2014 Outlook

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November 7, 2013
Background

• Budget Control Act of 2011 (P.L. 112-25) mandates deficit reduction between 2012 and 2021
  ➢ Imposes automatic procedures to reduce spending by $1.2 trillion in the absence of Congressional action
  ➢ At the end of each congressional session, OMB determines spending levels as compared to spending caps

• American Taxpayers Relief Act of 2012 delayed the first sequester that was supposed to happen January 2013 until March 1, 2013 and reduced it by $24B resulting in a reduction of $85B

• Some accounts are exempt from sequestration in accordance with the law.
  ➢ Consistent with the Balanced Budget and Emergency Deficit Control Act of 1985
2013 Sequester Facts

• Sequester applies to all budgetary resources in the government – mandatory and discretionary and defense and non-defense
  ➢ For 2012 and 2013 spending caps were divided between security and non-security

• Sequestration in 2013 was:
  ➢ 7.8% defense discretionary
  ➢ 7.9% defense mandatory
  ➢ 5% for non-defense discretionary
  ➢ 5.1% for non-defense mandatory spending
  ➢ Estimated $865 million reductions in DOI
**Sequester for 2014**

- The President’s April 10, 2013 Sequester Report to Congress estimates the *annual sequester amount of $109B* – In discretionary and mandatory spending

- An additional cut of $24B beyond the 2013 cut of $85B

- Anticipate overall sequester of 7.2%. An additional cut of 2.2% beyond the 5% sequester in 2013.

- Conference Committee plan due December 13 – intending to address the sequester.

- Threat or Incentive to reach agreement is Defense – sequester to take place in January would impact defense.
Discretionary Spending

• The 2014 Continuing Resolution (through Jan. 15, 2014) establishes an annualized discretionary funding level of $986B.

• The Budget Control Act allows $967B – $19B below the CR.

• House 2014 budget resolution meets discretionary budget cap at $967B.
  ➢ Within the allocation spared DOD, DHS and VA.
  ➢ Cut deeper into domestic programs.

• Senate 2014 budget resolution at $1.058B – comparable to the 2014 President’s budget. Treated defense and non-defense more equitably.
  ➢ Gap between House and Senate is $91B.
DOI Planning and Prep

• Direction to bureaus:
  ➢ Mandatory funds – withholding 8% from all allocations
  ➢ Urging prudent behavior, anticipate 7.2% sequester.

• Planning
  ➢ Bureaus planning for 2014 at -8%
  ➢ Meeting with bureaus to review plans for discretionary and mandatory
  ➢ Prepare for full year CR with operating plans
  ➢ No latitude provided thus far re. transfers, using flexibility of reprogramming sparingly