

Sequestration Report: Notable Exemptions and Sequester Totals for Treasury, Justice, and State

Posted At : September 27, 2012 10:00 AM | Posted By : Angie Petty

Related Categories: Announcements, Office of Management and Budget, Federal, Forecasts & Spending, Sequestration, Policy & Legislation

On Friday (9/14), the White House released its report regarding the impact of potential sequestration at the budget account level for each agency as required by the Sequestration Transparency Act of 2012. Although, the report provides little detail about each budget account, when cross referenced with each agency's detailed FY2013 budget request we can glean tidbits of the potential impact to some areas involving IT.

In this blog, I will point out notable exemptions as specified in the White House report, as well as notable sequestration amounts for the Department of Treasury, Department of Justice, and the Department of State.

Notable Exemptions:

The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) as amended, identifies programs exempt from sequestration and subject to special rules. The percentage cuts in OMB's sequestration report, and the identification of exempt and non-exempt accounts, reflect the requirements set forth in the BBEDCA. The administration cannot choose which programs to exempt, or what percentage cuts to apply.

Notable exemptions (>\$200m) to budget accounts for Treasury, Justice, and State are shown below:

Dept./Bureau	Budget Account	Total Budget Amount (\$m)	Exempt Amount (\$m)
Treasury			
Departmental Offices	Terrorism Insurance Program	245	242
	Office of Financial Stability	282	282
	Exchange Stabilization Fund	296	296
	Treasury Franchise Fund	252	252
	Financial Agent Services	610	610
	Federal Reserve Bank Reimbursement	331	331
	Claims, Judgments, and Relief Acts	816	816
	US Mint	United States Mint Public Enterprise Fund	3,452
IRS	IRS Miscellaneous Retained Fees	331	292
	Payment Where Child Tax Credit Exceeds Liability for Tax	21,886	21,886
	Payment Where American Opportunity Credit Exceeds Liability for TAX	7,541	7,541
Federal Financial Banking	Federal Financing Bank	3,551	3,551
Comptroller of the Currency	Assessment Funds	1,027	1,027
Justice			
General Administration	Working Capital Fund	1,215	1,215
Legal Activities & US Marshalls	Salaries and Expenses, General Legal Activities	1,330	467
	Assets Forfeiture Fund	1,369	282
	Salaries and Expenses, United States Marshals Service	2,774	1,602
	Salaries and Expenses, United States Attorneys	2,324	364
FBI	Salaries and Expenses	4,646	1,345
DEA	Salaries and Expenses	2,533	505
Federal Prison System	Commissary Funds, Federal Prisons (trust Revolving Fund)	355	244
	Federal Prison Industries, Incorporated	711	711
State			
Administration of Foreign Affairs	Diplomatic and Consular Programs	15,890	2,674
	Embassy Security, Construction, and Maintenance	2,425	855
	Working Capital Fund	4,158	4,158
	Foreign Service Retirement and Disability Fund	893	893
	International Narcotics Control and Law Enforcement	2,329	2,842

Source: OMB, *Sequestration Transparency Act 2012 Report*, 9/15/2012

The most notable and highest dollar value exemptions for Department of Justice include Salaries and Expenses for the US Marshals Service and the FBI. With exemptions of \$1.6 billion and \$1.4 billion respectively in these budget accounts, 58% of the US Marshals and 29% of FBI's Salary and Expense funding will be protected.

Department of State shows an exemption of its entire Administration of Foreign Affairs Working Capital Fund of \$4.2 billion. The Working Capital Fund finances, on a reimbursable basis, certain administrative services, such as printing and reproduction, editorial material, motor pool operations, inter-agency cooperative administrative support services, acquisition services, information technology desktop support, and aviation services.

Notable Sequester Amounts:

Notable sequestration amounts per budget account (>\$200m) for Treasury, Justice, and State are shown below:

Dept./Bureau	Budget Account	Total Budget Amount (\$m)	Sequestration Amount (\$m)
Treasury			
Departmental Offices	Grants for Specified Energy Property	3,671	279
IRS	Enforcement	5,373	436
	Operations and Support	3,985	325
	Build America Bond Fund	3,351	255
Justice			
FBI	Salaries and Expenses – Defense Function	4,932	464
	Salaries and Expenses – Non-Defense Function	4,646	271
Federal Prison System	Salaries and Expenses – Non-Defense Function	6,596	537
State			
Administration of Foreign Affairs	Diplomatic and Consular Programs Nondefense Function	15,890	1,084
Other	Global Health Programs	8,173	670

Source: OMB, *Sequestration Transparency Act 2012 Report*, 9/15/2012

The most notable and highest dollar value sequestration amounts for Treasury include the IRS' Enforcement, and Operations and Support budget accounts.

The Enforcement account sequester amount of \$436 million equates to 8% of the total requested budget authority for this account for FY2013. This budget account provides for necessary expenses for tax enforcement activities of the IRS to determine and collect taxes, to provide legal and litigation support, to conduct criminal investigations, and to enforce criminal statutes related to violations of internal revenue laws and other financial crimes. The Enforcement program also protects federal revenue by identifying fraud and preventing the issuance of erroneous refund payments. Information technology contracts and tools are used by the IRS under this budget account, especially in the area of identifying improper payments.

The IRS Operations and Support budget account supports taxpayer enforcement and services by providing funds for rent payments, facilities services, printing, postage, physical security, administration activities, telecommunications, and information technology development, enhancement, operations, maintenance, and security. The Operations and Support account sequester amount of \$325 million equates to 8% of the total requested budget authority for this account for FY2013. Sequester in this account will likely cause some reductions in IRS IT spending.

The most notable and highest dollar value sequestration amount for Justice includes the Federal Prison System's Non-Defense Salaries and Expenses budget account with a sequester amount of \$537 million. The Federal Prison System employs approximately 37,000 people according to OPM. Only 1.2% of these employees are classified as IT. So, the reduction in the Salaries and Expense area is likely to have minimal impact on the Federal Prisons Systems' IT employees.

The State Department Administration of Foreign Affairs Diplomatic and Consular Affairs Programs Non-Defense budget account will be hit the hardest by sequestration at \$1.1 billion out of a total gross budget of \$15.9 billion. The Diplomatic and Consular Affairs Programs budget account provides funding for human resources, including training, human resources management, and salaries. The account also includes funding for overseas programs, diplomatic policy and support, and security programs. The relative amount of IT included in this program is difficult to decipher.

Determining the specific impact to federal IT contracts from sequestration action is difficult at best, given the information in the current report. How agencies will implement these budget cuts remains to be seen. OMB stated that they will need more time to provide details regarding sequestration impact for each account at the program, project, and activity (PPA) level. In the meantime, contractors are bracing for the worst.