

NCSL SUMMARY OF OFFICE OF MANAGEMENT AND BUDGET

SEQUESTRATION REPORT

SEPT. 18, 2012

The Sequestration Transparency Act of 2012 (P.L.112-155) required OMB to publish a report on the potential funding effect of sequestration on defense and non-defense discretionary and mandatory spending and Medicare for FY 2013. **Hundreds of nondefense discretionary and mandatory spending programs are state-federal programs with administrative and/or service-related responsibilities. Defense spending reductions affect state economies.**

The Sept. 14, 2012, report includes 224 pages of individual OMB account information, and the sequestration funding effect on those accounts number more than 1,200. There are 158 pages depicting which accounts are subject to sequestration and which are exempt.

Total spending reductions required by sequestration for FY 2013:

- \$54.667 billion: defense discretionary/mandatory
- \$43.582 billion: nondefense discretionary/mandatory
- \$11.085 billion: Medicare, other health programs

The report does not, and was not required to make, any economic analyses, employment impact statements or statements on state and local government mandates or other fiscal effects. The report focuses entirely on spending reduction amounts by account.

The spending reductions are calculated from FY 2012 funding levels, not those included in the FY 2013 continuing resolution, which is in effect through March 27, 2013. This makes the reductions slightly larger since the continuing resolution has the net effect of raising overall FY 2013 discretionary spending by 0.612 percent.

Broad categorical percentage reductions for FY 2013 are:

- | | |
|--------------------------------------|--------------|
| ▪ Nonexempt defense discretionary | 9.4 percent |
| ▪ Nonexempt nondefense discretionary | 8.2 percent |
| ▪ Medicare | 2.0 percent |
| ▪ Nonexempt defense mandatory | 7.6 percent |
| ▪ Nonexempt nondefense mandatory | 10.0 percent |

In this report, OMB specifies that **military personnel accounts should be exempt** from sequestration in addition to the underlying exemptions and nonexemptions in the 2011 Budget Control Act. In determinations made before the report was issued, the administration exempted Veterans Administration programs from sequestration and specified that education cuts would be applied to the 2013-14 school year.

The report cites the following implications for defense spending **if sequestration is carried out**: reduction in readiness, delays in making equipment and facilities investments, cutbacks in equipment repairs and declines in military research and development. The report cites the following implications for nondefense **if sequestration is carried out**: diminished funding for education grants for smaller classes, after school and special education; reduced FBI, border security, correctional and prosecutorial personnel; reductions in oversight of airspace, air traffic control, food inspections and water and air protection; reduced NIH

research, undermining of FEMA operations; and cuts to critical housing and food assistance programs for low-income families.

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Estimated funding for major discretionary and mandatory programs can be viewed at the [Federal Funds Information for States \(FFIS\)](#).