



MEMORANDUM

TO: Karen Keene, Director of Federal Affairs, CSAC

FROM: Joe Krahn, Tom Joseph, and Hasan Sarsour
CSAC Washington Representatives

CC: Steve Keil, Interim Executive Director, CSAC
Jim Wiltshire, Deputy Director, CSAC

DATE: September 18, 2012

SUBJECT: Summary of OMB Sequester Report

On Friday, September 14, the White House Office of Management and Budget (OMB) released to Congress its report detailing the expected impact of the across-the-board spending cuts that are slated to go into effect on January 2, 2013. The impending cuts, known as budget "sequestration," are a result of the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, a plan to reduce the deficit by \$1.2 trillion, as mandated by the *Budget Control Act (BCA) of 2011*. OMB was required to submit the report to lawmakers pursuant to the recently enacted *Sequestration Transparency Act of 2012*.

According to the administration's report, the automatic spending reductions would be "deeply destructive" to national security, domestic investments, and core government functions. The report calls sequestration a "blunt and indiscriminate instrument," noting that the across-the-board cuts are not the responsible way for the nation to achieve deficit reduction.

While the report provides some level of detail on how the sequester is expected to impact various budget accounts and programs, it does not analyze how the cuts would affect *all* federal programs, projects, and activities as required under the law. In fact, the report states that it was not possible to show in the 30 days allotted to OMB the reductions for the thousands of activities in the federal budget. Furthermore, according to OMB, the figures in the report are only estimations, and could change based on modifications in law and ongoing legal, budgetary, and technical analysis.

All told, the automatic cuts would reduce federal spending across more than 1,200 federal accounts, trimming defense by nearly \$54.7 billion and domestic discretionary spending by \$38 billion. In

addition, sequestration would cut Medicare by \$11 billion and other mandatory spending programs by roughly \$5 billion.

In terms of percentages, the report estimates that sequestration would result in a 9.4 percent reduction in defense discretionary spending and an 8.2 percent reduction in domestic discretionary funding. Additionally, the sequester would impose cuts of two percent to Medicare, 7.6 percent to other domestic mandatory spending programs, and a 10 percent cut to mandatory defense programs.

Included below are the percentage and dollar amount cuts that are expected to occur to key county programs, should Congress fail to modify the sequester. Additionally, according to OMB, the following major programs are exempt from the impending cuts:

- Temporary Assistance for Needy Families (TANF) program
- Foster Care (Title IV-E)
- Child Support Enforcement
- Medicaid
- Supplemental Nutrition Assistance Program (SNAP)
- Mandatory funding under the Child Care and Development Fund
- Child Nutrition Programs
- Children’s Health Insurance Program (CHIP)
- Commodity Supplemental Food Program
- Family Support Programs
- Supplemental Security Income (SSI)
- Federal Transit Formula Program
- Social Security benefits
- All programs administered by the Department of Veterans Affairs

Criminal Justice/Law Enforcement

State and Local Law Enforcement Programs (DOJ)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$1.1 billion	8.2 percent	\$92 million

State and local law enforcement programs that are subject to sequester include: the Justice Assistance Grant (JAG) program, Byrne Discretionary Grants, Byrne Competitive Grants, the State Criminal Alien Assistance Program (SCAAP), the Southwest Border Prosecution Initiative, the Second Chance Act, and the Residential Substance Abuse Treatment (RSAT) program.

Juvenile Justice Programs (OJJDP)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$254 million	8.2 percent	\$21 million

Juvenile justice programs include: the Title V Local Delinquency Prevention program, the Juvenile Accountability Block Grant (JABG), and other juvenile justice initiatives.

Community Oriented Policing Services (COPS) program (DOJ)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$162 million	8.2 percent	\$13 million

Transportation

Federal-aid Highways (FHWA)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$739 billion	7.6 percent	\$56 million

All told, the federal-aid highway program is a \$40.2 billion program. Most of the funding under this category, which comes in the form of contract authority, is exempt from the sequester.

Emergency Relief Program (FHWA)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$1.7 billion	8.2 percent	\$136 million

Federal Aviation Administration (FAA)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$4.6 billion (FAA operations)	8.2 percent	\$377 million
\$5.0 billion (Airport Trust Fund)	8.2 percent	\$415 million
\$50 million (Essential air/rural)	7.6 percent	\$4 million

Homeland Security

State and Local Programs (FEMA)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$2.2 billion (nondefense)	8.2 percent	\$183 million
\$50 million (defense)	9.4 percent	\$5 million
\$10 million (exempt)	-	-

Includes such programs as the State Homeland Security Grants program, funding for Emergency Operations Centers, the Urban Area Security Initiative (UASI), Emergency Management Performance Grants, the Firefighter Assistance Grant program, and FEMA's State and Local Training program.

Flood Hazard Mapping and Risk Analysis Program (FEMA)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$98 million	8.2 percent	\$8 million

Housing and Urban Development

Community Development Fund (HUD)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$3.4 billion	8.2 percent	\$279 million

Primarily would affect the Community Development Block Grant (CDBG) program, which provides communities with resources to address a wide range of community development needs.

Homeless Assistance Grants (HUD)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$1.9 billion	8.2 percent	\$156 million

HOME Investment Partnerships Program (HUD)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$1 billion	8.2 percent	\$82 million

Choice Neighborhoods Program (HUD)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$120 million	8.2 percent	\$10 million

Human Services

Children and Families Services Programs (HHS)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$9.9 billion	8.2 percent	\$812 million

Includes a wide range of programs such as Head Start, child welfare services, the Community Services Block Grant, and family violence prevention services.

Low-Income Home Energy Assistance Program (HHS)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$3.5 billion	8.2 percent	\$285 million

Child Care and Development Block Grant (HHS)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$2.3 billion	8.2 percent	\$187 million

Health Programs

Health Resources and Services (HHS and related agencies)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$6.2 billion (discretionary)	8.2 percent	\$509 million
\$514 million (mandatory)	7.6 percent	\$39 million

Includes a number of health care programs such as the Maternal and Child Health (MCH) block grant, the Healthy Start program, health care center construction, rural health policy development, etc.

Prevention and Public Health Fund

Subject to Sequester	Sequester Percentage	Sequester Amount
\$1 billion	7.6 percent	\$76 million

Water Resources

State and Tribal Assistance Grants (EPA)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$3.6 billion	8.2 percent	\$293 million

Included under the State and Tribal Assistance Grants (STAG) category are the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund.

California Bay-Delta Restoration (BoR)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$40 million	8.2 percent	\$3 million

Watershed and Flood Prevention Operations (NRCS)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$216 million	8.2 percent	\$18 million

Water Resources Account (BoR)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$1.1 billion	8.2 percent	\$89 million

Programs include: grants for conservation and water/energy management improvement projects; basin-wide planning studies; cooperative watershed management; and, funding of water reuse and recycling projects through the Title XVI Water Reclamation and Reuse Program.

Civil Works (Corps of Engineers)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$142 million (investigations) \$1.8 billion (construction) \$2.1 billion (O&M) \$415 million (flood control)	8.2 percent	\$12 million \$150 million \$176 million \$34 million

Public Lands

Payments-in-Lieu-of-Taxes (PILT) program

Subject to Sequester	Sequester Percentage	Sequester Amount
\$398 million	7.6 percent	\$30 million

County Geothermal Lease Revenues

Subject to Sequester	Sequester Percentage	Sequester Amount
\$4 million	7.6 percent	\$304,000

Agriculture

Rural Water and Waste Disposal Grants (Rural Utilities Services)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$503 million	8.2 percent	\$41 million

Rural Community Facilities Program Grants (Rural Housing Service)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$29 million	8.2 percent	\$2 million

Distance Learning, Telemedicine, and Broadband Grant Program (Rural Utilities Services)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$37 million	8.2 percent	\$3 million

Rural Business Program Account (Rural Business Cooperative Service)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$75 million	8.2 percent	\$6 million

Includes: Rural Business Enterprise Grants, Rural Business Opportunity Grants, and Business and Industry Loans.

Employment and Training

Workforce Investment Act (WIA) Programs (DOL)

Subject to Sequester	Sequester Percentage	Sequester Amount
\$3.2 billion (discretionary)	8.2 percent	\$262 million
\$125 million (mandatory)	7.6 percent	\$10 million

Includes: Adult employment and training activities, dislocated worker employment and training, youth activities, and other job-training initiatives.

We hope this information is useful to you. Please do not hesitate to contact us if you have any questions or if you need any additional information.