

March 1, 2013
Office of the Secretary of Defense Public Affairs

SUBJECT: Implementation of Sequestration

Questions and Answers

GENERAL

1. WHAT IS SEQUESTRATION?

- The term “sequestration” refers to the mandatory reduction in federal budgetary resources of all budget accounts that have not been exempted by statute. Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011 and the American Taxpayer Relief Act of 2012, across-the-board reductions are scheduled to take place Mar. 1, 2013.
- DoD expects to receive \$46 billion less in non-exempt accounts than it expected through the remainder of fiscal year 2013 which runs through Sep. 30, 2013.
- DoD has determined that planned furloughs of civilian employees will be required should sequestration occur.
- By law, sequestration will last 10 years and cut a total \$1.2 trillion (half from defense, half from non-defense).

2. PLANNING PRIORITIES – what are the planning guidelines? Who provided them and how?

- On Jan. 10, 2013, Deputy Secretary of Defense Ashton Carter issued a memo, “Handling Budgetary Uncertainty in Fiscal Year 2013,” which provided this planning guidance:
 - Fully support operations in Afghanistan and troops deployed elsewhere.
 - Continue to provide wounded warriors with all needed resources.
 - Protect activities directly related to life, safety, and security.
 - To the extent feasible while meeting legal budget limits:
 - 1) Maintain readiness, especially of deploying forces.
 - 2) Sustain efforts related to the new national defense strategy, i.e. the Asia-Pacific rebalance.
 - 3) Avoid breaking contracts, especially multi-year procurement contracts and fixed price contracts. Avoid incurring cancellation or termination costs.
 - 4) Support family support programs and schools to the extent possible.

3. IMMEDIATE IMPACTS?

- Following the President signing the sequestration order on Mar. 1, OMB will issue guidance that reduces the FY 2013 annual funding levels for all accounts except Military Personnel. The reduction will be based on the calculated sequestration percentage estimated to be around 9%. Agencies will be told they must manage their programs within the reduced annual funding levels. For the time being we are operating under a continuing resolution with funding controls based on the 6-month period (through Mar. 27) covered by the CR.

- Agencies will have to adjust their annual spend plans to accommodate the sequestration order. The impact of these funding reductions will be felt over the course of the remaining fiscal year. Activities will need to start taking prudent actions to keep spending within the guidelines of the priorities addressed above.
- On-going contracts will most likely continue to be executed. Any new contracts or contract extensions will be reviewed and are potentially at risk.
- Some effects will not be noticeable until later in the fiscal year. There is not a uniform answer for all activities.

4. FOLLOW-ON EFFECTS – if DoD is sequestered for only a few weeks, what are the long-term effects?

- The shorter the period that sequestration is in effect, the less likely that there will be serious long-term effects.
- If training activities are cancelled or deferred, it is likely that there will be at least some short-term impact on the readiness of the affected units.
- To the extent that building maintenance or repairs are deferred, there may be some potential for additional damage.

5. PERSONNEL – statistics? [Source: OUSD-PR as of Dec. 31, 2012]

- Total Active Duty = 1,371,960
- Total Guard and Reserve = 836,124
- Total Civilian Workforce DoD-wide = 749,837

MILITARY PERSONNEL

6. MILITARY PAY & MONETARY BENEFITS – how affected? Will DFAS be able to operate and continue disbursing pay and benefits?

- The President has stated that Military Personnel Accounts (MPAs) will be exempted from the funding cuts mandated by sequestration. However, DoD is constantly considering the best values for pay and benefits to balance fiscal responsibility, readiness, recruiting, and retention.
- Military pay will not be affected. As announced last August, military personnel accounts will be exempt from sequestration.
- DFAS will continue to operate and all pay activity will continue uninterrupted. DFAS operations will be managed to ensure all vital activities and products continue to be produced in their normal time frames. To the extent possible, DFAS will look to non-critical activities to absorb any reductions in resources.

7. JOB SECURITY – how will military personnel be affected?

- DoD has plans already in place for downsizing the force as a result of realigned requirements and commitments.
- This drawdown was a result of revised requirements which are completely separate from the potential of any additional budget cuts due to sequestration.

- In addition, the President has stated that Military Personnel Accounts (MPAs) will be exempted from the cuts mandated by sequestration, so the currently programmed downsizing is not expected to be impacted through FY 2013.

8. TRAINING/OPERATIONS & MAINTENANCE – how affected?

We won't know the effects to depot maintenance until the services complete detailed planning. However, in many cases, the services have begun terminating temporary and term depot workers. In order to maintain support to warfighting operations, resources will need to be cut from all areas that are not in direct support. Long-term readiness and sustainment operations will be negatively impacted.

- Supporting our warfighters in combat is DoD's highest priority. Overseas Contingency Operations (OCO) funding, which pays for the added costs of wartime activities, is subject to sequester. We will therefore endeavor to protect wartime operating budgets as much as possible, including the key operation and maintenance (O&M) accounts.
- The O&M accounts contain OCO as well as base-budget funding, and these two categories of O&M funding merge together during execution of DoD budgets. We will reduce the base-budget portions of O&M disproportionately and spare the OCO portions. We will take similar steps as needed in other accounts that include OCO funding.
- However, especially in the Army and the Marine Corps, this action will lead to large cuts in base-budget O&M.
- We will seek to minimize effects on training and readiness of units deploying, but we probably cannot do so fully. As a result, some later-deploying units (including some deploying to Afghanistan) will receive less training, especially in the Army and Marine Corps.
- We will seek to minimize other effects on readiness. However, Air Force flying hours for pilots will be reduced and Navy steaming days will decline.
- The result will be reduced training and lower readiness. Under some circumstances, this may impact our ability to respond to a new contingency, should one occur.
- These various sequestration actions, taken together, will represent a major step toward creation of an unready, 'hollow' military force."

9. OVERSEAS CONTINGENCIES – how affected? What are the implications to the Food and Forage Act?

- Our highest priority will be to support deployed troops. We will also be ready to protect the homeland and U.S. security interests.
- The Food and Forage Act is not germane to this problem. We do not anticipate that the funding shortfall will be that extreme.
- In the near term, we anticipate that U.S. forces will remain fully capable of confronting more than one aggressor anywhere in the world while conducting a range of other military operations and activities.
- It would be an incredibly painful and costly mistake for any adversary to challenge us no matter what the status of our budgets.

10. HEALTHCARE – will Military Treatment Facilities reduce access to active-duty military?

- Active duty care is an absolute priority and will be preserved.

- No matter what the following MTF activities would likely not be impacted:
 - Inpatient care and attendant maintenance of patient medical records
 - Acute and emergency outpatient medical and dental care
 - Emergency response capability
 - Outpatient clinics and ancillary services to support walk in patients
 - Follow up and management of existing conditions
 - Emergency counseling and crisis intervention intake screening/referral services
 - Suicide and substance abuse counseling
 - Dental Class 4 care
 - Private sector care under TRICARE (to include referral management)
 - Certification of eligibility for health care benefits
 - Appointing function
 - All aspects of wounded warrior care
 - All pre-deployment related medical and dental readiness activities
 - Immediate post-deployment medical and dental care
 - All aspects of expeditionary medical care
 - TDYs in support of named operations
 - Foreign humanitarian assistance in response to disaster or other crises posing an imminent threat to life
 - Contracting, contract administration, and logistics operations in support of exempt activities (medical logistics)
 - Activities required to contract for and distribute items as authorized by the Feed and Forage Act to include medical and hospital supplies (medical logistics)
 - Activities necessary to control funds, record new obligations incurred in the performance of exempt activities, and manage working capital funds (RMO)

11. HOUSING – will military and privatized housing be affected?

- Government-owned housing: it is likely that some repair work will have to be deferred and response-times to routine maintenance requirements will be delayed. The services will prioritize the most urgent requirements which will translate to reduced service levels for military families.
- Privatized housing: the President has indicated that he will exercise his authority under the Budget Control Act to exempt military personnel funding, including Basic Allowance for Housing (BAH), from sequestration. Therefore, we foresee no impact since BAH remains fully funded.

12. COMMISSARY – how affected?

- The Defense Commissary Agency (DeCA) DeCA is developing an internal contingency plan to minimize the impact to commissary patrons, should sequestration occur.
- Commissaries will be open on their normal schedules Mar. 2 and immediately thereafter.

13. POST/BASE EXCHANGE – how affected?

- Exchanges will remain open and continue to operate, but how operations will be affected will have to be determined by the individual exchange commanders.

14. PERMANENT CHANGES OF STATION – how affected?

- The Services manage their PCS accounts as part of their overall Military Personnel Account (MPA).
- The President has stated that Service MPAs will be exempted from the funding cuts mandated by sequestration.

15. MILITARY SCHOOLS/ TRAINING OPPORTUNITIES – how affected?

- The effects of budget cuts to military schools and training opportunities will be determined by each military service.
- The military services are compiling detailed spend plans during the month of January, and it's too soon to tell before those plans are completed.

16. MAIL – will overseas mail be affected?

- We may not be able to fully reimburse the United States Postal Service for the mail contracts that they administer on behalf of DoD. These are contracts with transportation providers who distribute the mail to nearly 2,000 military post offices in over 85 countries to include Navy and Coast Guard ships.
- In addition, DoD civilian personnel furloughs may result in reduced services at military post offices overseas, including longer wait times and fewer customer mail options.

17. NATIONAL GUARD and RESERVE – will troops still drill? How affected?

- Sequestration will affect all Reserve components.
- Since military personnel accounts will be exempt from sequestration, the National Guard and Reserve components should be able to drill. However, training and travel accounts will be reduced which will impact on drilling effectiveness and readiness.
- In addition, reductions in Operations & Maintenance (O&M) accounts will impact the availability of Military Technicians (MILTECHs) in the National Guard, the Army Reserve and Air Force Reserve, many of whom will be subject to furloughs. The loss of MILTECH effectiveness will have a great impact on each unit's ability to perform effective drill weekends.

18. INSTALLATION/BASE SERVICES – will troops be expected to assume new functions currently managed by civilians, to include gate guard, dining facility management, and landscaping? What about augmenting Pentagon Force Protection Agency?

- The services are working through the specific effects of sequestration on their operations.
- We will protect activities directly related to life, safety, and security.

MILITARY FAMILIES

19. HEALTHCARE – will Military Treatment Facilities reduce access to military families? Will TRICARE claims be paid at current levels and on-time? Will access to outside providers be reduced by Tricare?

- Family care is a high priority, and we will make every attempt to maintain access.
- However, we foresee reduced availability of military health care to some retirees and family members.
- Our goal is to minimize any disruption in the care we provide.

20. CHILDCARE – will military personnel be prioritized to receive on-base/post childcare services? How affected?

- Childcare and MWR are not centrally run out of Office of the Secretary of Defense Military Community & Family Policy (OSD/MC&FP) but by each of the four Services.
- They most likely will have differing plans if sequestration goes into effect for prioritization of services and other aspects of operation.

21. DODEA SCHOOLS – will schools supported by Department of Defense Educational Activity continue to operate? How affected?

- DoD has directed us to prepare for reduced spending with careful and thoughtful decisions that preserve the ability to provide students a full school year of academic credit and maintain school accreditation standards.
- We understand the anxiety these uncertainties bring to our school communities. DoDEA is reviewing all areas of its budget for potential savings.

22. MORALE, WELFARE, and RECREATION – how affected?

- MWR is not centrally run out of Office of the Secretary of Defense Military Community & Family Policy (OSD/MC&FP) but by each of the four Services.
- They most likely will have differing plans if sequestration goes into effect for prioritization of services and other aspects of operation.

23. TUITION ASSISTANCE/GI BILL – how affected?

- The Services administer their own Tuition Assistance (TA) programs and each allocates funds differently. OSD's role is to establish the rates that the Services will pay for tuition and to make sure the Services are doing it uniformly/in compliance with the DoDI.
- The Department of Veterans Affairs is responsible for administering the GI Bill.

MILITARY RETIREES

24. MILITARY RETIREE & MONETARY BENEFITS – how affected? Will DFAS be able to operate and continue disbursing pay and benefits?

- Retiree pay – like military and civilian pay – will continue to be disbursed.
- Everyone (military, civilian, retirees) will continue to be paid on time.
- DFAS will continue to operate and all pay activity will continue uninterrupted. We will manage the DFAS operation to make sure all vital activities and products continue to be produced in their normal time frames. To the extent possible, we will look to non-critical activities to absorb any reductions in resources.

25. HEALTHCARE – will Military Treatment Facilities reduce access to retirees?

- Given that the guidance and guidelines for the implementation of DoD's appropriations, including the Defense Health Program funding, is still under development, a statement of the exact impacts at this time would be premature.

26. TRICARE – if TRICARE impacted, will veterans turn to the VA health system and overwhelm VA's program?

- Without knowing the specifics of how appropriations will be individually affected, it's impossible to predict second- and third-order effects.
- However, access to the VA system is based upon eligibility and because not all MHS beneficiaries automatically have VA eligibility, it's unlikely that the VA system would be overwhelmed by MHS beneficiaries.

DEFENSE CIVILIAN WORKFORCE

27. CIVILIAN PAY & MONETARY BENEFITS – how affected? Will DFAS be able to operate and continue disbursing pay and benefits?

- DFAS will continue to operate and all pay activity will continue uninterrupted. We will manage the DFAS operation to make sure all vital activities and products continue to be produced in their normal time frames. To the extent possible, we will look to non-critical activities to absorb any reductions in resources.

28. WHAT IS A FURLOUGH?

Please see OSD-PA public affairs guidance, "DoD Civilian Furloughs," Feb. 20, 2013.

- A furlough places an employee in a temporary non-duty, non-pay status because of lack of work, reduction or lack of funds, or other non-disciplinary reason.
- Under the current circumstances, planned furloughs may be required due to the reduction in funding associated with sequestration.
- Extensive information is available at www.opm.gov/furlough/, click on "Guidance for Administrative Furloughs" and "Supplemental Guidance for Administrative Furloughs."
- Regrettably, under sequestration we will be forced to enact unpaid furloughs of our valued appropriated fund civilian workforce beginning in late April 2013, with expected reductions in their morale and effectiveness. Most employees will be furloughed one day per week for the last 22 weeks of the fiscal year, equating to a 20% cut in their pay for those weeks.

29. CONTRACT PERSONNEL – will their pay be on time? Will contract companies enact contractor furloughs?

- Most contracts are fully funded at the time of award, so sequestration will have no impact on these contracts or on the ability of contractors to pay employees.
- Incrementally-funded contracts may require modifications to address future funding limitations resulting from sequestration. Contracting Officers will recommend contract changes depending upon the size and nature of the affected contracts while complying with all applicable provisions in the Federal Acquisition Regulation and the DoD FAR Supplement.

- Once a contract is signed and executed, our intent is to continue to make payments. Sequestration reduces our authority to obligate but generally does not affect our ability to make payments.
- DoD has no knowledge of how contractors may react to a possible contract modification.
- Any actions will take into consideration our obligation to execute our core mission, and will be consistent with applicable legal requirements, including the specific terms and conditions of each contract.
- We will work to provide contractors the most timely and clearest information possible as events continue to unfold.

DEFENSE CONTRACTORS AND INDUSTRY PARTNERS

30. CONTRACTS – will current contracts be affected? Will new contracts be made? Will DFAS be able to pay invoices?

- Most contracts are fully funded at the time of award, so sequestration will have no impact on on-going contracts. Modifications are likely to not be required.
- Incrementally funded contracts and contract extensions may require modifications to address future funding limitations resulting from sequestration. Depending upon the contract's requirements, a modification may be required to address a change in scope or in the period of performance, e.g. stretching out the period of performance.
- Support of the deployed warfighter is our top priority, and DoD will continue to buy supplies and services considering resources available and organizational priorities.
- Most on-going contracts will not be affected. Any new contracts or contract extensions will be at risk.
- We will manage the DFAS operation to ensure that all vital activities continue and that products continue to be produced in their normal time frames.

31. OEF RETROGRADE – will the pace be reduced?

- The OEF retrograde pace should not be reduced, at least in the early stages of sequestration.
- Supporting our warfighters in combat is DoD's highest priority and we are endeavoring to protect wartime operating budgets as much as possible.
- However, if sequestration goes on for a lengthy amount of time, there is an increased possibility that the pace of retrograde may slow down in the long-term.

32. PRIVATE SECTOR LAYOFFS – how soon will we begin to see private sector layoffs? Do contractors still report to work, especially if their government supervisors are not present?

- DoD would have no knowledge of whether or not companies will enact furloughs or layoffs of their employees if there is a reduction in the scope of the contract. Companies must conform to both state and federal law when adjusting to changes in business conditions. Barring any changes to existing support contracts, contractors will still report to work.

U.S. PUBLIC

33. SAFETY – will DoD continue to provide the military forces needed to deter war and to protect the security of our country? What happens in the event of a natural disaster – will DoD be able to respond?

- In accordance with Administration guidance, DoD components will seek to provide continued funding towards those function that support life, safety, and critical security issues that may arise.
- We anticipate that U.S. forces will remain capable of protecting U.S. security interests in every region of the world with the capabilities, capacity and flexibility to respond quickly and effectively to a wide range of security threats.
- A consideration for the DoD is that sequestration may result in reduced assets and personnel available for supporting a natural disaster in the United States. However, in the event of a natural disaster, DoD is typically reimbursed by the Department of Homeland Security / Federal Emergency Management Agency for the services that DoD provides.

34. INSTALLATIONS – will bases close?

- No. Sequestration itself does not provide DoD with authority to close military installations.

35. NATIONAL GUARD – will troops still be available to state governors?

- As described in question 17 above, the military personnel accounts are exempt from sequestration and therefore, troops should be available to the governors.
- However, reductions in Operations & Maintenance (O&M) accounts will impact the availability of Military Technicians (MILTECHs) in the National Guard, the Army Reserve and Air Force Reserve, many of whom will be subject to furloughs. The loss of MILTECH effectiveness will have a great impact on each unit's ability to perform effective drill weekends.
- Reduced training opportunities will result in less ready troops and equipment.

36. NATIONAL GUARD and RESERVE – will troops still drill? How affected?

- Sequestration will affect all Reserve components.
- Since military personnel accounts will be exempt from sequestration, the National Guard and Reserve components should be able to drill. However, training and travel accounts will be reduced which will impact on drilling effectiveness and readiness.

INTERNATIONAL ALLIES

37. JOINT STRIKE FIGHTER – will development slow?

- It's too soon to tell the impacts to the JSF program, no decisions have been made.
- We remain fully committed to this vital program.

38. SAFETY – will DoD continue to provide the military forces needed to deter war and to protect the security of NATO and other allies?

- We anticipate that U.S. forces will remain capable of deterring war. It would be an incredibly painful and costly mistake for any adversary to challenge us no matter what the status of sequestration.
- DoD intends to continue to place a high priority on engagement with NATO and other allies to achieve security objectives that we share.

39. AFGHANISTAN – will DoD continue to provide the same number and type of military forces?

- DoD will continue to appropriately resource our mission in Afghanistan to achieve our core goal of disrupting, dismantling, and eventually defeating al Qaeda and preventing its return to Afghanistan and Pakistan.
- Supporting our warfighters in combat is DoD's highest priority and we are endeavoring to protect wartime operating budgets as much as possible. To that end, DoD expects to provide the number and type of military forces needed to complete the combat mission in Afghanistan.

40. HUMANITARIAN RESPONSE – Will DoD be able to provide humanitarian response to natural disasters?

- There may be an impact to providing humanitarian assistance to natural disasters in overseas locations if the Secretary's Overseas Humanitarian, Disaster, and Civic Aid (OHDACA) funds are reduced. We may also have fewer personnel ready to provide aid.

41. IMPACT ON THE DEFENSE STRATEGY – What impact does sequestration have on the defense strategy?

- If cuts from sequestration continue, they will have devastating effects on DoD's ability to implement the Defense Strategic Guidance released in January 2012.
- Sequestration compels DoD to consider revising a strategy that was carefully crafted and designed to meet current national security needs.