable year in which such disposition is made, an amount equal to the product of—

“(I) the qualified research expenses paid or incurred by, or gross receipts of, the predecessor with respect to the acquired business during the measurement period (as so defined and so determined), and

“(II) the number of days in the period beginning on the date of acquisition (as determined for purposes of subparagraph (A)(iv)(II)) and ending on the last day of the taxable year of the predecessor in which the disposition is made, divided by the number of days in the taxable year of the predecessor, and

“(ii) in the case of any taxable year ending after the taxable year in which such disposition is made, the amount described in clause (i)(I).”.

(c) **AGGREGATION OF EXPENDITURES.**—Paragraph (1) of section 41(f) is amended—

(1) by striking “shall be its proportionate shares of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, giving rise to the credit” in subparagraph (A)(ii) and inserting “shall be determined on a proportionate basis to its share of the aggregate of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, taken into account by such controlled group for purposes of this section”, and

(2) by striking “shall be its proportionate shares of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, giving rise to the credit” in subparagraph (B)(ii) and inserting “shall be determined on a proportionate basis to its share of the aggregate of the qualified research expenses, basic research payments, and amounts paid or incurred to energy research consortiums, taken into account by all such persons under common control for purposes of this section”.

(d) **EFFECTIVE DATE.**—

(1) **EXTENSION.**—The amendments made by subsection (a) shall apply to amounts paid or incurred after December 31, 2011.

(2) **MODIFICATIONS.**—The amendments made by subsections (b) and (c) shall apply to taxable years beginning after December 31, 2011.

SEC. 302. EXTENSION OF TEMPORARY MINIMUM LOW-INCOME TAX CREDIT RATE FOR NON-FEDERALLY SUBSIDIZED NEW BUILDINGS.

(a) **IN GENERAL.**—Subparagraph (A) of section 42(b)(2) is amended by striking “and before December 31, 2013” and inserting “with respect to housing credit dollar amount allocations made before January 1, 2014”.

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(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on the date of the enactment of this Act.

SEC. 303. EXTENSION OF HOUSING ALLOWANCE EXCLUSION FOR DETERMINING AREA MEDIAN GROSS INCOME FOR QUALIFIED RESIDENTIAL RENTAL PROJECT EXEMPT FACILITY BONDS.

(a) IN GENERAL.—Subsection (b) of section 3005 of the Housing Assistance Tax Act of 2008 is amended by striking “January 1, 2012” each place it appears and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect as if included in the enactment of section 3005 of the Housing Assistance Tax Act of 2008.

SEC. 304. EXTENSION OF INDIAN EMPLOYMENT TAX CREDIT.

(a) IN GENERAL.—Subsection (f) of section 45A is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 305. EXTENSION OF NEW MARKETS TAX CREDIT.

(a) IN GENERAL.—Subparagraph (G) of section 45D(f)(1) is amended by striking “2010 and 2011” and inserting “2010, 2011, 2012, and 2013”.

(b) CARRYOVER OF UNUSED LIMITATION.—Paragraph (3) of section 45D(f) is amended by striking “2016” and inserting “2018”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years beginning after December 31, 2011.

SEC. 306. EXTENSION OF RAILROAD TRACK MAINTENANCE CREDIT.

(a) IN GENERAL.—Subsection (f) of section 45G is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to expenditures paid or incurred in taxable years beginning after December 31, 2011.

SEC. 307. EXTENSION OF MINE RESCUE TEAM TRAINING CREDIT.

(a) IN GENERAL.—Subsection (e) of section 45N is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 308. EXTENSION OF EMPLOYER WAGE CREDIT FOR EMPLOYEES WHO ARE ACTIVE DUTY MEMBERS OF THE UNIFORMED SERVICES.

(a) IN GENERAL.—Subsection (f) of section 45P is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to payments made after December 31, 2011.

SEC. 309. EXTENSION OF WORK OPPORTUNITY TAX CREDIT.

(a) IN GENERAL.—Subparagraph (B) of section 51(c)(4) is amended by striking “after” and all that follows and inserting “after December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to individuals who begin work for the employer after December 31, 2011.

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SEC. 310. EXTENSION OF QUALIFIED ZONE ACADEMY BONDS.

(a) **IN GENERAL.**—Paragraph (1) of section 54E(c) is amended by inserting “, 2012, and 2013” after “for 2011”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to obligations issued after December 31, 2011.

SEC. 311. EXTENSION OF 15-YEAR STRAIGHT-LINE COST RECOVERY FOR QUALIFIED LEASEHOLD IMPROVEMENTS, QUALIFIED RESTAURANT BUILDINGS AND IMPROVEMENTS, AND QUALIFIED RETAIL IMPROVEMENTS.

(a) **IN GENERAL.**—Clauses (iv), (v), and (ix) of section 168(e)(3)(E) are each amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to property placed in service after December 31, 2011.

SEC. 312. EXTENSION OF 7-YEAR RECOVERY PERIOD FOR MOTOR-SPORTS ENTERTAINMENT COMPLEXES.

(a) **IN GENERAL.**—Subparagraph (D) of section 168(i)(15) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 313. EXTENSION OF ACCELERATED DEPRECIATION FOR BUSINESS PROPERTY ON AN INDIAN RESERVATION.

(a) **IN GENERAL.**—Paragraph (8) of section 168(j) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 314. EXTENSION OF ENHANCED CHARITABLE DEDUCTION FOR CONTRIBUTIONS OF FOOD INVENTORY.

(a) **IN GENERAL.**—Clause (iv) of section 170(e)(3)(C) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made after December 31, 2011.

SEC. 315. EXTENSION OF INCREASED EXPENSING LIMITATIONS AND TREATMENT OF CERTAIN REAL PROPERTY AS SECTION 179 PROPERTY.

(a) **IN GENERAL.**—

(1) **DOLLAR LIMITATION.**—Section 179(b)(1) is amended—

(A) by striking “2010 or 2011,” in subparagraph (B) and inserting “2010, 2011, 2012, or 2013, and”,

(B) by striking subparagraph (C),

(C) by redesignating subparagraph (D) as subparagraph (C), and

(D) in subparagraph (C), as so redesignated, by striking “2012” and inserting “2013”.

(2) **REDUCTION IN LIMITATION.**—Section 179(b)(2) is amended—

(A) by striking “2010 or 2011,” in subparagraph (B) and inserting “2010, 2011, 2012, or 2013, and”,

(B) by striking subparagraph (C),

(C) by redesignating subparagraph (D) as subparagraph (C), and

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(D) in subparagraph (C), as so redesignated, by striking “2012” and inserting “2013”.

(3) CONFORMING AMENDMENT.—Subsection (b) of section 179 is amended by striking paragraph (6).

(b) COMPUTER SOFTWARE.—Section 179(d)(1)(A)(ii) is amended by striking “2013” and inserting “2014”.

(c) ELECTION.—Section 179(c)(2) is amended by striking “2013” and inserting “2014”.

(d) SPECIAL RULES FOR TREATMENT OF QUALIFIED REAL PROPERTY.—

(1) IN GENERAL.—Section 179(f)(1) is amended by striking “2010 or 2011” and inserting “2010, 2011, 2012, or 2013”.

(2) CARRYOVER LIMITATION.—

(A) IN GENERAL.—Section 179(f)(4) is amended by striking “2011” each place it appears and inserting “2013”.

(B) CONFORMING AMENDMENT.—Subparagraph (C) of section 179(f)(4) is amended—

(i) in the heading, by striking “2010” and inserting “2010, 2011 AND 2012”, and

(ii) by adding at the end the following: “For the last taxable year beginning in 2013, the amount determined under subsection (b)(3)(A) for such taxable year shall be determined without regard to this paragraph.”.

(e) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 316. EXTENSION OF ELECTION TO EXPENSE MINE SAFETY EQUIPMENT.

(a) IN GENERAL.—Subsection (g) of section 179E is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 317. EXTENSION OF SPECIAL EXPENSING RULES FOR CERTAIN FILM AND TELEVISION PRODUCTIONS.

(a) IN GENERAL.—Subsection (f) of section 181 is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to productions commencing after December 31, 2011.

SEC. 318. EXTENSION OF DEDUCTION ALLOWABLE WITH RESPECT TO INCOME ATTRIBUTABLE TO DOMESTIC PRODUCTION ACTIVITIES IN PUERTO RICO.

(a) IN GENERAL.—Subparagraph (C) of section 199(d)(8) is amended—

(1) by striking “first 6 taxable years” and inserting “first 8 taxable years”, and

(2) by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 319. EXTENSION OF MODIFICATION OF TAX TREATMENT OF CERTAIN PAYMENTS TO CONTROLLING EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Clause (iv) of section 512(b)(13)(E) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

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(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to payments received or accrued after December 31, 2011.

SEC. 320. EXTENSION OF TREATMENT OF CERTAIN DIVIDENDS OF REGULATED INVESTMENT COMPANIES.

(a) **IN GENERAL.**—Paragraphs (1)(C)(v) and (2)(C)(v) of section 871(k) are each amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 321. EXTENSION OF RIC QUALIFIED INVESTMENT ENTITY TREATMENT UNDER FIRPTA.

(a) **IN GENERAL.**—Clause (ii) of section 897(h)(4)(A) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendment made by subsection (a) shall take effect on January 1, 2012. Notwithstanding the preceding sentence, such amendment shall not apply with respect to the withholding requirement under section 1445 of the Internal Revenue Code of 1986 for any payment made before the date of the enactment of this Act.

(2) **AMOUNTS WITHHELD ON OR BEFORE DATE OF ENACTMENT.**—In the case of a regulated investment company—

(A) which makes a distribution after December 31, 2011, and before the date of the enactment of this Act; and

(B) which would (but for the second sentence of paragraph (1)) have been required to withhold with respect to such distribution under section 1445 of such Code, such investment company shall not be liable to any person to whom such distribution was made for any amount so withheld and paid over to the Secretary of the Treasury.

SEC. 322. EXTENSION OF SUBPART F EXCEPTION FOR ACTIVE FINANCING INCOME.

(a) **EXEMPT INSURANCE INCOME.**—Paragraph (10) of section 953(e) is amended—

(1) by striking “January 1, 2012” and inserting “January 1, 2014”, and

(2) by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **SPECIAL RULE FOR INCOME DERIVED IN THE ACTIVE CONDUCT OF BANKING, FINANCING, OR SIMILAR BUSINESSES.**—Paragraph (9) of section 954(h) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2011, and to taxable years of United States shareholders with or within which any such taxable year of such foreign corporation ends.

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SEC. 323. EXTENSION OF LOOK-THRU TREATMENT OF PAYMENTS BETWEEN RELATED CONTROLLED FOREIGN CORPORATIONS UNDER FOREIGN PERSONAL HOLDING COMPANY RULES.

(a) **IN GENERAL.**—Subparagraph (C) of section 954(c)(6) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to taxable years of foreign corporations beginning after December 31, 2011, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end.

SEC. 324. EXTENSION OF TEMPORARY EXCLUSION OF 100 PERCENT OF GAIN ON CERTAIN SMALL BUSINESS STOCK.

(a) **IN GENERAL.**—Paragraph (4) of section 1202(a) is amended—
(1) by striking “January 1, 2012” and inserting “January 1, 2014”, and

(2) by striking “AND 2011” and inserting “, 2011, 2012, AND 2013” in the heading thereof.

(b) **TECHNICAL AMENDMENTS.**—

(1) **SPECIAL RULE FOR 2009 AND CERTAIN PERIOD IN 2010.**—Paragraph (3) of section 1202(a) is amended by adding at the end the following new flush sentence:

“In the case of any stock which would be described in the preceding sentence (but for this sentence), the acquisition date for purposes of this subsection shall be the first day on which such stock was held by the taxpayer determined after the application of section 1223.”

(2) **100 PERCENT EXCLUSION.**—Paragraph (4) of section 1202(a) is amended by adding at the end the following new flush sentence:

“In the case of any stock which would be described in the preceding sentence (but for this sentence), the acquisition date for purposes of this subsection shall be the first day on which such stock was held by the taxpayer determined after the application of section 1223.”

(c) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—The amendments made by subsection (a) shall apply to stock acquired after December 31, 2011.

(2) **SUBSECTION (b)(1).**—The amendment made by subsection (b)(1) shall take effect as if included in section 1241(a) of division B of the American Recovery and Reinvestment Act of 2009.

(3) **SUBSECTION (b)(2).**—The amendment made by subsection (b)(2) shall take effect as if included in section 2011(a) of the Creating Small Business Jobs Act of 2010.

SEC. 325. EXTENSION OF BASIS ADJUSTMENT TO STOCK OF S CORPORATIONS MAKING CHARITABLE CONTRIBUTIONS OF PROPERTY.

(a) **IN GENERAL.**—Paragraph (2) of section 1367(a) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to contributions made in taxable years beginning after December 31, 2011.

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SEC. 326. EXTENSION OF REDUCTION IN S-CORPORATION RECOGNITION PERIOD FOR BUILT-IN GAINS TAX.

- (a) **IN GENERAL.**—Paragraph (7) of section 1374(d) is amended—
 (1) by redesignating subparagraph (C) as subparagraph (D), and
 (2) by inserting after subparagraph (B) the following new subparagraph:

“(C) **SPECIAL RULE FOR 2012 AND 2013.**—For purposes of determining the net recognized built-in gain for taxable years beginning in 2012 or 2013, subparagraphs (A) and (D) shall be applied by substituting ‘5-year’ for ‘10-year’., and

- (3) by adding at the end the following new subparagraph:

“(E) **INSTALLMENT SALES.**—If an S corporation sells an asset and reports the income from the sale using the installment method under section 453, the treatment of all payments received shall be governed by the provisions of this paragraph applicable to the taxable year in which such sale was made.”.

- (b) **TECHNICAL AMENDMENT.**—Subparagraph (B) of section 1374(d)(2) is amended by inserting “described in subparagraph (A)” after “, for any taxable year”.

- (c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 327. EXTENSION OF EMPOWERMENT ZONE TAX INCENTIVES.

- (a) **IN GENERAL.**—Clause (i) of section 1391(d)(1)(A) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

- (b) **INCREASED EXCLUSION OF GAIN ON STOCK OF EMPOWERMENT ZONE BUSINESSES.**—Subparagraph (C) of section 1202(a)(2) is amended—

- (1) by striking “December 31, 2016” and inserting “December 31, 2018”; and

- (2) by striking “2016” in the heading and inserting “2018”.

- (c) **TREATMENT OF CERTAIN TERMINATION DATES SPECIFIED IN NOMINATIONS.**—In the case of a designation of an empowerment zone the nomination for which included a termination date which is contemporaneous with the date specified in subparagraph (A)(i) of section 1391(d)(1) of the Internal Revenue Code of 1986 (as in effect before the enactment of this Act), subparagraph (B) of such section shall not apply with respect to such designation if, after the date of the enactment of this section, the entity which made such nomination amends the nomination to provide for a new termination date in such manner as the Secretary of the Treasury (or the Secretary’s designee) may provide.

- (d) **EFFECTIVE DATE.**—The amendments made by this section shall apply to periods after December 31, 2011.

SEC. 328. EXTENSION OF TAX-EXEMPT FINANCING FOR NEW YORK LIBERTY ZONE.

- (a) **IN GENERAL.**—Subparagraph (D) of section 1400L(d)(2) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

- (b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to bonds issued after December 31, 2011.

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SEC. 329. EXTENSION OF TEMPORARY INCREASE IN LIMIT ON COVER OVER OF RUM EXCISE TAXES TO PUERTO RICO AND THE VIRGIN ISLANDS.

(a) **IN GENERAL.**—Paragraph (1) of section 7652(f) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to distilled spirits brought into the United States after December 31, 2011.

SEC. 330. MODIFICATION AND EXTENSION OF AMERICAN SAMOA ECONOMIC DEVELOPMENT CREDIT.

(a) **MODIFICATION.**—

(1) **IN GENERAL.**—Subsection (a) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended by striking “if such corporation” and all that follows and inserting “if—

“(1) in the case of a taxable year beginning before January 1, 2012, such corporation—

“(A) is an existing credit claimant with respect to American Samoa, and

“(B) elected the application of section 936 of the Internal Revenue Code of 1986 for its last taxable year beginning before January 1, 2006, and

“(2) in the case of a taxable year beginning after December 31, 2011, such corporation meets the requirements of subsection (e).”.

(2) **REQUIREMENTS.**—Section 119 of division A of such Act is amended by adding at the end the following new subsection:

“(e) **QUALIFIED PRODUCTION ACTIVITIES INCOME REQUIREMENT.**—A corporation meets the requirement of this subsection if such corporation has qualified production activities income, as defined in subsection (c) of section 199 of the Internal Revenue Code of 1986, determined by substituting ‘American Samoa’ for ‘the United States’ each place it appears in paragraphs (3), (4), and (6) of such subsection (c), for the taxable year.”.

(b) **EXTENSION.**—Subsection (d) of section 119 of division A of the Tax Relief and Health Care Act of 2006 is amended by striking “shall apply” and all that follows and inserting “shall apply—

“(1) in the case of a corporation that meets the requirements of subparagraphs (A) and (B) of subsection (a)(1), to the first 8 taxable years of such corporation which begin after December 31, 2006, and before January 1, 2014, and

“(2) in the case of a corporation that does not meet the requirements of subparagraphs (A) and (B) of subsection (a)(1), to the first 2 taxable years of such corporation which begin after December 31, 2011, and before January 1, 2014.”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years beginning after December 31, 2011.

SEC. 331. EXTENSION AND MODIFICATION OF BONUS DEPRECIATION.

(a) **IN GENERAL.**—Paragraph (2) of section 168(k) is amended—

(1) by striking “January 1, 2014” in subparagraph (A)(iv) and inserting “January 1, 2015”, and

(2) by striking “January 1, 2013” each place it appears and inserting “January 1, 2014”.

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(b) SPECIAL RULE FOR FEDERAL LONG-TERM CONTRACTS.— Clause (ii) of section 460(c)(6)(B) is amended by inserting “, or after December 31, 2012, and before January 1, 2014 (January 1, 2015, in the case of property described in section 168(k)(2)(B))” before the period.

(c) EXTENSION OF ELECTION TO ACCELERATE THE AMT CREDIT IN LIEU OF BONUS DEPRECIATION.—

(1) IN GENERAL.—Subclause (II) of section 168(k)(4)(D)(iii) is amended by striking “2013” and inserting “2014”.

(2) ROUND 3 EXTENSION PROPERTY.—Paragraph (4) of section 168(k) is amended by adding at the end the following new subparagraph:

“(J) SPECIAL RULES FOR ROUND 3 EXTENSION PROPERTY.—

“(i) IN GENERAL.—In the case of round 3 extension property, this paragraph shall be applied without regard to—

“(I) the limitation described in subparagraph (B)(i) thereof, and

“(II) the business credit increase amount under subparagraph (E)(iii) thereof.

“(ii) TAXPAYERS PREVIOUSLY ELECTING ACCELERATION.—In the case of a taxpayer who made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, a taxpayer who made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, or a taxpayer who made the election under subparagraph (I)(iii) for its first taxable year ending after December 31, 2010—

“(I) the taxpayer may elect not to have this paragraph apply to round 3 extension property, but

“(II) if the taxpayer does not make the election under subclause (I), in applying this paragraph to the taxpayer the bonus depreciation amount, maximum amount, and maximum increase amount shall be computed and applied to eligible qualified property which is round 3 extension property.

The amounts described in subclause (II) shall be computed separately from any amounts computed with respect to eligible qualified property which is not round 3 extension property.

“(iii) TAXPAYERS NOT PREVIOUSLY ELECTING ACCELERATION.—In the case of a taxpayer who neither made the election under subparagraph (A) for its first taxable year ending after March 31, 2008, nor made the election under subparagraph (H)(ii) for its first taxable year ending after December 31, 2008, nor made the election under subparagraph (I)(iii) for any taxable year ending after December 31, 2010—

“(I) the taxpayer may elect to have this paragraph apply to its first taxable year ending after December 31, 2012, and each subsequent taxable year, and

“(II) if the taxpayer makes the election under subclause (I), this paragraph shall only apply to

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eligible qualified property which is round 3 extension property.

“(iv) ROUND 3 EXTENSION PROPERTY.—For purposes of this subparagraph, the term ‘round 3 extension property’ means property which is eligible qualified property solely by reason of the extension of the application of the special allowance under paragraph (1) pursuant to the amendments made by section 331(a) of the American Taxpayer Relief Act of 2012 (and the application of such extension to this paragraph pursuant to the amendment made by section 331(c)(1) of such Act).”.

(d) NORMALIZATION RULES AMENDMENT.—Clause (ii) of section 168(i)(9)(A) is amended by inserting “(respecting all elections made by the taxpayer under this section)” after “such property”.

(e) CONFORMING AMENDMENTS.—

(1) The heading for subsection (k) of section 168 is amended by striking “JANUARY 1, 2013” and inserting “JANUARY 1, 2014”.

(2) The heading for clause (ii) of section 168(k)(2)(B) is amended by striking “PRE-JANUARY 1, 2013” and inserting “PRE-JANUARY 1, 2014”.

(3) Subparagraph (C) of section 168(n)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(4) Subparagraph (D) of section 1400L(b)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(5) Subparagraph (B) of section 1400N(d)(3) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to property placed in service after December 31, 2012, in taxable years ending after such date.

TITLE IV—ENERGY TAX EXTENDERS

SEC. 401. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT EXISTING HOMES.

(a) IN GENERAL.—Paragraph (2) of section 25C(g) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 402. EXTENSION OF CREDIT FOR ALTERNATIVE FUEL VEHICLE REFUELING PROPERTY.

(a) IN GENERAL.—Paragraph (2) of section 30C(g) is amended by striking “December 31, 2011.” and inserting “December 31, 2013”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to property placed in service after December 31, 2011.

SEC. 403. EXTENSION OF CREDIT FOR 2- OR 3-WHEELED PLUG-IN ELECTRIC VEHICLES.

(a) IN GENERAL.—Section 30D is amended by adding at the end the following new subsection:

“(g) CREDIT ALLOWED FOR 2- AND 3-WHEELED PLUG-IN ELECTRIC VEHICLES.—

“(1) IN GENERAL.—In the case of a qualified 2- or 3-wheeled plug-in electric vehicle—

“(A) there shall be allowed as a credit against the tax imposed by this chapter for the taxable year an amount equal to the sum of the applicable amount with respect

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to each such qualified 2- or 3-wheeled plug-in electric vehicle placed in service by the taxpayer during the taxable year, and

“(B) the amount of the credit allowed under subparagraph (A) shall be treated as a credit allowed under subsection (a).

“(2) APPLICABLE AMOUNT.—For purposes of paragraph (1), the applicable amount is an amount equal to the lesser of—

“(A) 10 percent of the cost of the qualified 2- or 3-wheeled plug-in electric vehicle, or

“(B) \$2,500.

“(3) QUALIFIED 2- OR 3-WHEELED PLUG-IN ELECTRIC VEHICLE.—The term ‘qualified 2- or 3-wheeled plug-in electric vehicle’ means any vehicle which—

“(A) has 2 or 3 wheels,

“(B) meets the requirements of subparagraphs (A), (B), (C), (E), and (F) of subsection (d)(1) (determined by substituting ‘2.5 kilowatt hours’ for ‘4 kilowatt hours’ in subparagraph (F)(i)),

“(C) is manufactured primarily for use on public streets, roads, and highways,

“(D) is capable of achieving a speed of 45 miles per hour or greater, and

“(E) is acquired after December 31, 2011, and before January 1, 2014.”

(b) CONFORMING AMENDMENTS.—

(1) NO DOUBLE BENEFIT.—Paragraph (2) of section 30D(f) is amended—

(A) by striking “new qualified plug-in electric drive motor vehicle” and inserting “vehicle for which a credit is allowable under subsection (a)”, and

(B) by striking “allowed under subsection (a)” and inserting “allowed under such subsection”.

(2) AIR QUALITY AND SAFETY STANDARDS.—Section 30D(f)(7) is amended by striking “motor vehicle” and inserting “vehicle”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to vehicles acquired after December 31, 2011.

SEC. 404. EXTENSION AND MODIFICATION OF CELLULOSIC BIOFUEL PRODUCER CREDIT.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (H) of section 40(b)(6) is amended to read as follows:

“(H) APPLICATION OF PARAGRAPH.—

“(i) IN GENERAL.—This paragraph shall apply with respect to qualified cellulosic biofuel production after December 31, 2008, and before January 1, 2014.

“(ii) NO CARRYOVER TO CERTAIN YEARS AFTER EXPIRATION.—If this paragraph ceases to apply for any period by reason of clause (i), rules similar to the rules of subsection (e)(2) shall apply.”

(2) CONFORMING AMENDMENT.—Paragraph (2) of section 40(e) is amended by striking “or subsection (b)(6)(H)”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall take effect as if included in section 15321(b) of the Heartland, Habitat, and Horticulture Act of 2008.

(b) ALGAE TREATED AS A QUALIFIED FEEDSTOCK.—

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(1) IN GENERAL.—Subclause (I) of section 40(b)(6)(E)(i) is amended to read as follows:

“(I) is derived by, or from, qualified feedstocks, and”.

(2) QUALIFIED FEEDSTOCK; SPECIAL RULES FOR ALGAE.—Paragraph (6) of section 40(b) is amended by redesignating subparagraphs (F), (G), and (H), as amended by this Act, as subparagraphs (H), (I), and (J), respectively, and by inserting after subparagraph (E) the following new subparagraphs:

“(F) QUALIFIED FEEDSTOCK.—For purposes of this paragraph, the term ‘qualified feedstock’ means—

“(i) any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis, and

“(ii) any cultivated algae, cyanobacteria, or lemna.

“(G) SPECIAL RULES FOR ALGAE.—In the case of fuel which is derived by, or from, feedstock described in subparagraph (F)(ii) and which is sold by the taxpayer to another person for refining by such other person into a fuel which meets the requirements of subparagraph (E)(i)(II) and the refined fuel is not excluded under subparagraph (E)(iii)—

“(i) such sale shall be treated as described in subparagraph (C)(i),

“(ii) such fuel shall be treated as meeting the requirements of subparagraph (E)(i)(II) and as not being excluded under subparagraph (E)(iii) in the hands of such taxpayer, and

“(iii) except as provided in this subparagraph, such fuel (and any fuel derived from such fuel) shall not be taken into account under subparagraph (C) with respect to the taxpayer or any other person.”.

(3) CONFORMING AMENDMENTS.—

(A) Section 40, as amended by paragraph (2), is amended—

(i) by striking “cellulosic biofuel” each place it appears in the text thereof and inserting “second generation biofuel”,

(ii) by striking “CELLULOSIC” in the headings of subsections (b)(6), (b)(6)(E), and (d)(3)(D) and inserting “SECOND GENERATION”, and

(iii) by striking “CELLULOSIC” in the headings of subsections (b)(6)(C), (b)(6)(D), (b)(6)(H), (d)(6), and (e)(3) and inserting “SECOND GENERATION”.

(B) Clause (ii) of section 40(b)(6)(E) is amended by striking “Such term shall not” and inserting “The term ‘second generation biofuel’ shall not”.

(C) Paragraph (1) of section 4101(a) is amended by striking “cellulosic biofuel” and inserting “second generation biofuel”.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to fuels sold or used after the date of the enactment of this Act.

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SEC. 405. EXTENSION OF INCENTIVES FOR BIODIESEL AND RENEWABLE DIESEL.

(a) CREDITS FOR BIODIESEL AND RENEWABLE DIESEL USED AS FUEL.—Subsection (g) of section 40A is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) EXCISE TAX CREDITS AND OUTLAY PAYMENTS FOR BIODIESEL AND RENEWABLE DIESEL FUEL MIXTURES.—

(1) Paragraph (6) of section 6426(c) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(2) Subparagraph (B) of section 6427(e)(6) is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2011.

SEC. 406. EXTENSION OF PRODUCTION CREDIT FOR INDIAN COAL FACILITIES PLACED IN SERVICE BEFORE 2009.

(a) IN GENERAL.—Subparagraph (A) of section 45(e)(10) is amended by striking “7-year period” each place it appears and inserting “8-year period”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to coal produced after December 31, 2012.

SEC. 407. EXTENSION AND MODIFICATION OF CREDITS WITH RESPECT TO FACILITIES PRODUCING ENERGY FROM CERTAIN RENEWABLE RESOURCES.

(a) PRODUCTION TAX CREDIT.—

(1) EXTENSION FOR WIND FACILITIES.—Paragraph (1) of section 45(d) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(2) EXCLUSION OF PAPER WHICH IS COMMONLY RECYCLED FROM DEFINITION OF MUNICIPAL SOLID WASTE.—Section 45(c)(6) is amended by inserting “, except that such term does not include paper which is commonly recycled and which has been segregated from other solid waste (as so defined)” after “(42 U.S.C. 6903)”.

(3) MODIFICATION TO DEFINITION OF QUALIFIED FACILITY.—

(A) IN GENERAL.—The following provisions of section 45(d), as amended by paragraph (1), are each amended by striking “before January 1, 2014” and inserting “the construction of which begins before January 1, 2014”:

- (i) Paragraph (1).
- (ii) Paragraph (2)(A)(i).
- (iii) Paragraph (3)(A)(i)(I).
- (iv) Paragraph (6).
- (v) Paragraph (7).
- (vi) Paragraph (9)(B).
- (vii) Paragraph (11)(B).

(B) CERTAIN CLOSED-LOOP BIOMASS FACILITIES.—Subparagraph (A) of section 45(d)(2) is amended by adding at the end the following new flush sentence:

“For purposes of clause (ii), a facility shall be treated as modified before January 1, 2014, if the construction of such modification begins before such date.”.

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(C) CERTAIN OPEN-LOOP BIOMASS FACILITIES.—Clause (ii) of section 45(d)(3)(A) is amended by striking “is originally placed in service” and inserting “the construction of which begins”.

(D) GEOTHERMAL FACILITIES.—

(i) IN GENERAL.—Paragraph (4) of section 45(d) is amended by striking “and before January 1, 2014” and all that follows and inserting “and which—

“(A) in the case of a facility using solar energy, is placed in service before January 1, 2006, or

“(B) in the case of a facility using geothermal energy, the construction of which begins before January 1, 2014.

Such term shall not include any property described in section 48(a)(3) the basis of which is taken into account by the taxpayer for purposes of determining the energy credit under section 48.”.

(E) INCREMENTAL HYDROPOWER PRODUCTION.—Paragraph (9) of section 45(d) is amended—

(i) by redesignating subparagraphs (A) and (B), as amended by subparagraph (A), as clauses (i) and (ii), respectively, and by moving such clauses (as so redesignated) 2 ems to the right,

(ii) by striking “In the case of a facility” and inserting the following:

“(A) IN GENERAL.—In the case of a facility”,

(iii) by redesignating subparagraph (C) as subparagraph (B), and

(iv) by adding at the end the following new subparagraph:

“(C) SPECIAL RULE.—For purposes of subparagraph (A)(i), an efficiency improvement or addition to capacity shall be treated as placed in service before January 1, 2014, if the construction of such improvement or addition begins before such date.”.

(b) EXTENSION OF ELECTION TO TREAT QUALIFIED FACILITIES AS ENERGY PROPERTY.—Subparagraph (C) of section 48(a)(5) is amended to read as follows:

“(C) QUALIFIED INVESTMENT CREDIT FACILITY.—For purposes of this paragraph, the term ‘qualified investment credit facility’ means any facility—

“(i) which is a qualified facility (within the meaning of section 45) described in paragraph (1), (2), (3), (4), (6), (7), (9), or (11) of section 45(d),

“(ii) which is placed in service after 2008 and the construction of which begins before January 1, 2014, and

“(iii) with respect to which—

“(I) no credit has been allowed under section 45, and

“(II) the taxpayer makes an irrevocable election to have this paragraph apply.”.

(c) TECHNICAL CORRECTIONS.—

(1) Subparagraph (D) of section 48(a)(5) is amended—

(A) by striking “and” at the end of clause (i)(II),

(B) by striking the period at the end of clause (ii) and inserting a comma, and

(C) by adding at the end the following new clauses:

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“(iii) which is constructed, reconstructed, erected, or acquired by the taxpayer, and

“(iv) the original use of which commences with the taxpayer.”.

(2) Paragraphs (1) and (2) of subsection (a) of section 1603 of division B of the American Recovery and Reinvestment Act of 2009 are each amended by striking “placed in service” and inserting “originally placed in service by such person”.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall take effect on the date of the enactment of this Act.

(2) MODIFICATION TO DEFINITION OF MUNICIPAL SOLID WASTE.—The amendments made by subsection (a)(2) shall apply to electricity produced and sold after the date of the enactment of this Act, in taxable years ending after such date.

(3) TECHNICAL CORRECTIONS.—The amendments made by subsection (c) shall apply as if included in the enactment of the provisions of the American Recovery and Reinvestment Act of 2009 to which they relate.

SEC. 408. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT NEW HOMES.

(a) IN GENERAL.—Subsection (g) of section 45L is amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) ENERGY SAVINGS REQUIREMENTS.—Clause (i) of section 45L(c)(1)(A) is amended by striking “2003 International Energy Conservation Code, as such Code (including supplements) is in effect on the date of the enactment of this section” and inserting “2006 International Energy Conservation Code, as such Code (including supplements) is in effect on January 1, 2006”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to homes acquired after December 31, 2011.

SEC. 409. EXTENSION OF CREDIT FOR ENERGY-EFFICIENT APPLIANCES.

(a) IN GENERAL.—Section 45M(b) is amended by striking “2011” each place it appears other than in the provisions specified in subsection (b) and inserting “2011, 2012, or 2013”.

(b) PROVISIONS SPECIFIED.—The provisions of section 45M(b) specified in this subsection are subparagraph (C) of paragraph (1) and subparagraph (E) of paragraph (2).

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to appliances produced after December 31, 2011.

SEC. 410. EXTENSION AND MODIFICATION OF SPECIAL ALLOWANCE FOR CELLULOSIC BIOFUEL PLANT PROPERTY.

(a) EXTENSION.—

(1) IN GENERAL.—Subparagraph (D) of section 168(l)(2) is amended by striking “January 1, 2013” and inserting “January 1, 2014”.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to property placed in service after December 31, 2012.

(b) ALGAE TREATED AS A QUALIFIED FEEDSTOCK FOR PURPOSES OF BONUS DEPRECIATION FOR BIOFUEL PLANT PROPERTY.—

(1) IN GENERAL.—Subparagraph (A) of section 168(l)(2) is amended by striking “solely to produce cellulosic biofuel” and

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inserting “solely to produce second generation biofuel (as defined in section 40(b)(6)(E))”.

(2) CONFORMING AMENDMENTS.—Subsection (1) of section 168, as amended by subsection (a), is amended—

(A) by striking “cellulosic biofuel” each place it appears in the text thereof and inserting “second generation biofuel”,

(B) by striking paragraph (3) and redesignating paragraphs (4) through (8) as paragraphs (3) through (7), respectively,

(C) by striking “CELLULOSIC” in the heading of such subsection and inserting “SECOND GENERATION”, and

(D) by striking “CELLULOSIC” in the heading of paragraph (2) and inserting “SECOND GENERATION”.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to property placed in service after the date of the enactment of this Act.

SEC. 411. EXTENSION OF SPECIAL RULE FOR SALES OR DISPOSITIONS TO IMPLEMENT FERC OR STATE ELECTRIC RESTRUCTURING POLICY FOR QUALIFIED ELECTRIC UTILITIES.

(a) IN GENERAL.—Paragraph (3) of section 451(i) is amended by striking “January 1, 2012” and inserting “January 1, 2014”.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to dispositions after December 31, 2011.

SEC. 412. EXTENSION OF ALTERNATIVE FUELS EXCISE TAX CREDITS.

(a) IN GENERAL.—Sections 6426(d)(5) and 6426(e)(3) are each amended by striking “December 31, 2011” and inserting “December 31, 2013”.

(b) OUTLAY PAYMENTS FOR ALTERNATIVE FUELS.—Paragraph (6) of section 6427(e) is amended—

(1) in subparagraph (C)—

(A) by striking “or alternative fuel mixture (as defined in subsection (d)(2) or (e)(3) of section 6426)” and inserting “(as defined in section 6426(d)(2))”, and

(B) by striking “December 31, 2011, and” and inserting “December 31, 2013,”

(2) in subparagraph (D)—

(A) by striking “or alternative fuel mixture”, and

(B) by striking the period at the end and inserting “, and”, and

(3) by adding at the end the following new subparagraph:
“(E) any alternative fuel mixture (as defined in section 6426(e)(2)) sold or used after December 31, 2011.”

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to fuel sold or used after December 31, 2011.

TITLE V—UNEMPLOYMENT

SEC. 501. EXTENSION OF EMERGENCY UNEMPLOYMENT COMPENSATION PROGRAM.

(a) EXTENSION.—Section 4007(a)(2) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended by striking “January 2, 2013” and inserting “January 1, 2014”.

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(b) **FUNDING.**—Section 4004(e)(1) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended—

(1) in subparagraph (H), by striking “and” at the end;

and

(2) by inserting after subparagraph (I) the following:

“(J) the amendments made by section 501(a) of the American Taxpayer Relief Act of 2012;”.

(c) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the enactment of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96)

SEC. 502. TEMPORARY EXTENSION OF EXTENDED BENEFIT PROVISIONS.

(a) **IN GENERAL.**—Section 2005 of the Assistance for Unemployed Workers and Struggling Families Act, as contained in Public Law 111–5 (26 U.S.C. 3304 note), is amended—

(1) by striking “December 31, 2012” each place it appears and inserting “December 31, 2013”; and

(2) in subsection (c), by striking “June 30, 2013” and inserting “June 30, 2014”.

(b) **EXTENSION OF MATCHING FOR STATES WITH NO WAITING WEEK.**—Section 5 of the Unemployment Compensation Extension Act of 2008 (Public Law 110–449; 26 U.S.C. 3304 note) is amended by striking “June 30, 2013” and inserting “June 30, 2014”.

(c) **EXTENSION OF MODIFICATION OF INDICATORS UNDER THE EXTENDED BENEFIT PROGRAM.**—Section 203 of the Federal-State Extended Unemployment Compensation Act of 1970 (26 U.S.C. 3304 note) is amended—

(1) in subsection (d), by striking “December 31, 2012” and inserting “December 31, 2013”; and

(2) in subsection (f)(2), by striking “December 31, 2012” and inserting “December 31, 2013”.

(d) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the enactment of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96).

SEC. 503. EXTENSION OF FUNDING FOR REEMPLOYMENT SERVICES AND REEMPLOYMENT AND ELIGIBILITY ASSESSMENT ACTIVITIES.

(a) **IN GENERAL.**—Section 4004(c)(2)(A) of the Supplemental Appropriations Act, 2008 (Public Law 110–252; 26 U.S.C. 3304 note) is amended by striking “through fiscal year 2013” and inserting “through fiscal year 2014”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall take effect as if included in the enactment of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96).

SEC. 504. ADDITIONAL EXTENDED UNEMPLOYMENT BENEFITS UNDER THE RAILROAD UNEMPLOYMENT INSURANCE ACT.

(a) **EXTENSION.**—Section 2(c)(2)(D)(iii) of the Railroad Unemployment Insurance Act, as added by section 2006 of the American Recovery and Reinvestment Act of 2009 (Public Law 111–5) and as amended by section 9 of the Worker, Homeownership, and Business Assistance Act of 2009 (Public Law 111–92), section 505 of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Public Law 111–312), section 202 of the Temporary Payroll Tax Cut Continuation Act of 2011 (Public

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Law 112–78), and section 2124 of the Unemployment Benefits Extension Act of 2012 (Public Law 112–96), is amended—

(1) by striking “June 30, 2012” and inserting “June 30, 2013”; and

(2) by striking “December 31, 2012” and inserting “December 31, 2013”.

(b) **CLARIFICATION ON AUTHORITY TO USE FUNDS.**—Funds appropriated under either the first or second sentence of clause (iv) of section 2(c)(2)(D) of the Railroad Unemployment Insurance Act shall be available to cover the cost of additional extended unemployment benefits provided under such section 2(c)(2)(D) by reason of the amendments made by subsection (a) as well as to cover the cost of such benefits provided under such section 2(c)(2)(D), as in effect on the day before the date of enactment of this Act.

(c) **FUNDING FOR ADMINISTRATION.**—Out of any funds in the Treasury not otherwise appropriated, there are appropriated to the Railroad Retirement Board \$250,000 for administrative expenses associated with the payment of additional extended unemployment benefits provided under section 2(c)(2)(D) of the Railroad Unemployment Insurance Act by reason of the amendments made by subsection (a), to remain available until expended.

TITLE VI—MEDICARE AND OTHER HEALTH EXTENSIONS

Subtitle A—Medicare Extensions

SEC. 601. MEDICARE PHYSICIAN PAYMENT UPDATE.

(a) **IN GENERAL.**—Section 1848(d) of the Social Security Act (42 U.S.C. 1395w–4(d)) is amended by adding at the end the following new paragraph:

“(14) **UPDATE FOR 2013.**—

“(A) **IN GENERAL.**—Subject to paragraphs (7)(B), (8)(B), (9)(B), (10)(B), (11)(B), (12)(B), and (13)(B), in lieu of the update to the single conversion factor established in paragraph (1)(C) that would otherwise apply for 2013, the update to the single conversion factor for such year shall be zero percent.

“(B) **NO EFFECT ON COMPUTATION OF CONVERSION FACTOR FOR 2014 AND SUBSEQUENT YEARS.**—The conversion factor under this subsection shall be computed under paragraph (1)(A) for 2014 and subsequent years as if subparagraph (A) had never applied.”.

(b) **ADVANCEMENT OF CLINICAL DATA REGISTRIES TO IMPROVE THE QUALITY OF HEALTH CARE.**—

(1) **IN GENERAL.**—Section 1848(m)(3) of the Social Security Act (42 U.S.C. 1395w–4(m)(3)) is amended—

(A) by redesignating subparagraph (D) as subparagraph (F); and

(B) by inserting after subparagraph (C) the following new subparagraphs:

“(D) **SATISFACTORY REPORTING MEASURES THROUGH PARTICIPATION IN A QUALIFIED CLINICAL DATA REGISTRY.**—For 2014 and subsequent years, the Secretary shall treat

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an eligible professional as satisfactorily submitting data on quality measures under subparagraph (A) if, in lieu of reporting measures under subsection (k)(2)(C), the eligible professional is satisfactorily participating, as determined by the Secretary, in a qualified clinical data registry (as described in subparagraph (E)) for the year.

“(E) QUALIFIED CLINICAL DATA REGISTRY.—

“(i) IN GENERAL.—The Secretary shall establish requirements for an entity to be considered a qualified clinical data registry. Such requirements shall include a requirement that the entity provide the Secretary with such information, at such times, and in such manner, as the Secretary determines necessary to carry out this subsection.

“(ii) CONSIDERATIONS.—In establishing the requirements under clause (i), the Secretary shall consider whether an entity—

“(I) has in place mechanisms for the transparency of data elements and specifications, risk models, and measures;

“(II) requires the submission of data from participants with respect to multiple payers;

“(III) provides timely performance reports to participants at the individual participant level; and

“(IV) supports quality improvement initiatives for participants.

“(iii) MEASURES.—With respect to measures used by a qualified clinical data registry—

“(I) sections 1890(b)(7) and 1890A(a) shall not apply; and

“(II) measures endorsed by the entity with a contract with the Secretary under section 1890(a) may be used.

“(iv) CONSULTATION.—In carrying out this subparagraph, the Secretary shall consult with interested parties.

“(v) DETERMINATION.—The Secretary shall establish a process to determine whether or not an entity meets the requirements established under clause (i). Such process may involve one or both of the following:

“(I) A determination by the Secretary.

“(II) A designation by the Secretary of one or more independent organizations to make such determination.”.

(2) GAO STUDY AND REPORT ON INCORPORATING REGISTRY DATA INTO THE MEDICARE PROGRAM IN ORDER TO IMPROVE QUALITY AND EFFICIENCY.—

(A) STUDY.—The Comptroller General of the United States shall conduct a study on the potential of clinical data registries to improve the quality and efficiency of care in the Medicare program, including through payment system incentives. Such study shall include an analysis of the role of health information technology in facilitating clinical data registries and the use of data from such registries among private health insurers as well as other entities the Comptroller General determines appropriate.

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(B) REPORT.—Not later than November 15, 2013, the Comptroller General of the United States shall submit to Congress a report on the study conducted under subparagraph (A), together with recommendations for such legislation and administrative action as the Comptroller General determines appropriate.

SEC. 602. WORK GEOGRAPHIC ADJUSTMENT.

Section 1848(e)(1)(E) of the Social Security Act (42 U.S.C. 1395w-4(e)(1)(E)) is amended by striking “before January 1, 2013” and inserting “before January 1, 2014”.

SEC. 603. PAYMENT FOR OUTPATIENT THERAPY SERVICES.

(a) EXTENSION.—Section 1833(g) of the Social Security Act (42 U.S.C. 1395l(g)) is amended—

(1) in paragraph (5)(A), in the first sentence, by striking “December 31, 2012” and inserting “December 31, 2013”; and

(2) in paragraph (6)—

(A) by striking “December 31, 2012” and inserting “December 31, 2013”; and

(B) by inserting “or 2013” after “during 2012”.

(b) APPLICATION OF THERAPY CAP TO THERAPY FURNISHED AS PART OF OUTPATIENT CRITICAL ACCESS HOSPITAL SERVICES.—Section 1833(g)(6) of the Social Security Act (42 U.S.C. 1395l(g)(6)), as amended by subsection (a), is amended—

(1) by striking “In applying” and inserting “(A) In applying”; and

(2) by adding at the end the following new subparagraph:
 “(B)(i) With respect to outpatient therapy services furnished beginning on or after January 1, 2013, and before January 1, 2014, for which payment is made under section 1834(g), the Secretary shall count toward the uniform dollar limitations described in paragraphs (1) and (3) and the threshold described in paragraph (5)(C) the amount that would be payable under this part if such services were paid under section 1834(k)(1)(B) instead of being paid under section 1834(g).”

“(ii) Nothing in clause (i) shall be construed as changing the method of payment for outpatient therapy services under section 1834(g).”

(c) BENEFICIARY PROTECTIONS.—Section 1833(g)(5) of the Social Security Act (42 U.S.C. 1395l(g)(5)) is amended by adding at the end the following new subparagraph:

“(D) With respect to services furnished on or after January 1, 2013, where payment may not be made as a result of application of paragraphs (1) and (3), section 1879 shall apply in the same manner as such section applies to a denial that is made by reason of section 1862(a)(1).”

(d) IMPLEMENTATION.—Notwithstanding any other provision of law, the Secretary of Health and Human Services may implement the provisions of, and the amendments made by, this section by program instruction or otherwise.

SEC. 604. AMBULANCE ADD-ON PAYMENTS.

(a) GROUND AMBULANCE.—Section 1834(l)(13)(A) of the Social Security Act (42 U.S.C. 1395m(l)(13)(A)) is amended—

(1) in the matter preceding clause (i), by striking “January 1, 2013” and inserting “January 1, 2014”; and

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(2) in each of clauses (i) and (ii), by striking “January 1, 2013” and inserting “January 1, 2014” each place it appears.

(b) AIR AMBULANCE.—Section 146(b)(1) of the Medicare Improvements for Patients and Providers Act of 2008 (Public Law 110–275), as amended by sections 3105(b) and 10311(b) of the Patient Protection and Affordable Care Act (Public Law 111–148), section 106(b) of the Medicare and Medicaid Extenders Act of 2010 (Public Law 111–309), section 306(b) of the Temporary Payroll Tax Cut Continuation Act of 2011 (Public Law 112–78), and section 3007(b) of the Middle Class Tax Relief and Job Creation Act of 2012 (Public Law 112–96), is amended by striking “December 31, 2012” and inserting “June 30, 2013”.

(c) SUPER RURAL AMBULANCE.—Section 1834(l)(12)(A) of the Social Security Act (42 U.S.C. 1395m(l)(12)(A)) is amended in the first sentence by striking “January 1, 2013” and inserting “January 1, 2014”.

(d) STUDIES OF AMBULANCE COSTS.—

(1) IN GENERAL.—The Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall conduct a study of each of the following:

(A) A study that analyzes data on existing cost reports for ambulance services furnished by hospitals and critical access hospitals, including variation by characteristics of such providers of services.

(B) A study of the feasibility of obtaining cost data on a periodic basis from all ambulance providers of services and suppliers for potential use in examining the appropriateness of the Medicare add-on payments for ground ambulance services furnished under the fee schedule under section 1834(l) of the Social Security Act (42 U.S.C. 1395m(l)) and in preparing for future reform of such payment system.

(2) COMPONENTS OF ONE OF THE STUDIES.—In conducting the study under paragraph (1)(B), the Secretary shall—

(A) consult with industry on the design of such cost collection efforts;

(B) explore use of cost surveys and cost reports to collect appropriate cost data and the periodicity of such cost data collection;

(C) examine the feasibility of development of a standard cost reporting tool for providers of services and suppliers of ground ambulance services; and

(D) examine the ability to furnish such cost data by various types of ambulance providers of services and suppliers, especially by rural and super-rural providers of services and suppliers.

(3) REPORTS.—

(A) EXISTING COST REPORTS.—Not later than October 1, 2013, the Secretary shall submit a report to Congress on the study conducted under paragraph (1)(A), together with recommendations for such legislation and administrative action as the Secretary determines appropriate.

(B) OBTAINING COST DATA.—Not later than July 1, 2014, the Secretary shall submit a report to Congress on the study conducted under paragraph (1)(B), together with recommendations for such legislation and administrative action as the Secretary determines appropriate.

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SEC. 605. EXTENSION OF MEDICARE INPATIENT HOSPITAL PAYMENT ADJUSTMENT FOR LOW-VOLUME HOSPITALS.

Section 1886(d)(12) of the Social Security Act (42 U.S.C. 1395ww(d)(12)) is amended—

- (1) in subparagraph (B), in the matter preceding clause (i), by striking “2013” and inserting “2014”;
- (2) in subparagraph (C)(i), by striking “and 2012” each place it appears and inserting “, 2012, and 2013”; and
- (3) in subparagraph (D), by striking “and 2012” and inserting “, 2012, and 2013”.

SEC. 606. EXTENSION OF THE MEDICARE-DEPENDENT HOSPITAL (MDH) PROGRAM.

(a) **EXTENSION OF PAYMENT METHODOLOGY.**—Section 1886(d)(5)(G) of the Social Security Act (42 U.S.C. 1395ww(d)(5)(G)) is amended—

- (1) in clause (i), by striking “October 1, 2012” and inserting “October 1, 2013”; and
- (2) in clause (ii)(II), by striking “October 1, 2012” and inserting “October 1, 2013”.

(b) **CONFORMING AMENDMENTS.**—

(1) **EXTENSION OF TARGET AMOUNT.**—Section 1886(b)(3)(D) of the Social Security Act (42 U.S.C. 1395ww(b)(3)(D)) is amended—

- (A) in the matter preceding clause (i), by striking “October 1, 2012” and inserting “October 1, 2013”; and
- (B) in clause (iv), by striking “through fiscal year 2012” and inserting “through fiscal year 2013”.

(2) **PERMITTING HOSPITALS TO DECLINE RECLASSIFICATION.**—Section 13501(e)(2) of the Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. 1395ww note) is amended by striking “through fiscal year 2012” and inserting “through fiscal year 2013”.

SEC. 607. EXTENSION FOR SPECIALIZED MEDICARE ADVANTAGE PLANS FOR SPECIAL NEEDS INDIVIDUALS.

Section 1859(f)(1) of the Social Security Act (42 U.S.C. 1395w-28(f)(1)) is amended by striking “2014” and inserting “2015”.

SEC. 608. EXTENSION OF MEDICARE REASONABLE COST CONTRACTS.

Section 1876(h)(5)(C)(ii) of the Social Security Act (42 U.S.C. 1395mm(h)(5)(C)(ii)) is amended, in the matter preceding subclause (I), by striking “January 1, 2013” and inserting “January 1, 2014”.

SEC. 609. PERFORMANCE IMPROVEMENT.

(a) **EXTENSION OF FUNDING FOR CONTRACT WITH CONSENSUS-BASED ENTITY REGARDING PERFORMANCE MEASUREMENT.**—

(1) **IN GENERAL.**—Section 1890(d) of the Social Security Act (42 U.S.C. 1395aaa(d)) is amended by striking “fiscal years 2009 through 2012” and inserting “fiscal years 2009 through 2013”.

(2) **REVISION TO DUTIES.**—Section 1890(b) of the Social Security Act (42 U.S.C. 1395aaa(b)) is amended by striking paragraph (4).

(b) **PROVIDING DATA FOR PERFORMANCE IMPROVEMENT IN A TIMELY MANNER.**—

(1) **IN GENERAL.**—The Secretary of Health and Human Services (in this subsection referred to as the “Secretary”) shall

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develop a strategy to provide data for performance improvement in a timely manner to applicable providers under the Medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.), including with respect to the provision of the following:

(A) Utilization data, including such data for items and services under parts A, B, and D of the Medicare program.

(B) Feedback on quality data submitted by the applicable provider under the Medicare program.

(2) CONSIDERATIONS.—In developing the strategy under paragraph (1), the Secretary shall consider—

(A) the type of applicable provider receiving the data;

(B) the frequency of providing the data so that it can be the most relevant in improving provider performance;

(C) risk adjustment methods;

(D) presentation of the data in a meaningful manner and easily understandable format;

(E) with respect to utilization data, the provision of data that the Secretary determines would be useful to improve the performance of the type of applicable provider involved; and

(F) administrative costs involved with providing data.

(3) SUBMISSION AND AVAILABILITY OF INITIAL STRATEGY.—Not later than 1 year after the date of the enactment of this Act, the Secretary shall—

(A) submit to the relevant committees of Congress the strategy described in paragraph (1); and

(B) post such strategy on the website of the Centers for Medicare & Medicaid Services.

(4) STRATEGY UPDATE.—

(A) FEEDBACK FROM STAKEHOLDERS.—The Secretary shall seek feedback from stakeholders on the initial strategy submitted under paragraph (3).

(B) STRATEGY UPDATE.—The Secretary shall—

(i) update the strategy described in paragraph (1) based on the feedback submitted under subparagraph (A); and

(ii) not later than 18 months after the date of the enactment of this Act—

(I) submit such updated strategy to the relevant committees of Congress; and

(II) post such updated strategy on the website of the Centers for Medicare & Medicaid Services.

(5) GAO STUDY AND REPORT ON PRIVATE SECTOR INFORMATION SHARING ACTIVITIES.—

(A) STUDY.—The Comptroller General of the United States (in this paragraph referred to as the “Comptroller General”) shall conduct a study on information sharing activities. Such study shall include an analysis of—

(i) how private sector entities share timely data with hospitals, physicians, and other providers and what lessons can be learned from those activities;

(ii) how the Medicare program currently shares data with providers, including what data is provided and to which providers, and what divisions within the Centers for Medicare & Medicaid Services oversee those efforts;

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(iii) what, if any, differences there are between the private sector and the Medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) in terms of sharing data; and

(iv) what, if any, barriers there are for the Centers for Medicare & Medicaid Services to sharing timely data with applicable providers and recommendations to eliminate or reduce such barriers.

(B) REPORT.—Not later than 8 months after the date of the enactment of this Act, the Comptroller General shall submit to the relevant committees of Congress a report containing the results of the study conducted under subparagraph (A), together with recommendations for such legislation and administrative action as the Comptroller General determines appropriate.

(6) DEFINITIONS.—In this subsection:

(A) APPLICABLE PROVIDER.—The term “applicable provider” means the following:

(i) A critical access hospital (as defined in section 1861(mm)(1) of the Social Security Act (42 U.S.C. 1395xx(mm)(1))).

(ii) A hospital (as defined in section 1861(e) of such Act (42 U.S.C. 1395x(e))).

(iii) A physician (as defined in section 1861(r) of such Act (42 U.S.C. 1395x(r))).

(iv) Any other provider the Secretary determines should receive the information described in subsection (a).

(B) PERFORMANCE IMPROVEMENT.—The term “performance improvement” means improvements in quality, reducing per capita costs, and other criteria the Secretary determines appropriate.

SEC. 610. EXTENSION OF FUNDING OUTREACH AND ASSISTANCE FOR LOW-INCOME PROGRAMS.

(a) ADDITIONAL FUNDING FOR STATE HEALTH INSURANCE PROGRAMS.—Subsection (a)(1)(B) of section 119 of the Medicare Improvements for Patients and Providers Act of 2008 (42 U.S.C. 1395b–3 note), as amended by section 3306 of the Patient Protection and Affordable Care Act Public Law 111–148, is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause: “(iii) for fiscal year 2013, of \$7,500,000.”

(b) ADDITIONAL FUNDING FOR AREA AGENCIES ON AGING.—Subsection (b)(1)(B) of such section 119, as so amended, is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause: “(iii) for fiscal year 2013, of \$7,500,000.”

(c) ADDITIONAL FUNDING FOR AGING AND DISABILITY RESOURCE CENTERS.—Subsection (c)(1)(B) of such section 119, as so amended, is amended—

(1) in clause (i), by striking “and” at the end;

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(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause:
“(iii) for fiscal year 2013, of \$5,000,000.”.

(d) **ADDITIONAL FUNDING FOR CONTRACT WITH THE NATIONAL CENTER FOR BENEFITS AND OUTREACH ENROLLMENT.**—Subsection (d)(2) of such section 119, as so amended, is amended—

(1) in clause (i), by striking “and” at the end;

(2) in clause (ii), by striking the period at the end and inserting “; and”; and

(3) by inserting after clause (ii) the following new clause:
“(iii) for fiscal year 2013, of \$5,000,000.”.

Subtitle B—Other Health Extensions

SEC. 621. EXTENSION OF THE QUALIFYING INDIVIDUAL (QI) PROGRAM.

(a) **EXTENSION.**—Section 1902(a)(10)(E)(iv) of the Social Security Act (42 U.S.C. 1396a(a)(10)(E)(iv)) is amended by striking “2012” and inserting “2013”.

(b) **EXTENDING TOTAL AMOUNT AVAILABLE FOR ALLOCATION.**—Section 1933(g) of such Act (42 U.S.C. 1396u-3(g)) is amended—

(1) in paragraph (2)—

(A) in subparagraph (Q), by striking “and” after the semicolon;

(B) in subparagraph (R), by striking the period at the end and inserting a semicolon; and

(C) by adding at the end the following new subparagraphs:

“(S) for the period that begins on January 1, 2013, and ends on September 30, 2013, the total allocation amount is \$485,000,000; and

“(T) for the period that begins on October 1, 2013, and ends on December 31, 2013, the total allocation amount is \$300,000,000.”; and

(2) in paragraph (3), in the matter preceding subparagraph (A), by striking “or (R)” and inserting “(R), or (T)”.

SEC. 622. EXTENSION OF TRANSITIONAL MEDICAL ASSISTANCE (TMA).

Sections 1902(e)(1)(B) and 1925(f) of the Social Security Act (42 U.S.C. 1396a(e)(1)(B), 1396r-6(f)) are each amended by striking “2012” and inserting “2013”.

SEC. 623. EXTENSION OF MEDICAID AND CHIP EXPRESS LANE OPTION.

Section 1902(e)(13)(I) of the Social Security Act (42 U.S.C. 1396a(e)(13)(I)) is amended by striking “2013” and inserting “2014”.

SEC. 624. EXTENSION OF FAMILY-TO-FAMILY HEALTH INFORMATION CENTERS.

Section 501(c)(1)(A)(iii) of the Social Security Act (42 U.S.C. 701(c)(1)(A)(iii)) is amended by striking “2012” and inserting “2013”.

SEC. 625. EXTENSION OF SPECIAL DIABETES PROGRAM FOR TYPE I DIABETES AND FOR INDIANS.

(a) **SPECIAL DIABETES PROGRAMS FOR TYPE I DIABETES.**—Section 330B(b)(2)(C) of the Public Health Service Act (42 U.S.C. 254c-2(b)(2)(C)) is amended by striking “2013” and inserting “2014”.

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(b) SPECIAL DIABETES PROGRAMS FOR INDIANS.—Section 330C(c)(2)(C) of the Public Health Service Act (42 U.S.C. 254c–3(c)(2)(C)) is amended by striking “2013” and inserting “2014”.

Subtitle C—Other Health Provisions

SEC. 631. IPPS DOCUMENTATION AND CODING ADJUSTMENT FOR IMPLEMENTATION OF MS-DRGS.

(a) RULE OF CONSTRUCTION AND CLARIFICATION.—

(1) RULE OF CONSTRUCTION.—Nothing in the amendments made by subsection (b) shall be construed as changing the existing authority under section 1886(d) of the Social Security Act (42 U.S.C. 1395ww(d)) to make prospective documentation and coding adjustments to the standardized amounts under such section 1886(d) to correct for changes in the coding or classification of discharges that do not reflect real changes in case mix.

(2) CLARIFICATION.—Effective on the date of the enactment of this section, except as provided in section 7(b)(1)(B)(ii) of the TMA, Abstinence Education, and QI Programs Extension Act of 2007, as added by subsection (b)(2)(A)(ii)(IV) of this section, the Secretary of Health and Human Services shall not have authority to fully recoup past overpayments related to documentation and coding changes from fiscal years 2008 and 2009.

(b) ADJUSTMENT.—Section 7 of the TMA, Abstinence Education, and QI Programs Extension Act of 2007 (Public Law 110–90; 121 Stat. 986) is amended—

(1) in the heading, by striking “LIMITATION” and all that follows through “ADJUSTMENT” and inserting “DOCUMENTATION AND CODING ADJUSTMENTS”; and

(2) in subsection (b)—

(A) in paragraph (1)—

(i) in the matter before subparagraph (A)—

(I) by striking “or 2009” and inserting “, 2009, or 2010”; and

(II) by inserting “or otherwise applied for such year” after “applied under subsection (a)”; and

(ii) in subparagraph (B)—

(I) by inserting “(i)” after “(B)”; and

(II) by striking “or decrease”; and

(III) by striking the period at the end and inserting “; and”; and

(IV) by adding at the end the following:

“(ii) make an additional adjustment to the standardized amounts under such section 1886(d) based upon the Secretary’s estimates for discharges occurring only during fiscal years 2014, 2015, 2016, and 2017 to fully offset \$11,000,000,000 (which represents the amount of the increase in aggregate payments from fiscal years 2008 through 2013 for which an adjustment was not previously applied).”; and

(B) in paragraph (3)—

(i) in subparagraph (A), by inserting before the semicolon the following: “or affecting the Secretary’s authority under such paragraph to apply a prospective

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adjustment to offset aggregate additional payments related to documentation and coding improvements made with respect to discharges during fiscal year 2010”; and

(ii) in subparagraph (B), by striking “and 2012” and inserting “2012, 2014, 2015, 2016, and 2017”.

SEC. 632. REVISIONS TO THE MEDICARE ESRD BUNDLED PAYMENT SYSTEM TO REFLECT FINDINGS IN THE GAO REPORT.

(a) **ADJUSTMENT TO ESRD BUNDLED PAYMENT RATE TO ACCOUNT FOR CHANGES IN THE UTILIZATION OF CERTAIN DRUGS AND BIOLOGICALS.**—Section 1881(b)(14) of the Social Security Act (42 U.S.C. 1395rr(b)(14)) is amended by adding at the end the following new subparagraph:

“(I) For services furnished on or after January 1, 2014, the Secretary shall, by comparing per patient utilization data from 2007 with such data from 2012, make reductions to the single payment that would otherwise apply under this paragraph for renal dialysis services to reflect the Secretary’s estimate of the change in the utilization of drugs and biologicals described in clauses (ii), (iii), and (iv) of subparagraph (B) (other than oral-only ESRD-related drugs, as such term is used in the final rule promulgated by the Secretary in the Federal Register on August 12, 2010 (75 Fed. Reg. 49030)). In making reductions under the preceding sentence, the Secretary shall take into account the most recently available data on average sales prices and changes in prices for drugs and biological reflected in the ESRD market basket percentage increase factor under subparagraph (F).”.

(b) **TWO-YEAR DELAY OF IMPLEMENTATION OF ORAL-ONLY ESRD-RELATED DRUGS IN THE ESRD PROSPECTIVE PAYMENT SYSTEM; MONITORING.**—

(1) **DELAY.**—The Secretary of Health and Human Services may not implement the policy under section 413.174(f)(6) of title 42, Code of Federal Regulations (relating to oral-only ESRD-related drugs in the ESRD prospective payment system), prior to January 1, 2016.

(2) **MONITORING.**—With respect to the implementation of oral-only ESRD-related drugs in the ESRD prospective payment system under subsection (b)(14) of section 1881 of the Social Security Act (42 U.S.C. 1395rr(b)(14)), the Secretary of Health and Human Services shall monitor the bone and mineral metabolism of individuals with end stage renal disease.

(c) **ANALYSIS OF CASE MIX PAYMENT ADJUSTMENTS.**—By not later than January 1, 2016, the Secretary of Health and Human Services shall—

(1) conduct an analysis of the case mix payment adjustments being used under section 1881(b)(14)(D)(i) of the Social Security Act (42 U.S.C. 1395rr(b)(14)(D)(i)); and

(2) make appropriate revisions to such case mix payment adjustments.

(d) **UPDATED GAO REPORT.**—Not later than December 31, 2015, the Comptroller General of the United States shall submit to Congress a report that updates the report submitted to Congress under section 10336 of the Patient Protection and Affordable Care Act (Public Law 111–148; 124 Stat. 974). The updated report shall include an analysis of how the Secretary of Health and Human Services has addressed points raised in the report submitted under

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such section 10336 with respect to the Secretary's preparations to implement payment for oral-only ESRD-related drugs in the bundled prospective payment system under section 1881(b)(14) of the Social Security Act (42 U.S.C. 1395rr(b)(14)).

SEC. 633. TREATMENT OF MULTIPLE SERVICE PAYMENT POLICIES FOR THERAPY SERVICES.

(a) **SERVICES FURNISHED BY PHYSICIANS AND CERTAIN OTHER PROVIDERS.**—Section 1848(b)(7) of the Social Security Act (42 U.S.C. 1395w-4(b)(7)) is amended—

(1) by striking “2011,” and inserting “2011, and before April 1, 2013,”; and

(2) by adding at the end the following new sentence: “In the case of such services furnished on or after April 1, 2013, and for which payment is made under such fee schedules, instead of the 25 percent multiple procedure payment reduction specified in such final rule, the reduction percentage shall be 50 percent.”.

(b) **SERVICES FURNISHED BY OTHER PROVIDERS.**—Section 1834(k) of the Social Security Act (42 U.S.C. 1395m(k)) is amended by adding at the end the following new paragraph:

“(7) **ADJUSTMENT IN DISCOUNT FOR CERTAIN MULTIPLE THERAPY SERVICES.**—In the case of therapy services furnished on or after April 1, 2013, and for which payment is made under this subsection pursuant to the applicable fee schedule amount (as defined in paragraph (3)), instead of the 25 percent multiple procedure payment reduction specified in the final rule published by the Secretary in the Federal Register on November 29, 2010, the reduction percentage shall be 50 percent.”.

SEC. 634. PAYMENT FOR CERTAIN RADIOLOGY SERVICES FURNISHED UNDER THE MEDICARE HOSPITAL OUTPATIENT DEPARTMENT PROSPECTIVE PAYMENT SYSTEM.

Section 1833(t)(16) of the Social Security Act (42 U.S.C. 1395l(t)(16)) is amended by adding at the end the following new subparagraph:

“(D) **SPECIAL PAYMENT RULE.**—

“(i) **IN GENERAL.**—In the case of covered OPD services furnished on or after April 1, 2013, in a hospital described in clause (ii), if—

“(I) the payment rate that would otherwise apply under this subsection for stereotactic radiosurgery, complete course of treatment of cranial lesion(s) consisting of 1 session that is multi-source Cobalt 60 based (identified as of January 1, 2013, by HCPCS code 77371 (and any succeeding code) and reimbursed as of such date under APC 0127 (and any succeeding classification group)); exceeds

“(II) the payment rate that would otherwise apply under this subsection for linear accelerator based stereotactic radiosurgery, complete course of therapy in one session (identified as of January 1, 2013, by HCPCS code G0173 (and any succeeding code) and reimbursed as of such date under APC 0067 (and any succeeding classification group)),

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the payment rate for the service described in subclause (I) shall be reduced to an amount equal to the payment rate for the service described in subclause (II).

“(ii) HOSPITAL DESCRIBED.—A hospital described in this clause is a hospital that is not—

“(I) located in a rural area (as defined in section 1886(d)(2)(D));

“(II) classified as a rural referral center under section 1886(d)(5)(C); or

“(III) a sole community hospital (as defined in section 1886(d)(5)(D)(iii)).

“(iii) NOT BUDGET NEUTRAL.—In making any budget neutrality adjustments under this subsection for 2013 (with respect to covered OPD services furnished on or after April 1, 2013, and before January 1, 2014) or a subsequent year, the Secretary shall not take into account the reduced expenditures that result from the application of this subparagraph.”.

SEC. 635. ADJUSTMENT OF EQUIPMENT UTILIZATION RATE FOR ADVANCED IMAGING SERVICES.

Section 1848 of the Social Security Act (42 U.S.C. 1395w-4) is amended—

(1) in subsection (b)(4)(C)—

(A) by striking “and subsequent years” and inserting “, 2012, and 2013”; and

(B) by adding at the end the following new sentence: “With respect to fee schedules established for 2014 and subsequent years, in such methodology, the Secretary shall use a 90 percent utilization rate.”; and

(2) in subsection (c)(2)(B)(v)(III), by striking “change in the utilization rate applicable to 2011, as described in” and inserting “changes in the utilization rate applicable to 2011 and 2014, as described in the first and second sentence, respectively, of”.

SEC. 636. MEDICARE PAYMENT OF COMPETITIVE PRICES FOR DIABETIC SUPPLIES AND ELIMINATION OF OVERPAYMENT FOR DIABETIC SUPPLIES.

(a) APPLICATION OF COMPETITIVE BIDDING PRICES FOR DIABETIC SUPPLIES.—Section 1834(a)(1) of the Social Security Act (42 U.S.C. 1395m(a)(1)) is amended—

(1) in subparagraph (F), in the matter preceding clause (i), by striking “subparagraph (G)” and inserting “subparagraphs (G) and (H)”; and

(2) by adding at the end the following new subparagraph: “(H) DIABETIC SUPPLIES.—

“(i) IN GENERAL.—On or after the date described in clause (ii), the payment amount under this part for diabetic supplies, including testing strips, that are non-mail order items (as defined by the Secretary) shall be equal to the single payment amounts established under the national mail order competition for diabetic supplies under section 1847.

“(ii) DATE DESCRIBED.—The date described in this clause is the date of the implementation of the single payment amounts under the national mail order competition for diabetic supplies under section 1847.”.

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(b) OVERPAYMENT ELIMINATION FOR DIABETIC SUPPLIES.—Section 1834(a) of the Social Security Act (42 U.S.C. 1395m(a)) is amended by adding at the end the following new paragraph:

“(22) SPECIAL PAYMENT RULE FOR DIABETIC SUPPLIES.—Notwithstanding the preceding provisions of this subsection, for purposes of determining the payment amount under this subsection for diabetic supplies furnished on or after the first day of the calendar quarter during 2013 that is at least 30 days after the date of the enactment of this paragraph and before the date described in paragraph (1)(H)(ii), the Secretary shall recalculate and apply the covered item update under paragraph (14) as if subparagraph (J)(i) of such paragraph was amended by striking ‘but only if furnished through mail order.’”.

SEC. 637. MEDICARE PAYMENT ADJUSTMENT FOR NON-EMERGENCY AMBULANCE TRANSPORTS FOR ESRD BENEFICIARIES.

Section 1834(l) of the Social Security Act (42 U.S.C. 1395m(l)) is amended by adding at the end the following new paragraph:

“(15) PAYMENT ADJUSTMENT FOR NON-EMERGENCY AMBULANCE TRANSPORTS FOR ESRD BENEFICIARIES.—The fee schedule amount otherwise applicable under the preceding provisions of this subsection shall be reduced by 10 percent for ambulance services furnished on or after October 1, 2013, consisting of non-emergency basic life support services involving transport of an individual with end-stage renal disease for renal dialysis services (as described in section 1881(b)(14)(B)) furnished other than on an emergency basis by a provider of services or a renal dialysis facility.”.

SEC. 638. REMOVING OBSTACLES TO COLLECTION OF OVERPAYMENTS.

(a) IN GENERAL.—The last sentence of subsections (b) and (c) of section 1870 of the Social Security Act (42 U.S.C. 1395gg) are each amended—

- (1) by striking “third year” and inserting “fifth year”; and
- (2) by striking “three-year” and inserting “five-year”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

SEC. 639. MEDICARE ADVANTAGE CODING INTENSITY ADJUSTMENT.

Section 1853(a)(1)(C)(ii)(III) of the Social Security Act (42 U.S.C. 1395w-23(a)(1)(C)(ii)(III)) is amended—

- (1) by striking “1.3 percentage points” and inserting “1.5 percentage points”; and
- (2) by striking “5.7 percent” and inserting “5.9 percent”.

SEC. 640. ELIMINATION OF ALL FUNDING FOR THE MEDICARE IMPROVEMENT FUND.

Section 1898(b)(1) of the Social Security Act (42 U.S.C. 1395iii(b)(1)) is amended by striking subparagraphs (A), (B), and (C) and inserting the following new subparagraphs:

- “(A) fiscal year 2014, \$0; and
- “(B) fiscal year 2015, \$0.”.

SEC. 641. REBASING OF STATE DSH ALLOTMENTS.

Section 1923(f)(8) of the Social Security Act (42 U.S.C. 1396r-4(f)(8)) is amended to read as follows:

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“(8) SPECIAL RULES FOR CALCULATING DSH ALLOTMENTS FOR CERTAIN FISCAL YEARS.—

“(A) FISCAL YEAR 2021.—Only with respect to fiscal year 2021, the DSH allotment for a State, in lieu of the amount determined under paragraph (3) for the State for that year, shall be equal to the DSH allotment for the State as reduced under paragraph (7) for fiscal year 2020, increased, subject to subparagraphs (B) and (C) of paragraph (3), and paragraph (5), by the percentage change in the consumer price index for all urban consumers (all items; U.S. city average), for fiscal year 2020.

“(B) FISCAL YEAR 2022.—Only with respect to fiscal year 2022, the DSH allotment for a State, in lieu of the amount determined under paragraph (3) for the State for that year, shall be equal to the DSH allotment for the State for fiscal year 2021, as determined under subparagraph (A), increased, subject to subparagraphs (B) and (C) of paragraph (3), and paragraph (5), by the percentage change in the consumer price index for all urban consumers (all items; U.S. city average), for fiscal year 2021.

“(C) SUBSEQUENT FISCAL YEARS.—The DSH allotment for a State for fiscal years after fiscal year 2022 shall be calculated under paragraph (3) without regard to this paragraph and paragraph (7).”.

SEC. 642. REPEAL OF CLASS PROGRAM.

(a) REPEAL.—Title XXXII of the Public Health Service Act (42 U.S.C. 3001l et seq.; relating to the CLASS program) is repealed.

(b) CONFORMING CHANGES.—

(1) Title VIII of the Patient Protection and Affordable Care Act (Public Law 111–148; 124 Stat. 119, 846–847) is repealed.

(2) Section 1902(a) of the Social Security Act (42 U.S.C. 1396a(a)) is amended—

(A) by striking paragraphs (81) and (82);

(B) in paragraph (80), by inserting “and” at the end;

and

(C) by redesignating paragraph (83) as paragraph (81).

(3) Paragraphs (2) and (3) of section 6021(d) of the Deficit Reduction Act of 2005 (42 U.S.C. 1396p note) are amended to read as such paragraphs were in effect on the day before the date of the enactment of section 8002(d) of the Patient Protection and Affordable Care Act (Public Law 111–148). Of the funds appropriated by paragraph (3) of such section 6021(d), as amended by the Patient Protection and Affordable Care Act, the unobligated balance is rescinded.

SEC. 643. COMMISSION ON LONG-TERM CARE.

(a) ESTABLISHMENT.—There is established a commission to be known as the Commission on Long-Term Care (referred to in this section as the “Commission”).

(b) DUTIES.—

(1) IN GENERAL.—The Commission shall develop a plan for the establishment, implementation, and financing of a comprehensive, coordinated, and high-quality system that ensures the availability of long-term services and supports for individuals in need of such services and supports, including elderly individuals, individuals with substantial cognitive or functional limitations, other individuals who require assistance to perform

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activities of daily living, and individuals desiring to plan for future long-term care needs.

(2) EXISTING HEALTH CARE PROGRAMS.—For purposes of developing the plan described in paragraph (1), the Commission shall provide recommendations for—

(A) addressing the interaction of a long-term services and support system with existing programs for long-term services and supports, including the Medicare program under title XVIII of the Social Security Act (42 U.S.C. 1395 et seq.) and the Medicaid program under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.), and private long-term care insurance;

(B) improvements to such health care programs that are necessary for ensuring the availability of long-term services and supports; and

(C) issues related to workers who provide long-term services and supports, including—

(i) whether the number of such workers is adequate to provide long-term services and supports to individuals with long-term care needs;

(ii) workforce development necessary to deliver high-quality services to such individuals;

(iii) development of entities that have the capacity to serve as employers and fiscal agents for workers who provide long-term services and supports in the homes of such individuals; and

(iv) addressing gaps in Federal and State infrastructure that prevent delivery of high-quality long term services and supports to such individuals.

(3) ADDITIONAL CONSIDERATIONS.—For purposes of developing the plan described in paragraph (1), the Commission shall take into account projected demographic changes and trends in the population of the United States, as well as the potential for development of new technologies, delivery systems, or other mechanisms to improve the availability and quality of long-term services and supports.

(4) CONSULTATION.—For purposes of developing the plan described in paragraph (1), the Commission shall consult with the Medicare Payment Advisory Commission, the Medicaid and CHIP Payment and Access Commission, the National Council on Disability, and relevant consumer groups.

(c) MEMBERSHIP.—

(1) IN GENERAL.—The Commission shall be composed of 15 members, to be appointed not later than 30 days after the date of enactment of this Act, as follows:

(A) The President of the United States shall appoint 3 members.

(B) The majority leader of the Senate shall appoint 3 members.

(C) The minority leader of the Senate shall appoint 3 members.

(D) The Speaker of the House of Representatives shall appoint 3 members.

(E) The minority leader of the House of Representatives shall appoint 3 members.

(2) REPRESENTATION.—The membership of the Commission shall include individuals who—

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- (A) represent the interests of—
- (i) consumers of long-term services and supports and related insurance products, as well as their representatives;
 - (ii) older adults;
 - (iii) individuals with cognitive or functional limitations;
 - (iv) family caregivers for individuals described in clause (i), (ii), or (iii);
 - (v) the health care workforce who directly provide long-term services and supports;
 - (vi) private long-term care insurance providers;
 - (vii) employers;
 - (viii) State insurance departments; and
 - (ix) State Medicaid agencies;
- (B) have demonstrated experience in dealing with issues related to long-term services and supports, health care policy, and public and private insurance; and
- (C) represent the health care interests and needs of a variety of geographic areas and demographic groups.
- (3) CHAIRMAN AND VICE-CHAIRMAN.—The Commission shall elect a chairman and vice chairman from among its members.
- (4) VACANCIES.—Any vacancy in the membership of the Commission shall be filled in the manner in which the original appointment was made and shall not affect the power of the remaining members to execute the duties of the Commission.
- (5) QUORUM.—A quorum shall consist of 8 members of the Commission, except that 4 members may conduct a hearing under subsection (e)(1).
- (6) MEETINGS.—The Commission shall meet at the call of its chairman or a majority of its members.
- (7) COMPENSATION AND REIMBURSEMENT OF EXPENSES.—
- (A) IN GENERAL.—To enable the Commission to exercise its powers, functions, and duties, there are authorized to be disbursed by the Senate the actual and necessary expenses of the Commission approved by the chairman and vice chairman, subject to subparagraph (B) and the rules and regulations of the Senate.
 - (B) MEMBERS.—Members of the Commission are not entitled to receive compensation for service on the Commission. Members may be reimbursed for travel, subsistence, and other necessary expenses incurred in carrying out the duties of the Commission.
- (d) STAFF AND ETHICAL STANDARDS.—
- (1) STAFF.—The chairman and vice chairman of the Commission may jointly appoint and fix the compensation of staff as they deem necessary, within the guidelines for employees of the Senate and following all applicable rules and employment requirements of the Senate.
 - (2) ETHICAL STANDARDS.—Members of the Commission who serve in the House of Representatives shall be governed by the ethics rules and requirements of the House. Members of the Senate who serve on the Commission and staff of the Commission shall comply with the ethics rules of the Senate.
- (e) POWERS.—
- (1) HEARINGS AND OTHER ACTIVITIES.—For the purpose of carrying out its duties, the Commission may hold such hearings

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and undertake such other activities as the Commission determines to be necessary to carry out its duties.

(2) STUDIES BY GENERAL ACCOUNTING OFFICE.—Upon the request of the Commission, the Comptroller General of the United States shall conduct such studies or investigations as the Commission determines to be necessary to carry out its duties.

(3) COST ESTIMATES BY CONGRESSIONAL BUDGET OFFICE.—Upon the request of the Commission, the Director of the Congressional Budget Office shall provide to the Commission such cost estimates as the Commission determines to be necessary to carry out its duties.

(4) DETAIL OF FEDERAL EMPLOYEES.—Upon the request of the Commission, the head of any Federal agency is authorized to detail, without reimbursement, any of the personnel of such agency to the Commission to assist the Commission in carrying out its duties. Any such detail shall not interrupt or otherwise affect the civil service status or privileges of the Federal employee.

(5) TECHNICAL ASSISTANCE.—Upon the request of the Commission, the head of a Federal agency shall provide such technical assistance to the Commission as the Commission determines to be necessary to carry out its duties.

(6) USE OF MAILS.—The Commission may use the United States mails in the same manner and under the same conditions as Federal agencies.

(7) OBTAINING INFORMATION.—The Commission may secure directly from any Federal agency information necessary to enable it to carry out its duties, if the information may be disclosed under section 552 of title 5, United States Code. Upon request of the Chairman of the Commission, the head of such agency shall furnish such information to the Commission.

(8) ADMINISTRATIVE SUPPORT SERVICES.—Upon the request of the Commission, the Administrator of General Services shall provide to the Commission on a reimbursable basis such administrative support services as the Commission may request.

(f) COMMISSION CONSIDERATION.—

(1) APPROVAL OF REPORT AND LEGISLATIVE LANGUAGE.—

(A) IN GENERAL.—Not later than 6 months after appointment of the members of the Commission (as described in subsection (c)(1)), the Commission shall vote on a comprehensive and detailed report based on the long-term care plan described in subsection (b)(1) that contains any recommendations or proposals for legislative or administrative action as the Commission deems appropriate, including proposed legislative language to carry out the recommendations or proposals (referred to in this section as the “Commission bill”).

(B) APPROVAL BY MAJORITY OF MEMBERS.—The Commission bill shall require the approval of a majority of the members of the Commission.

(2) TRANSMISSION OF COMMISSION BILL.—

(A) IN GENERAL.—If the Commission bill is approved by the Commission pursuant to paragraph (1), then not later than 10 days after such approval, the Commission

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shall submit the Commission bill to the President, the Vice President, the Speaker of the House of Representatives, and the majority and minority Leaders of each House on Congress.

(B) COMMISSION BILL TO BE MADE PUBLIC.—Upon the approval or disapproval of the Commission bill pursuant to paragraph (1), the Commission shall promptly make such proposal, and a record of the vote, available to the public.

(g) TERMINATION.—The Commission shall terminate 30 days after the vote described in subsection (f)(1).

(h) CONSIDERATION OF COMMISSION RECOMMENDATIONS.—If approved by the majority required by subsection (f)(1), the Commission bill that has been submitted pursuant to subsection (f)(2)(A) shall be introduced in the Senate (by request) on the next day on which the Senate is in session by the majority leader of the Senate or by a Member of the Senate designated by the majority leader of the Senate and shall be introduced in the House of Representatives (by request) on the next legislative day by the majority leader of the House or by a member of the House designated by the majority leader of the House.

SEC. 644. CONSUMER OPERATED AND ORIENTED PLAN PROGRAM CONTINGENCY FUND.

(a) ESTABLISHMENT.—The Secretary of Health and Human Services shall establish a fund to be used to provide assistance and oversight to qualified nonprofit health insurance issuers that have been awarded loans or grants under section 1322 of the Patient Protection and Affordable Care Act (42 U.S.C. 18042) prior to the date of enactment of this Act.

(b) TRANSFER AND RESCISSION.—

(1) TRANSFER.—From the unobligated balance of funds appropriated under section 1322(g) of the Patient Protection and Affordable Care Act (42 U.S.C. 18042(g)), 10 percent of such sums are hereby transferred to the fund established under subsection (a) to remain available until expended.

(2) RESCISSION.—Except as provided for in paragraph (1), amounts appropriated under section 1322(g) of the Patient Protection and Affordable Care Act (42 U.S.C. 18042(g)) that are unobligated as of the date of enactment of this Act are rescinded.

TITLE VII—EXTENSION OF AGRICULTURAL PROGRAMS

SEC. 701. 1-YEAR EXTENSION OF AGRICULTURAL PROGRAMS.

(a) EXTENSION.—Except as otherwise provided in this section and amendments made by this section and notwithstanding any other provision of law, the authorities provided by each provision of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 1651) and each amendment made by that Act (and for mandatory programs at such funding levels), as in effect on September 30, 2012, shall continue, and the Secretary of Agriculture shall carry out the authorities, until the later of—

(1) September 30, 2013; or

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(2) the date specified in the provision of that Act or amendment made by that Act.

(b) COMMODITY PROGRAMS.—

(1) IN GENERAL.—The terms and conditions applicable to a covered commodity or loan commodity (as those terms are defined in section 1001 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8702)) or to peanuts, sugarcane, or sugar beets for the 2012 crop year pursuant to title I of that Act (7 U.S.C. 8702 et seq.) and each amendment made by that title shall be applicable to the 2013 crop year for that covered commodity, loan commodity, peanuts, sugarcane, or sugar beets.

(2) MILK.—

(A) IN GENERAL.—Notwithstanding subsection (a), the Secretary of Agriculture shall carry out the dairy product price support program under section 1501 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8771) through December 31, 2013.

(B) MILK INCOME LOSS CONTRACT PROGRAM.—Section 1506 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8773) is amended by striking “2012” each place it appears in subsections (c)(3), (d)(1), (d)(2), (e)(2)(A), (g), and (h)(1) and inserting “2013”.

(3) SUSPENSION OF PERMANENT PRICE SUPPORT AUTHORITIES.—The provisions of law specified in subsections (a) through (c) of section 1602 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 8782) shall be suspended—

(A) for the 2013 crop or production year of a covered commodity (as that term is defined in section 1001 of that Act (7 U.S.C. 8702)), peanuts, sugarcane, and sugar, as appropriate; and

(B) in the case of milk, through December 31, 2013.

(c) CONSERVATION PROGRAMS.—

(1) CONSERVATION RESERVE.—Section 1231(d) of the Food Security Act of 1985 (16 U.S.C. 3831(d)) is amended in the second sentence by striking “and 2012” and inserting “2012, and 2013”.

(2) VOLUNTARY PUBLIC ACCESS.—Section 1240R of the Food Security Act of 1985 (16 U.S.C. 3839bb-5) is amended by striking subsection (f) and inserting the following:

“(f) FUNDING.—

“(1) FISCAL YEARS 2009 THROUGH 2012.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section, to the maximum extent practicable, \$50,000,000 for the period of fiscal years 2009 through 2012.

“(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$10,000,000 for fiscal year 2013.”

(d) SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM.—

(1) EMPLOYMENT AND TRAINING PROGRAM.—Section 16(h)(1)(A) of the Food and Nutrition Act of 2008 (7 U.S.C. 2025(h)(1)(A)) is amended by inserting “, except that for fiscal year 2013, the amount shall be \$79,000,000” before the period at the end.

(2) NUTRITION EDUCATION.—Section 28(d)(1) of the Food and Nutrition Act of 2008 (7 U.S.C. 2036a(d)(1)) is amended—

(A) in subparagraph (A), by striking “and” after the semicolon at the end; and

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(B) by striking subparagraph (B) and inserting the following:

“(B) for fiscal year 2012, \$388,000,000;

“(C) for fiscal year 2013, \$285,000,000;

“(D) for fiscal year 2014, \$401,000,000;

“(E) for fiscal year 2015, \$407,000,000; and

“(F) for fiscal year 2016 and each subsequent fiscal year, the applicable amount during the preceding fiscal year, as adjusted to reflect any increases for the 12-month period ending the preceding June 30 in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics of the Department of Labor.”.

(e) RESEARCH PROGRAMS.—

(1) ORGANIC AGRICULTURE RESEARCH AND EXTENSION INITIATIVE.—Section 1672B(f) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 5925b(f)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING FOR FISCAL YEARS 2009 THROUGH 2012”;

(B) in the heading of paragraph (2), by striking “ADDITIONAL FUNDING” and inserting “DISCRETIONARY FUNDING FOR FISCAL YEARS 2009 THROUGH 2012”; and

(C) by adding at the end the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$25,000,000 for fiscal year 2013.”.

(2) SPECIALTY CROP RESEARCH INITIATIVE.—Section 412(h) of the Agricultural Research, Extension, and Education Reform Act of 1998 (7 U.S.C. 7632(h)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING FOR FISCAL YEARS 2008 THROUGH 2012”;

(B) in the heading of paragraph (2), by inserting “FOR FISCAL YEARS 2008 THROUGH 2012” after “APPROPRIATIONS”;

(C) by redesignating paragraphs (3) and (4) as paragraphs (4) and (5), respectively; and

(D) by inserting after paragraph (2) the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$100,000,000 for fiscal year 2013.”.

(3) BEGINNING FARMER AND RANCHER DEVELOPMENT PROGRAM.—Section 7405(h) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 3319f(h)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING FOR FISCAL YEARS 2009 THROUGH 2012”;

(B) in the heading of paragraph (2), by inserting “FOR FISCAL YEARS 2008 THROUGH 2012” after “APPROPRIATIONS”; and

(C) by adding at the end the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$30,000,000 for fiscal year 2013.”.

(f) ENERGY PROGRAMS.—

(1) BIOBASED MARKETS PROGRAM.—Section 9002(h) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C.

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8102(h) is amended in paragraph (2) by striking “2012” and inserting “2013”.

(2) BIOREFINERY ASSISTANCE.—Section 9003(h)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8103(h)(2)) is amended by striking “2012” and inserting “2013”.

(3) REPOWERING ASSISTANCE.—Section 9004(d)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8104(d)(2)) is amended by striking “2012” and inserting “2013”.

(4) BIOENERGY PROGRAM FOR ADVANCED BIOFUELS.—Section 9005(g)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8105(g)(2)) is amended by striking “2012” and inserting “2013”.

(5) BIODIESEL FUEL EDUCATION PROGRAM.—Section 9006 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8106) is amended by striking subsection (d) and inserting the following:

“(d) FUNDING.—

“(1) FISCAL YEARS 2009 THROUGH 2012.—Of the funds of the Commodity Credit Corporation, the Secretary shall use to carry out this section \$1,000,000 for each of fiscal years 2008 through 2012.

“(2) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$1,000,000 for fiscal year 2013.”.

(6) RURAL ENERGY FOR AMERICA PROGRAM.—Section 9007(g)(3) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8107(g)(3)) is amended by striking “2012” and inserting “2013”.

(7) BIOMASS RESEARCH AND DEVELOPMENT.—Section 9008(h)(2) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8108(h)(2)) is amended by striking “2012” and inserting “2013”.

(8) RURAL ENERGY SELF-SUFFICIENCY INITIATIVE.—Section 9009(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8109(d)) is amended by striking “2012” and inserting “2013”.

(9) FEEDSTOCK FLEXIBILITY PROGRAM FOR BIOENERGY PRODUCERS.—Section 9010(b) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8110(b)) is amended in paragraphs (1)(A) and (2)(A) by striking “2012” each place it appears and inserting “2013”.

(10) BIOMASS CROP ASSISTANCE PROGRAM.—Section 9011(f) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8111(f)) is amended—

(A) by striking “(f) FUNDING.—Of the funds” and inserting “(f) FUNDING.—

“(1) FISCAL YEARS 2008 THROUGH 2012.—Of the funds”; and

(B) adding at the end the following:

“(2) FISCAL YEAR 2013.—

“(A) IN GENERAL.—There is authorized to be appropriated to carry out this section \$20,000,000 for fiscal year 2013.

“(B) MULTIYEAR CONTRACTS.—For each multiyear contract entered into by the Secretary during a fiscal year under this paragraph, the Secretary shall ensure that sufficient funds are obligated from the amounts appropriated

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for that fiscal year to fully cover all payments required by the contract for all years of the contract.”.

(11) FOREST BIOMASS FOR ENERGY.—Section 9012(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8112(d)) is amended by striking “2012” and inserting “2013”.

(12) COMMUNITY WOOD ENERGY PROGRAM.—Section 9013(e) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 8113(e)) is amended by striking “2012” and inserting “2013”.

(g) HORTICULTURE AND ORGANIC AGRICULTURE PROGRAMS.—

(1) FARMERS MARKET PROMOTION PROGRAM.—Section 6(e) of the Farmer-to-Consumer Direct Marketing Act of 1976 (7 U.S.C. 3005(e)) is amended—

(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “FISCAL YEARS 2008 THROUGH 2012”;

(B) by redesignating paragraphs (2), (3), and (4) as paragraphs (3), (4), and (5), respectively;

(C) by inserting after paragraph (1) the following:

“(2) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$10,000,000 for fiscal year 2013.”;

(D) in paragraph (3) (as so redesignated), by striking “paragraph (1)” and inserting “paragraph (1) or (2)”;

(E) in paragraph (5) (as so redesignated), by striking “paragraph (2)” and inserting “paragraph (3)”.

(2) NATIONAL CLEAN PLANT NETWORK.—Section 10202(e) of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 7761(e)) is amended—

(A) by striking “Of the funds” and inserting the following:

“(1) FISCAL YEARS 2009 THROUGH 2012.—Of the funds”; and

(B) by adding at the end the following:

“(2) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out the Program \$5,000,000 for fiscal year 2013.”.

(3) NATIONAL ORGANIC CERTIFICATION COST-SHARE PROGRAM.—Section 10606 of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 6523) is amended—

(A) in subsection (a), by striking “Of funds of the Commodity Credit Corporation, the Secretary of Agriculture (acting through the Agricultural Marketing Service) shall use \$22,000,000 for fiscal year 2008, to remain available until expended, to” and inserting “The Secretary of Agriculture (acting through the Agricultural Marketing Service) shall”; and

(B) by adding at the end the following:

“(d) FUNDING.—

“(1) MANDATORY FUNDING FOR FISCAL YEARS 2008 THROUGH 2012.—Of the funds of the Commodity Credit Corporation, the Secretary shall make available to carry out this section \$22,000,000 for the period of fiscal years 2008 through 2012.

“(2) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$22,000,000 for fiscal year 2013, to remain available until expended.”.

(4) ORGANIC PRODUCTION AND MARKET DATA INITIATIVES.—Section 7407(d) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 5925c(d)) is amended—

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(A) in the heading of paragraph (1), by striking “IN GENERAL” and inserting “MANDATORY FUNDING THROUGH FISCAL YEAR 2012”;

(B) in the heading of paragraph (2), by striking “ADDITIONAL FUNDING” and inserting “DISCRETIONARY FUNDING FOR FISCAL YEARS 2008 THROUGH 2012”; and

(C) by adding at the end the following:

“(3) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$5,000,000, to remain available until expended.”.

(h) OUTREACH AND TECHNICAL ASSISTANCE FOR SOCIALLY DISADVANTAGED FARMERS OR RANCHERS.—Section 2501(a)(4) of the Food, Agriculture, Conservation, and Trade Act of 1990 (7 U.S.C. 2279(a)(4)) is amended—

(1) in the heading of subparagraph (A), by striking “IN GENERAL” and inserting “FISCAL YEARS 2009 THROUGH 2012”;

(2) by redesignating subparagraphs (B) and (C) as subparagraphs (C) and (D), respectively;

(3) by inserting after subparagraph (A) the following:

“(B) FISCAL YEAR 2013.—There is authorized to be appropriated to carry out this section \$20,000,000 for fiscal year 2013.”;

(4) in subparagraph (C) (as so redesignated), by striking “subparagraph (A)” and inserting “subparagraph (A) or (B)”; and

(5) in subparagraph (D) (as so redesignated), by striking “subparagraph (A)” and inserting “subparagraph (A) or (B)”.

(i) EXCEPTIONS.—

(1) IN GENERAL.—Subsection (a) does not apply with respect to mandatory funding provided by programs authorized by provisions of law amended by subsections (d) through (h).

(2) CONSERVATION.—Subsection (a) does not apply with respect to the programs specified in paragraphs (3)(B), (4), (6), and (7) of section 1241(a) of the Food Security Act of 1985 (16 U.S.C. 3841(a)), relating to the conservation stewardship program, farmland protection program, environmental quality incentives program, and wildlife habitat incentives program, for which program authority was extended through fiscal year 2014 by section 716 of Public Law 112–55 (125 Stat. 582).

(3) TRADE.—Subsection (a) does not apply with respect to the following provisions of law:

(A) Section 3206 of the Food, Conservation, and Energy Act of 2008 (7 U.S.C. 1726c) relating to the use of Commodity Credit Corporation funds to support local and regional food aid procurement projects.

(B) Section 3107(l)(1) of the Farm Security and Rural Investment Act of 2002 (7 U.S.C. 1736o–1(l)(1)) relating to the use of Commodity Credit Corporation funds to carry out the McGovern-Dole International Food for Education and Child Nutrition Program.

(4) SURVEY OF FOODS PURCHASED BY SCHOOL FOOD AUTHORITIES.—Subsection (a) does not apply with respect to section 4307 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 1893) relating to the use of Commodity Credit Corporation funds for a survey and report regarding foods purchased by school food authorities.

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(5) RURAL DEVELOPMENT.—Subsection (a) does not apply with respect to the following provisions of law:

(A) Section 379E(d)(1) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008s(d)(1)), relating to funding of the rural microentrepreneur assistance program.

(B) Section 6029 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 1955) relating to funding of pending rural development loan and grant applications.

(C) Section 231(b)(7)(A) of the Agricultural Risk Protection Act of 2000 (7 U.S.C. 1632a(b)(7)(A)), relating to funding of value-added agricultural market development program grants.

(D) Section 375(e)(6)(B) of the Consolidated Farm and Rural Development Act (7 U.S.C. 2008j(e)(6)(B)) relating to the use of Commodity Credit Corporation funds for the National Sheep Industry Improvement Center.

(6) MARKET LOSS ASSISTANCE FOR ASPARAGUS PRODUCERS.—Subsection (a) does not apply with respect to section 10404(d) of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2112).

(7) SUPPLEMENTAL AGRICULTURAL DISASTER ASSISTANCE.—Subsection (a) does not apply with respect to section 531 of the Federal Crop Insurance Act (7 U.S.C. 1531) and title IX of the Trade Act of 1974 (19 U.S.C. 2497 et seq.) relating to the provision of supplemental agricultural disaster assistance.

(8) PIGFORD CLAIMS.—Subsection (a) does not apply with respect to section 14012 of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2209) relating to determination on the merits of Pigford claims.

(9) HEARTLAND, HABITAT, HARVEST, AND HORTICULTURE ACT OF 2008.—Subsection (a) does not apply with respect to title XV of the Food, Conservation, and Energy Act of 2008 (Public Law 110–246; 122 Stat. 2246), and amendments made by that title, relating to the provision of supplemental agricultural disaster assistance under title IX of the Trade Act of 1974 (19 U.S.C. 2497 et seq.), certain revenue and tax provisions, and certain trade benefits and other matters.

(j) EFFECTIVE DATE.—Except as otherwise provided in this section, this section and the amendments made by this section take effect on the earlier of—

- (1) the date of the enactment of this Act; or
- (2) September 30, 2012.

SEC. 702. SUPPLEMENTAL AGRICULTURAL DISASTER ASSISTANCE.

(a) IN GENERAL.—Section 531 of the Federal Crop Insurance Act (7 U.S.C. 1531) is amended—

(1) in subsection (a)(5)—

(A) in the matter preceding clause (i), by striking the first “under”; and

(B) by redesignating clauses (i) through (iii) as subparagraphs (A), (B), and (C), respectively, and indenting appropriately;

(2) in subsection (c)—

(A) in paragraph (1), by striking “use such sums as are necessary from the Trust Fund to”; and

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(B) by adding at the end the following:

“(3) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$80,000,000 for each of fiscal years 2012 and 2013.”;

(3) in subsection (d)—

(A) in paragraph (2), by striking “use such sums as are necessary from the Trust Fund to”; and

(B) by adding at the end the following:

“(7) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$400,000,000 for each of fiscal years 2012 and 2013.”;

(4) in subsection (e)—

(A) in paragraph (1), by striking “use up to \$50,000,000 per year from the Trust Fund to”; and

(B) by adding at the end the following:

“(4) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$50,000,000 for each of fiscal years 2012 and 2013.”;

(5) in subsection (f)—

(A) in paragraph (2)(A), by striking “use such sums as are necessary from the Trust Fund to”; and

(B) by adding at the end the following:

“(5) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this subsection \$20,000,000 for each of fiscal years 2012 and 2013.”; and

(6) in subsection (i), by inserting “or, in the case of subsections (c) through (f), September 30, 2013” after “2011”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on October 1, 2012.

TITLE VIII—MISCELLANEOUS PROVISIONS

SEC. 801. STRATEGIC DELIVERY SYSTEMS.

(a) IN GENERAL.—Paragraph 3 of section 495(c) of title 10, United States Code,, as added by section 1035 of the National Defense Authorization Act for Fiscal Year 2013, is amended—

(1) by striking “that” before “the Russian Federation” and inserting “whether”; and

(2) by inserting “strategic” before “arms control obligations”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect as if included in the enactment of the National Defense Authorization Act for Fiscal Year 2013.

SEC. 802. NO COST OF LIVING ADJUSTMENT IN PAY OF MEMBERS OF CONGRESS.

Notwithstanding any other provision of law, no adjustment shall be made under section 601(a) of the Legislative Reorganization Act of 1946 (2 U.S.C. 31) (relating to cost of living adjustments for Members of Congress) during fiscal year 2013.

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TITLE IX—BUDGET PROVISIONS

Subtitle A—Modifications of Sequestration

SEC. 901. TREATMENT OF SEQUESTER.

(a) ADJUSTMENT.—Section 251A(3) of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in subparagraph (C), by striking “and” after the semicolon;

(2) in subparagraph (D), by striking the period and inserting “; and”; and

(3) by inserting at the end the following:

“(E) for fiscal year 2013, reducing the amount calculated under subparagraphs (A) through (D) by \$24,000,000,000.”.

(b) AFTER SESSION SEQUESTER.—Notwithstanding any other provision of law, the fiscal year 2013 spending reductions required by section 251(a)(1) of the Balanced Budget and Emergency Deficit Control Act of 1985 shall be evaluated and implemented on March 27, 2013.

(c) POSTPONEMENT OF BUDGET CONTROL ACT SEQUESTER FOR FISCAL YEAR 2013.—Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 is amended—

(1) in paragraph (4), by striking “January 2, 2013” and inserting “March 1, 2013”; and

(2) in paragraph (7)(A), by striking “January 2, 2013” and inserting “March 1, 2013”.

(d) ADDITIONAL ADJUSTMENTS.—

(1) SECTION 251.—Paragraphs (2) and (3) of section 251(c) of the Balanced Budget and Emergency Deficit Control Act of 1985 are amended to read as follows:

“(2) for fiscal year 2013—

“(A) for the security category, as defined in section 250(c)(4)(B), \$684,000,000,000 in budget authority; and

“(B) for the nonsecurity category, as defined in section 250(c)(4)(A), \$359,000,000,000 in budget authority;

“(3) for fiscal year 2014—

“(A) for the security category, \$552,000,000,000 in budget authority; and

“(B) for the nonsecurity category, \$506,000,000,000 in budget authority;”.

(e) 2013 SEQUESTER.—On March 1, 2013, the President shall order a sequestration for fiscal year 2013 pursuant to section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by this section, pursuant to which, only for the purposes of the calculation in sections 251A(5)(A), 251A(6)(A), and 251A(7)(A), section 251(c)(2) shall be applied as if it read as follows:

“(2) For fiscal year 2013—

“(A) for the security category, \$544,000,000,000 in budget authority; and

“(B) for the nonsecurity category, \$499,000,000,000 in budget authority;”.

H. R. 8—59

SEC. 902. AMOUNTS IN APPLICABLE RETIREMENT PLANS MAY BE TRANSFERRED TO DESIGNATED ROTH ACCOUNTS WITHOUT DISTRIBUTION.

(a) **IN GENERAL.**—Section 402A(c)(4) is amended by adding at the end the following:

“(E) **SPECIAL RULE FOR CERTAIN TRANSFERS.**—In the case of an applicable retirement plan which includes a qualified Roth contribution program—

“(i) the plan may allow an individual to elect to have the plan transfer any amount not otherwise distributable under the plan to a designated Roth account maintained for the benefit of the individual,

“(ii) such transfer shall be treated as a distribution to which this paragraph applies which was contributed in a qualified rollover contribution (within the meaning of section 408A(e)) to such account, and

“(iii) the plan shall not be treated as violating the provisions of section 401(k)(2)(B)(i), 403(b)(7)(A)(i), 403(b)(11), or 457(d)(1)(A), or of section 8433 of title 5, United States Code, solely by reason of such transfer.”.

(b) **EFFECTIVE DATE.**—The amendment made by this section shall apply to transfers after December 31, 2012, in taxable years ending after such date.

Subtitle B—Budgetary Effects

SEC. 911. BUDGETARY EFFECTS.

(a) **PAYGO SCORECARD.**—The budgetary effects of this Act shall not be entered on either PAYGO scorecard maintained pursuant to section 4(d) of the Statutory Pay-As-You-Go Act of 2010.

(b) **SENATE PAYGO SCORECARD.**—The budgetary effects of this Act shall not be entered on any PAYGO scorecard maintained for purposes of section 201 of S. Con. Res. 21 (110th Congress).

Speaker of the House of Representatives.

*Vice President of the United States and
President of the Senate.*



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Jerry Brown
Governor
State of California
Sacramento, CA 95814

Dear Governor Brown:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in California.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy could be forced to cancel maintenance on 5 ships in San Diego and aircraft maintenance in North Island. The Army would lose \$54 million in base operations funding across California, including cuts at the Presidio of Monterrey and Fort Irwin. Operations at Sierra Army Depot could experience a reduction of as much as \$167 million. The Air Force would suffer a cut of at least \$26 million to their operations in the State, including reductions in facilities projects at Beale, Edwards, Travis, and Vandenberg Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in California as we compile a more complete list.





DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

JAN 10 2013

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
DEPARTMENT OF DEFENSE CHIEF INFORMATION OFFICER
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Handling Budgetary Uncertainty in Fiscal Year 2013

Two sources of uncertainty are creating budgetary challenges for the Department of Defense (DoD) in 2013. The first is the fact that the Department is operating under a Continuing Resolution (CR) through at least March 27, 2013. Because most operating funding was planned to increase from Fiscal Year (FY) 2012 to FY 2013, but is instead being held at FY 2012 levels under the CR, funds will run short at current rates of expenditure if the CR continues through the end of the fiscal year in its current form. The Secretary will continue to urge the Congress to enact appropriations bills for FY 2013. But if the CR were to be extended through the end of the fiscal year, it would hinder our ability to maintain a ready force.

The second source of uncertainty is the potential sequestration recently deferred from January 2, 2013 to March 1, 2013 by the American Taxpayer Relief Act of 2012. The possibility of sequestration occurring as late as the beginning of the sixth month of the fiscal year creates significant additional uncertainty for the management of the Department.

Either of these problems, in isolation, would present serious budget execution challenges to the Department, negatively impacting readiness and resulting in other undesirable outcomes. This situation would be made even more challenging by the need to protect funds for wartime operations.

Near-Term Actions

Given the overall budgetary uncertainty faced by the Department, and in particular the immediate operational issues presented by the CR, it is prudent to take certain steps now in order to help avoid serious future problems. I therefore authorize all Defense Components to begin implementing measures that will help mitigate our budget execution risks. For now, and to the extent possible, any actions taken must be reversible at a later date in the event that Congress acts to remove the risks I have described. The actions should be structured to minimize harmful effects on our people and on operations and unit readiness.

Categories of approved actions are identified in Table 1. The authority to implement these actions shall remain in effect until they are revoked in a subsequent memorandum from my office. If Components believe they must take actions that go beyond the categories listed in Table 1, they should present the options for my review and approval prior to their implementation.

Intensified Planning for Longer-Term Budgetary Uncertainty

Given the added challenge of a potential sequestration in March, we must also intensify efforts to plan future actions that might be required should that happen. This planning does not assume these unfortunate events will occur, only that we must be ready.

As they formulate draft plans, Components should follow the guidance that directs the Department to take all possible steps to mitigate harmful effects associated with this budgetary uncertainty and to maintain a strong defense. The details of the guidance are summarized below:

- For the operating portions of the DoD budget:
 - Exempt all military personnel funding from sequestration reductions, in accordance with the decision made by the President in July 2012.
 - Fully protect funding for wartime operations.
 - Fully protect Wounded Warrior programs.
 - To the extent feasible, protect programs most closely associated with the new defense strategy.
 - Reduce civilian workforce costs using the following actions (all subject to mission-critical exemptions, and appropriate consultation with union representatives consistent with Executive Order 13522):
 - Release temporary employees and do not renew term hires.
 - Impose hiring freezes.
 - Authorize voluntary separation incentives and voluntary early retirements to the extent feasible.
 - Consider the possibility of furloughs of up to 30 calendar days or 22 discontinuous workdays.
 - To the extent feasible, protect family programs.

- To the extent feasible, protect funding most directly associated with readiness; focus the necessary cuts on later deploying units.
- For the investment portions of the DoD budget (procurement, RDT&E, construction):
 - Protect investments funded in Overseas Contingency Operations if associated with urgent operational needs.
 - To the extent feasible, protect programs mostly closely associated with the new defense strategy.
 - Take prudent steps to minimize disruption and added costs (e.g., avoid penalties associated with potential contract cancellations where feasible; prudently manage construction projects funded with prior-year monies).

While we are hopeful of avoiding budgetary problems, draft Component plans should reflect the possibility that we may have to operate under a year-long CR and that sequestration takes place. Table 2 shows the types of information that should be included in the plans. Components should submit these draft plans to the Under Secretary of Defense (Comptroller) by February 1, 2013. The Under Secretary of Defense (Comptroller) will work with the Components to adjust this schedule if changes are required due to the deadlines for the preparation of the FY 2014 President's Budget submission.

I appreciate your patience as we work through these difficult budgetary times. The Department will continue to do its best to resolve these budgetary uncertainties in a manner that permits us to support our current defense strategy and maintain a strong defense.

If addressees have questions about this memorandum, they should direct them to the Under Secretary of Defense (Comptroller).

A handwritten signature in cursive script that reads "Ashton Carter". The signature is written in black ink and is positioned in the lower right quadrant of the page.

Attachments:
As stated

Table 1. Categories of Approved Near-Term Actions

- Freeze civilian hiring (with exceptions for mission-critical activities*).
- Provide authority to terminate employment of temporary hires and to notify term employees that their contracts will not be renewed (with exceptions for mission-critical activities and when appropriate in terms of personnel timing*).
- Reduce base operating funding.
- Curtail travel, training, and conferences (all with exceptions for mission-critical activities* including those required to maintain professional licensure or equivalent certifications).
- Curtail facilities maintenance or Facilities Sustainment, Restoration, and Modernization (FSRM) (with exceptions for mission-critical activities*).
 - If necessary, services/agencies are authorized to fund FSRM at levels below current guidance.
- Curtail administrative expenses such as supply purchases, business IT, ceremonies, etc. (with exceptions for mission-critical activities*).
- Review contracts and studies for possible cost-savings.
- Cancel 3rd and 4th quarter ship maintenance availabilities and aviation and ground depot-level maintenance activities. Take this action no earlier than February 15, 2013.
- Clear all R&D and production contracts and contract modifications that obligate more than \$500 million with the USD(AT&L) prior to award.
- For Science and Technology accounts, provide the USD(AT&L) and the Assistant Secretary of Defense (Research & Engineering) with an assessment of the impact that budgetary uncertainty may have on meeting Departmental research priorities.

*Approvals will be granted by Component heads or by senior officials designated by the Component head.

Components with personnel serving Combatant Commanders (COCOMs) must consult with the COCOMs before implementing actions that affect them. Disputes will be brought to the attention of the Chairman of the Joint Chiefs of Staff for further resolution.

Components receiving reimbursements should coordinate with customer before taking actions that would affect the customer's mission.

Table 2. Information to Be Included in Draft Implementation Plans

The following information should be provided at the Component level. Information by commands and bases/installations is not required.

- For operating accounts, identify major actions to include, at a minimum:
 - Extent of civilian hiring freezes; expected number of temps/terms released; expected number, duration, and nature of furloughs.
 - Reductions in flying hours, steaming days, vehicle miles, and other operations/training/support activities that affect force readiness.
 - Areas of budgets experiencing disproportionate cuts.
- For investment accounts:
 - Plans for large programs (ACAT 1D and 1C, and MAIS programs).
 - Include major changes in unit buys, delays, etc.
 - Significant changes in all joint programs.
- Identify and prioritize any essential reprogramming actions with offsets.



January 14, 2013

M-13-03

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jeffrey D. Zients 
Deputy Director for Management

SUBJECT: Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources

In the coming months, executive departments and agencies (agencies) will confront significant uncertainty regarding the amount of budgetary resources available for the remainder of the fiscal year. In particular, unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling approximately \$85 billion in budgetary resources across the Federal Government. Further uncertainty is created by the expiration of the Continuing Appropriations Resolution, 2013 (CR) on March 27, 2013. This memorandum directs agencies to take certain steps to plan for and manage this budgetary uncertainty.

The Administration continues to urge Congress to take prompt action to address the current budgetary uncertainty, including through the enactment of balanced deficit reduction to avoid sequestration. Should Congress fail to act to avoid sequestration, there will be significant and harmful impacts on a wide variety of Government services and operations. For example, should sequestration remain in place for an extended period of time, hundreds of thousands of families will lose critical education and wellness services through Head Start and nutrition assistance programs. The Department of Defense will face deep cuts that will reduce readiness of non-deployed units, delay needed investments in equipment and facilities, and cut services for military families. And Federal agencies will likely need to furlough hundreds of thousands of employees and reduce essential services such as food inspections, air travel safety, prison security, border patrols, and other mission-critical activities.

At this time, agencies do not have clarity regarding the manner in which Congress will address these issues or the amount of budgetary resources that will be available through the remainder of the fiscal year. Until Congress acts, agencies must continue to prepare for the possibility that they will need to operate with reduced budgetary resources.

Prior to passage of the American Taxpayer Relief Act of 2012 (ATRA), the President was required to issue a sequestration order on January 2, 2013. Although the ATRA postponed this date by two months, agencies had already engaged in extensive planning for operations under post-sequestration funding levels before this postponement was effected. In light of persistent budgetary uncertainty, all agencies should continue these planning activities, in coordination with the Office of Management and Budget (OMB), and should intensify efforts to identify actions that may be required should sequestration occur.

Agencies should generally adhere to the following guiding principles, to the extent practicable and appropriate, in preparing plans to operate with reduced budgetary resources in the event that sequestration occurs:

- use any available flexibility to reduce operational risks and minimize impacts on the agency's core mission in service of the American people;
- identify and address operational challenges that could potentially have a significant deleterious effect on the agency's mission or otherwise raise life, safety, or health concerns;
- identify the most appropriate means to reduce civilian workforce costs where necessary – this may include imposing hiring freezes, releasing temporary employees or not renewing term or contract hires, authorizing voluntary separation incentives and voluntary early retirements, or implementing administrative furloughs (appropriate guidance for administrative furloughs can be found on the OPM website [\[here\]](#)); consistent with Section 3(a)(ii) of Executive Order 13522, allow employees' exclusive representatives to have pre-decisional involvement in these matters to the fullest extent practicable;
- review grants and contracts to determine where cost savings may be achieved in a manner that is consistent with the applicable terms and conditions, remaining mindful of the manner in which individual contracts or grants advance the core mission of the agency;
- take into account funding flexibilities, including the availability of reprogramming and transfer authority; and,
- be cognizant of the requirements of the Worker Adjustment and Retraining Notification (WARN) Act, 29 U.S.C. §§ 2101-2109.

While agency plans should reflect intensified efforts to prepare for operations under a potential sequestration, actions that would implement reductions specifically designed as a response to sequestration should generally not be taken at this time. In some cases, however, the overall budgetary uncertainty and operational constraints may require that certain actions be taken in the immediate- or near-term. Agencies presented with these circumstances should continue to act in a prudent manner to ensure that operational risks are avoided and adequate funding is available for the remainder of the fiscal year to meet the agency's core requirements and mission. Should circumstances require an agency to take actions that would constitute a change from normal practice and result in a reduction of normal spending and operations in the

immediate- or near-term, the agency must coordinate closely with its OMB Resource Management Office (RMO) before taking any such actions.

All agencies should work with their OMB RMO on the appropriate timing to submit draft contingency plans for operating under sequestration for review. Furthermore, should Congress take action that affects the current budgetary uncertainty, OMB will provide agencies with additional guidance as appropriate.



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
1000 NAVY PENTAGON
WASHINGTON, DC 20350-1000

JAN 14 2013

BUDGET GUIDANCE MEMORANDUM BG 12-3A

Subj: IMPLEMENTATION OF ANNUAL CONTINUING RESOLUTION AND SEQUESTRATION ON THE FY 2013 DEPARTMENT OF THE NAVY BUDGET

Ref: (a) SECDEF memo on "Handling Budget Uncertainty in FY13" dated 10 January 2013
(b) ALNAV dated 11 January 2013

Encl: (1) DON CR and Sequestration Funding Targets by BSO
(2) Investment Template for Spreading Sequestration Reductions by Year
(3) Template for CR and Sequestration Impact Statements
(4) Working Capital Fund Impact Template

1. Purpose. To provide an update on the current status of sequestration, describe Department of the Navy (DON) timelines and processes, provide revised sequestration targets, solicit inputs for implementation plans for DON programs and impact statements for larger DON programs. This detailed planning effort will inform the DON sequestration implementation plan due to OSD on 1 February 2013. While this sequestration planning effort affects the majority of DON programs, it is considered to be an internal deliberation and is not to be discussed outside the Department.

2. Background. The Budget Control Act (BCA) of 2011 (Public Law 112-25) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) to re-attain a balanced budget by the introduction of an automatic process of across-the-board cuts, known as sequestration. Per the BCA, sequestration was to have taken effect on 2 January 2013 if the Joint Select Committee on Deficit Reduction failed to propose, and Congress failed to enact, a bill including at least \$1.2 trillion in deficit reduction. On 2 January 2013, Congress and the President enacted the American Taxpayer Relief Act of 2012 (ATRA) which deferred sequestration effects until 1 March 2013. The administration is hopeful that Congress will pass a series of bills that would end the continuing resolution and avert sequestration. Reference (a) highlights additional information and guidance on sequestration and can be found at: https://fmbweb1.nmci.navy.mil/exec/Debt_Ceiling.htm.

3. Action. BSOs are to begin execution of DON Tier Alpha actions to preserve funding under the FY 2013 Continuing Resolution. This direction is also provided in references (a) and (b). Development and submission of DON implementation plans and CR and Sequestration Impact Statements by BSOs are described below.

4. Estimating the Impact of Sequestration. The DON has followed the OMB method for calculating the sequestration impact, assuming operations under an annual Continuing Resolution (CR). The base for sequestration includes the following:

- The FY 2013 Annualized CR is calculated from the FY 2012 Enacted appropriation and is adjusted upward by 0.612%.

- The FY 2013 Overseas Contingency Operation (OCO) budget request.
- The FY 2012 and earlier prior year unobligated balances for active accounts. The current forecast for unobligated balances in this guidance uses data through 31 December 2012.

Sequestration Impact = (FY 2013 Annualized CR + FY 2013 OCO request + PY Unobligated Balances) * 9%

a. Until a more definitized sequestration number is available, a 9% reduction will be applied to the sequestration base shown above. BSOs should be aware that the unobligated balance forecast will be updated to include an obligation projection through the end of February of 2013 for final planning estimates, however, this data will not be available from OSD until ~20 January. Revised OSD unobligated balance data will be provided as soon as available. FMB will work with BSOs where any significant changes are observed.

b. The DON also assumes that it will be expected to continue to operate within the limitations of an annualized Continuing Resolution, which reduces flexibility - no FY 2013 new starts and no quantity increases from the FY 2012 enactment to the FY 2013 CR level. As a result, the program control will be established as follows:

- (1) The sequestration reduction described above will be applied to the lower of either the FY 2013 Annualized CR amount (FY 2012+0.612%), or the FY 2013 President's Budget Request.
- (2) Military Personnel funding is excluded from sequestration action but not from the CR.
- (3) Where the PB13 amount was lower than the annualized level of the FY2013 CR, no CR adjustment has been made. Where the FY 2013 CR amount was lower than PB13, an adjustment has been entered - - thereby picking the lower of either the FY 2013 annualized CR or PB13 amounts.
- (4) The purpose for this is to exclude funds from consideration that might not materialize under an appropriation that would artificially enhance budgets.

c. Enclosure (1) reflects the proposed controls as articulated above. Due to the large number of prior year projects and the large prior year balances in SCN and MILCON, including many ships and projects that do not have funding in FY 2013, enclosure (1) provides total sequestration amounts at the appropriation level for SCN, MCN, MCNR, and FHCON. Distribution by fiscal year and line item will be provided separately by FMB 2.

d. While there may be reprogramming authority or other mechanisms provided later for realignments across appropriation, this DON effort presumes no flexibility for realignments within the FY 2013 CR. Also, the sequestration reductions provided must be applied at the PPA level (P-1/R-1/C-1) for investment accounts in FY 2013, but may be realigned among FY 2013 and prior years with active and available unobligated balances. Enclosure (2) provides a template for BSOs to complete to report recommended adjustments across fiscal years within a P-1/R-1/C-1 line item.

5. Civilian Personnel.

a. Hiring Freeze. Per references (a) and (b), a hiring freeze is now in effect for Navy commands. This hiring freeze will be managed by BSO Commanders. Hiring actions may be performed under the hiring freeze for critical billets that the Commander defines as "essential."

No additional job offers will be made by the OCHR Human Resources Service Centers until each BSO develops and issues their hiring freeze plan. BSOs must satisfy their local union notification and bargaining requirements associated with their plan. The Marine Corps direction regarding potential civilian personnel actions will be issued by HQMC to reflect decisions by the Commandant, as applicable. Any Marine Corps hiring freeze will be announced separately and managed by HQMC. ASN(M&RA) will work with individual BSOs to address questions and approve hiring freeze plans. ASN(M&RA) POC for the hiring freeze is Mr. Doug Lundberg at Douglas.Lundberg@navy.mil.

- 1) BSOs are alerted that for reimbursable billets the fund holder must coordinate with the BSO early enough to ensure that the reimbursable workforce is planned, available, and funded.
- 2) More specifically, NAVSEA and the Shipyards must coordinate with the Fleets, as the fund holder, to ensure proper levels of reimbursable workforce are planned and funded. Joint decisions to determine essential work and appropriate work force are essential.
- 3) Beyond the Fleet workforce, BSOs must be sensitive to other reimbursable work, e.g., SOCOM, DHP, Intelligence, and FMS
- 4) DoD has authorized voluntary separation incentives and voluntary early retirements. BSOs can look at this option when considering personnel action.

b. Civilian Personnel Furlough. If implemented, civilian furloughs will be centrally managed and will be a government-wide effort with limited exceptions. The White House will control future guidance with respect to a civilian furlough. Within this effort, BSOs should assume in their implementation plans a one-day furlough per week starting 16 April 2013 and continuing for 22 weeks. In any cases where risk to safety or security are untenable, BSOs should submit an impact statement highlighting the specific issue or circumstance that will result from the furlough. In the event a furlough is not authorized, BSOs should be assessing alternative measures to achieve the required reductions. OCHR will provide supplemental guidance on furloughs. ASN(M&RA) POC for furloughs is Mr. Doug Lundberg at Douglas.Lundberg@navy.mil.

c. Temporary and Term Employment. Per references (a) and (b), BSO Commanders are authorized to reduce temporary and term employee levels. BSO Commanders will manage this effort for critical billets that the Commander defines as “essential.” BSOs are reminded that Tier Alpha presumed a level of savings from these cuts. If temp and term savings do not materialize, BSOs would have to offer alternate cuts. The termination of term employees may require advance notice and appeal rights. When developing plans, BSOs should not propose releasing temporary employees prior to 15 February. You should consult with OCHR if terminating term employees is part of your proposed action plan. ASN(M&RA) POC for temporary and term employee action is Mr. Doug Lundberg at Douglas.Lundberg@navy.mil.

d. Navy Working Capital Fund (NWCF). As civilian personnel at NWCF entities are driven by workload requirements, coordination between customers and WCF entities is critical to ensuring an appropriately sized WCF workforce. Revised customer spend plans will drive changes to WCF requirements. Requirements from paragraph 4.a, 4.b, and 4.c above apply to WCF employees as well.

6. Implementation Plans and Impact. Based on the CR and sequestration targets provided in enclosure (1), BSOs will develop implementation plans in PBIS for O&M, SCN, and Military Construction and will submit sequestration impact statements based on the below direction. Specific direction is as follows:

a. Operation and Maintenance Accounts. FMB has coordinated extensively with BSO Comptrollers on the development of Tier Alpha cuts to address the CR, and is working on Tier Bravo options to deal with sequestration reductions. Revised BSO targets for the CR and sequestration adjustments are provided in enclosure (1) and in a new PBIS control table entitled "Sequestration Planning Control". BSOs will note that CR and sequestration targets are provided at the appropriation level of funding, and these adjustments must be spread by AG SAG in PBIS. As stated, CR rules allow BSOs flexibility to apply the CR adjustments as appropriate to achieve the previously coordinated Tier Alpha reductions - - sequestration cuts to be addressed by the Tier Bravo options will be developed. BSO implementation plans will be due in PBIS to FMB NLT than 25 January 2013. For updates to any unexpected O&M adjustments in Tier Alpha, BSOs will submit an implementation impact statement to FMB1 describing the change. In addition, the following should be provided per reference (a):

- Extent of civilian hiring freezes, expected number of temps/terms released; impact of the furlough.
- Reduction to Flying Hour, Steaming Days, Vehicle Miles and other operations/training/support activities that affect force readiness.
- Any areas receiving disproportionate cuts

Questions regarding O&M implementation plans or impact statements should be forwarded to James.Moser@navy.mil or james.moser@navy.smil.mil.

b. Investment Accounts: For procurement, research and development accounts, sequestration and CR impacts (where applicable) are applied at the Line Item (P-1, R-1) level of detail. Sequestration adjustments may be made for all investment programs at the PPA level by realigning the sequestration reduction among FY13 funding and any prior years with active and available unobligated balances. These recommended adjustments will be provided to FMB 2 in the enclosure (2) template addressed in paragraph 3.d and will be entered in PBIS for Issue 64293 at the P-1, R-1 and C-1 level of detail. BSO input for PBIS records and enclosure (2) will be due to FMB NLT than 25 January 2013.

For significant investment programs (ACAT 1D, ACAT 1C, MAIS, Joint, Special Interest) an implementation impact statement will be submitted to FMB 2. Enclosure (3) provides the template to be used to report recommended sequestration adjustments among fiscal years for a line item, the impact of a year-long CR (funding, authorization, new starts, quantity impact, rate of operations, multiyear procurement), and the impact to the program of the sequestration reduction. Enclosures (2) and (3) will be used for the development of the DON submission to OSD, possible year-long CR anomalies, and follow-on actions to sequestration. Questions regarding investment spend plans or impact statements should be forwarded to Burchard.Jackson@navy.mil or Burchard.Jackson@navy.smil.mil.

c. Construction and Family Housing accounts. NAVFAC will work with FMB2 to report CR and sequestration impact by project and year for Military Construction and Family Housing Construction. In addition, for Family Housing Operations, any Quality of Life issues should be identified.

d. Navy Working Capital Fund (NWCF). NWCF activities should coordinate with the BSOs on potential reductions in customer funding for their planned DON orders. BSOs are requested to complete enclosure (4) to indicate where proposed reductions will significantly impact NWCF customer orders. This information will be used in a subsequent data call to NWCF Activities to assess changes to FY 2013 financial operations, including revenue and net operating results. Questions on this template should be directed to the acting FMB 41, CDR Steve Macdonald, at 703-692-4842.

e. Military Personnel. While Military personnel accounts were exempted by sequestration, they are affected by the continuing resolution. BSOs will submit revised implementation plans for military personnel accounts to account for the impacts of the CR highlighted in enclosure (1) and are due to FMB NLT than 25 January 2013. BSOs should take into account any under-execution in FY 2013 that will result in surpluses and report these via enclosure (3) to FMB 1.

f. Conferences for all Appropriations. Any government-sponsored conferences scheduled from January to March 2013 should be postponed to April or beyond. Per current approval authorities, re-approval is required for those conferences that cannot be easily delayed, are considered absolutely mission essential, or are required to maintain professional license or equivalent certifications. Re-approval will be contingent on showing estimated costs have been minimized to the greatest degree possible. For non-government sponsored conferences, U.S. government participation is not prohibited, but should contribute to the DON's mission and be adjusted to minimize costs, especially travel and lodging. Invited speakers included in conference requests should seek the approval of the next higher command level to verify speaker need before the conference request is submitted for re-approval. All future conference requests will include a FO/GO/SES endorsement highlighting how costs have been minimized and whether the conference is mission critical and/or fulfills license and certification requirements.

g. Travel and Training for all Appropriations. All non-mission essential travel and training should be minimized to the greatest degree possible. The first FO/GO/SES in the chain of command should determine whether travel is mission essential. This guidance is effective through 1 April. It will then be reviewed and adjusted based on the outcome of the final FY 2013 topline.

7. New Starts, Quantity Increases and Multiyear Procurements. While under a year-long CR, DoN commands do not have the authority to initiate any FY 2013 new starts, multiyear procurements, or contract for increases in procurement over FY 2012 quantities. These limits must be considered by BSOs when developing investment implementation plans. The impact statements should address any problems with these CR limitations which may later be included as legislative proposals or anomalies in requesting relief from OMB and /or congress.

8. Control of pre-decisional information. Participants are reminded that discussion of sequestration information outside of DoD is not permitted.

9. Congressional and Public Affairs Guidance. CHINFO is the central control authority for messaging and the DON narrative related to either the CR, or sequestration. Requests for information from any organization on these topics should be coordinated with CHINFO to ensure a consistent message that includes the OSD/SECNAV perspective is provided.

10. Action. Per references (a) and (b), BSOs are to begin executing initial actions of DON Tier Alpha options to preserve funding under the FY 2013 Continuing Resolution. BSOs are to also upload implementation plans in PBIS and provide enclosure (2) and (3) completed templates for investment programs NLT 25 January 2013. Questions related to this memorandum may be directed to Mr Bill Orton at (703) 695-5827, or William.Orton@navy.mil. Questions concerning spend plans may be forwarded to Mr Dennis Kelley at (703) 692-1679 or Dennis.Kelley@navy.mil. Questions on O&M spend plans should be forwarded to Mr. James Moser at (703) 695-5803 or James.Moser@navy.mil. Questions regarding investment spend plans or impact statements should be forwarded to CAPT Cory Jackson at (703) 697-1618 Burchard.Jackson@navy.mil.

I KNOW THIS
IS HARD WORK BUT
IT MUST BE DONE
ACCURATELY AND
QUICKLY!



J.P. MULLOY
Rear Admiral, U.S. Navy
Deputy Assistant Secretary of
the Navy for Budget

Distribution:
(See next page)

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Director, Strategic Systems Programs (SSP)
Commander, Military Sealift Command (MSC)
Commander, Space and Naval Warfare Systems Command (SPAWAR)
Director, Naval Systems Management Activity (NSMA)
Commander, Navy Installations (CNI)
Commander, U.S. Fleet Forces Command (COMUSFLTFORCOM)
Commander, U.S. Pacific Fleet (COMPACFLT)
Commander, Naval Reserve Force (COMNAVRESFOR)
Commander, Naval Special Warfare Command

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ASN(RD&A) only)
Staff Offices (DON CIO, JAG, and OLA only)
Chief of Naval Operations (N09, DNS, N093, N095, N097, N1, N2/N6, N3/N5, N4, N8,
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DEPARTMENT OF THE NAVY
 HEADQUARTERS UNITED STATES MARINE CORPS
 3000 MARINE CORPS PENTAGON
 WASHINGTON, DC 20350-3000

IN REPLY REFER TO:

7000

BE

22 Jan 13

From: Fiscal Director of the Marine Corps, Programs and
 Resources Department, Headquarters, United States Marine Corps
 To: Distribution

Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

Ref: (a) DepSecDef memorandum of 10 Jan 13: Handling Budgetary
 Uncertainty in Fiscal Year 2013
 (b) DoN Budget Guidance Memorandum BG 12-3A
 (c) P&R Marine Corps Action Tracking System Task #2013-1-190.X
 (d) Fiscal Director ltr 7000/RFE of 1 Oct 12

1. Purpose. The Department of Defense continues to operate under a Continuing Resolution (CR) that currently runs through 27 March, but could possibly be extended to cover the full fiscal year. Further, the potential sequestration under the Budget Control Act was delayed but not eliminated under the 2012 American Taxpayer Relief Act; this Act also made additional topline reductions. The confluence of these events has presented the Marine Corps with a great deal of fiscal uncertainty and may adversely impact readiness due to the possibility of smaller budgets in both the current FY as well into the foreseeable future. Accordingly, it is prudent that the Marine Corps begin immediately to pursue reversible/recoverable actions to reduce expenditure rates and mitigate budget execution risks. This letter explains the steps the Marine Corps has taken to date and directs additional budgetary actions (in accordance with reference (a)) that will be undertaken in support of the overall Marine Corps effort.

2. Background. For initial planning purposes, the Marine Corps has made the assumption that it will be operating under the constraints of an annualized CR for FY13. This means that during FY13 there may be no new starts (including military construction (MILCON)), multi-year procurements, and no quantity increases from the FY12 enactment to the FY13 CR level - we will be executing to the lower of either FY13 annualized CR or the PB13 amount.

In addition to the impact of the annualized CR, the Marine Corps has also begun planning in anticipation of reductions associated with the sequestration, which further compounds the already adverse effect of the CR. The sequestration base is calculated by adding the annualized FY13 CR (rate of operations of base FY12 enacted plus the FY13 Overseas Contingency Operations (OCO) budget request) and FY12 and earlier prior year unobligated balances for active prior year

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Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

accounts. A 9% reduction was then applied to this base to arrive at projected sequestration reductions. It is important to note that the full extent of the law encompasses sequestration-related cuts through FY21; as a result, commanders and activity heads need to take a long term view toward sequestration and understand the future impacts of decisions made today.

3. Initial Actions

a. Rebalancing to Address Continuing Resolution Shortfalls. The manner in which the CR must be implemented had a disproportionate effect on some elements of the Marine Corps' Operation and Maintenance appropriation, in particular the operating forces and ground depot maintenance. Accordingly, the Commandant directed the rebalancing of \$392M to offset shortfalls in Marine Corps Logistics Command, Marine Corps Forces U.S. Cyber Command, and in the operating forces; this funding shift is reflected in the controls promulgated in reference (c).

b. Slow Down of Spending. Due to the uncertainty described in preceding paragraphs, the Commandant has authorized steps be undertaken immediately to slow spending in the 2nd Quarter of FY13. Accordingly, the Deputy Commandant, Programs and Resources will not allocate \$150M originally planned for distribution in the 2nd Quarter in order to aid in mitigating the longer term uncertainty of an annualized CR and sequestration. Should sequestration be averted, this action is reversible, and the funding will then be allocated in accordance with the Commandant's priorities.

c. Civilian Personnel (CIVPERS)

(1) Manage to Payroll (MTP). The Marine Corps will not immediately implement an across the board hiring freeze; however, MTP controls have been adjusted, and commands and activities must manage their respective payrolls within these reduced levels. Commanders must understand that additional CIVPERS actions (such as a hiring freeze) may ultimately be directed.

(2) Civilian Furloughs. The Marine Corps will not implement furloughs in the near term. Commands and activities are directed to assess the potential impact of furloughs, but this is contingency planning only. Accordingly, commands and agencies may plan for furloughs, assuming one furloughed day per week for all employees starting on or about 27 April 2013 and continuing for 22 weeks. Commands and activities will develop contingency/continuity of operations plans to address the potential impact of furloughs and will provide the ramifications of such furloughs in their impact statements (reference (c)). Commands will assume that any savings associated with civilian furloughs will be held centrally and managed by Programs

Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

and Resources Department to offset Service-wide shortfalls as directed by the Commandant.

(3) Temporary Employment. Commands and activities are authorized (but not directed) to reduce temporary employee levels, and should consider such reductions consistent with current requirements and projected workload. Commands and activities will provide Programs and Resources Department with their plan for reducing temporary employees and the associated impact of this decision.

(4) Term Employment. Commands and activities may, but are not directed to, release term employees when their current terms expire, consistent with current requirements and projected workload. Early release of Marine Corps term employees prior to expiration of their term is not authorized at this time, but planning for the possibility of such a future decision should be undertaken. Commands and activities will provide their plan for reducing term employees and the associated ramifications of this decision in their impact statements (reference (c)).

(5) Depot Maintenance. No action that involves cancellation of depot activities may be taken prior to 15 February per references (a) and (b).

4. Near Term Actions and Planning Guidance

a. Operation and Maintenance Accounts

(1) Commands and activities have already assessed the impact of sequestration and CR cuts and submitted both impact statements and implementation plans in PBDD. Reference (c) provided revised controls for commands and activities and is intended to support refined planning and analyses with more detailed fiscal controls. These controls are based on the rebalancing of funds directed by the Commandant and assume an annualized CR and a 9% sequestration reduction. Commands and activities will analyze these refined controls and will provide implementation plans to Programs and Resources Department Coordination Branch (RFC) in PBDD as directed in reference (c).

(2) Commands and activities should consider the following guidance when preparing implementation plans:

(a) Travel. Per references (a) and (b), non-mission essential travel activities should be postponed or cancelled, and in cases where this is not possible due to mission requirements, travel will be approved by the first general officer/flag officer in the traveler's chain of command. Postponement of travel incurred in the execution/planning of combat operations and associated training is

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Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

excepted. In all cases, travel expenses should be minimized to the greatest extent feasible.

(b) Conferences. Per reference (b), any government-sponsored conferences scheduled from January to March should be moved to April or beyond. For those conferences that cannot be easily delayed or are considered mission essential, the conference will be reviewed and approved by the first general officer/flag officer in the chain of command and resubmitted for final approval in accordance with current directives. For non-government sponsored conferences, U.S. government participation is not prohibited, but should contribute to the Marine Corps' mission and be adjusted to minimize costs. Invited speakers should seek approval of the first general/flag officer in the chain of command to ensure that participation is essential to the outcome of the conference. Every effort should be made to consider alternatives to formal conferences to include venues such as VTC, teleconferences, etc.

(c) Administrative Support/Information Technology. Commands and activities should review costs associated with printing and reproduction, review legal requirements for printing, limit purchase of promotional items not directly associated with the Marine Corps' recruiting mission, review the use and assignment of employee IT devices, and reduce participation in ceremonies, commemorations, etc. where possible.

(d) Contracting. Where possible, all contract awards should be postponed beyond 1 April to preserve fiscal flexibility later in the year. Commands and activities should discuss significant contract obligations with Programs and Resources Department personnel prior to committing the Marine Corps to such contract obligations.

(e) Studies and analysis efforts. Commands and activities should review the need for contracted studies and analyses and postpone studies that are not critical to mission accomplishment.

(f) Facilities Sustainment. Commands and activities should slow facilities sustainment expenditures, postponing these commitments to later in the fiscal year in cases where safety and life support are not in jeopardy. Note that current sequestration/CR planning projects the possibility of a reduction of Facilities, Sustainment, Restoration, and Modernization (FSRM) funding to as low as 60% of the requirement.

b. Investment Accounts and Military Construction

(1) Reference (c) promulgated updated annualized CR and Sequestration controls for Procurement, Marine Corps (PMC), Procurement of Ammunition, Navy and Marine Corps (PANMC), Research,

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Development, Test, and Evaluation, Navy (RDT&EN) and Family Housing Operations (FHOPS). These controls have been updated to reflect the most recent sequestration and CR reductions as well as estimated prior year unobligated balances (updated to reflect actual execution through mid January and projections through the end of February).

(2) Based on these new controls, Marine Corps Systems Command will update/revise its sequestration impact statements, develop PBDD loads for the CR13 and sequestration undistributed amounts (spread to the MCPC level and appropriate fiscal year), complete PBIS loads in the specified format, and submit these in accordance with the timelines promulgated in reference (c).

(3) Construction accounts. Investment Branch (RFI) will work with Installations and Logistics Department (I&L) (LFL) to develop CR and sequestration impacts by project and year.

c. Military Personnel Accounts. While military personnel accounts are exempted by sequestration, they are affected by the CR. Manning Branch (RFM), Programs and Resources Department will submit revised implementation plans for military personnel accounts to account for the impacts of the CR. On a monthly basis, RFM will provide assessments of funding shortfalls or assets against PB13 and against an annualized CR.

5. Coordinating Instructions

a. New Starts (including MILCON), Quantity Increases, and Multiyear Procurements. In accordance with references (a) and (d), while under a CR, the Marine Corps does not have the authority to initiate any FY 2013 new starts or multiyear procurements nor may it contract for increases in procurement over FY 2012 quantities or planned PB13 or OCO13 levels (whichever is the lesser amount). These limits must be considered by commands and activities when developing implementation plans.

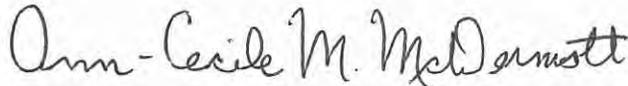
b. Control of Pre-decisional Information. All personnel are reminded that discussion of sequestration information outside of DoD is prohibited. Further, this information may not be shared with contractor personnel.

c. Congressional and Public Affairs Guidance. The Department of the Navy is the central control authority for messaging and the narrative related to either the CR or sequestration. Requests for information from any organization on these topics should be coordinated with Programs and Resources Department.

7. Points of contact. Points of contact in this matter are as follows:

Subj: GUIDANCE FOR SEQUESTRATION AND CONTINUING RESOLUTION PLANNING

- Mr. Ed Gardiner, Director, Budget and Execution Division, edward.gardiner@usmc.mil, (703)614-3598.
- Colonel Steve Redifer, Deputy Director, Budget and Execution Division, steve.redifer@usmc.mil, (703)614-9552.
- LtCol Mel Chattman, Head, O&M Execution Branch, melvin.chattman@usmc.mil, (703)692-5704 or Mr. Pat Rose pat.rose@usmc.mil, (703)695-7901.
- LtCol Paul Cucinotta, Head, O&M Formulation Branch, paul.cucinotta@usmc.mil, (703)614-7946.
- Mr. Eddie Pagan, Head, Investment Branch, edgar.pagan@usmc.mil, (703)692-5508.
- Mr. Doug Matties, Head, Budget and Congressional Coordination Branch, doug.matties@usmc.mil, (703)692-5506.



ANN-CECILE M. MCDERMOTT

Distribution:

Director, Marine Corps Staff
 Commanding General, Marine Corps Development Command
 Commanding General, Marine Forces Pacific
 Commanding General, Marine Forces Command
 Commanding General, Marine Forces Reserve
 Commanding General, Marine Forces Central Command
 Commanding General, Marine Forces Northern Command
 Commanding General, Marine Forces Europe
 Commanding General, Marine Forces Africa
 Commanding General, Marine Forces Southern Command
 Commanding General, Marine Forces Cyber Command
 Commanding General, Marine Corps Forces Special Operations Command
 Commanding General, Marine Corps Logistics Command
 Commanding General, Marine Corps Recruiting Command
 Commanding General, Marine Corps Installation Command
 Commanding General, Marine Corps Systems Command
 Commanding General, Training and Education Command
 Deputy Commandant for Manpower and Reserve Affairs
 Deputy Commandant for Installations and Logistics
 Deputy Commandant for Plans, Policies, and Operations



DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20380-1775

IN REPLY REFER TO:

12351

CL

From: Commandant of the Marine Corps
To: My Civilian Marines

Subj: SEQUESTRATION IMPACTS; POSSIBLE FURLOUGHS

1. Civilian Marines are critical to the Marine Corps' role in protecting our Nation. I appreciate that you have already sacrificed through a decade of high tempo deployments and combat operations. You have remained by our side during nearly three years of pay freezes and increasing work. Thank you for all that you do and have done for our Corps and country. Unfortunately, I may have to ask you to do even more.

2. As you are aware, there has been much speculation about our current fiscal situation. This is my first opportunity to address the matter with you. Our Nation's political leaders are working hard to resolve these issues. One issue involves what is referred to as "sequestration"—or across the board budget reductions—which could take effect on March 1, 2013, absent further legislation. The President has expressed his intention to exempt military personnel funding from these cuts. The law does not, however, permit similar civilian funding protections.

3. There is no shortage of examples of Civilian Marine dedication. In the past year, 66 employees crossed the 40 year service milestone; another 1,300 employees have 30 years of service. One of those with 40 years has been a mainstay at Headquarters Marine Corps, faithfully serving through the 9/11 attacks and the following decade of war. Our civilians are interwoven throughout, contributing to our entire organization. Our nearly 450 Family Readiness Officers directly support the operating forces, allowing our operators to focus on the mission at hand. A group of 36 Civilian Marines in the Marine Corps Facility Services Directorate are universally recognized for enabling operators to conduct realistic training and effectively execute their missions. These Civilian Marines typify the remarkable performance of over 20,000 Civilian Marines serving our Corps.

4. Every civilian in our organization is important to me, just as is every Marine. I want to ensure that all Civilian Marines, as well as the Marines and Sailors within our ranks, understand that

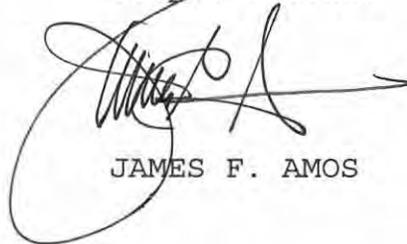
I intend to do my utmost to ensure that the Marine Corps continues to accomplish its missions, while keeping faith with you.

5. The current situation requires tough decisions. With or without sequestration, challenging fiscal times lie ahead. In addition to our active duty force reductions of 20,000 Marines, I anticipate reductions in programs and other areas. The Marine Corps, like the rest of our Armed Forces, will have to find ways to accomplish missions within reduced budgets. Some form of reduction in civilian personnel accounts over the coming year is likely unavoidable. As a result, there may be administrative furloughs. Potential actions will only occur after a careful examination of other viable cost-reduction options.

6. Our continued success will be built on a team approach, one in which everyone involved is kept fully informed to the extent possible. Your expertise and insights will add value to the effort. While I know that it's difficult, our situation requires patience so that we can properly analyze our options. No matter what happens, we will work together to minimize any adverse impacts on the mission, and reduce as much as possible any adverse effects on you and your family.

7. I greatly appreciate the importance of what our Civilian Marines do each and every day, the sacrifices you make on behalf of our Nation, and the value you add to our Corps. You have all contributed through your service to our organization; unfortunately, this situation may require me to ask you to sacrifice yet again. We are one Marine Corps family, and we will continue as such. Regardless of what may lie ahead, I know that as a team we can successfully weather any challenge. In its truest sense, I remain...

Semper Fidelis

A handwritten signature in black ink, appearing to read 'James F. Amos', with a large, sweeping flourish that extends to the right and loops back under the name.

JAMES F. AMOS



SECRETARY OF DEFENSE
1 000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

FEB 20 2013

MEMORANDUM FOR DEPARTMENT OF DEFENSE CIVILIAN EMPLOYEES

SUBJECT: Preparations for Potential Sequestration on March 1 and Furlough Notifications

For more than a year and a half, the President, the Joint Chiefs of Staff, and I have repeatedly voiced our deep concerns over the half a trillion dollars in automatic across-the-board cuts that would be imposed under sequestration and the severe damage that it would do to both this Department and our national defense.

The Administration continues to work with Congress to reach agreement on a balanced deficit reduction plan to avoid these cuts. Meanwhile, because another trigger for sequestration is approaching on March 1st, the Department's leadership has begun extensive planning on how to implement the required spending reductions. These cuts will be magnified because the Department has been forced to operate under a six-month continuing resolution that has already compelled us to take steps to reduce spending.

In the event of sequestration, we will do everything we can to continue to perform our core mission of providing for the security of the United States, but there is no mistaking that the rigid nature and scale of the cuts forced upon this Department will result in a serious erosion of readiness across the force.

I have also been deeply concerned about the potential direct impact of sequestration on you and your families. We are doing everything possible to limit the worst effects on DoD personnel – but I regret that our flexibility within the law is extremely limited. The President has used his legal authority to exempt military personnel funding from sequestration, but we have no legal authority to exempt civilian personnel funding from reductions. As a result, should sequestration occur and continue for a substantial period, DoD will be forced to place the vast majority of its civilian workforce on administrative furlough.

Today, I notified Congress that furloughs could occur under sequestration. I can assure you that, if we have to implement furloughs, all affected employees will be provided at least 30 days' notice prior to executing a furlough and your benefits will be protected to the maximum extent possible. We will work to ensure that furloughs are executed in a consistent and appropriate manner, and we will also continue to engage in discussions with employee unions as appropriate. More information and answers to frequently asked questions regarding furloughs can be found at www.opm.gov/furlough, under the "administrative furlough" section.



OSD001644-13

Working with your component heads and supervisors, the Department's leaders will continue to keep you informed. As we deal with these difficult issues, I want to thank you for your patience, hard work, and continued dedication to our mission of protecting the country.

Our most important asset in the Department is our world-class personnel. You are fighting every day to keep our country strong and secure, and rest assured that the leaders of this Department will continue to fight with you and for you.

A handwritten signature in black ink, appearing to be "Johnston", written in a cursive style with a long horizontal flourish extending to the right.



SECRETARY OF DEFENSE
1000 DEFENSE PENTAGON
WASHINGTON, DC 20301-1000

FEB 20 2013

The Honorable Joseph R. Biden, Jr.
President of the Senate
United States Senate
S-212 Capitol Building
Washington, DC 20510

Dear Mr. President:

In accordance with statute, I am providing a report on potential civilian furloughs within the Department of Defense. Specifically, title 10, U.S.C., section 1597(e), provides that the Secretary of Defense “may not implement any involuntary reduction or furlough of civilian positions ... until the expiration of the 45-day period beginning on the date on which the Secretary submits to Congress a report setting forth the reasons why such reduction or furloughs are required and a description of any change in workload or positions requirements that will result from such reductions or furloughs.” This letter provides the report and information required by this section.

We remain hopeful that the Administration and Congress will reach an agreement to avoid the across-the-board reductions in Federal spending required by the Budget Control Act of 2011, commonly known as “sequestration.” The Department must, however, continue to plan for such reductions should Congress not take action prior to sequestration taking effect on March 1, 2013. If sequestration is not avoided, the magnitude of the potential reductions will damage force readiness, slow major acquisition programs, and necessitate civilian furlough actions that will negatively affect our Federal civilian workforce. Overall, sequestration will put us on a path toward a hollow force and inflict serious damage on our national security.

If faced with sequestration, the Defense Department will be forced to forego critical objectives. As we make the difficult decisions about how to maintain our national security to the greatest extent we can in light of these destructive cuts, the Department will have to consider furloughs across the entire defense civilian workforce in order to meet the fiscal target mandated by sequestration. Because there will be no change in the requirements for work to be performed by the Department’s workforce to maintain our national security, the workload on each employee and the requirements for each position that will result from such furloughs will be increased beyond what can reasonably be achieved. The furloughs contemplated by this notice will do real harm to our national security. Moreover, we understand that furloughs would have serious adverse effects on the livelihood, morale, and productivity of our workforce, and where possible we will take steps to minimize those effects.



Nevertheless, if required, it is my goal to apply furlough actions in a consistent and equitable manner across the Department, though variations may occur because of the mission and budgetary requirements of each military department and agency. Each military department and agency within the Department will prepare detailed sequestration plans, and the Department will submit an updated plan for operations under a sequestration to Congress, as required by section 116(b) of the Continuing Appropriations Resolution, 2013, Public Law 112-175.

Finally, if furlough actions prove to be necessary, every affected employee would be subject to furlough for up to 22 discontinuous work days (176 total hours), the maximum number of furlough days allowed without triggering additional notification requirements that follow reduction-in-force procedures (though such an extended furlough action would still constitute a temporary placement on non-pay/non-duty status, rather than a permanent separation from service). We will provide affected employees the requisite advance notice before a furlough occurs. The Department is also engaged in the necessary and appropriate discussions with employee unions, and will discharge any applicable collective bargaining obligations that may arise. In the event an agreement is reached that averts sequestration and restores needed funding, we will immediately cancel any furloughs that have resulted and cease furlough planning.

While furloughs would be disruptive and damaging to our ability to carry out the defense mission, there are no viable alternatives for the Department if sequestration actually occurs. We will continue to work with Congress in an effort to avoid sequestration and furloughs. A similar letter is being sent to the Speaker of the House and the defense oversight committees.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. ...", with a long, sweeping horizontal line extending to the right.

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

4000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-4000



READINESS AND
FORCE MANAGEMENT

MEMORANDUM FOR: SEE DISTRIBUTION

FEB 21 2013

SUBJECT: Total Force Management and Budgetary Uncertainty

- Reference:
- (a) Deputy Secretary of Defense Memorandum, "Handling Budget Uncertainty in Fiscal Year 2013", dated 10 January 2013
 - (b) Under Secretary of Defense of Personnel & Readiness Memorandum, "Prohibition on Converting Certain Functions to Contract Performance", dated 1 December 2011
 - (c) Deputy Secretary of Defense Memorandum, "Guidance for Limitation on Aggregate Annual Amount Available for Contracted Services", dated 3 June 2012
 - (d) Under Secretary of Defense of Personnel & Readiness Memorandum, "Guidance Related to the Utilization of Military Manpower to Perform Certain Functions", dated 2 March 2012
 - (e) DoD Instruction 1100.22, "Guidance for Determining Workforce Mix", dated 12 April 2010

This memorandum provides guidance for the management of the Total Force (active and reserve military, government civilians, and contracted support) during this time of continued budget uncertainty. The Department must maintain the viability of the All-Volunteer Force and sustain its operational readiness in the most cost-conscious manner. To do so, the Department must also maintain a properly sized, highly capable civilian workforce that is aligned to mission and workload; complements and delivers support to the military; supports the well-being of the warfighters and their families; and recognizes evolving critical demands while guarding against an erosion of organic skills and an overreliance on contracted services. Finally, the use of contracted services must continue to be reviewed to ensure the most appropriate, cost effective, and efficient support aligned to mission.

As DoD Components begin to take actions consistent with reference (a) – including the implementation of civilian hiring freezes, the release of term or temporary civilian employees, and other personnel related actions – they must be mindful of the Department's obligations to manage the Total Force consistent with Title 10 statutory requirements and references (b) through (e). These considerations are required in planning for the potential reduction or unavailability of fiscal year 2013 funds (with the exception of funds for military personnel) associated with sequester or the continuing resolution.

Consistent with section 2461 of title 10, United States Code, and reference (b), the conversion of functions or work performed by, or designated for performance by, civilian employees to contract performance without a public-private competition is expressly prohibited. Currently such competitions are prohibited under section 325 of the National Defense Authorization Act for Fiscal Year 2010 (Public Law 111-84). Workload currently performed by, or designated for performance by, civilian employees may not be transferred or assumed by contractors performing against prior year obligations. Most importantly, contractors may not perform inherently governmental work, and section 2464 of title 10, United States Code expressly prohibits contracting of certain functions (enclosure 1). DoD

Component heads, as well as field commanders and line managers, are urged to be particularly vigilant to prevent the inappropriate conversion of work to contract performance.

Additionally, limits on contracted support spending enacted in section 808 of the National Defense Authorization Act for Fiscal Year 2012, Public Law 112-81, and implemented via reference (c) still apply. The statutory obligations in section 2330a of title 10, United States Code, to minimize reliance on contract performance of work closely associated with inherently governmental functions (see illustrative examples at enclosure 2) remain in force. Moreover, the guidance in reference (c) to achieve reductions of such reliance, as well as in staff augmentation contract support, remains in effect. Planning for budgetary uncertainty does not relieve DoD Components from compliance with these mandates.

As we continue planning during this period of budgetary uncertainty, the Department must also ensure military personnel are not inappropriately utilized, particularly in a manner that may degrade readiness or result in unnecessary costs to the Department. Consistent with references (d) and (e), except in extraordinary, and typically temporary, circumstances, individual military personnel or units should not perform functions or work that is not military essential (see illustrative examples in enclosure 3). The use of "borrowed" or "repurposed" military can harm readiness and operational capabilities by diverting service members from training or performance of military essential functions, particularly when military members are required to work outside of their occupational specialties. In addition to the risk of hollowing the force, this practice could adversely impact the All-Volunteer Force and have negative effects on the recruitment, retention, and career progression of individual members. During this period of budgetary uncertainty, military units may perform work previously performed by civilian employees or contracted support as part of a rotation base for an operational capability (if this has been reflected in Operational Orders), provided this is done on a limited and temporary basis. In the event of sequestration, where military personnel accounts are exempted, there may be instances where military personnel can be used on a short-term, emergency basis to satisfy a demand that is of mission critical importance.

Please ensure maximum distribution of this memorandum throughout your organization, particularly to your manpower, personnel, and resourcing communities. Questions regarding application and implementation of this memorandum should be addressed to the following points of contact within the Office of Total Force Planning & Requirements: Mr. Thomas Hessel (thomas.hessel@osd.mil or 703-697-3402), and Ms. Amy Parker (amy.parker@osd.mil or 703-697-1735). Thank you for your support in the mitigating risks from budgetary uncertainty that could adversely affect the sustainability and readiness of the All Volunteer Force.



Frederick Vollrath
Principal Deputy Assistant Secretary of Defense for
Readiness and Force Management
Performing the Duties of the Assistant Secretary of
Defense for Readiness and Force Management

Enclosures: As stated

DISTRIBUTION:

SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DEPUTY CHIEF MANAGEMENT OFFICER
COMMANDERS OF THE COMBATANT COMMANDS
DIRECTOR, COST ASSESSMENT AND PROGRAM EVALUATION
DIRECTOR, OPERATIONAL TEST AND EVALUATION
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
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ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTOR, NET ASSESSMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

Non-Exhaustive Examples of Inherently Governmental Functions
(Extract from Office of Federal Procurement Policy Letter 11-1 (September 12, 2011))

1. The direct conduct of criminal investigation.
2. The control of prosecutions and performance of adjudicatory functions (other than those relating to arbitration or other methods of alternative dispute resolution).
3. The command of military forces.
4. Combat.
5. Security provided under any of the circumstances set out below. This provision should not be interpreted to preclude contractors taking action in self-defense or defense of others against the imminent threat of death or serious injury. (a) Security operations performed in direct support of combat as part of a larger integrated armed force. (b) Security operations performed in environments where, in the judgment of the responsible Federal official, there is significant potential for the security operations to evolve into combat. (c) Security that entails augmenting or reinforcing others (whether private security contractors, civilians, or military units) that have become engaged in combat.
6. The conduct of foreign relations and the determination of foreign policy.
7. The determination of agency policy, such as determining the content and application of regulations.
8. The determination of budget policy, guidance, and strategy.
9. The determination of Federal program priorities or budget requests.
10. The selection or non-selection of individuals for Federal Government employment, including the interviewing of individuals for employment.
11. The direction and control of Federal employees.
12. The direction and control of intelligence and counter-intelligence operations.
13. The approval of position descriptions and performance standards for Federal employees.
14. The determination of what government property is to be disposed of and on what terms (although an agency may give contractors authority to dispose of property at prices with specified ranges and subject to other reasonable conditions deemed appropriate by the agency).
15. In Federal procurement activities with respect to prime contracts:
 - (a) determining what supplies or services are to be acquired by the government
 - (b) participating as a voting member on any source selection boards;
 - (c) approving of any contractual documents, including documents defining requirements, incentive plans and evaluation criteria;
 - (d) determining that prices are fair and reasonable;
 - (e) awarding contracts;
 - (f) administering contracts (including ordering changes in contract performance or contract quantities, making final determinations about a contractor's performance, including approving award fee determinations or past performance evaluations and taking action based on those evaluations, and accepting or rejecting contractor products or services);
 - (g) terminating contracts
 - (h) determining whether contract costs are reasonable, allocable, and allowable;
 - (i) And participating as a voting member on performance evaluation boards.

16. The selection of grant and cooperative agreement recipients including: (a) approval of agreement activities; (b) negotiating the scope of work to be conducted under grants/cooperative agreements; (c) approval of modifications to grant/cooperative agreement budgets and activities; and (d) performance monitoring.
17. The approval of agency responses to Freedom of Information Act requests (other than routine responses that, because of statute, regulation, or agency policy, do not require the exercise of judgment in determining whether documents are to be released or withheld), and the approval of agency response to the administrative appeals of denials of Freedom of Information Act requests.
18. The conduct of administrative hearings to determine the eligibility of any person for a security clearance, or involving actions that affect matters of personal reputation or eligibility to participate in government programs.
19. The approval of Federal licensing actions and inspections.
20. The collection, control, and disbursement of fees, royalties, duties, fines, taxes and other public funds, unless authorized by statute, such as title 31 United States Code section 952 (relating to private collection contractors) and title 31 United States Code section 3718 (Relating to private attorney collection services), but not including (a) collection of fees, fines, penalties, costs or other charges from visitors to or patrons of mess halls, post or base exchange concessions, national parks, and similar entities or activities, or from other persons, where the amount to be collected is predetermined or can be readily calculated and the funds collected can be readily controlled using standard cash management techniques; and (b) routine voucher and invoice examination.
21. The control of the Treasury accounts.
22. The administration of public trusts.
23. The drafting of official agency proposals for legislation, Congressional testimony responses to Congressional correspondence, or responses to audit reports from an inspector general, the Government Accountability Office, or other Federal audit entity.
24. Representation of the government before administrative and judicial tribunals, unless statute expressly authorizes the use of attorney whose services are procured through contract.

**Statutory Restrictions on Contracting
(Title 10 United States Code Section 2465)**

- (a) Except as provided in subsection (b), funds appropriated to Department of Defense may not be obligated or expended for the purpose of entering into a contract for the performance of fire-fighting or security-guard functions at any military installation or facility.
- (b) The prohibition in subsection (a) does not apply to the following contracts:
 - (1) A contract to be carried out at a location outside the United States (including its commonwealths, territories, and possessions) at which members of the armed forces would have to be used for the performance of a function described in subsection (a) at the expense of unit readiness.
 - (2) A contract to be carried out on a Government-owned but privately operated installation.

- (3) A contract (or the renewal of a contract) for the performance of a function under contract on September 24, 1983.
- (4) A contract for the performance of firefighting functions if the contract is-
 - (A) for a period of one year or less; and
 - (B) covers only the performance of firefighting functions that, in the absence of the contract, would have to be performed by members of the armed forces who are not readily available to perform such functions by reason of a deployment.

**Non-Exhaustive Examples of Closely Associated With Inherently Governmental Functions
(Extract from Office of Federal Procurement Policy Letter 11-1 (September 12, 2011))**

1. Services in support of inherently governmental functions, including, but not limited to the following:
 - a. Performing budget preparation activities, such as workload modeling, fact finding, efficiency studies, and should-cost analysis.
 - b. Undertaking activities to support agency planning and reorganization.
 - c. Providing support for developing policies, including drafting documents, and conducting analyses, feasibility studies, and strategy options.
 - d. Providing services to support the development of regulations and legislative proposals pursuant to specific policy direction.
 - e. Supporting acquisition, including in the areas of:
 - i. Acquisition planning, such as by conducting market research; developing inputs for government cost estimates, and drafting statements of work and other pre-award documents.
 - ii. Source selection, such as by preparing a technical evaluation and associated documentation; participating as a technical advisor to a source selection board or as a nonvoting member of a source selection evaluation board; and drafting the price negotiations memorandum.
 - iii. Contract management, such as by assisting in the evaluation of a contractor's performance (e.g. by collecting information performing an analysis, or making a recommendation for a proposed performance rating), and providing support for assessing contract claims and preparing termination settlement documents.
 - f. Preparation of responses to Freedom of Information Act requests.
2. Work in a situation that permits or might permit access to confidential business information or other sensitive information (other than situations covered by the National Industrial Security Program described in Federal Acquisition Regulation 4.402(b)).
3. Dissemination of information regarding agency policies or regulations, such as conducting community relations campaigns, or conducting agency training courses.
4. Participation in a situation where it might be assumed that participants are agency employees or representatives, such as attending conferences on behalf of an agency.
5. Services as arbitrators or provision of alternative dispute resolution (ADR) services.
6. Construction of buildings or structures intended to be secure from electronic eavesdropping or other penetration by foreign governments.
7. Provision of inspection services.
8. Provision of legal advice and interpretations of regulations and statutes to government officials.
9. Provision of non-law enforcement security activities that do not directly involve criminal investigations, such as prisoner detention or transport and non-military national security details.

**Examples of Military Essential Functions
(summarized from DoD Instruction 1100.22)**

1. Missions involving operational risks and combatant status under the Law of War.
2. Specialized collective and individual training requiring military unique knowledge and skills based on recent operational experience
3. Independent advice to senior civilian leadership in Department requiring military unique knowledge and skills based on recent operational experience
4. Command and control arrangements best performed within the Uniform Code of Military Justice.
5. Rotation base for an operational capability.
6. Career progression.
7. Esprit de corps (such as military recruiters, military bands)



THE UNDER SECRETARY OF THE NAVY
WASHINGTON DC 20350-1000

FEB 21 2013

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Planning Guidance for Potential Civilian Furloughs

- References:**
- (a) Letter from Secretary of Defense Leon Panetta to the Honorable Joseph R. Biden, Jr., President of the Senate, dated 20 February 2013
 - (b) DoD Fact Sheet: Year-Long Sequestration and Continuing Resolution
 - (c) Secretary of Defense Memorandum for Department of Defense Civilian Employees, subject: Preparations for Potential Sequestration on 1 March 2013 and Furlough Notifications, dated 20 February 2013
 - (d) DoD Fact Sheet: Furlough Planning

1. On 20 February 2013, as required by statute, Secretary of Defense Leon Panetta notified the President of the Senate, Speaker of House, and other Congressional leaders of the possibility that the Department of Defense may be forced to furlough members of its civilian workforce (see reference (a)). These furloughs could result from the budgetary impacts of a year-long Continuing Resolution coupled with the across-the-board Federal spending cuts required by the Budget Control Act of 2011, commonly referred to as "sequestration" (see reference (b)).

2. As outlined in reference (c), the Administration is working closely with Congress to reach an agreement on a balanced deficit reduction plan that would avoid sequestration. In the event these efforts fail, then civilian furloughs could result. To prepare our people for this possibility, DoD published some general facts about the mechanics of implementing furloughs (see reference (d)). This memorandum provides commanders and budget submitting officers with further Department of the Navy (DON) guidance to plan for furloughs if they become necessary.

3. The impact of furloughs on our civilian workforce is not lost on DON leadership, and we hope to avert them if possible. However, simple prudence dictates that we plan for the worst and prepare our people for the possibility that furloughs may indeed occur. The following guidance reflects a consistent DoD-wide approach that will impact the entire Department in a similar manner.

SUBJECT: Planning for Potential Civilian Furloughs

4. If sequestration triggers, all appropriated fund employees, regardless of the funding source, would be subject to administrative furlough. Few, if any, exceptions will be granted, and any exception must come from one of the following six categories:

a. Civilians deployed in a combat zone or civilian mariners deployed onboard ships at sea (Military Sealift Command ships in a maintenance status overseas are subject to furlough of civilian mariners);

b. Civilians directly responsible for safety of life or property – only to the extent needed to prevent unacceptable risk or catastrophic gaps in the safety and protection of life or property;

c. Civilian employees paid with non-appropriated funds;

d. Employees exempt by law (i.e., employees appointed by the President with the advice and consent of the Senate – (PAS));

e. Foreign nationals;

f. All medical service civilian employees are subject to furlough except those that provide 24-hour inpatient care or emergency service, and personnel providing ancillary services directly supporting the 24-hour inpatient care and emergency services.

5. To prepare for the administrative furlough, all employees will initially be defaulted to furlough status. Absent approval from the Assistant Secretary of the Navy (Manpower and Reserve Affairs) (ASN (M&RA)) and the Secretary of the Navy, BSO Commanders are limited to identifying those civilian employees who meet the stringent exception requirements outlined subparagraphs (a) through (f) above. Exceptions previously identified during shutdown or emergency (unplanned) events do not apply to administrative furlough exceptions — mission critical employees, while still identified as such, are not excepted during an administrative (planned) furlough. Any additional DON requests for exceptions will be submitted for consideration to the Office of the Secretary of Defense (Personnel & Readiness).

6. Any requests for exceptions must be submitted to the ASN (M&RA) by 27 February 2013 for consideration and approval by the Secretary of the Navy. Requests for exceptions should be submitted via the Director, Office of Civilian Human Resources in the format found in enclosure (1). This form will provide us with details on requested furlough exemptions as well as an estimate of lost furlough labor savings accompanying the requested exemptions.

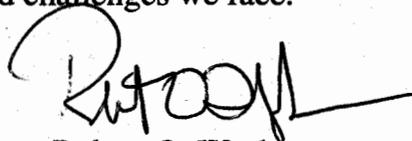
SUBJECT: Planning for Potential Civilian Furloughs

7. All administrative furloughs will be limited to 176 hours, approximately 22 workdays. For general planning, furloughs typically will be executed in increments of approximately 16 hours per pay period to mitigate the impact on the mission and employees. The hours/time for the administrative furloughs will be determined by Budget Submitting Office (BSO) Commanders and shall be dependent upon mission requirements. Plans to deviate from the general planning guidelines will be coordinated with ASN (M&RA) as there are potential ramifications to the employees and commands if modified plans are adopted. BSO Commanders may delegate the coordination and scheduling of the furloughs as appropriate for carrying out the mission requirements. (Note: Scheduling of furlough days for employees is subject to local bargaining requirements.)

8. During the furlough, DON leaders and managers must control leave and absences for the military and civilian workforce in order to mitigate the impact of the furlough on mission and readiness. Major Commands and the United States Marine Corps may not use contract funding or premium pay (e.g., compensatory time or overtime) to offset lost time under the furlough. Further, where employees are excepted from the administrative furlough, managers may deny paid personal leave if mission requirements are jeopardized.

9. We recognize that over the course of the furlough, DON's civilian workforce capability will be reduced by approximately 20 percent. Our Sailors and Marines will not be expected to replace that capacity and services will be negatively impacted. Additionally, the DON cannot transfer inherently governmental work to the contractor workforce. Finally, our furloughed civilians are prohibited by law from working from home or on-site (officially or unofficially) during their furlough days — employees and their supervisors will be subject to Anti-Deficiency Act violations and may be subject to disciplinary action.

10. We will continue to work with DoD to mitigate the impacts of the fiscal uncertainty on our workforce and our mission. I appreciate your dedication and ongoing service against the backdrop of the unprecedented challenges we face.



Robert O. Work

Enclosure: 1. Department of the Navy Civilian Personnel Furlough Exception Request

Distribution:
Echelon 1 and 2 Activities
Budget Submitting Office

SUBJECT: Department of the Navy Planning for Potential Civilian Furlough

cc:

UNSECNAV

ASN (FM&C)

OPNAV (VCNO, DNS, N1, N2/N6, N3/N5, N4, N8, N9)

ACMC (DMCS, DC M&RA)

OCHR

OLA

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FMBE



THE SECRETARY OF THE NAVY
WASHINGTON DC 20350-1000

February 22, 2013

MEMORANDUM FOR DEPARTMENT OF NAVY CIVILIAN EMPLOYEES

SUBJECT: Potential Sequestration and Possible Furlough

The Department of the Navy's civilian workforce is an incredibly talented and integral part of the Navy and Marine Corps team. Whether you are developing new weaponry for the next generation of warfighter, helping to operate and maintain our far-flung bases and stations, fixing ships or aircraft, pressing forward on auditability targets, helping Wounded Warriors heal and transition, or performing countless other critical tasks, you are vital to our mission. Our Sailors and Marines could not have responded to and sustained the brutal operational tempo of the last decade of war without the support of each and every one of you.

Budget pressures have already imposed a pay freeze on the non-uniformed members of our team, now in its third year, and most recently, a civilian hiring freeze. Now, unless Congress acts, two pending budgetary actions will force the Department to consider the possibility of employee furloughs. The two actions driving these unfortunate circumstances are:

- Sequestration – the implementation of automatic across-the-board budget cuts on 1 March 2013 to meet the statutory topline limits established in the 2012 Budget Control Act; and
- The possibility that the current Continuing Resolution, which funds U.S. government operations only through 27 March 2013, is extended through the end of this fiscal year.

When taken separately, these two actions are problematic enough; together, they create unprecedented and extraordinary budget challenges because the mindless nature of the cuts prevents us from managing to a new budget reality. We remain hopeful an agreement can be reached to avoid across-the-board reductions, pass a Department of Defense (DoD) appropriations bill, and avert this new fiscal crisis. However, given the great uncertainty we now face, simple prudence dictates that we plan for the worst case scenario—that both occur, and with little flexibility to lessen the worst impacts.

Accordingly, the Department of the Navy has taken and will continue to take steps to reach the savings targets associated with current and projected budget reductions by reducing expenditures. However, we cannot fully close the looming budget gap with these efforts alone. As a result, the Secretary of Defense reluctantly sent Congress official notification (as required by law) that we may be forced to furlough our civilian employees. Furloughs, if they occur, would not begin until mid/late April. The Congressional notification is only the first step in the planning process. Under the worst case scenario, furloughs would affect almost all DoD civilian employees and could span 176 hours (approximately 22 work days) over the rest of the fiscal year.

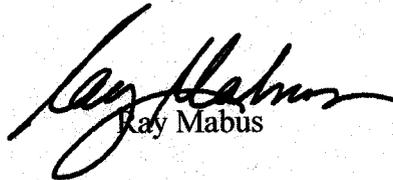
SUBJECT: Potential Sequestration and Possible Furlough

Let me emphasize that furloughing civilian employees is an action of last resort for the DoD, and one not taken lightly. We remain hopeful that the need for furloughs will ultimately be averted. However, should a Department-wide furlough become inevitable, we will individually notify personnel as required at least 30 days in advance of such action.

The impact of the potential furlough is not lost on me or the rest of the Department's leadership. We recognize that you and your families are already being impacted by the fiscal uncertainty. We will therefore continue to pursue every option to avoid them. In the meantime, we will also continue to communicate with you at every opportunity and at every level to help you understand the likelihood and implications of potential furloughs. We will post information on a dedicated webpage (links from www.donhr.navy.mil).

The days and weeks ahead will be challenging for us all. However, despite the great uncertainty facing us, I ask that you not to lose focus on our mission. We remain at war. Our Sailors and Marines depend on each one of you. It is critical that all of us continue to perform our jobs.

With great admiration and appreciation for all you do.



Kay Mabus

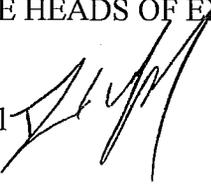


EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 27, 2013

M-13-05

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Danny Werfel
Controller 

SUBJECT: Agency Responsibilities for Implementation of Potential Joint Committee
Sequestration

Unless Congress acts to amend current law, the President is required to issue a sequestration order on March 1, 2013, canceling \$85 billion in budgetary resources across the Federal Government. Because these cuts must be achieved over the remaining seven months of the fiscal year, the Office of Management and Budget (OMB) estimates that the effective percentage reductions are approximately 9 percent for nondefense programs and 13 percent for defense programs. These reductions will result in significant and harmful impacts to national security and domestic priorities.

The President has been clear that sequestration is bad policy that was never intended to be implemented, and the Administration remains hopeful that Congress will act to avoid it through an agreement on balanced deficit reduction. However, because legislation may not be enacted to avoid sequestration before the current deadline of March 1, 2013, executive departments and agencies (agencies) with sequestrable accounts have been engaged in planning activities to operate at the lower, post-sequestration funding levels should it be necessary.

This guidance builds on prior communications with agencies about the implementation of sequestration, and addresses questions that have been raised as to certain categories of planning activities.

Agency Planning Activities

OMB Memorandum 13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources*, directed agencies to begin planning activities to operate with reduced budgetary resources in the event that sequestration occurs. Agencies' planning efforts must be guided by the principle of protecting the agency's mission to serve the public to the greatest extent practicable. Planning efforts should be done with sufficient detail and clarity to determine the specific actions that will be taken to operate under the lower level of budgetary resources

required by sequestration. For example, agencies should identify any major contracts that they plan to cancel, re-scope or delay as well as any grants that they plan to cancel, delay, or for which they plan to change the payment amount. Similarly, agencies should identify the number of employees who will be furloughed, the length of expected furloughs, the timing of when furlough notices will be issued, and the manner in which furloughs will be administered. In some cases, agencies may not be able to ascertain all of this information prior to March 1. However, agencies should continue to engage in intense and thorough planning activities to determine all specific actions that will be taken as soon as practicable.

Communications

To the extent permitted by law, agencies should inform their various partners and stakeholders in a timely and complete manner of the impact of sequestration so that third parties are able to adjust their operations and plans as appropriate. Accordingly, at this time, agencies should be actively and continuously communicating with affected stakeholders—including States, localities, tribal governments, Federal contractors, Federal grant recipients, and Federal employees—regarding elements of the agency’s planning that have a direct impact on these groups. These communications will vary greatly by agency and by stakeholder, but agencies should be as specific as possible in order to provide sufficient detail to be helpful to these stakeholders in understanding the implications of the reduced budget authority resulting from sequestration.

With regard to any planned personnel actions to reduce Federal civilian workforce costs, consistent with Section 3(a)(ii) of Executive Order 13522, agencies must allow employees’ exclusive representatives to have pre-decisional involvement in these matters to the fullest extent practicable and permitted under the law. In particular, in instances where agencies are considering potential furloughs, agencies have a duty to notify their exclusive representatives and, upon request, bargain over any negotiable impact and implementation proposals the union may submit, unless the matter of furloughs is already covered by a collective bargaining agreement. Agencies should ensure that they are fully aware of and in compliance with any and all collective bargaining requirements, and should consult with their General Counsel or appropriate labor relations office for questions regarding these requirements and appropriate interaction with employees and unions on these matters.

Acquisition

Due to the Government’s large acquisition footprint, sequestration will inevitably affect agency contracting activities and require agencies to reduce contracting costs where appropriate. As with all actions taken as a result of sequestration, agencies should ensure that any contract actions are both cost-effective and minimize negative impact on the agency’s mission to the extent practicable.

Program, acquisition, financial/budget management, information technology, and legal personnel should work together to make determinations regarding contracts in light of sequestration. As a general matter, agencies should only enter into new contracts or exercise options when they support high-priority initiatives or where failure to do so would expose the

government to significantly greater costs in the future. Agencies may also consider de-scoping or terminating for convenience contracts that are no longer affordable within the funds available for Fiscal Year 2013, should no other options exist to reduce contracting costs in these instances. Should such steps be necessary, agencies must evaluate the associated costs and benefits of such actions, and appropriately inform and negotiate with contractors. Finally, agencies should take all appropriate steps to minimize to the extent practicable the impact on small businesses of reduced contracting activities.

Financial Assistance

Given the widespread use of grants, loans and other Federal financial assistance to non-federal entities (e.g., State, local and tribal governments, non-profit organizations, and companies), sequestration will impact the funding of these activities.

As a general matter, agencies should ensure that any new financial assistance obligations or funding increases under existing agreements are consistent with the need to protect the agency's mission at the post-sequestration level. In light of sequestration, agencies may also consider delaying awarding of new financial assistance obligations, reducing levels of continued funding, and renegotiating or reducing the current scope of assistance. Agencies may be forced to reduce the level of assistance provided through formula funds or block grants. Should any such steps be necessary, agencies should evaluate the associated costs and benefits of such actions and appropriately engage and inform recipient(s) as early as possible.

Increased Scrutiny of Certain Activities

In determining the appropriate manner to achieve funding reductions, agency heads must also ensure that their agencies have risk management strategies and internal controls in place that provide heightened scrutiny of certain types of activities funded from sequestered accounts. To the extent these accounts remain at the post-sequestration funding level, increased scrutiny should apply to:

- hiring new personnel;¹
- issuing discretionary monetary awards to employees, which should occur only if legally required until further notice; and
- incurring obligations for new training, conferences, and travel (including agency-paid travel for non-agency personnel).

In light of the reduced budgetary resources available due to sequestration, expending funds on these activities at this time would in many circumstances not be the most effective way to protect agency mission to the extent practicable. Therefore, agency leadership should review processes and controls around these activities, and ensure that these activities are conducted only

¹ Agencies must also ensure that appropriate controls are in place to prevent the increased use of contractors to perform work due to any restrictions on hiring. Agencies should bear in mind the statutory restrictions contained in 10 U.S.C. 2461 and 41 U.S.C. 1710 on the conversion of functions from performance by Federal employees to performance by contractors.

to the extent they are the most cost-effective way to maintain critical agency mission operations under sequestration.

Please contact your OMB Resource Management Office (RMO) if you have any questions about or need assistance with this guidance.

THE WHITE HOUSE

Office of the Press Secretary

For Immediate Release

March 1, 2013

SEQUESTRATION ORDER FOR FISCAL YEAR 2013 PURSUANT
TO SECTION 251A OF THE BALANCED BUDGET AND
EMERGENCY DEFICIT CONTROL ACT, AS AMENDED

By the authority vested in me as President by the laws of the United States of America, and in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (the "Act"), 2 U.S.C. 901a, I hereby order that budgetary resources in each non-exempt budget account be reduced by the amount calculated by the Office of Management and Budget in its report to the Congress of March 1, 2013.

Pursuant to sections 250(c)(6), 251A, and 255(e) of the Act, budgetary resources subject to sequestration shall be new budget authority, unobligated balances of defense function accounts carried over from prior fiscal years, direct spending authority, and obligation limitations.

All sequestrations shall be made in strict accordance with the requirements of section 251A of the Act and the specifications of the Office of Management and Budget's report of March 1, 2013, prepared pursuant to section 251A(11) of the Act.

BARACK OBAMA

THE WHITE HOUSE,
March 1, 2013.

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 1, 2013

M-13-06

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jeffrey D. Zients 
Deputy Director for Management

SUBJECT: Issuance of the Sequestration Order Pursuant To Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended

This memorandum is to inform executive departments and agencies (agencies) that the President has issued a sequestration order (order) in accordance with section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (BBEDCA), 2 U.S.C. 901a. The order requires that budgetary resources in each non-exempt budget account be reduced by the amount calculated by the Office of Management and Budget (OMB) in its report to Congress of March 1, 2013, entitled *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (sequestration report).

Due to the failure of the Joint Select Committee on Deficit Reduction, the President was required by law to issue an order canceling \$85 billion in budgetary resources across the Federal Government for the remainder of Fiscal Year (FY) 2013. OMB has calculated that, over the course of the fiscal year, the order requires a 7.8 percent reduction in non-exempt defense discretionary funding and a 5.0 percent reduction in non-exempt nondefense discretionary funding. The sequestration also requires reductions of 2.0 percent to Medicare, 5.1 percent to other non-exempt nondefense mandatory programs, and 7.9 percent to non-exempt defense mandatory programs. The sequestration report provides calculations of the amounts and percentages by which various budgetary resources are required to be reduced, and a listing of the reductions required for each non-exempt budget account.

Agencies shall apply the same percentage reduction to all programs, projects, and activities within a budget account, as required by section 256(k)(2) of BBEDCA, 2 U.S.C. 906(k)(2). Agencies should operate in a manner that is consistent with guidance provided by OMB in Memorandum 13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources* and Memorandum 13-05, *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration*.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

March 1, 2013

The Honorable John A. Boehner
Speaker of the House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed please find the Office of Management and Budget (OMB) Report to the Congress on the sequestration for fiscal year (FY) 2013 required by section 251A of the Balanced Budget and Emergency Deficit Control Act, as amended (the "Joint Committee sequestration"). This report provides calculations of the amounts and percentages by which various budgetary resources are required to be reduced, and a listing of the reductions required for each non-exempt budget account.

In August 2011, as part of the Budget Control Act of 2011 (BCA), bipartisan majorities in both the House of Representatives and Senate voted for sequestration as a mechanism to compel the Congress to act on deficit reduction. The threat of destructive across-the-board cuts under the BCA was intended to drive both sides to compromise. Yet, a year and a half has passed, and the Congress still has failed to enact balanced deficit reduction legislation that avoids sequestration.

As a result of the Congress's failure to act, the law requires the President to issue a sequestration order today canceling \$85 billion in budgetary resources across the Federal Government for FY 2013. Specifically, OMB calculates that, over the course of the fiscal year, the sequestration requires a 7.8 percent reduction in non-exempt defense discretionary funding and a 5.0 percent reduction in non-exempt nondefense discretionary funding. The sequestration also requires reductions of 2.0 percent to Medicare, 5.1 percent to other non-exempt nondefense mandatory programs, and 7.9 percent to non-exempt defense mandatory programs.

Because these cuts must be achieved over only seven months instead of 12, the effective percentage reductions will be approximately 13 percent for non-exempt defense programs and 9 percent for non-exempt nondefense programs.

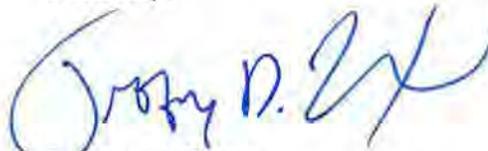
The cuts required by sequestration will be deeply destructive to national security, domestic investments, and core Government functions. While the Department of Defense will shift funds where possible to minimize the impact on war-fighting capabilities and critical military readiness, sequestration will result in a reduction in readiness of many non-deployed units, delays in investments in new equipment, cutbacks in equipment repairs and needed facilities maintenance, disruptions in military research and development efforts, significant reductions in weapons programs, and furloughs of most civilian employees for a significant

amount of time. Sequestration will also undermine nondefense investments vital to economic growth, threaten the safety and security of the American people, and cause severe harm to programs that benefit the middle class, seniors, and children. According to analysis by outside experts, sequestration would reduce real GDP growth for 2013 by 0.5 to 0.7 percentage points were it to continue for the rest of the calendar year.

The Joint Committee sequestration is a blunt and indiscriminate instrument. It was never intended to be implemented and does not represent a responsible way for our Nation to achieve deficit reduction.

On multiple occasions, the President has proposed comprehensive and balanced deficit reduction plans to avoid sequestration. The President and Congress, working together, have already reduced the deficit by \$2.5 trillion. The President has been clear that he is willing to make tough choices to reach an agreement on further deficit reduction. The Administration continues to stand ready to work with the Congress to enact balanced deficit reduction legislation that replaces sequestration and puts the Nation on a sound long-term fiscal path.

Sincerely,



Jeffrey D. Zients
Deputy Director for Management

Enclosure

Identical Letter Sent to the President of the Senate

OMB REPORT TO THE CONGRESS ON THE JOINT COMMITTEE SEQUESTRATION FOR FISCAL YEAR 2013



March 1, 2013

**OMB REPORT TO THE CONGRESS
ON THE JOINT COMMITTEE SEQUESTRATION
FOR FISCAL YEAR 2013**

The Balanced Budget and Emergency Deficit Control Act, as amended (BBEDCA), 2 U.S.C. § 901a, requires the Office of Management and Budget (OMB) to calculate, and the President to order on March 1, 2013, reductions in budgetary resources triggered by the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by \$1.2 trillion (Joint Committee sequestration). This report provides OMB's calculations of the percentage and dollar amount of the reduction for each non-exempt budget account and an explanation of the calculations.

OMB calculates that the Joint Committee sequestration requires a 7.8 percent reduction in non-exempt defense discretionary funding and a 5.0 percent reduction in non-exempt non-defense discretionary funding. The sequestration also imposes reductions of 2.0 percent to Medicare, 5.1 percent to other non-exempt nondefense mandatory programs, and 7.9 percent to non-exempt defense mandatory programs.

Basis for Calculations

Discretionary Appropriations. As of the date of this report, no full-year regular appropriations bills have been enacted for fiscal year (FY) 2013. Instead, all agencies are operating under the Continuing Appropriations Resolution, 2013 (CR), Pub. L. 112-175. In addition, the Disaster Relief Appropriations Act, 2013 (Hurricane Sandy supplemental), Pub. L. 113-2, provided supplemental funding to various agencies for Hurricane Sandy relief and recovery efforts. Accordingly, as required by sections 251A(7)(A) and 253(f)(2) of BBEDCA, OMB's estimates for the level of sequestrable budgetary resources and resulting reductions assume that budget accounts with discretionary appropriations are funded at the annualized level provided by the CR, plus funding provided by the Hurricane Sandy supplemental and any funding enacted as advance appropriations for FY 2013. Unless another amount is specified by the CR, the annualized level equals the FY 2012 enacted appropriations, including changes in mandatory programs, net of any recurring rescissions, and increased by 0.612 percent pursuant to section 101(c) of the CR.¹ Spending authority from offsetting collections is only increased by the 0.612 percent when that spending authority is used to determine the annualized level. Amounts designated in the CR for Overseas Contingency Operations (OCO)/Global War on Terrorism (GWOT), and amounts incorporated in the CR by reference to the Disaster Relief Appropriations Act, 2012, Pub. L. 112-77, do not receive the 0.612 percent increase. As provided by section 101(b) of the CR, whenever an amount designated for OCO/GWOT pursuant to section 251(b)(2)(A) of BBEDCA in either the Department of Defense Appropriations Act, 2012 (division A of Pub. L. 112-74) or in the Military Construction and Veterans Affairs and Related Agencies Appropriations Act, 2012 (division H of Pub. L. 112-74) differs from the amount in the President's FY 2013 Budget request, the annualized level equals the amount in the President's FY 2013 Budget request. The CR levels are also adjusted for any transfers mandated by law.

Unobligated Balances in the Defense Function. Pursuant to section 255(e) of BBEDCA, unobligated balances in the defense function are sequestrable budgetary resources. The majority of estimated unobligated balances in the defense function are in Department of Defense accounts. In general, for multiyear accounts, the Department of Defense estimated unobligated balances as of March 1, 2013, by reducing unobligated balances as of December 31, 2012, by a historically-based estimate of obligations from prior year funds in January and February.

¹ Information about OMB's calculation of the amounts appropriated by the CR can be found in OMB Bulletin 12-02, which is available online at <http://www.whitehouse.gov/sites/default/files/omb/bulletins/fy2012/b12-02.pdf>.

Direct Spending. Estimates of sequestrable budgetary resources and outlays for budget accounts with direct spending are equal to the current law baseline amounts contained in the President's FY 2013 Budget, adjusted for the effects of legislation enacted since the Budget was transmitted. Two changes with the largest effect on the amount of sequestrable direct spending—providing for a zero percent update for Medicare payments to physicians under the Sustainable Growth Rate formula for calendar year 2013, and extending Emergency Unemployment Compensation (EUC) through the end of 2013—were enacted in the American Taxpayer Relief Act of 2012 (ATRA), Pub. L. 112-240.

Special Sequestration Rules. The Joint Committee sequestration order is not an order under section 254 of BBEDCA.² Accordingly, as set forth in this report, the special rules in section 256 that apply only to a sequestration order issued under section 254 do not apply to the Joint Committee sequestration, except to the extent those rules are otherwise made applicable by another provision of law. Section 251A(7)(A) of BBEDCA does not include any such provision for discretionary spending; as a result, in calculating the reduction in discretionary spending required by the Joint Committee sequestration, this report does not apply the special rules in section 256 that apply only to a sequestration order issued under section 254. The special rules in section 256 do, however, apply to the reduction in direct spending required by the Joint Committee sequestration, pursuant to the explicit direction in section 251A(8) of BBEDCA.

Federal Administrative Expenses. Under section 256(h) of BBEDCA, Federal administrative expenses are subject to sequestration pursuant to an order issued under section 254 “without regard to any exemption, exception, limitation, or special rule which is otherwise applicable.” For the reasons set forth in the preceding paragraph, for the Joint Committee sequestration, this rule applies only to Federal administrative expenses that constitute direct spending. BBEDCA does not define “administrative expenses.” For purposes of this report, “administrative expenses” for typical Government programs are defined as the object classes for personnel compensation, travel, transportation, communication, equipment, supplies, materials, and other services. For Government programs engaging in commercial, business-like activities, administrative expenses constitute overhead costs that are necessary to run a business, and not expenses that are directly tied to the production and delivery of goods or services.

American Taxpayer Relief Act of 2012. In addition to the changes to direct spending mentioned above, this report reflects three changes to the calculation of the Joint Committee sequestration required by ATRA. Section 901(a) reduced the amount of the FY 2013 sequestration by \$24 billion, which was paid for by \$12 billion of revenue increases and \$12 billion in total reductions to the discretionary spending limits for FYs 2013 and 2014. Section 901(c) delayed the date for submission of this report from January 2, 2013 to March 1, 2013. Section 901(e) altered the discretionary spending limits for FY 2013 for purposes of calculating the Joint Committee sequestration.

Calculation of Sequestration Percentages

Under section 251A of BBEDCA, the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, legislation to reduce the deficit by \$1.2 trillion triggers automatic reductions in discretionary appropriations and direct spending to achieve the deficit reduction that the Joint Select Committee process was meant to achieve. As shown in Table 1, the total annual amount of deficit reduction required is specified by formula in section 251A(3), starting with the total reduction of \$1.2 trillion required for FY 2013 through

² For further discussion, see the OMB Report Pursuant to the Sequestration Transparency Act of 2012 (STA Report) issued in September.

FY 2021, deducting a specified 18 percent for debt service savings, and then dividing the result by 9 to calculate the annual reduction of \$109 billion for each year from FY 2013 to FY 2021. As discussed previously, ATRA lowered the amount of the reduction required for FY 2013 by \$24 billion, leaving \$85 billion to be achieved through sequestration. The annual reduction is split evenly between budget accounts in function 050 (defense function) and in all other functions (nondefense function), so that each function group will be reduced by \$42.667 billion in FY 2013.

Table 1. CALCULATION OF TOTAL ANNUAL REDUCTION BY FUNCTION

(In billions of dollars)

Joint Committee required savings	1,200.000
Deduct debt service savings (18%)	-216.000
Net programmatic reductions	984.000
Divide by 9 to calculate annual reduction	109.333
Reduction for FY 13 pursuant to section 901(a) of ATRA	-24.000
Net remaining programmatic reduction for FY 2013	85.333
Split 50/50 between defense and nondefense functions	42.667

Base for Allocating Reductions. The annual reduction is further allocated between discretionary and direct spending within each of the function groups in proportion to their share of total spending within the function group. The base for allocating reductions to discretionary appropriations is the discretionary spending limit for FY 2013 listed in section 251(c) (2) as revised by section 251A(2)(A), and as applied pursuant to section 901(e) of ATRA. For purposes of this report, the discretionary spending limits have not been revised to include adjustments pursuant to section 251(b)(2) for certain funding included in the CR and Hurricane Sandy supplemental because these adjustments cannot be made until OMB issues its Discretionary Final Sequestration Report for FY 2013 on March 27th pursuant to section 901(b) of ATRA. Pursuant to paragraphs (5) and (6) of section 251A, and consistent with section 6 of the Statutory Pay-As-You-Go Act of 2010, 2 U.S.C. § 935, the base for allocating reductions to budget accounts with direct spending is the sum of the direct spending outlays in the budget year and the subsequent year that would result from new sequestrable budget authority in FY 2013.

Sequestrable Base. Once the reductions are allocated between discretionary appropriations and direct spending using the bases above, the sequestration percentage for discretionary appropriations is obtained by dividing the discretionary reduction required by the discretionary sequestrable base, which is described above in the “Basis for Calculations” section. By statute, the discretionary sequestrable base differs from the base used to allocate the reductions between discretionary appropriations and direct spending. For discretionary defense programs, the sequestrable base equals total discretionary appropriations (including funding that would trigger cap adjustments), plus unobligated balances and funding financed by fees, minus exemptions. Except for funding for military personnel accounts, most discretionary defense funding is sequestrable.³ For discretionary nondefense programs, the sequestrable base equals total discretionary appropriations (including funding that would

³ Defense sequestrable budgetary resources include non-exempt new budget authority and unobligated balances carried over from prior fiscal years. Budgetary resources for military personnel accounts are exempt pursuant to section 255(f) of BBEDCA and the July 31, 2012 letter from OMB notifying the Congress of the President’s intent to exempt military personnel accounts from sequestration, available at: <http://www.whitehouse.gov/sites/default/files/omb/legislative/letters/military-personnel-letter-biden.pdf>.

trigger cap adjustments) and funding financed by fees, adjusted to exclude funding for the Department of Veterans Affairs, Pell Grants, and other exempt amounts. For mandatory programs, the sequestrable base is the same as the mandatory base for allocating the reduction. Pursuant to sections 251A(8), 255, and 256 of BBEDCA, most mandatory spending is exempt from sequestration or, in the case of the Medicare program and certain health programs, is subject to a 2 percent limit on sequestration.

Defense Function Reduction

Table 2 shows the calculation of the sequestration percentages and dollar reductions required for budget accounts with discretionary appropriations or direct spending within the defense function. The calculation involves the following steps:

- Step 1. Pursuant to section 251A(5), the total reduction of \$42.667 billion is allocated proportionately between discretionary appropriations and direct spending. The total base is the sum of the FY 2013 revised discretionary spending limit for the security category⁴ (\$544 billion) and OMB’s baseline estimates of sequestrable direct spending outlays in the defense function in FY 2013 and FY 2014 from new direct spending budget authority in FY 2013 (\$0.662 billion). Discretionary appropriations comprise more than 99 percent of the total base in the defense function.
- Step 2. Total defense function spending must be reduced by \$42.667 billion. As required by section 251A(5)(A), allocating the reduction based on the ratio of the revised discretionary spending limit to the total base (the sum of the defense discretionary spending limit and sequestrable direct spending) yields a \$42.615 billion reduction required for discretionary appropriations. Under section 251A(5)(B), the remaining \$0.052 billion is the reduction required for budget accounts with direct spending.
- Step 3. As required by section 251A(7)(A), the discretionary percentage reduction for FY 2013 is calculated by dividing the discretionary reduction amount calculated in step 2 (\$42.615 billion) by the sequestrable budgetary resources (\$549.325 billion) for budget accounts with discretionary appropriations in the defense function, which yields a 7.8 percent sequestration rate for budget accounts with non-exempt discretionary appropriations. A similar calculation is required by section 251A(8) for the sequestration of direct spending. Dividing the direct spending reduction amount (\$0.052 billion) by the sequestrable budgetary resources (\$0.662 billion) for budget accounts with direct spending yields a 7.9 percent sequestration rate for budget accounts with non-exempt direct spending.

Table 2. DEFENSE FUNCTION REDUCTION

(Dollars in billions)

		Discretionary	Direct Spending	Total
Step 1.	Base for allocating reduction	544.000	0.662	544.662
	Percentage allocation of reductions	99.88%	0.12%	
Step 2.	Allocation of total reduction	42.615	0.052	42.667
	Percentage allocation of reductions	99.88%	0.12%	
Step 3.	Sequestration percentages calculation:			
	Sequestrable base	549.325	0.662	
	Sequestration percentage	7.8%	7.9%	

⁴ For purposes of this report, the “security category” means discretionary appropriations in budget function 050, National Defense, and “nonsecurity category” means discretionary appropriations other than in budget function 050.

Nondefense Function Reduction

Table 3 shows the calculation of the sequestration percentages and dollar reductions required for budget accounts with discretionary appropriations or direct spending within all other functions besides 050 (nondefense function). The calculation is more complicated than the calculation for the defense function due to a two percent limit on sequestration of Medicare non-administrative spending, a two percent limit on sequestration of community and migrant health centers (which applies only to mandatory funding for those programs), and a special rule for applying the sequestration to student loans. The calculation involves the following steps:

Step 1. Total spending in the nondefense function must be reduced by \$42.667 billion. The portion of Medicare subject to the two percent limit is estimated to have combined FY 2013 and FY 2014 outlays of \$567.340 billion⁵ from FY 2013 budgetary resources, so a two percentage point reduction would reduce outlays by \$11.347 billion, leaving a reduction of \$31.320 billion to be taken from discretionary appropriations and other direct spending in the nondefense function.

Step 2. Pursuant to section 251A(6), the remaining reduction of \$31.320 billion is allocated proportionately between discretionary appropriations and other direct spending in the non-defense function. The remaining base (\$605.839 billion) is the sum of the FY 2013 revised discretionary spending limit for the nonsecurity category (\$499.000 billion) and the remaining sequestrable direct spending base (\$106.839 billion).⁶ The latter amount equals OMB's 2013 Budget baseline estimates of total sequestrable direct spending outlays adjusted for legislation enacted since the Budget's transmittal (\$674.179 billion), minus the portion of Medicare subject to the two percent limit (\$567.340 billion) in the nondefense function in FY 2013 and FY 2014 from new direct spending budget authority in FY 2013. The discretionary spending limit accounts for 82.37 percent of the remaining base in the nondefense function, and direct spending accounts for 17.63 percent.

Applying these percentage allocations to the non-Medicare reduction required for programs in the nondefense function yields the reduction for discretionary appropriations (\$25.798 billion) and for remaining direct spending (\$5.522 billion).

Step 3. The sequestration for the mandatory portions of certain health programs is limited to two percentage points pursuant to sections 251A(8) and 256(e)(2). The portion of these two programs subject to the two percent limit is estimated to have combined FY 2013 and FY 2014 outlays of \$1.344 billion from FY 2013 budgetary resources, so a two percentage point reduction would reduce outlays by \$0.027 billion. Deducting these savings from the non-Medicare direct spending reduction leaves \$5.495 billion to be taken by a uniform percentage reduction of the remaining sequestrable direct spending of \$105.495 billion in the nondefense function.

Step 4. As required by section 251A(7)(A), dividing the discretionary reduction amount (\$25.798 billion) calculated in step 2 by the sequestrable budgetary resources for discretionary appropriations (\$511.785 billion) in the nondefense function yields an 5.0 percent sequestration rate for budget accounts with non-exempt discretionary appropriations.⁷

⁵ As stated above, the Medicare base is higher than the amount stated in the STA Report due primarily to provisions in ATRA providing for a zero percent update for Medicare payments to physicians under the Sustainable Growth Rate formula for calendar year 2013.

⁶ As stated above, the non-Medicare direct spending base is higher than the amount stated in the STA Report due primarily to a provision in ATRA extending EUC through the end of 2013.

⁷ As stated above, the nondefense discretionary base is higher than the amount stated in the STA Report due primarily to the Hurricane Sandy supplemental.

The remaining reduction (\$5.495 billion) to direct spending is applied as a uniform percentage reduction to the remaining budget accounts with sequestrable direct spending and by increasing student loan fees by the same uniform percentage, as specified in sections 251A(8) and 256(b). Each percentage point increase in the sequestration rate is estimated to result in \$0.016 billion of savings in the direct student loan program. Solving simultaneously for the percentage that would achieve the remaining reduction when applied to both the remaining sequestrable direct spending (\$105.495 billion) and to student loan fees yields a 5.1 percent reduction. This percentage reduction would yield savings of \$0.082 billion in the direct student loan program and \$5.413 billion from the remaining budget accounts with non-exempt direct spending.

Table 3. NONDEFENSE FUNCTION REDUCTION
 (Dollars in billions)

	Discretionary	Direct Spending	Total
1. Total reduction, excluding savings from Medicare 2% limit:			
Medicare base subject to 2% limit		567.340	
Total nondefense function reduction			42.667
Reduce Medicare by 2%			-11.347
Non-Medicare reduction amounts			31.320
2. Allocate non-Medicare reduction:			
Total base for allocating reduction	499.000	674.179	1,173.179
Exclude Medicare (portion subject to 2% limit)		-567.340	-567.340
Non-Medicare base	499.000	106.839	605.839
Percentage allocation of non-Medicare base	82.37%	17.63%	
Non-Medicare reduction amounts	25.798	5.522	31.320
Percentage allocation of non-Medicare reduction	82.37%	17.63%	
3. Savings from 2% limit on sequestration of other health programs*			
Other health programs sequestrable base		1.344	
Reduce other health programs by 2%		-0.027	
4. Sequestration percentages calculation:			
Remaining reduction amounts	25.798	5.495	
Savings from uniform percentage reduction:			
From 5.1% increase in student loan fee		0.082	
From remaining sequestrable budget accounts	25.798	5.413	
Sequestrable base for uniform percentage reduction	511.785	105.495	
Sequestration percentage	5.0%	5.1%	
Summary of reductions:			
2% sequestration of Medicare		11.347	
2% limit on sequestration of other health programs		0.027	
Student loan fee increase		0.082	
Uniform percentage reduction	25.589	5.380	
Rounding	0.209	.033	
Total reduction	25.798	16.869	42.667

* Includes funding for community and migrant health centers, and for Indian health services.

Reductions by Budget Account (Appendix)

The Appendix of this report sets forth the percentage and dollar amount of the reductions required for each budget account with sequestrable funding. Specifically, the Appendix shows the sequestrable budgetary resources in each budget account, the percentage reduction required for each sequestrable budgetary resource, and the resulting reduction. For illustrative purposes only, the Appendix shows the application of the same percentage reduction to each type of budgetary resource within a budget account. There is no requirement that sequestration be applied equally to each type of budgetary resource within a budget account. Section 256(k)(2) of BBEDCA requires that sequestration be applied equally at the program, project, and activity level within each budget account.

**APPENDIX: SEQUESTERABLE BASE
AND REDUCTIONS BY BUDGET ACCOUNT**

(Fiscal year 2013; in millions of dollars)

Based on sections 251A, 255, and 256 of the Balanced Budget and Emergency
Deficit Control Act of 1985 (BBEDCA), as amended

Percentages Used:

- 7.8 percent – Defense discretionary
- 7.9 percent – Defense mandatory
- 5.0 percent – Nondefense discretionary
- 5.1 percent – Nondefense mandatory

For illustrative purposes only, the Appendix shows the application of the same percentage reduction to each type of budgetary resource within a budget account. Pursuant to section 256(k)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, the sequestration must be applied equally at the program, project, and activity level, but need not be applied equally to each type of budgetary resource within a budget account.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Legislative Branch			
Senate			
001-05-0110 Salaries, Officers and Employees			
Nondefense Discretionary Appropriation	177	5.0	9
001-05-0123 Miscellaneous Items			
Nondefense Discretionary Appropriation	19	5.0	1
001-05-0126 Secretary of the Senate			
Nondefense Discretionary Appropriation	6	5.0	*
001-05-0127 Sergeant at Arms and Doorkeeper of the Senate			
Nondefense Discretionary Appropriation	132	5.0	7
001-05-0128 Inquiries and Investigations			
Nondefense Discretionary Appropriation	132	5.0	7
001-05-0130 Senators' Official Personnel and Office Expense Account			
Nondefense Discretionary Appropriation	399	5.0	20
001-05-0185 Office of the Legislative Counsel of the Senate			
Nondefense Discretionary Appropriation	7	5.0	*
001-05-0188 Congressional Use of Foreign Currency, Senate			
Nondefense Mandatory Appropriation	6	5.1	*
001-05-9911 Senate Items			
Nondefense Discretionary Appropriation	2	5.0	*
House of Representatives			
001-10-0400 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,233	5.0	62
001-10-0488 Congressional Use of Foreign Currency, House of Representatives			
Nondefense Mandatory Appropriation	1	5.1	*
Joint Items			
001-11-0181 Joint Economic Committee			
Nondefense Discretionary Appropriation	4	5.0	*
001-11-0186 Joint Congressional Committee on Inaugural Ceremonies of 2013			
Nondefense Discretionary Appropriation	1	5.0	*
001-11-0190 Office of Congressional Accessibility Services			
Nondefense Discretionary Appropriation	1	5.0	*
001-11-0425 Office of the Attending Physician			
Nondefense Discretionary Appropriation	3	5.0	*
001-11-0460 Joint Committee on Taxation			
Nondefense Discretionary Appropriation	10	5.0	1
Office of Compliance			
001-12-1600 Salaries and Expenses			
Nondefense Discretionary Appropriation	4	5.0	*
Capitol Police			
001-13-0476 General Expenses			
Nondefense Discretionary Appropriation	63	5.0	3
001-13-0477 Salaries			
Nondefense Discretionary Appropriation	279	5.0	14

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Congressional Budget Office			
001-14-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	44	5.0	2
Architect of the Capitol			
001-15-0100 General Administration			
Nondefense Discretionary Appropriation	102	5.0	5
001-15-0105 Capitol Building			
Nondefense Discretionary Appropriation	36	5.0	2
001-15-0108 Capitol Grounds			
Nondefense Discretionary Appropriation	10	5.0	1
001-15-0123 Senate Office Buildings			
Nondefense Discretionary Appropriation	72	5.0	4
001-15-0127 House Office Buildings			
Nondefense Discretionary Appropriation	95	5.0	5
001-15-0133 Capitol Power Plant			
Nondefense Discretionary Appropriation	124	5.0	6
001-15-0155 Library Buildings and Grounds			
Nondefense Discretionary Appropriation	47	5.0	2
001-15-0161 Capitol Visitor Center			
Nondefense Discretionary Appropriation	21	5.0	1
001-15-0171 Capitol Police Buildings and Grounds			
Nondefense Discretionary Appropriation	22	5.0	1
001-15-1833 House Historic Buildings Revitalization Trust Fund			
Nondefense Discretionary Appropriation	30	5.0	2
001-15-4518 Judiciary Office Building Development and Operations Fund			
Nondefense Mandatory Borrowing authority	12	5.1	1
Botanic Garden			
001-18-0200 Botanic Garden			
Nondefense Discretionary Appropriation	12	5.0	1
Library of Congress			
001-25-0101 Salaries and Expenses, Library of Congress			
Nondefense Discretionary Appropriation	416	5.0	21
001-25-0102 Copyright Office: Salaries and Expenses			
Nondefense Discretionary Appropriation	16	5.0	1
001-25-0127 Congressional Research Service: Salaries and Expenses			
Nondefense Discretionary Appropriation	107	5.0	5
001-25-0141 Books for the Blind and Physically Handicapped: Salaries and Expenses			
Nondefense Discretionary Appropriation	51	5.0	3
Government Printing Office			
001-30-0201 Office of Superintendent of Documents: Salaries and Expenses			
Nondefense Discretionary Appropriation	35	5.0	2
001-30-0203 Congressional Printing and Binding			
Nondefense Discretionary Appropriation	91	5.0	5

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
001-30-4505 Government Printing Office Revolving Fund			
Nondefense Discretionary Appropriation	1	5.0	*
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
<i>Account Total</i>	3		*
Government Accountability Office			
001-35-0107 Salaries and Expenses			
Nondefense Discretionary Appropriation	514	5.0	26
United States Tax Court			
001-40-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	51	5.0	3
Legislative Branch Boards and Commissions			
001-45-1801 Medicaid and CHIP Payment and Access Commission			
Nondefense Discretionary Appropriation	6	5.0	*
001-45-2973 United States-China Economic and Security Review Commission			
Nondefense Discretionary Appropriation	3	5.0	*
001-45-2975 Commission on International Religious Freedom			
Nondefense Discretionary Appropriation	3	5.0	*
001-45-2990 Capital Construction, Dwight D. Eisenhower Memorial Commission			
Nondefense Discretionary Appropriation	31	5.0	2
001-45-8148 Open World Leadership Center Trust Fund			
Nondefense Discretionary Appropriation	10	5.0	1
001-45-9911 Other Legislative Branch Boards and Commissions			
Nondefense Discretionary Appropriation	7	5.0	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Judicial Branch			
Supreme Court of the United States			
002-05-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	73	5.0	4
002-05-0103 Care of the Building and Grounds			
Nondefense Discretionary Appropriation	8	5.0	*
United States Court of Appeals for the Federal Circuit			
002-07-0510 Salaries and Expenses			
Nondefense Discretionary Appropriation	30	5.0	2
United States Court of International Trade			
002-15-0400 Salaries and Expenses			
Nondefense Discretionary Appropriation	20	5.0	1
Courts of Appeals, District Courts, and other Judicial Services			
002-25-0920 Salaries and Expenses			
Nondefense Discretionary Appropriation	4,716	5.0	236
Nondefense Mandatory Appropriation	65	5.1	3
<i>Account Total</i>	<u>4,781</u>		<u>239</u>
002-25-0923 Defender Services			
Nondefense Discretionary Appropriation	1,037	5.0	52
002-25-0925 Fees of Jurors and Commissioners			
Nondefense Discretionary Appropriation	52	5.0	3
002-25-0930 Court Security			
Nondefense Discretionary Appropriation	503	5.0	25
002-25-5100 Judiciary Filing Fees			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	80	5.1	4
Nondefense Mandatory Appropriation	194	5.1	10
<i>Account Total</i>	<u>274</u>		<u>14</u>
002-25-5101 Registry Administration			
Nondefense Mandatory Appropriation	1	5.1	*
Administrative Office of the United States Courts			
002-26-0927 Salaries and Expenses			
Nondefense Discretionary Appropriation	83	5.0	4
Federal Judicial Center			
002-30-0928 Salaries and Expenses			
Nondefense Discretionary Appropriation	27	5.0	1
United States Sentencing Commission			
002-39-0938 Salaries and Expenses			
Nondefense Discretionary Appropriation	17	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Agriculture			
Office of the Secretary			
005-03-9913 Office of the Secretary			
Nondefense Discretionary Appropriation	16	5.0	1
Departmental Management			
005-05-0117 Agriculture Buildings and Facilities and Rental Payments			
Nondefense Discretionary Appropriation	232	5.0	12
005-05-0500 Hazardous Materials Management			
Nondefense Discretionary Appropriation	4	5.0	*
005-05-9915 Departmental Administration			
Nondefense Discretionary Appropriation	86	5.0	4
Office of Communications			
005-06-0150 Office of Communications			
Nondefense Discretionary Appropriation	8	5.0	*
Office of Civil Rights			
005-07-3800 Office of Civil Rights			
Nondefense Discretionary Appropriation	21	5.0	1
Office of Inspector General			
005-08-0900 Office of Inspector General			
Nondefense Discretionary Appropriation	86	5.0	4
Office of Chief Economist			
005-09-0123 Office of the Chief Economist			
Nondefense Discretionary Appropriation	11	5.0	1
Office of the General Counsel			
005-10-2300 Office of the General Counsel			
Nondefense Discretionary Appropriation	40	5.0	2
National Appeals Division			
005-11-0706 National Appeals Division			
Nondefense Discretionary Appropriation	13	5.0	1
Economic Research Service			
005-13-1701 Economic Research Service			
Nondefense Discretionary Appropriation	78	5.0	4
National Agricultural Statistics Service			
005-15-1801 National Agricultural Statistics Service			
Nondefense Discretionary Appropriation	160	5.0	8
Agricultural Research Service			
005-18-1400 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,102	5.0	55
005-18-8214 Miscellaneous Contributed Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
National Institute of Food and Agriculture			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
005-20-0502 Extension Activities			
Nondefense Discretionary Appropriation	478	5.0	24
Nondefense Mandatory Appropriation	5	5.1	*
<i>Account Total</i>	<u>483</u>		<u>24</u>
005-20-1500 Research and Education Activities			
Nondefense Discretionary Appropriation	714	5.0	36
005-20-1502 Integrated Activities			
Nondefense Discretionary Appropriation	21	5.0	1
Animal and Plant Health Inspection Service			
005-32-1600 Salaries and Expenses			
Nondefense Discretionary Appropriation	822	5.0	41
Nondefense Discretionary Spending authority	18	5.0	1
Nondefense Mandatory Appropriation	266	5.1	14
<i>Account Total</i>	<u>1,106</u>		<u>56</u>
005-32-1601 Buildings and Facilities			
Nondefense Discretionary Appropriation	3	5.0	*
005-32-9971 Miscellaneous Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Food Safety and Inspection Service			
005-35-3700 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,010	5.0	51
Nondefense Discretionary Spending authority	45	5.0	2
<i>Account Total</i>	<u>1,055</u>		<u>53</u>
005-35-8137 Expenses and Refunds, Inspection and Grading of Farm Products			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Grain Inspection, Packers and Stockyards Administration			
005-37-2400 Salaries and Expenses			
Nondefense Discretionary Appropriation	38	5.0	2
005-37-4050 Limitation on Inspection and Weighing Services Expenses			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Nondefense Mandatory Spending authority	40	5.1	2
<i>Account Total</i>	<u>41</u>		<u>2</u>
Agricultural Marketing Service			
005-45-2500 Marketing Services			
Nondefense Discretionary Appropriation	83	5.0	4
005-45-2501 Payments to States and Possessions			
Nondefense Discretionary Appropriation	1	5.0	*
005-45-5070 Perishable Agricultural Commodities Act Fund			
Nondefense Mandatory Appropriation	11	5.1	1
005-45-5209 Funds for Strengthening Markets, Income, and Supply (section 32)			
Nondefense Mandatory Appropriation	792	5.1	40
005-45-8015 Expenses and Refunds, Inspection and Grading of Farm Products			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	4	5.1	*
Nondefense Mandatory Appropriation	4	5.1	*
<i>Account Total</i>	<u>8</u>		<u>*</u>
005-45-8412 Milk Market Orders Assessment Fund			
Nondefense Mandatory Spending authority	57	5.1	3

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Risk Management Agency			
005-47-2707 Administrative and Operating Expenses			
Nondefense Discretionary Appropriation	75	5.0	4
005-47-4085 Federal Crop Insurance Corporation Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	58	5.1	3
Farm Service Agency			
005-49-0170 State Mediation Grants			
Nondefense Discretionary Appropriation	4	5.0	*
005-49-0171 Emergency Forest Restoration Program			
Nondefense Discretionary Appropriation	23	5.0	1
005-49-0600 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,206	5.0	60
005-49-1140 Agricultural Credit Insurance Fund Program Account			
Nondefense Discretionary Appropriation	408	5.0	20
005-49-1336 Commodity Credit Corporation Export Loans Program Account			
Nondefense Discretionary Appropriation	7	5.0	*
005-49-2701 USDA Supplemental Assistance			
Nondefense Discretionary Appropriation	2	5.0	*
005-49-3304 Grassroots Source Water Protection Program			
Nondefense Discretionary Appropriation	4	5.0	*
005-49-3305 Reforestation Pilot Program			
Nondefense Discretionary Appropriation	1	5.0	*
005-49-3316 Emergency Conservation Program			
Nondefense Discretionary Appropriation	15	5.0	1
005-49-4336 Commodity Credit Corporation Fund			
Nondefense Mandatory Borrowing authority	6,460	5.1	329
005-49-5531 Agricultural Disaster Relief Fund			
Nondefense Mandatory Borrowing authority	1,372	5.1	70
005-49-8161 Tobacco Trust Fund			
Nondefense Mandatory Appropriation	960	5.1	49
Natural Resources Conservation Service			
005-53-1000 Conservation Operations			
Nondefense Discretionary Appropriation	833	5.0	42
Nondefense Discretionary Spending authority	9	5.0	*
<i>Account Total</i>	<u>842</u>		<u>42</u>
005-53-1002 Watershed Rehabilitation Program			
Nondefense Discretionary Appropriation	15	5.0	1
005-53-1004 Farm Security and Rural Investment Programs			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	108	5.1	6
Nondefense Mandatory Appropriation	3,249	5.1	166
<i>Account Total</i>	<u>3,357</u>		<u>171</u>
005-53-1072 Watershed and Flood Prevention Operations			
Nondefense Discretionary Appropriation	180	5.0	9
005-53-3320 Water Bank Program			
Nondefense Discretionary Appropriation	8	5.0	*
Rural Development			

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
005-55-0403 Salaries and Expenses			
Nondefense Discretionary Appropriation	183	5.0	9
Rural Utilities Service			
005-60-1230 Rural Electrification and Telecommunications Loans Program Account			
Nondefense Discretionary Appropriation	37	5.0	2
005-60-1232 Distance Learning, Telemedicine, and Broadband Program			
Nondefense Discretionary Appropriation	38	5.0	2
005-60-1980 Rural Water and Waste Disposal Program Account			
Nondefense Discretionary Appropriation	506	5.0	25
005-60-2042 High Energy Cost Grants			
Nondefense Discretionary Appropriation	10	5.0	1
Rural Housing Service			
005-63-0137 Rental Assistance Program			
Nondefense Discretionary Appropriation	910	5.0	46
005-63-1951 Rural Community Facilities Program Account			
Nondefense Discretionary Appropriation	29	5.0	1
005-63-1953 Rural Housing Assistance Grants			
Nondefense Discretionary Appropriation	33	5.0	2
005-63-2002 Multifamily Housing Revitalization Program Account			
Nondefense Discretionary Appropriation	13	5.0	1
005-63-2006 Mutual and Self-help Housing Grants			
Nondefense Discretionary Appropriation	30	5.0	2
005-63-2081 Rural Housing Insurance Fund Program Account			
Nondefense Discretionary Appropriation	514	5.0	26
Rural Business_Cooperative Service			
005-65-1900 Rural Cooperative Development Grants			
Nondefense Discretionary Appropriation	25	5.0	1
005-65-1902 Rural Business Program Account			
Nondefense Discretionary Appropriation	75	5.0	4
005-65-1908 Rural Energy for America Program			
Nondefense Discretionary Appropriation	3	5.0	*
Nondefense Mandatory Appropriation	22	5.1	1
<i>Account Total</i>	<u>25</u>		<u>1</u>
005-65-2069 Rural Development Loan Fund Program Account			
Nondefense Discretionary Appropriation	11	5.0	1
005-65-2073 Energy Assistance Payments			
Nondefense Mandatory Appropriation	65	5.1	3
Foreign Agricultural Service			
005-68-2277 Public Law 480 Title I Direct Credit and Food for Progress Program Account			
Nondefense Discretionary Appropriation	3	5.0	*
005-68-2278 Food for Peace Title II Grants			
Nondefense Discretionary Appropriation	1,475	5.0	74
005-68-2900 Salaries and Expenses			
Nondefense Discretionary Appropriation	177	5.0	9
Nondefense Mandatory Appropriation	1	5.1	*
<i>Account Total</i>	<u>178</u>		<u>9</u>

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
005-96-9921 Forest Service Permanent Appropriations			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
Nondefense Mandatory Appropriation	646	5.1	33
<i>Account Total</i>	<u>647</u>		<u>33</u>
005-96-9923 Land Acquisition			
Nondefense Discretionary Appropriation	74	5.0	4
Nondefense Mandatory Appropriation	9	5.1	*
<i>Account Total</i>	<u>83</u>		<u>4</u>
005-96-9974 Forest Service Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
Nondefense Mandatory Appropriation	77	5.1	4
<i>Account Total</i>	<u>79</u>		<u>4</u>

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
006-48-1460 Procurement, Acquisition and Construction			
Nondefense Discretionary Appropriation	2,013	5.0	101
006-48-1465 Medicare-eligible Retiree Health Fund Contribution, NOAA			
Nondefense Discretionary Appropriation	2	5.0	*
006-48-4316 Damage Assessment and Restoration Revolving Fund			
Nondefense Mandatory Appropriation	6	5.1	*
006-48-5139 Promote and Develop Fishery Products and Research Pertaining to American Fisheries			
Nondefense Mandatory Appropriation	16	5.1	1
006-48-5284 Limited Access System Administration Fund			
Nondefense Mandatory Appropriation	10	5.1	1
006-48-5362 Environmental Improvement and Restoration Fund			
Nondefense Mandatory Appropriation	1	5.1	*
U.S. Patent and Trademark Office			
006-51-1006 Salaries and Expenses			
Nondefense Discretionary Spending authority	2,951	5.0	148
National Institute of Standards and Technology			
006-55-0500 Scientific and Technical Research and Services			
Nondefense Discretionary Appropriation	580	5.0	29
006-55-0515 Construction of Research Facilities			
Nondefense Discretionary Appropriation	56	5.0	3
006-55-0525 Industrial Technology Services			
Nondefense Discretionary Appropriation	129	5.0	6
National Telecommunications and Information Administration			
006-60-0516 State and Local Implementation Fund			
Nondefense Mandatory Borrowing authority	69	5.1	4
006-60-0550 Salaries and Expenses			
Nondefense Discretionary Appropriation	46	5.0	2
006-60-8233 Public Safety Trust Fund			
Nondefense Mandatory Borrowing authority	105	5.1	5

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
007-10-9922 Miscellaneous Special Funds			
Defense Mandatory Appropriation	8	7.9	1
Defense Mandatory Unobligated balance in 050	17	7.9	1
<i>Account Total</i>	25		2
Procurement			
007-15-0144 Mine Resistant Ambush Protected Vehicle Fund			
Defense Discretionary Unobligated balance in 050	600	7.8	47
007-15-0300 Procurement, Defense-wide			
Defense Discretionary Appropriation	5,130	7.8	400
Defense Discretionary Unobligated balance in 050	670	7.8	52
<i>Account Total</i>	5,800		452
007-15-0350 National Guard and Reserve Equipment			
Defense Discretionary Unobligated balance in 050	217	7.8	17
007-15-0360 Defense Production Act Purchases			
Defense Discretionary Appropriation	171	7.8	13
Defense Discretionary Unobligated balance in 050	151	7.8	12
<i>Account Total</i>	322		25
007-15-0380 Coastal Defense Augmentation			
Defense Discretionary Unobligated balance in 050	4	7.8	*
007-15-0390 Chemical Agents and Munitions Destruction, Defense			
Defense Discretionary Appropriation	1,564	7.8	122
Defense Discretionary Unobligated balance in 050	2	7.8	*
<i>Account Total</i>	1,566		122
007-15-1109 Procurement, Marine Corps			
Defense Discretionary Appropriation	2,376	7.8	185
Defense Discretionary Unobligated balance in 050	1,180	7.8	92
<i>Account Total</i>	3,556		277
007-15-1506 Aircraft Procurement, Navy			
Defense Discretionary Appropriation	17,871	7.8	1,394
Defense Discretionary Unobligated balance in 050	2,914	7.8	227
<i>Account Total</i>	20,785		1,621
007-15-1507 Weapons Procurement, Navy			
Defense Discretionary Appropriation	3,234	7.8	252
Defense Discretionary Unobligated balance in 050	703	7.8	55
<i>Account Total</i>	3,937		307
007-15-1508 Procurement of Ammunition, Navy and Marine Corps			
Defense Discretionary Appropriation	889	7.8	69
Defense Discretionary Unobligated balance in 050	103	7.8	8
<i>Account Total</i>	992		77
007-15-1611 Shipbuilding and Conversion, Navy			
Defense Discretionary Appropriation	15,010	7.8	1,171
Defense Discretionary Unobligated balance in 050	7,459	7.8	582
<i>Account Total</i>	22,469		1,753
007-15-1810 Other Procurement, Navy			
Defense Discretionary Appropriation	6,089	7.8	475
Defense Discretionary Unobligated balance in 050	1,320	7.8	103
<i>Account Total</i>	7,409		578

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(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
007-20-0460 Operational Test and Evaluation, Defense			
Defense Discretionary Appropriation	189	7.8	15
Defense Discretionary Unobligated balance in 050	9	7.8	1
<i>Account Total</i>	<u>198</u>		<u>15</u>
007-20-1319 Research, Development, Test and Evaluation, Navy			
Defense Discretionary Appropriation	17,909	7.8	1,397
Defense Discretionary Unobligated balance in 050	953	7.8	74
<i>Account Total</i>	<u>18,862</u>		<u>1,471</u>
007-20-2040 Research, Development, Test and Evaluation, Army			
Defense Discretionary Appropriation	8,814	7.8	687
Defense Discretionary Unobligated balance in 050	793	7.8	62
<i>Account Total</i>	<u>9,607</u>		<u>749</u>
007-20-3600 Research, Development, Test and Evaluation, Air Force			
Defense Discretionary Appropriation	26,695	7.8	2,082
Defense Discretionary Unobligated balance in 050	1,727	7.8	135
<i>Account Total</i>	<u>28,422</u>		<u>2,217</u>
Military Construction			
007-25-0391 Chemical Demilitarization Construction, Defense-wide			
Defense Discretionary Appropriation	75	7.8	6
Defense Discretionary Unobligated balance in 050	2	7.8	*
<i>Account Total</i>	<u>77</u>		<u>6</u>
007-25-0500 Military Construction, Defense-wide			
Defense Discretionary Appropriation	3,321	7.8	259
Defense Discretionary Unobligated balance in 050	2,493	7.8	194
<i>Account Total</i>	<u>5,814</u>		<u>454</u>
007-25-0510 Department of Defense Base Closure Account 1990			
Defense Discretionary Appropriation	326	7.8	25
007-25-0512 Department of Defense Base Closure Account 2005			
Defense Discretionary Unobligated balance in 050	601	7.8	47
007-25-0803 Foreign Currency Fluctuations, Construction			
Defense Discretionary Unobligated balance in 050	1	7.8	*
007-25-0804 North Atlantic Treaty Organization Security Investment Program			
Defense Discretionary Appropriation	250	7.8	20
Defense Discretionary Unobligated balance in 050	9	7.8	1
<i>Account Total</i>	<u>259</u>		<u>20</u>
007-25-1205 Military Construction, Navy and Marine Corps			
Defense Discretionary Appropriation	2,100	7.8	164
Defense Discretionary Unobligated balance in 050	1,709	7.8	133
<i>Account Total</i>	<u>3,809</u>		<u>297</u>
007-25-1235 Military Construction, Navy Reserve			
Defense Discretionary Appropriation	26	7.8	2
Defense Discretionary Unobligated balance in 050	39	7.8	3
<i>Account Total</i>	<u>65</u>		<u>5</u>
007-25-2050 Military Construction, Army			
Defense Discretionary Appropriation	2,925	7.8	228
Defense Discretionary Unobligated balance in 050	2,300	7.8	179
<i>Account Total</i>	<u>5,225</u>		<u>408</u>

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(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
007-25-2085 Military Construction, Army National Guard			
Defense Discretionary Appropriation	803	7.8	63
Defense Discretionary Unobligated balance in 050	507	7.8	40
<i>Account Total</i>	<u>1,310</u>		<u>102</u>
007-25-2086 Military Construction, Army Reserve			
Defense Discretionary Appropriation	282	7.8	22
Defense Discretionary Unobligated balance in 050	144	7.8	11
<i>Account Total</i>	<u>426</u>		<u>33</u>
007-25-3300 Military Construction, Air Force			
Defense Discretionary Appropriation	1,202	7.8	94
Defense Discretionary Unobligated balance in 050	732	7.8	57
<i>Account Total</i>	<u>1,934</u>		<u>151</u>
007-25-3730 Military Construction, Air Force Reserve			
Defense Discretionary Appropriation	34	7.8	3
Defense Discretionary Unobligated balance in 050	23	7.8	2
<i>Account Total</i>	<u>57</u>		<u>5</u>
007-25-3830 Military Construction, Air National Guard			
Defense Discretionary Appropriation	117	7.8	9
Defense Discretionary Unobligated balance in 050	124	7.8	10
<i>Account Total</i>	<u>241</u>		<u>19</u>
Family Housing			
007-30-0720 Family Housing Construction, Army			
Defense Discretionary Appropriation	178	7.8	14
Defense Discretionary Unobligated balance in 050	133	7.8	10
<i>Account Total</i>	<u>311</u>		<u>24</u>
007-30-0725 Family Housing Operation and Maintenance, Army			
Defense Discretionary Appropriation	496	7.8	39
007-30-0730 Family Housing Construction, Navy and Marine Corps			
Defense Discretionary Appropriation	102	7.8	8
Defense Discretionary Unobligated balance in 050	245	7.8	19
<i>Account Total</i>	<u>347</u>		<u>27</u>
007-30-0735 Family Housing Operation and Maintenance, Navy and Marine Corps			
Defense Discretionary Appropriation	370	7.8	29
007-30-0740 Family Housing Construction, Air Force			
Defense Discretionary Appropriation	60	7.8	5
Defense Discretionary Unobligated balance in 050	290	7.8	23
<i>Account Total</i>	<u>350</u>		<u>27</u>
007-30-0745 Family Housing Operation and Maintenance, Air Force			
Defense Discretionary Appropriation	433	7.8	34
007-30-0765 Family Housing Operation and Maintenance, Defense-Wide			
Defense Discretionary Appropriation	51	7.8	4
007-30-0834 Department of Defense Family Housing Improvement Fund			
Defense Discretionary Appropriation	2	7.8	*
Defense Discretionary Unobligated balance in 050	118	7.8	9
<i>Account Total</i>	<u>120</u>		<u>9</u>
007-30-4090 Homeowners Assistance Fund			
Defense Discretionary Appropriation	1	7.8	*
Defense Discretionary Unobligated balance in 050	245	7.8	19
<i>Account Total</i>	<u>246</u>		<u>19</u>
Revolving and Management Funds			

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Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
018-40-0241 College Housing and Academic Facilities Loans Program Account			
Nondefense Discretionary Appropriation	21	5.0	1
018-40-0603 Howard University			
Nondefense Discretionary Appropriation	235	5.0	12
Office of Federal Student Aid			
018-45-0200 Student Financial Assistance			
Nondefense Discretionary Appropriation	1,722	5.0	86
Nondefense Mandatory Appropriation	*	5.1	*
<i>Account Total</i>	<u>1,722</u>		<u>86</u>
018-45-0202 Student Aid Administration			
Nondefense Discretionary Appropriation	1,050	5.0	53
Nondefense Mandatory Appropriation	359	5.1	18
<i>Account Total</i>	<u>1,409</u>		<u>71</u>
018-45-0206 Teacher Education Assistance			
Nondefense Mandatory Appropriation	23	5.1	1
018-45-5557 Student Financial Assistance Debt Collection			
Nondefense Mandatory Appropriation	10	5.1	1
Institute of Education Sciences			
018-50-1100 Institute of Education Sciences			
Nondefense Discretionary Appropriation	597	5.0	30
Departmental Management			
018-80-0700 Office for Civil Rights			
Nondefense Discretionary Appropriation	103	5.0	5
018-80-0800 Program Administration			
Nondefense Discretionary Appropriation	449	5.0	22
018-80-1400 Office of the Inspector General			
Nondefense Discretionary Appropriation	60	5.0	3

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Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
019-20-0315 Non-defense Environmental Cleanup			
Nondefense Discretionary Appropriation	237	5.0	12
019-20-0318 Electricity Delivery and Energy Reliability			
Defense Discretionary Appropriation	6	7.8	*
Nondefense Discretionary Appropriation	134	5.0	7
<i>Account Total</i>	<u>140</u>		<u>7</u>
019-20-0319 Nuclear Energy			
Nondefense Discretionary Appropriation	771	5.0	39
019-20-0321 Energy Efficiency and Renewable Energy			
Nondefense Discretionary Appropriation	1,821	5.0	91
019-20-0322 Advanced Technology Vehicles Manufacturing Loan Program Account			
Nondefense Discretionary Appropriation	6	5.0	*
019-20-0337 Advanced Research Projects Agency			
Nondefense Discretionary Appropriation	277	5.0	14
019-20-5105 Payments to States under Federal Power Act			
Nondefense Mandatory Appropriation	3	5.1	*
019-20-5231 Uranium Enrichment Decontamination and Decommissioning Fund			
Nondefense Discretionary Appropriation	475	5.0	24
019-20-5369 Northeast Home Heating Oil Reserve			
Nondefense Discretionary Appropriation	10	5.0	1
019-20-5523 Ultra-deepwater and Unconventional Natural Gas and Other Petroleum Research Fund			
Nondefense Mandatory Appropriation	50	5.1	3
Power Marketing Administration			
019-50-0303 Operation and Maintenance, Southwestern Power Administration			
Nondefense Discretionary Appropriation	13	5.0	1
019-50-4045 Bonneville Power Administration Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	115	5.1	6
019-50-4404 Western Area Power Administration, Borrowing Authority, Recovery Act.			
Nondefense Mandatory Borrowing authority	180	5.1	9
019-50-5068 Construction, Rehabilitation, Operation and Maintenance, Western Area Power Administration			
Nondefense Discretionary Appropriation	98	5.0	5
Departmental Administration			
019-60-0228 Departmental Administration			
Nondefense Discretionary Appropriation	131	5.0	7
019-60-0236 Office of the Inspector General			
Nondefense Discretionary Appropriation	42	5.0	2

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(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Homeland Security			
Departmental Management and Operations			
024-10-0100 Departmental Operations			
Nondefense Discretionary Appropriation	479	5.0	24
024-10-0102 Office of the Chief Information Officer			
Nondefense Discretionary Appropriation	324	5.0	16
024-10-0115 Analysis and Operations			
Nondefense Discretionary Appropriation	340	5.0	17
Office of the Inspector General			
024-20-0200 Operating Expenses			
Nondefense Discretionary Appropriation	145	5.0	7
Citizenship and Immigration Services			
024-30-0300 Citizenship and Immigration Services			
Nondefense Discretionary Appropriation	103	5.0	5
Nondefense Mandatory Appropriation	2,859	5.1	146
<i>Account Total</i>	<u>2,962</u>		<u>151</u>
United States Secret Service			
024-40-0400 Operating Expenses			
Nondefense Discretionary Appropriation	1,670	5.0	84
024-40-0401 Acquisition, Construction, and Improvements			
Nondefense Discretionary Appropriation	5	5.0	*
Transportation Security Administration			
024-45-0541 Federal Air Marshals			
Nondefense Discretionary Appropriation	972	5.0	49
024-45-0550 Aviation Security			
Nondefense Discretionary Appropriation	3,178	5.0	159
Nondefense Discretionary Spending authority	2,094	5.0	105
Nondefense Mandatory Appropriation	250	5.1	13
<i>Account Total</i>	<u>5,522</u>		<u>276</u>
024-45-0551 Surface Transportation Security			
Nondefense Discretionary Appropriation	136	5.0	7
024-45-0554 Transportation Security Support			
Nondefense Discretionary Appropriation	1,038	5.0	52
024-45-0557 Transportation Threat Assessment and Credentialing			
Nondefense Discretionary Appropriation	165	5.0	8
Nondefense Discretionary Spending authority	75	5.0	4
Nondefense Mandatory Spending authority	5	5.1	*
<i>Account Total</i>	<u>245</u>		<u>12</u>
Federal Law Enforcement Training Center			
024-49-0509 Salaries and expenses			
Nondefense Discretionary Appropriation	240	5.0	12
Nondefense Discretionary Spending authority	2	5.0	*
<i>Account Total</i>	<u>242</u>		<u>12</u>
024-49-0510 Acquisitions, Construction, Improvements and Related Expenses			
Nondefense Discretionary Appropriation	32	5.0	2
Immigration and Customs Enforcement			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
024-55-0540 Immigration and Customs Enforcement			
Nondefense Discretionary Appropriation	5,554	5.0	278
Nondefense Mandatory Appropriation	312	5.1	16
<i>Account Total</i>	<u>5,866</u>		<u>294</u>
024-55-0543 Automation Modernization, Immigration and Customs Enforcement			
Nondefense Discretionary Appropriation	12	5.0	1
Customs and Border Protection			
024-58-0530 Customs and Border Protection			
Nondefense Discretionary Appropriation	8,737	5.0	437
Nondefense Mandatory Appropriation	1,464	5.1	75
<i>Account Total</i>	<u>10,201</u>		<u>512</u>
024-58-0531 Automation Modernization, Customs and Border Protection			
Nondefense Discretionary Appropriation	331	5.0	17
024-58-0532 Construction, Customs and Border Protection			
Nondefense Discretionary Appropriation	238	5.0	12
024-58-0533 Border Security Fencing, Infrastructure, and Technology			
Nondefense Discretionary Appropriation	399	5.0	20
024-58-0544 Air and Marine Interdiction, Operations, Maintenance, and Procurement			
Nondefense Discretionary Appropriation	507	5.0	25
024-58-5533 Payments to Wool Manufacturers			
Nondefense Mandatory Appropriation	15	5.1	1
024-58-5543 International Registered Traveler			
Nondefense Discretionary Appropriation	14	5.0	1
024-58-5595 Electronic System for Travel Authorization			
Nondefense Mandatory Appropriation	46	5.1	2
024-58-5687 Refunds, Transfers, and Expenses of Operation, Puerto Rico			
Nondefense Mandatory Appropriation	96	5.1	5
024-58-8789 US Customs Refunds, Transfers and Expenses, Unclaimed and Abandoned Goods			
Nondefense Mandatory Appropriation	4	5.1	*
United States Coast Guard			
024-60-0610 Operating Expenses			
Defense Discretionary Appropriation	532	7.8	41
Nondefense Discretionary Appropriation	3,044	5.0	152
<i>Account Total</i>	<u>3,576</u>		<u>194</u>
024-60-0611 Environmental Compliance and Restoration			
Nondefense Discretionary Appropriation	14	5.0	1
024-60-0612 Reserve Training			
Nondefense Discretionary Appropriation	36	5.0	2
024-60-0613 Acquisition, Construction, and Improvements			
Nondefense Discretionary Appropriation	1,681	5.0	84
024-60-0615 Research, Development, Test, and Evaluation			
Nondefense Discretionary Appropriation	26	5.0	1
024-60-8149 Boat Safety			
Nondefense Mandatory Appropriation	116	5.1	6
024-60-8314 Trust Fund Share of Expenses			
Nondefense Discretionary Appropriation	45	5.0	2

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
024-85-0862 Systems Acquisition Nondefense Discretionary Appropriation	41	5.0	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Housing and Urban Development			
Public and Indian Housing Programs			
025-03-0163 Public Housing Operating Fund			
Nondefense Discretionary Appropriation	3,986	5.0	199
025-03-0223 Indian Housing Loan Guarantee Fund Program Account			
Nondefense Discretionary Appropriation	6	5.0	*
025-03-0235 Native Hawaiian Housing Block Grant			
Nondefense Discretionary Appropriation	13	5.0	1
025-03-0302 Tenant Based Rental Assistance			
Nondefense Discretionary Advance appropriation	4,000	5.0	200
Nondefense Discretionary Appropriation	14,753	5.0	738
<i>Account Total</i>	<u>18,753</u>		<u>938</u>
025-03-0303 Project-based Rental Assistance			
Nondefense Discretionary Advance appropriation	400	5.0	20
Nondefense Discretionary Appropriation	8,995	5.0	450
<i>Account Total</i>	<u>9,395</u>		<u>470</u>
025-03-0304 Public Housing Capital Fund			
Nondefense Discretionary Appropriation	1,886	5.0	94
025-03-0313 Native American Housing Block Grant			
Nondefense Discretionary Appropriation	654	5.0	33
025-03-0349 Choice Neighborhoods			
Nondefense Discretionary Appropriation	121	5.0	6
Community Planning and Development			
025-06-0162 Community Development Fund			
Nondefense Discretionary Appropriation	19,308	5.0	965
025-06-0176 Self-help Homeownership Opportunity Program			
Nondefense Discretionary Appropriation	54	5.0	3
025-06-0192 Homeless Assistance Grants			
Nondefense Discretionary Appropriation	1,913	5.0	96
025-06-0198 Community Development Loan Guarantees Program Account			
Nondefense Discretionary Appropriation	6	5.0	*
025-06-0205 Home Investment Partnership Program			
Nondefense Discretionary Appropriation	1,006	5.0	50
025-06-0308 Housing Opportunities for Persons with AIDS			
Nondefense Discretionary Appropriation	334	5.0	17
Housing Programs			
025-09-0156 Housing Counseling Assistance			
Nondefense Discretionary Appropriation	45	5.0	2
025-09-0183 FHA-mutual Mortgage Insurance Program Account			
Nondefense Discretionary Appropriation	208	5.0	10
025-09-0237 Housing for Persons with Disabilities			
Nondefense Discretionary Appropriation	166	5.0	8
025-09-0320 Housing for the Elderly			
Nondefense Discretionary Appropriation	377	5.0	19

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
025-09-4041 Rental Housing Assistance Fund			
Nondefense Mandatory Spending authority	3	5.1	*
025-09-4044 Flexible Subsidy Fund			
Nondefense Discretionary Spending authority	21	5.0	1
025-09-8119 Manufactured Housing Fees Trust Fund			
Nondefense Discretionary Appropriation	7	5.0	*
Government National Mortgage Association			
025-12-0186 Guarantees of Mortgage-backed Securities Loan Guarantee Program Account			
Nondefense Discretionary Spending authority	20	5.0	1
Policy Development and Research			
025-28-0108 Research and Technology			
Nondefense Discretionary Appropriation	46	5.0	2
Fair Housing and Equal Opportunity			
025-29-0144 Fair Housing Activities			
Nondefense Discretionary Appropriation	71	5.0	4
Office of Lead Hazard Control and Healthy Homes			
025-32-0174 Lead Hazard Reduction			
Nondefense Discretionary Appropriation	121	5.0	6
Management and Administration			
025-35-0189 Office of Inspector General			
Nondefense Discretionary Appropriation	135	5.0	7
025-35-0334 Housing Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	394	5.0	20
025-35-0335 Administrative Support Offices			
Nondefense Discretionary Appropriation	541	5.0	27
025-35-0337 Public and Indian Housing Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	201	5.0	10
025-35-0338 Community Planning and Development Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	111	5.0	6
025-35-0339 Policy Development and Research Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	22	5.0	1
025-35-0340 Fair Housing and Equal Opportunity Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	73	5.0	4
025-35-0341 Office of Healthy Homes and Lead Hazard Control Personnel Compensation and Benefits			
Nondefense Discretionary Appropriation	7	5.0	*
025-35-0402 Transformation Initiative			
Nondefense Discretionary Appropriation	50	5.0	3
025-35-4586 Information Technology Portfolio			
Nondefense Discretionary Appropriation	200	5.0	10

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of the Interior			
Bureau of Land Management			
010-04-1109 Management of Lands and Resources			
Nondefense Discretionary Appropriation	966	5.0	48
Nondefense Discretionary Spending authority	75	5.0	4
<i>Account Total</i>	<u>1,041</u>		<u>52</u>
010-04-1110 Construction			
Nondefense Discretionary Appropriation	4	5.0	*
010-04-1116 Oregon and California Grant Lands			
Nondefense Discretionary Appropriation	113	5.0	6
010-04-4053 Helium Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	16	5.1	1
010-04-4525 Working Capital Fund			
Nondefense Discretionary Spending authority	9	5.0	*
010-04-5017 Service Charges, Deposits, and Forfeitures			
Nondefense Discretionary Appropriation	31	5.0	2
010-04-5033 Land Acquisition			
Nondefense Discretionary Appropriation	22	5.0	1
010-04-5132 Range Improvements			
Nondefense Mandatory Appropriation	10	5.1	1
010-04-9921 Miscellaneous Permanent Payment Accounts			
Nondefense Mandatory Appropriation	62	5.1	3
010-04-9926 Permanent Operating Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	16	5.1	1
Nondefense Mandatory Appropriation	131	5.1	7
<i>Account Total</i>	<u>147</u>		<u>8</u>
010-04-9971 Miscellaneous Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	21	5.1	1
Bureau of Ocean Energy Management			
010-06-1917 Ocean Energy Management			
Nondefense Discretionary Appropriation	60	5.0	3
Nondefense Discretionary Spending authority	101	5.0	5
<i>Account Total</i>	<u>161</u>		<u>8</u>
Office of Surface Mining Reclamation and Enforcement			
010-08-1801 Regulation and Technology			
Nondefense Discretionary Appropriation	124	5.0	6
Nondefense Discretionary Spending authority	3	5.0	*
<i>Account Total</i>	<u>127</u>		<u>6</u>
010-08-1803 Payments to States in Lieu of Coal Fee Receipts			
Nondefense Mandatory Appropriation	128	5.1	7
010-08-5015 Abandoned Mine Reclamation Fund			
Nondefense Discretionary Appropriation	28	5.0	1
Nondefense Mandatory Appropriation	221	5.1	11
<i>Account Total</i>	<u>249</u>		<u>13</u>
Bureau of Reclamation			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
010-10-0680 Water and Related Resources			
Nondefense Discretionary Appropriation	883	5.0	44
Nondefense Discretionary Spending authority	212	5.0	11
Nondefense Mandatory Appropriation	1	5.1	*
<i>Account Total</i>	<u>1,096</u>		<u>55</u>
010-10-0687 California Bay-Delta Restoration			
Nondefense Discretionary Appropriation	40	5.0	2
010-10-4079 Lower Colorado River Basin Development Fund			
Nondefense Discretionary Appropriation	6	5.0	*
Nondefense Mandatory Administrative expenses in otherwise exempt resources	247	5.1	13
Nondefense Mandatory Spending authority	1	5.1	*
<i>Account Total</i>	<u>254</u>		<u>13</u>
010-10-4081 Upper Colorado River Basin Fund			
Nondefense Discretionary Appropriation	11	5.0	1
Nondefense Mandatory Administrative expenses in otherwise exempt resources	81	5.1	4
<i>Account Total</i>	<u>92</u>		<u>5</u>
010-10-4524 Working Capital Fund			
Nondefense Discretionary Spending authority	13	5.0	1
010-10-5065 Policy and Administration			
Nondefense Discretionary Appropriation	60	5.0	3
010-10-5173 Central Valley Project Restoration Fund			
Nondefense Discretionary Appropriation	53	5.0	3
010-10-5656 Colorado River Dam Fund, Boulder Canyon Project			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	16	5.1	1
010-10-8070 Reclamation Trust Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
Central Utah Project			
010-11-0787 Central Utah Project Completion Account			
Nondefense Discretionary Appropriation	27	5.0	1
010-11-5174 Utah Reclamation Mitigation and Conservation Account			
Nondefense Discretionary Appropriation	2	5.0	*
United States Geological Survey			
010-12-0804 Surveys, Investigations, and Research			
Nondefense Discretionary Appropriation	1,075	5.0	54
United States Fish and Wildlife Service			
010-18-1611 Resource Management			
Nondefense Discretionary Appropriation	1,234	5.0	62
Nondefense Discretionary Spending authority	55	5.0	3
<i>Account Total</i>	<u>1,289</u>		<u>64</u>
010-18-1612 Construction			
Nondefense Discretionary Appropriation	91	5.0	5
010-18-1652 Multinational Species Conservation Fund			
Nondefense Discretionary Appropriation	10	5.0	1
010-18-1696 Neotropical Migratory Bird Conservation			
Nondefense Discretionary Appropriation	4	5.0	*
010-18-5020 Land Acquisition			
Nondefense Discretionary Appropriation	55	5.0	3

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
010-76-2100 Operation of Indian Programs			
Nondefense Discretionary Appropriation	2,382	5.0	119
010-76-2301 Construction			
Nondefense Discretionary Appropriation	124	5.0	6
010-76-2628 Indian Guaranteed Loan Program Account			
Nondefense Discretionary Appropriation	7	5.0	*
010-76-5051 Operation and Maintenance of Quarters			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
010-76-9925 Miscellaneous Permanent Appropriations			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	19	5.1	1
Departmental Offices			
010-84-0102 Salaries and Expenses			
Nondefense Discretionary Appropriation	624	5.0	31
010-84-5003 Mineral Leasing and Associated Payments			
Nondefense Mandatory Appropriation	2,144	5.1	109
010-84-5045 National Petroleum Reserve, Alaska			
Nondefense Mandatory Appropriation	3	5.1	*
010-84-5243 National Forests Fund, Payment to States			
Nondefense Mandatory Appropriation	9	5.1	*
010-84-5248 Leases of Lands Acquired for Flood Control, Navigation, and Allied Purposes			
Nondefense Mandatory Appropriation	19	5.1	1
010-84-5574 Geothermal Lease Revenues, Payment to Counties			
Nondefense Mandatory Appropriation	4	5.1	*
Insular Affairs			
010-85-0412 Assistance to Territories			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	10	5.1	1
Office of the Solicitor			
010-86-0107 Salaries and Expenses			
Nondefense Discretionary Appropriation	67	5.0	3
Office of Inspector General			
010-88-0104 Salaries and Expenses			
Nondefense Discretionary Appropriation	50	5.0	3
Office of the Special Trustee for American Indians			
010-90-0120 Federal Trust Programs			
Nondefense Discretionary Appropriation	153	5.0	8
National Indian Gaming Commission			
010-92-0118 Salaries and Expenses			
Nondefense Discretionary Spending authority	3	5.0	*
010-92-5141 National Indian Gaming Commission, Gaming Activity Fees			
Nondefense Mandatory Appropriation	18	5.1	1
Department-Wide Programs			
010-95-1114 Payments in Lieu of Taxes			
Nondefense Mandatory Appropriation	398	5.1	20
010-95-1121 Central Hazardous Materials Fund			
Nondefense Discretionary Appropriation	10	5.0	1

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Justice			
General Administration			
011-03-0129 Salaries and Expenses Nondefense Discretionary Appropriation	112	5.0	6
011-03-0132 Tactical Law Enforcement Wireless Communications Nondefense Discretionary Appropriation	88	5.0	4
011-03-0134 Justice Information Sharing Technology Nondefense Discretionary Appropriation	44	5.0	2
011-03-0136 Detention Trustee Nondefense Discretionary Appropriation	1,590	5.0	80
011-03-0328 Office of Inspector General Nondefense Discretionary Appropriation	85	5.0	4
011-03-0339 Administrative Review and Appeals Nondefense Discretionary Appropriation	307	5.0	15
011-03-1102 National Drug Intelligence Center Nondefense Discretionary Appropriation	20	5.0	1
United States Parole Commission			
011-04-1061 Salaries and Expenses Nondefense Discretionary Appropriation	13	5.0	1
Legal Activities and U.S. Marshals			
011-05-0100 Salaries and Expenses, Foreign Claims Settlement Commission Nondefense Discretionary Appropriation	2	5.0	*
011-05-0128 Salaries and Expenses, General Legal Activities Nondefense Discretionary Appropriation	868	5.0	43
011-05-0133 Construction Nondefense Discretionary Appropriation	15	5.0	1
011-05-0311 Fees and Expenses of Witnesses Nondefense Mandatory Appropriation	270	5.1	14
011-05-0319 Salaries and Expenses, Antitrust Division Nondefense Discretionary Appropriation	43	5.0	2
011-05-0322 Salaries and Expenses, United States Attorneys Nondefense Discretionary Appropriation	1,972	5.0	99
011-05-0324 Salaries and Expenses, United States Marshals Service Nondefense Discretionary Appropriation	1,179	5.0	59
011-05-0340 September 11th Victim Compensation (general Fund) Nondefense Mandatory Appropriation	322	5.1	16
011-05-0500 Salaries and Expenses, Community Relations Service Nondefense Discretionary Appropriation	11	5.0	1
011-05-5042 Assets Forfeiture Fund Nondefense Discretionary Appropriation	21	5.0	1
Nondefense Mandatory Appropriation	1,358	5.1	69
<i>Account Total</i>	1,379		70
011-05-5073 United States Trustee System Fund Nondefense Discretionary Appropriation	224	5.0	11
Interagency Law Enforcement			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
011-07-0323 Interagency Crime and Drug Enforcement			
Nondefense Discretionary Appropriation	531	5.0	27
National Security Division			
011-08-1300 Salaries and Expenses			
Nondefense Discretionary Appropriation	88	5.0	4
Federal Bureau of Investigation			
011-10-0200 Salaries and Expenses			
Defense Discretionary Appropriation	4,775	7.8	372
Defense Discretionary Unobligated balance in 050	169	7.8	13
Nondefense Discretionary Appropriation	3,321	5.0	166
<i>Account Total</i>	<u>8,265</u>		<u>552</u>
011-10-0203 Construction			
Nondefense Discretionary Appropriation	81	5.0	4
Drug Enforcement Administration			
011-12-1100 Salaries and Expenses			
Nondefense Discretionary Appropriation	2,041	5.0	102
011-12-1101 Construction			
Nondefense Discretionary Appropriation	10	5.0	1
011-12-5131 Diversion Control Fee Account			
Nondefense Mandatory Appropriation	335	5.1	17
Bureau of Alcohol, Tobacco, Firearms, and Explosives			
011-14-0700 Salaries and Expenses			
Nondefense Discretionary Appropriation	1,159	5.0	58
Federal Prison System			
011-20-1003 Buildings and Facilities			
Nondefense Discretionary Appropriation	55	5.0	3
011-20-1060 Salaries and Expenses			
Nondefense Discretionary Appropriation	6,591	5.0	330
011-20-8408 Commissary Funds, Federal Prisons (trust Revolving Fund)			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	111	5.1	6
Office of Justice Programs			
011-21-0401 Research, Evaluation, and Statistics			
Nondefense Discretionary Appropriation	105	5.0	5
011-21-0404 State and Local Law Enforcement Assistance			
Nondefense Discretionary Appropriation	1,126	5.0	56
011-21-0405 Juvenile Justice Programs			
Nondefense Discretionary Appropriation	255	5.0	13
011-21-0406 Community Oriented Policing Services			
Nondefense Discretionary Appropriation	163	5.0	8
011-21-0409 Violence against Women Prevention and Prosecution Programs			
Nondefense Discretionary Appropriation	400	5.0	20
011-21-5041 Crime Victims Fund			
Nondefense Mandatory Appropriation	705	5.1	36

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(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Wage and Hour Division			
012-16-0143 Salaries and Expenses			
Nondefense Discretionary Appropriation	228	5.0	11
Nondefense Discretionary Spending authority	3	5.0	*
<i>Account Total</i>	<u>231</u>		<u>12</u>
012-16-5393 H-1 B and L Fraud Prevention and Detection			
Nondefense Mandatory Appropriation	35	5.1	2
Occupational Safety and Health Administration			
012-18-0400 Salaries and Expenses			
Nondefense Discretionary Appropriation	568	5.0	28
Mine Safety and Health Administration			
012-19-1200 Salaries and Expenses			
Nondefense Discretionary Appropriation	376	5.0	19
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>377</u>		<u>19</u>
Bureau of Labor Statistics			
012-20-0200 Salaries and Expenses			
Nondefense Discretionary Appropriation	545	5.0	27
Office of Federal Contract Compliance Programs			
012-22-0148 Salaries and Expenses			
Nondefense Discretionary Appropriation	106	5.0	5
Office of Labor Management Standards			
012-23-0150 Salaries and Expenses			
Nondefense Discretionary Appropriation	41	5.0	2
Departmental Management			
012-25-0106 Office of the Inspector General			
Nondefense Discretionary Appropriation	78	5.0	4
012-25-0162 Information Technology Modernization			
Nondefense Discretionary Appropriation	20	5.0	1
012-25-0164 Veterans Employment and Training			
Nondefense Discretionary Appropriation	53	5.0	3
012-25-0165 Salaries and Expenses			
Nondefense Discretionary Appropriation	348	5.0	17
012-25-0166 Office of Disability Employment Policy			
Nondefense Discretionary Appropriation	39	5.0	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of State			
Administration of Foreign Affairs			
014-05-0113 Diplomatic and Consular Programs			
Nondefense Discretionary Appropriation	10,966	5.0	548
Nondefense Discretionary Spending authority	2,290	5.0	115
Nondefense Mandatory Appropriation	35	5.1	2
<i>Account Total</i>	<u>13,291</u>		<u>665</u>
014-05-0120 Capital Investment Fund			
Nondefense Discretionary Appropriation	60	5.0	3
014-05-0121 Conflict Stabilization Operations			
Nondefense Discretionary Appropriation	8	5.0	*
014-05-0209 Educational and Cultural Exchange Programs			
Nondefense Discretionary Appropriation	602	5.0	30
014-05-0520 Protection of Foreign Missions and Officials			
Nondefense Discretionary Appropriation	27	5.0	1
014-05-0522 Emergencies in the Diplomatic and Consular Service			
Nondefense Discretionary Appropriation	9	5.0	*
014-05-0523 Payment to the American Institute in Taiwan			
Nondefense Discretionary Appropriation	21	5.0	1
014-05-0529 Office of the Inspector General			
Nondefense Discretionary Appropriation	129	5.0	6
014-05-0535 Embassy Security, Construction, and Maintenance			
Nondefense Discretionary Appropriation	1,579	5.0	79
014-05-0545 Representation Allowances			
Nondefense Discretionary Appropriation	7	5.0	*
014-05-0601 Repatriation Loans Program Account			
Nondefense Discretionary Appropriation	1	5.0	*
International Organizations and Conferences			
014-10-1124 Contributions for International Peacekeeping Activities			
Nondefense Discretionary Appropriation	1,839	5.0	92
014-10-1126 Contributions to International Organizations			
Nondefense Discretionary Appropriation	1,560	5.0	78
International Commissions			
014-15-1069 Salaries and Expenses, IBWC			
Nondefense Discretionary Appropriation	45	5.0	2
014-15-1078 Construction, IBWC			
Nondefense Discretionary Appropriation	32	5.0	2
014-15-1082 American Sections, International Commissions			
Nondefense Discretionary Appropriation	12	5.0	1
014-15-1087 International Fisheries Commissions			
Nondefense Discretionary Appropriation	37	5.0	2
Other			
014-25-0040 United States Emergency Refugee and Migration Assistance Fund			
Nondefense Discretionary Appropriation	27	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
014-25-0202 East-West Center			
Nondefense Discretionary Appropriation	17	5.0	1
014-25-0210 National Endowment for Democracy			
Nondefense Discretionary Appropriation	118	5.0	6
014-25-0525 Payment to the Asia Foundation			
Nondefense Discretionary Appropriation	17	5.0	1
014-25-1015 Complex Crises Fund			
Nondefense Discretionary Appropriation	40	5.0	2
014-25-1022 International Narcotics Control and Law Enforcement			
Nondefense Discretionary Appropriation	2,051	5.0	103
014-25-1031 Global Health Programs			
Nondefense Discretionary Appropriation	8,218	5.0	411
014-25-1121 Democracy Fund			
Nondefense Discretionary Appropriation	115	5.0	6
014-25-1143 Migration and Refugee Assistance			
Nondefense Discretionary Appropriation	1,885	5.0	94
014-25-8276 Israeli Arab and Eisenhower Exchange Fellowship Programs			
Nondefense Discretionary Appropriation	1	5.0	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Transportation			
Office of the Secretary			
021-04-0102 Salaries and Expenses			
Nondefense Discretionary Appropriation	103	5.0	5
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>104</u>		<u>5</u>
021-04-0116 Financial Management Capital			
Nondefense Discretionary Appropriation	5	5.0	*
021-04-0118 Office of Civil Rights			
Nondefense Discretionary Appropriation	9	5.0	*
021-04-0119 Minority Business Outreach			
Nondefense Discretionary Appropriation	3	5.0	*
021-04-0142 Transportation Planning, Research, and Development			
Nondefense Discretionary Appropriation	9	5.0	*
021-04-0143 National Infrastructure Investments			
Nondefense Discretionary Appropriation	503	5.0	25
021-04-0155 Minority Business Resource Center Program			
Nondefense Discretionary Appropriation	1	5.0	*
021-04-0159 Cyber Security Initiatives			
Nondefense Discretionary Appropriation	10	5.0	1
021-04-1730 Research and Development			
Nondefense Discretionary Appropriation	16	5.0	1
021-04-5423 Essential Air Service and Rural Airport Improvement Fund			
Nondefense Mandatory Appropriation	50	5.1	3
021-04-8304 Payments to Air Carriers			
Nondefense Discretionary Appropriation	144	5.0	7
Federal Aviation Administration			
021-12-1301 Operations			
Nondefense Discretionary Appropriation	4,621	5.0	231
Nondefense Discretionary Spending authority	10	5.0	1
<i>Account Total</i>	<u>4,631</u>		<u>232</u>
021-12-4120 Aviation Insurance Revolving Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
021-12-8104 Trust Fund Share of FAA Activities (Airport and Airway Trust Fund)			
Nondefense Discretionary Appropriation	5,092	5.0	255
021-12-8106 Grants-in-aid for Airports (Airport and Airway Trust Fund)			
Nondefense Discretionary Spending authority	1	5.0	*
021-12-8107 Facilities and Equipment (Airport and Airway Trust Fund)			
Nondefense Discretionary Appropriation	2,778	5.0	139
Nondefense Discretionary Spending authority	62	5.0	3
<i>Account Total</i>	<u>2,840</u>		<u>142</u>
021-12-8108 Research, Engineering and Development (Airport and Airway Trust Fund)			
Nondefense Discretionary Appropriation	169	5.0	8
Federal Highway Administration			
021-15-0500 Emergency Relief Program			
Nondefense Discretionary Appropriation	2,022	5.0	101

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
021-15-0534 Payment to the Transportation Trust Fund			
Nondefense Mandatory Appropriation	6,200	5.1	316
021-15-8083 Federal-aid Highways			
Nondefense Mandatory Contract authority	739	5.1	38
Federal Motor Carrier Safety Administration			
021-17-8159 Motor Carrier Safety Operations and Programs			
Nondefense Discretionary Spending authority	27	5.0	1
National Highway Traffic Safety Administration			
021-18-0650 Operations and Research			
Nondefense Discretionary Appropriation	141	5.0	7
Federal Railroad Administration			
021-27-0121 Operating Subsidy Grants to the National Railroad Passenger Corporation			
Nondefense Discretionary Appropriation	469	5.0	23
021-27-0125 Capital and Debt Service Grants to the National Railroad Passenger Corporation			
Nondefense Discretionary Appropriation	958	5.0	48
021-27-0700 Safety and Operations			
Nondefense Discretionary Appropriation	180	5.0	9
021-27-0704 Grants to the National Railroad Passenger Corporation			
Nondefense Discretionary Appropriation	118	5.0	6
021-27-0745 Railroad Research and Development			
Nondefense Discretionary Appropriation	35	5.0	2
Federal Transit Administration			
021-36-1120 Administrative Expenses			
Nondefense Discretionary Appropriation	99	5.0	5
021-36-1128 Washington Metropolitan Area Transit Authority			
Nondefense Discretionary Appropriation	151	5.0	8
021-36-1134 Capital Investment Grants			
Nondefense Discretionary Appropriation	1,923	5.0	96
021-36-1137 Research and University Research Centers			
Nondefense Discretionary Appropriation	44	5.0	2
021-36-1140 Public Transportation Emergency Relief Program			
Nondefense Discretionary Appropriation	10,894	5.0	545
Saint Lawrence Seaway Development Corporation			
021-40-8003 Operations and Maintenance			
Nondefense Discretionary Appropriation	32	5.0	2
Pipeline and Hazardous Materials Safety Administration			
021-50-1400 Operational Expenses			
Nondefense Discretionary Appropriation	20	5.0	1
021-50-1401 Hazardous Materials Safety			
Nondefense Discretionary Appropriation	42	5.0	2
021-50-5172 Pipeline Safety			
Nondefense Discretionary Appropriation	92	5.0	5
021-50-5282 Emergency Preparedness Grants			
Nondefense Mandatory Appropriation	28	5.1	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
021-50-8121 Trust Fund Share of Pipeline Safety			
Nondefense Discretionary Appropriation	19	5.0	1
Office of Inspector General			
021-56-0130 Salaries and Expenses			
Nondefense Discretionary Appropriation	86	5.0	4
Surface Transportation Board			
021-61-0301 Salaries and Expenses			
Nondefense Discretionary Appropriation	28	5.0	1
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>29</u>		<u>2</u>
Maritime Administration			
021-70-1711 Maritime Security Program			
Defense Discretionary Appropriation	175	7.8	14
Defense Discretionary Unobligated balance in 050	4	7.8	*
<i>Account Total</i>	<u>179</u>		<u>14</u>
021-70-1750 Operations and Training			
Nondefense Discretionary Appropriation	157	5.0	8
021-70-1751 Ocean Freight Differential			
Nondefense Mandatory Borrowing authority	135	5.1	7
021-70-1752 Maritime Guaranteed Loan (title XI) Program Account			
Nondefense Discretionary Appropriation	4	5.0	*
021-70-1768 Ship Disposal			
Nondefense Discretionary Appropriation	6	5.0	*
021-70-1770 Assistance to Small Shipyards			
Nondefense Discretionary Appropriation	10	5.0	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of the Treasury			
Financial Crimes Enforcement Network			
015-04-0173 Salaries and Expenses			
Nondefense Discretionary Appropriation	111	5.0	6
Departmental Offices			
015-05-0101 Salaries and Expenses			
Nondefense Discretionary Appropriation	310	5.0	16
015-05-0106 Office of Inspector General			
Nondefense Discretionary Appropriation	30	5.0	2
015-05-0119 Treasury Inspector General for Tax Administration			
Nondefense Discretionary Appropriation	153	5.0	8
015-05-0123 Terrorism Insurance Program			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
015-05-0126 GSE Mortgage-Backed Securities Purchase Program Account			
Nondefense Mandatory Appropriation	11	5.1	1
015-05-0140 Grants for Specified Energy Property in Lieu of Tax Credits, Recovery Act			
Nondefense Mandatory Appropriation	3,671	5.1	187
015-05-0141 Small Business Lending Fund Program Account			
Nondefense Mandatory Appropriation	26	5.1	1
015-05-1881 Community Development Financial Institutions Fund Program Account			
Nondefense Discretionary Appropriation	222	5.0	11
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>223</u>		<u>11</u>
015-05-5081 Presidential Election Campaign Fund			
Nondefense Mandatory Appropriation	34	5.1	2
015-05-5590 Financial Research Fund			
Nondefense Mandatory Appropriation	158	5.1	8
015-05-5697 Treasury Forfeiture Fund			
Nondefense Mandatory Appropriation	583	5.1	30
Fiscal Service			
015-12-0520 Salaries and Expenses, Fiscal Service			
Nondefense Discretionary Appropriation	393	5.0	20
Nondefense Discretionary Spending authority	1	5.0	*
Nondefense Mandatory Administrative expenses in otherwise exempt resources	68	5.1	3
<i>Account Total</i>	<u>462</u>		<u>23</u>
015-12-1710 Payment of Government Losses in Shipment			
Nondefense Mandatory Appropriation	1	5.1	*
015-12-1825 Payment to FRA for AMTRAK Debt Restructuring			
Nondefense Mandatory Appropriation	59	5.1	3
015-12-8209 Cheyenne River Sioux Tribe Terrestrial Wildlife Habitat Restoration Trust Fund			
Nondefense Mandatory Appropriation	2	5.1	*
Alcohol and Tobacco Tax and Trade Bureau			
015-13-1008 Salaries and Expenses			
Nondefense Discretionary Appropriation	100	5.0	5
Nondefense Discretionary Spending authority	4	5.0	*
<i>Account Total</i>	<u>104</u>		<u>5</u>

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Corps of Engineers--Civil Works			
202-00-3112 Mississippi River and Tributaries			
Nondefense Discretionary Appropriation	252	5.0	13
202-00-3121 Investigations			
Nondefense Discretionary Appropriation	176	5.0	9
202-00-3122 Construction			
Nondefense Discretionary Appropriation	5,007	5.0	250
202-00-3123 Operation and Maintenance			
Nondefense Discretionary Appropriation	2,448	5.0	122
202-00-3124 Expenses			
Nondefense Discretionary Appropriation	196	5.0	10
202-00-3125 Flood Control and Coastal Emergencies			
Nondefense Discretionary Appropriation	1,035	5.0	52
202-00-3126 Regulatory Program			
Nondefense Discretionary Appropriation	194	5.0	10
202-00-3130 Formerly Utilized Sites Remedial Action Program			
Defense Discretionary Appropriation	110	7.8	9
Defense Discretionary Unobligated balance in 050	4	7.8	*
<i>Account Total</i>	114		9
202-00-3132 Office of the Assistant Secretary of the Army for Civil Works			
Defense Discretionary Appropriation	5	7.8	*
202-00-4902 Revolving Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
202-00-8217 South Dakota Terrestrial Wildlife Habitat Restoration Trust Fund			
Nondefense Mandatory Appropriation	5	5.1	*
202-00-8333 Coastal Wetlands Restoration Trust Fund			
Nondefense Mandatory Appropriation	81	5.1	4
202-00-8861 Inland Waterways Trust Fund			
Nondefense Discretionary Appropriation	77	5.0	4
202-00-8862 Rivers and Harbors Contributed Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	267	5.1	14
202-00-8863 Harbor Maintenance Trust Fund			
Nondefense Discretionary Appropriation	882	5.0	44
202-00-9921 Permanent Appropriations			
Nondefense Mandatory Appropriation	21	5.1	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Other Defense Civil Programs			
American Battle Monuments Commission			
200-15-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	77	5.0	4
Armed Forces Retirement Home			
200-20-8522 Armed Forces Retirement Home			
Nondefense Discretionary Appropriation	62	5.0	3
Cemeterial Expenses			
200-25-1805 Salaries and Expenses			
Nondefense Discretionary Appropriation	46	5.0	2
Forest and Wildlife Conservation, Military Reservations			
200-30-5095 Wildlife Conservation			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	3	5.1	*
Selective Service System			
200-45-0400 Salaries and Expenses			
Defense Discretionary Appropriation	24	7.8	2

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Executive Office of the President			
The White House			
100-05-0209 The White House			
Nondefense Discretionary Appropriation	57	5.0	3
Executive Residence at the White House			
100-10-0109 White House Repair and Restoration			
Nondefense Discretionary Appropriation	1	5.0	*
100-10-0210 Operating Expenses			
Nondefense Discretionary Appropriation	13	5.0	1
Nondefense Discretionary Spending authority	3	5.0	*
<i>Account Total</i>	16		1
Special Assistance to the President and the Official Residence of the Vice President			
100-15-1454 Special Assistance to the President and the Official Residence of the Vice President			
Nondefense Discretionary Appropriation	5	5.0	*
Council of Economic Advisers			
100-20-1900 Salaries and Expenses			
Nondefense Discretionary Appropriation	4	5.0	*
Council on Environmental Quality and Office of Environmental Quality			
100-25-1453 Council on Environmental Quality and Office of Environmental Quality			
Nondefense Discretionary Appropriation	3	5.0	*
National Security Council and Homeland Security Council			
100-35-2000 Salaries and Expenses			
Nondefense Discretionary Appropriation	13	5.0	1
Office of Administration			
100-50-0038 Salaries and Expenses			
Nondefense Discretionary Appropriation	114	5.0	6
Office of Management and Budget			
100-55-0300 Office of Management and Budget			
Nondefense Discretionary Appropriation	90	5.0	5
Office of National Drug Control Policy			
100-60-1457 Office of National Drug Control Policy			
Nondefense Discretionary Appropriation	25	5.0	1
Office of Science and Technology Policy			
100-65-2600 Office of Science and Technology Policy			
Nondefense Discretionary Appropriation	5	5.0	*
Office of the United States Trade Representative			
100-70-0400 Office of the United States Trade Representative			
Nondefense Discretionary Appropriation	52	5.0	3
Unanticipated Needs			
100-95-0037 Unanticipated Needs			
Nondefense Discretionary Appropriation	1	5.0	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
General Services Administration			
Real Property Activities			
023-05-4542 Federal Buildings Fund			
Nondefense Discretionary Appropriation	7	5.0	*
023-05-5254 Disposal of Surplus Real and Related Personal Property			
Nondefense Mandatory Appropriation	9	5.1	*
Supply and Technology Activities			
023-10-5250 Expenses of Transportation Audit Contracts and Contract Administration			
Nondefense Mandatory Appropriation	13	5.1	1
General Activities			
023-30-0105 Allowances and Office Staff for Former Presidents			
Nondefense Discretionary Appropriation	3	5.0	*
023-30-0108 Office of Inspector General			
Nondefense Discretionary Appropriation	58	5.0	3
023-30-0110 Operating Expenses			
Nondefense Discretionary Appropriation	70	5.0	4
023-30-0401 Government-wide Policy			
Nondefense Discretionary Appropriation	61	5.0	3
023-30-0600 Electronic Government (E-GOV) Fund			
Nondefense Discretionary Appropriation	12	5.0	1
023-30-4549 Federal Citizen Services Fund			
Nondefense Discretionary Appropriation	34	5.0	2

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
International Assistance Programs			
Millennium Challenge Corporation			
184-03-2750 Millennium Challenge Corporation			
Nondefense Discretionary Appropriation	904	5.0	45
International Security Assistance			
184-05-1032 Peacekeeping Operations			
Nondefense Discretionary Appropriation	386	5.0	19
184-05-1037 Economic Support Fund			
Nondefense Discretionary Appropriation	5,675	5.0	284
184-05-1075 Nonproliferation, Antiterrorism, Demining, and Related Programs			
Nondefense Discretionary Appropriation	714	5.0	36
184-05-1081 International Military Education and Training			
Nondefense Discretionary Appropriation	106	5.0	5
184-05-1082 Foreign Military Financing Program			
Nondefense Discretionary Appropriation	6,344	5.0	317
184-05-1083 Pakistan Counterinsurgency Capability Fund			
Nondefense Discretionary Appropriation	850	5.0	43
Multilateral Assistance			
184-10-0071 Strategic Climate Fund			
Nondefense Discretionary Appropriation	50	5.0	3
184-10-0072 Contribution to the Inter-American Development Bank			
Nondefense Discretionary Appropriation	80	5.0	4
184-10-0073 Contribution to the International Development Association			
Nondefense Discretionary Appropriation	1,501	5.0	75
184-10-0076 Contribution to the Asian Development Bank			
Nondefense Discretionary Appropriation	208	5.0	10
184-10-0077 Contribution to the International Bank for Reconstruction and Development			
Nondefense Discretionary Appropriation	208	5.0	10
184-10-0080 Clean Technology Fund			
Nondefense Discretionary Appropriation	186	5.0	9
184-10-0082 Contribution to the African Development Bank			
Nondefense Discretionary Appropriation	214	5.0	11
184-10-0089 Contribution to Enterprise for the Americas Multilateral Investment Fund			
Nondefense Discretionary Appropriation	25	5.0	1
184-10-0091 Debt Restructuring			
Nondefense Discretionary Appropriation	12	5.0	1
184-10-1005 International Organizations and Programs			
Nondefense Discretionary Appropriation	351	5.0	18
184-10-1039 Contributions to the International Fund for Agricultural Development			
Nondefense Discretionary Appropriation	30	5.0	2
184-10-1045 International Affairs Technical Assistance Program			
Nondefense Discretionary Appropriation	27	5.0	1
184-10-1475 Global Food Security Fund			
Nondefense Discretionary Appropriation	136	5.0	7

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
National Aeronautics and Space Administration			
026-00-0109 Office of Inspector General			
Nondefense Discretionary Appropriation	39	5.0	2
026-00-0115 Space Operations			
Nondefense Discretionary Appropriation	4,247	5.0	212
026-00-0120 Science			
Nondefense Discretionary Appropriation	5,116	5.0	256
026-00-0122 Cross Agency Support			
Nondefense Discretionary Appropriation	3,012	5.0	151
026-00-0124 Exploration			
Nondefense Discretionary Appropriation	3,790	5.0	190
026-00-0126 Aeronautics			
Nondefense Discretionary Appropriation	573	5.0	29
026-00-0128 Education			
Nondefense Discretionary Appropriation	137	5.0	7
026-00-0130 Construction, Environmental Compliance, and Remediation			
Nondefense Discretionary Appropriation	402	5.0	20
026-00-0131 Space Technology			
Nondefense Discretionary Appropriation	579	5.0	29
026-00-8978 Science, Space, and Technology Education Trust Fund			
Nondefense Mandatory Appropriation	1	5.1	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Office of Personnel Management			
027-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	99	5.0	5
027-00-0400 Office of Inspector General			
Nondefense Discretionary Appropriation	3	5.0	*
027-00-0800 Flexible Benefits Plan Reserve			
Nondefense Mandatory Spending authority	30	5.1	2
027-00-8135 Civil Service Retirement and Disability Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	48	5.1	2
027-00-8424 Employees Life Insurance Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	2	5.1	*
027-00-9981 Employees and Retired Employees Health Benefits Funds			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	17	5.1	1

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Small Business Administration			
028-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	440	5.0	22
028-00-0200 Office of Inspector General			
Nondefense Discretionary Appropriation	21	5.0	1
028-00-0300 Office of Advocacy			
Nondefense Discretionary Appropriation	9	5.0	*
028-00-1152 Disaster Loans Program Account			
Nondefense Discretionary Appropriation	896	5.0	45
028-00-1154 Business Loans Program Account			
Nondefense Discretionary Appropriation	487	5.0	24

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Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Social Security Administration			
016-00-0400 Office of the Inspector General			
Nondefense Discretionary Appropriation	29	5.0	1
016-00-8006 Federal Old-age and Survivors Insurance Trust Fund			
Nondefense Discretionary Appropriation	2,744	5.0	137
016-00-8007 Federal Disability Insurance Trust Fund			
Nondefense Discretionary Appropriation	2,954	5.0	148

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Access Board			
Architectural and Transportation Barriers Compliance Board			
310-00-3200 Salaries and Expenses			
Nondefense Discretionary Appropriation	7	5.0	*
Administrative Conference of the United States			
302-00-1700 Salaries and Expenses			
Nondefense Discretionary Appropriation	3	5.0	*
Advisory Council on Historic Preservation			
306-00-2300 Salaries and Expenses			
Nondefense Discretionary Appropriation	6	5.0	*
Affordable Housing Program			
530-00-5528 Affordable Housing Program			
Nondefense Mandatory Appropriation	198	5.1	10
Appalachian Regional Commission			
309-00-0200 Appalachian Regional Commission			
Nondefense Discretionary Appropriation	64	5.0	3
309-00-9971 Miscellaneous Trust Funds			
Nondefense Mandatory Appropriation	8	5.1	*
Broadcasting Board of Governors			
514-00-0204 Broadcasting Capital Improvements			
Nondefense Discretionary Appropriation	7	5.0	*
514-00-0206 International Broadcasting Operations			
Nondefense Discretionary Appropriation	749	5.0	37
Bureau of Consumer Financial Protection			
581-00-5577 Bureau of Consumer Financial Protection Fund			
Nondefense Mandatory Appropriation	448	5.1	23
Chemical Safety and Hazard Investigation Board			
510-00-3850 Chemical Safety and Hazard Investigation Board			
Nondefense Discretionary Appropriation	11	5.0	1
Christopher Columbus Fellowship Foundation			
465-00-0100 Payment to the Christopher Columbus Fellowship Foundation			
Nondefense Discretionary Appropriation	*	5.0	*
Commission of Fine Arts			
323-00-2600 Salaries and Expenses			
Nondefense Discretionary Appropriation	2	5.0	*
323-00-2602 National Capital Arts and Cultural Affairs			
Nondefense Discretionary Appropriation	2	5.0	*
Commission on Civil Rights			
326-00-1900 Salaries and Expenses			
Nondefense Discretionary Appropriation	9	5.0	*
Committee for Purchase from People Who Are Blind or Severely Disabled			
Committee for Purchase from People who are Blind or Severely Disabled, activities			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
338-00-2000 Salaries and Expenses			
Nondefense Discretionary Appropriation	5	5.0	*
Commodity Futures Trading Commission			
339-00-1400 Commodity Futures Trading Commission			
Nondefense Discretionary Appropriation	206	5.0	10
339-00-4334 Customer Protection Fund			
Nondefense Mandatory Spending authority	13	5.1	1
Consumer Product Safety Commission			
343-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	115	5.0	6
Corporation for National and Community Service			
485-00-2721 Inspector General			
Nondefense Discretionary Appropriation	4	5.0	*
485-00-2722 Salaries and Expenses			
Nondefense Discretionary Appropriation	83	5.0	4
485-00-2726 Payment to National Service Trust Fund			
Nondefense Discretionary Appropriation	213	5.0	11
485-00-2728 Operating Expenses			
Nondefense Discretionary Appropriation	755	5.0	38
Corporation for Public Broadcasting			
344-00-0151 Corporation for Public Broadcasting			
Nondefense Discretionary Advance appropriation	445	5.0	22
Corporation for Travel Promotion			
580-00-5585 Travel Promotion Fund			
Nondefense Mandatory Appropriation	100	5.1	5
Court Services and Offender Supervision Agency for the District of Columbia			
511-00-1733 Public Defender Service for the District of Columbia			
Nondefense Discretionary Appropriation	37	5.0	2
511-00-1734 Federal Payment to Court Services and Offender Supervision Agency for the District of Columbia			
Nondefense Discretionary Appropriation	214	5.0	11
Defense Nuclear Facilities Safety Board			
347-00-3900 Salaries and Expenses			
Defense Discretionary Appropriation	29	7.8	2
Defense Discretionary Unobligated balance in 050	1	7.8	*
<i>Account Total</i>	<u>30</u>		<u>2</u>
Delta Regional Authority			
517-00-0750 Delta Regional Authority			
Nondefense Discretionary Appropriation	12	5.0	1
Denali Commission			
513-00-1200 Denali Commission			
Nondefense Discretionary Appropriation	12	5.0	1
513-00-8056 Denali Commission Trust Fund			
Nondefense Discretionary Appropriation	4	5.0	*
District of Columbia			

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
District of Columbia Courts			
349-10-1712 Federal Payment to the District of Columbia Courts			
Nondefense Discretionary Appropriation	234	5.0	12
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>235</u>		<u>12</u>
349-10-1736 Defender Services in District of Columbia Courts			
Nondefense Discretionary Appropriation	55	5.0	3
349-10-8212 District of Columbia Judicial Retirement and Survivors Annuity Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	1	5.1	*
District of Columbia General and Special Payments			
349-30-1707 Federal Support for Economic Development and Management Reforms in the District			
Nondefense Discretionary Appropriation	23	5.0	1
349-30-1736 Federal Payment for Resident Tuition Support			
Nondefense Discretionary Appropriation	30	5.0	2
349-30-1771 Federal Payment for Emergency Planning and Security Cost in the District of Columbia			
Nondefense Discretionary Appropriation	25	5.0	1
349-30-1817 Federal Payment for School Improvement			
Nondefense Discretionary Appropriation	60	5.0	3
349-30-5511 District of Columbia Federal Pension Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	17	5.1	1
Election Assistance Commission			
525-00-1650 Salaries and Expenses			
Nondefense Discretionary Appropriation	9	5.0	*
Electric Reliability Organization			
531-00-5522 Electric Reliability Organization			
Nondefense Mandatory Appropriation	100	5.1	5
Equal Employment Opportunity Commission			
350-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	362	5.0	18
350-00-4019 EEOC Education, Technical Assistance, and Training Revolving Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	4	5.1	*
Export-Import Bank of the United States			
351-00-0105 Inspector General of the Export-Import Bank			
Nondefense Discretionary Appropriation	4	5.0	*
Farm Credit System Insurance Corporation			
355-00-4171 Farm Credit System Insurance Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	4	5.1	*
Federal Communications Commission			
356-00-0100 Salaries and Expenses			
Nondefense Discretionary Spending authority	342	5.0	17
356-00-0300 Spectrum Auction Program Account			
Nondefense Mandatory Appropriation	4	5.1	*
Federal Deposit Insurance Corporation			
Orderly Liquidation			

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
357-35-5586 Orderly Liquidation Fund			
Nondefense Mandatory Appropriation	161	5.1	8
Nondefense Mandatory Borrowing authority	1,354	5.1	69
<i>Account Total</i>	<u>1,515</u>		<u>77</u>
Federal Drug Control Programs			
154-00-1070 High-intensity Drug Trafficking Areas Program			
Nondefense Discretionary Appropriation	240	5.0	12
154-00-1460 Other Federal Drug Control Programs			
Nondefense Discretionary Appropriation	101	5.0	5
Federal Election Commission			
360-00-1600 Salaries and Expenses			
Nondefense Discretionary Appropriation	67	5.0	3
Federal Financial Institutions Examination Council			
Federal Financial Institutions Examination Council Appraisal Subcommittee			
362-20-5026 Registry Fees			
Nondefense Mandatory Appropriation	2	5.1	*
Federal Labor Relations Authority			
365-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	25	5.0	1
Federal Maritime Commission			
366-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	24	5.0	1
Federal Mediation and Conciliation Service			
367-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	46	5.0	2
Nondefense Discretionary Spending authority	1	5.0	*
<i>Account Total</i>	<u>47</u>		<u>2</u>
Federal Mine Safety and Health Review Commission			
368-00-2800 Salaries and Expenses			
Nondefense Discretionary Appropriation	18	5.0	1
Federal Trade Commission			
370-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	185	5.0	9
Nondefense Discretionary Spending authority	129	5.0	6
<i>Account Total</i>	<u>314</u>		<u>16</u>
Harry S Truman Scholarship Foundation			
372-00-0950 Payment to the Harry S. Truman Scholarship Memorial Trust Fund			
Nondefense Discretionary Appropriation	1	5.0	*
Institute of American Indian and Alaska Native Culture and Arts Development			
373-00-2900 Payment to the Institute			
Nondefense Discretionary Appropriation	9	5.0	*
Institute of Museum and Library Services			
474-00-0300 Office of Museum and Library Services: Grants and Administration			
Nondefense Discretionary Appropriation	233	5.0	12
Intelligence Community Management Account			

* denotes \$500,000 or less.

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
526-00-5376 Public Company Accounting Oversight Board			
Nondefense Discretionary Appropriation	1	5.0	*
Nondefense Mandatory Appropriation	236	5.1	12
<i>Account Total</i>	<u>237</u>		<u>12</u>
Standard Setting Body			
527-00-5377 Payment to Standard Setting Body			
Nondefense Mandatory Appropriation	25	5.1	1
Securities Investor Protection Corporation			
576-00-5600 Securities Investor Protection Corporation			
Nondefense Mandatory Appropriation	299	5.1	15
Smithsonian Institution			
452-00-0100 Salaries and Expenses			
Nondefense Discretionary Appropriation	642	5.0	32
452-00-0103 Facilities Capital			
Nondefense Discretionary Appropriation	176	5.0	9
452-00-0200 Salaries and Expenses, National Gallery of Art			
Nondefense Discretionary Appropriation	115	5.0	6
452-00-0201 Repair, Restoration, and Renovation of Buildings, National Gallery of Art			
Nondefense Discretionary Appropriation	15	5.0	1
452-00-0302 Operations and Maintenance, JFK Center for the Performing Arts			
Nondefense Discretionary Appropriation	23	5.0	1
452-00-0303 Capital Repair and Restoration, JFK Center for the Performing Arts			
Nondefense Discretionary Appropriation	14	5.0	1
452-00-0400 Salaries and Expenses, Woodrow Wilson International Center for Scholars			
Nondefense Discretionary Appropriation	11	5.0	1
State Justice Institute			
453-00-0052 State Justice Institute: Salaries and Expenses			
Nondefense Discretionary Appropriation	5	5.0	*
Tennessee Valley Authority			
455-00-4110 Tennessee Valley Authority Fund			
Nondefense Mandatory Administrative expenses in otherwise exempt resources	455	5.1	23
United States Court of Appeals for Veterans Claims			
345-00-0300 Salaries and Expenses			
Nondefense Discretionary Appropriation	31	5.0	2
United States Holocaust Memorial Museum			
456-00-3300 Holocaust Memorial Museum			
Nondefense Discretionary Appropriation	51	5.0	3
United States Institute of Peace			
458-00-1300 Operating Expenses			
Nondefense Discretionary Appropriation	39	5.0	2
United States Interagency Council on Homelessness			
376-00-1300 United States Interagency Council on the Homelessness			
Nondefense Discretionary Appropriation	3	5.0	*
Vietnam Education Foundation			

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
519-00-5365 Vietnam Debt Repayment Fund Nondefense Mandatory Appropriation	5	5.1	*

Sequestrable Budgetary Resources and Reductions in Sequestrable Resources by OMB Account -- FY 2013

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource	Sequestrable BA Amount	Sequester Percentage	Sequester Amount
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Amounts may not sum to total due to rounding.

Mandatory Federal administrative expenses of otherwise exempt accounts are sequestrable pursuant to section 251A(8) and section 256(h) of BBEDCA.

Pursuant to section 255(f) of BBEDCA, the President notified the Congress of his decision to exempt all military personnel accounts from sequester for FY 2013. See the July 31, 2012 letter to the Congress, available at <http://www.whitehouse.gov/sites/default/files/omb/legislative/letters/military-personnel-letter-biden.pdf>.

Unobligated balances of budget authority carried over from prior fiscal years in defense function 050 accounts are sequestrable.

For intragovernmental payments, sequestration is applied to the paying account. The funds are generally exempt in the receiving account in accordance with section 255(g)(1)(A) of BBEDCA so that the same dollars are not sequestered twice.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Jerry Brown
Governor
State of California
Sacramento, CA 95814

Dear Governor Brown:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in California.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy could be forced to cancel maintenance on 5 ships in San Diego and aircraft maintenance in North Island. The Army would lose \$54 million in base operations funding across California, including cuts at the Presidio of Monterrey and Fort Irwin. Operations at Sierra Army Depot could experience a reduction of as much as \$167 million. The Air Force would suffer a cut of at least \$26 million to their operations in the State, including reductions in facilities projects at Beale, Edwards, Travis, and Vandenberg Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in California as we compile a more complete list.

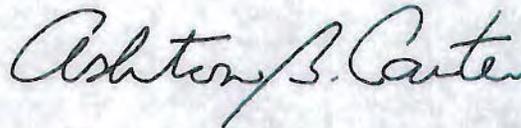


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 64,000 DoD civilian employees who work in California. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$420 million just in California.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Robert Bentley
Governor
State of Alabama
Montgomery, AL 36130

Dear Governor Bentley:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Alabama.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$91 million in base operations funding across Alabama, including cuts at Fort Rucker and Fort McClellan. Depot operations at Anniston could experience a reduction of as much as \$710 million. The Air Force would suffer a cut of at least \$8 million to their operations in the State, including reductions in facilities projects at Maxwell Air Force Base. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Alabama as we compile a more complete list.

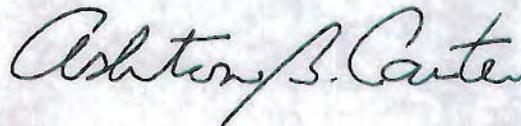


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 27,000 DoD civilian employees who work in Alabama. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$184 million just in Alabama.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Jay Inslee
Governor
State of Washington
Olympia, WA 98504

Dear Governor Inslee:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in the State of Washington.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$124 million in base operations funding across Washington, including cuts at Joint Base Lewis-McCord. The Air Force would suffer a cut of at least \$3 million, including reductions in facilities projects at Fairchild Air Force Base. The Navy would face cancellation of aircraft depot maintenance at Whidbey Island and a demolition project in Bremerton. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Washington as we compile a more complete list.

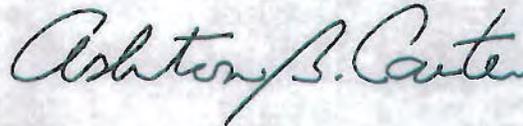


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 29,000 DoD civilian employees who work in Washington. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$175 million just in Washington State.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in dark ink, reading "Ashton B. Carter". The signature is written in a cursive style with a large, sweeping initial 'A'.



**DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010**

MAR 01 2013

The Honorable Rick Perry
Governor
State of Texas
Austin, TX 78701

Dear Governor Perry:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Texas.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$233 million in base operations funding across Texas, including cuts at Fort Bliss, Fort Hood, and Fort Sam Houston. Depot operations at Red River and Corpus Christi could experience a reduction of as much as \$1.4 billion. The Air Force would suffer a cut of at least \$92 million, including reductions in facilities projects at Lackland, Randolph, and Sheppard Air Force Bases. The Navy and Marine Corps would face reduced procurement of the Joint Strike Fighter. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Texas as we compile a more complete list.

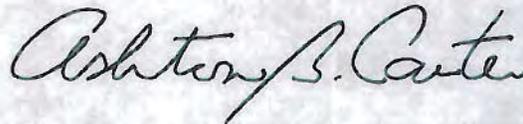


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 52,000 DoD civilian employees who work in Texas. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$291 million just in Texas.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Martin O'Malley
Governor
State of Maryland
Annapolis, MD 21401

Dear Governor O'Malley:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Maryland.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$95 million in base operations funding across Maryland, including cuts at Fort Meade and Aberdeen Proving Ground. The Air Force would suffer a cut of at least \$10 million to their operations in the State, including reductions in facilities projects at Andrews Air Force Base. The Navy would face the loss of \$9 million in funding for a demolition project at Patuxent River Naval Air Station. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Maryland as we compile a more complete list.

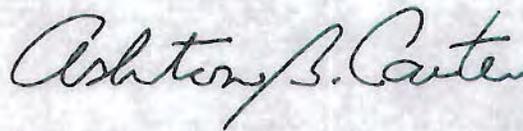


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 46,000 DoD civilian employees who work in Maryland. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$359 million just in Maryland.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink and is centered on the page.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Tom Corbett
Governor
Commonwealth of Pennsylvania
Harrisburg, PA 17120

Dear Governor Corbett:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Pennsylvania.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$7 million in base operations funding across Pennsylvania, including cuts at Carlisle Barracks and Fort Indiantown Gap. In addition, depot operations at Tobyhanna and Letterkenny could experience a reduction of as much as \$751 million. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Pennsylvania as we compile a more complete list.

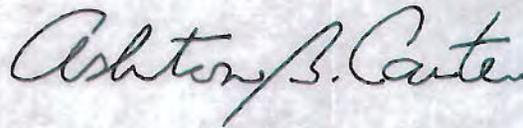


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 26,000 DoD civilian employees who work in Pennsylvania. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$155 million just in Pennsylvania.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in black ink, reading "Ashton B. Carter". The signature is written in a cursive style with a large, prominent "A" and "C".



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Nathan Deal
Governor
State of Georgia
Atlanta, GA 30334

Dear Governor Deal:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Georgia.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$233 million in base operations funding across Georgia, including cuts at Fort Benning, Fort Gordon, and Fort Stewart. The Air Force would suffer a cut of at least \$152 million to their operations in the State, including reductions in facilities projects at Moody and Robbins Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Georgia as we compile a more complete list.

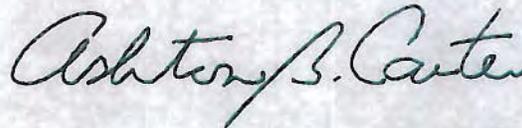


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 37,000 DoD civilian employees who work in Georgia. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$203 million just in Georgia.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in black ink, reading "Ashton B. Carter". The signature is written in a cursive style with a large, sweeping initial 'A'.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Rick Scott
Governor
State of Florida
Tallahassee, FL 32399

Dear Governor Scott:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Florida.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy faces the loss of \$135 million in funding for aircraft depot maintenance in Jacksonville and \$3.2 million for four demolition projects in Pensacola. The Army would lose \$7 million in base operations funding across Florida, including cuts at Camp Blanding. The Air Force would suffer a cut of at least \$37 million to their operations in the State, including reductions in facilities projects at Cape Canaveral and at Eglin, MacDill, Patrick, and Tyndall Air Force Bases. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Florida as we compile a more complete list.

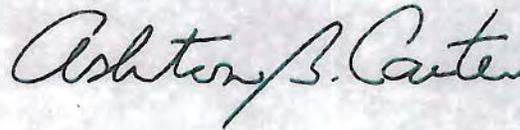


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 31,000 DoD civilian employees who work in Florida. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$185 million just in Florida.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink and is centered on the page.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable John Kasich
Governor
State of Ohio
Columbus, OH 43215

Dear Governor Kasich:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Ohio.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Army would lose \$2 million in base operations funding across Ohio, including cuts at Camp Perry. The Air Force would suffer a cut of at least \$3 million to their operations in the State, including reductions in facilities projects at Wright Patterson Air Force Base. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Ohio as we compile a more complete list.

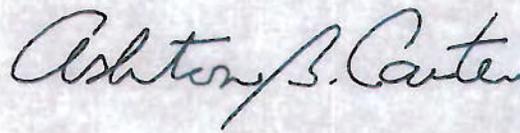
In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 26,000 DoD civilian employees who work in Ohio. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$166 million just in Ohio.



Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



DEPUTY SECRETARY OF DEFENSE
1010 DEFENSE PENTAGON
WASHINGTON, DC 20301-1010

MAR 01 2013

The Honorable Robert F. McDonnell
Governor
Commonwealth of Virginia
Richmond, VA 23219

Dear Governor McDonnell:

As you are likely aware, due to the inability of Congress to reach a deal on balanced deficit reduction to avoid sequestration, the President will be required by law to issue a sequestration order later today canceling approximately \$85 billion in budgetary resources across the Federal Government, of which nearly \$41 billion would come from the Department of Defense (DoD). Another sequestration order could be issued later this month, which could result in a combined reduction for DoD of as much as \$46 billion – roughly a 9 percent reduction in our entire budget except for military personnel funding, which current law permitted the President to exempt.

These cuts must be fully accommodated during the remaining seven months of Fiscal Year (FY) 2013. In addition, the current DoD appropriation (the so-called Continuing Resolution) does not allocate adequate funding for current operations, which greatly adds to the Department's FY 2013 budgetary problems. Because your State plays an important part in supporting DoD and our national security, we wanted to provide you with the information we currently have available about how these unfortunate budgetary adjustments impact us, and in turn what it means for our installations and contractors in Virginia.

We do not yet have a complete inventory of the required cutbacks, but I can provide some examples: The Navy will have to cancel maintenance on 11 ships in Norfolk and to defer four projects at Dahlgren, Oceana, and Norfolk. The Army would lose \$146 million in base operations funding across Virginia, including cuts at Fort Lee and Fort Belvoir. The Air Force would suffer a cut of about \$8 million to their facilities projects at Langley Air Force Base. We are still assessing detailed changes and will be able to provide additional information on cutbacks in Virginia as we compile a more complete list.

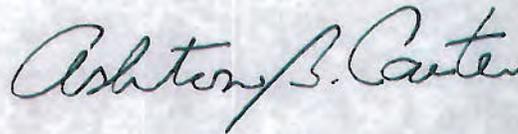


In addition, to accommodate all the cutbacks that would be imposed in the absence of further Congressional action, we will be forced to place most of our DoD civilian employees on unpaid furlough status for up to 22 discontinuous workdays. Almost certainly, this unfortunate action has already had serious adverse effects on the morale and productivity of the approximately 90,000 DoD civilian employees who work in Virginia. If we have to impose these furloughs, it will mean roughly a 20 percent pay cut over a nearly six month period for these dedicated civil servants, who in turn will presumably spend less in your economy. We estimate that a 22-workday furlough could result in a payroll reduction of about \$661 million just in Virginia.

Lastly, it should be noted that sequestration will also affect Defense contractors and, therefore, the industrial base in your State.

While these reductions are unfortunate and will be damaging, the Department is doing everything within our power to minimize adverse effects on our national security mission. In addition, we are prepared to work closely with you to manage these reductions to the extent that we can. Should Congress take subsequent actions that change the level or nature of these reductions, we are committed to working closely with you to manage changes quickly.

Thank you for your continued partnership with the Department of Defense and for your cooperation as we work together to accommodate these unfortunate circumstances.

A handwritten signature in cursive script, reading "Ashton B. Carter". The signature is written in dark ink on a light-colored background.



Department of the Navy Administrative Record for FY 2013 Furlough Appeals
DEPARTMENT OF THE NAVY
HEADQUARTERS UNITED STATES MARINE CORPS
3000 MARINE CORPS PENTAGON
WASHINGTON, DC 20350-3000

IN REPLY REFER TO:
CMC
2 Mar 13

WHITE LETTER NO. 1-13

From: Commandant of the Marine Corps
To: All Marines

Subj: SEQUESTRATION

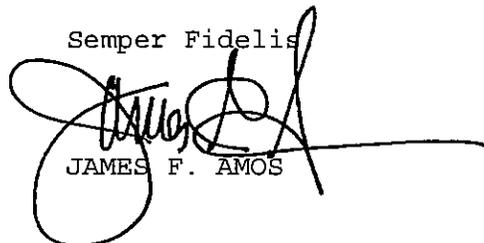
1. Marines and Civilian Marines...the sequestration provision under the Budget Control Act is in effect as of today. In short, this means a reduction of roughly \$1.4 billion dollars to the Marine Corps for the remainder of the current fiscal year, with reductions of slightly more than \$2 billion occurring in each of the next nine years. As I testified before Congress last month, cuts of this magnitude, due to their timing and methodology, will significantly impact Marine Corps readiness, both short and long term.

2. The Marine Corps plays a special role in protecting our Nation - we are America's Crisis Response Force, the Nation's insurance policy; we have a statutory responsibility to be the most ready when the Nation is least ready. As such, we will preserve the readiness of our Marines engaged in combat, we will keep deploying units fully manned, trained and equipped, and we will do our best to ensure that units preparing to deploy have the resources and training necessary for their next mission. The Marine Corps will remain ready to meet today's crisis, with today's force...today!

3. In order to ensure our continued readiness, we must make sacrifices in other areas. As we adjust to the realities of sequestration, I am very concerned about the impact of such cutbacks on our active duty and reserve Marines, our civilian Marines, and our Marine families. While we are working hard to balance our myriad requirements, I want each of you to know that keeping faith with you and your families is a top priority of mine - I consider this a sacred responsibility. We are already a lean and frugal Service, thus every reduction that we make from this point forward will cut into bone - we are beyond muscle.

4. I want to assure each of you that despite today's fiscal challenges, we will remain the Nation's "911 Force." I ask that you stay focused on the mission while we work our way through the uncertainties of the future. Sergeant Major Barrett and I will release a short video next week with the latest and most up to date information available. In the meantime, I thank you for the sacrifices you and your families make every day on behalf of our Nation and our Corps. In its truest sense, I remain...

Semper Fidelis



JAMES F. AMOS

In the meantime, consistent with OMB guidance, DoD needs to continue normal spending and operations. We do not want our programs, personnel, and activities to begin to suffer the harmful effects of sequestration while there is still a chance it can be avoided. I am therefore directing that all commanders and managers in the Department of Defense continue the defense mission under current laws and policies, without taking any steps that assume sequestration will occur. Commanders should not, for example, curtail planned training, maintenance, healthcare or family programs. Commanders and managers should not alarm our employees and their families by announcing personnel actions related to sequestration or by suggesting that these actions are likely. Nor should commanders and managers hold back on the obligation of funds – either for investments or for operating programs – if those funds would have been obligated in the absence of the sequester threat.

If you have questions about this guidance, please consult your chain of command. Addressees on this memo who have questions should direct them to the Under Secretary of Defense (Comptroller).

A handwritten signature in black ink, reading "Robert B. Carter". The signature is written in a cursive style with a large, sweeping initial "R".

Attachment:
As stated