CITY OF CAMBRIDGE
Finance Department
City Hall, Cambridge Massachusetts 02139

Administration	349-4212
Tax/Utility Coll	349-4220
Treasury	349-4212
Payroll	349-4290

To: Robert Healy

From: Louis DePasquale

Date: November 14, 2012

Re: Response to How Sequestration Effects Municipal Finances

The following is in response to a Council Order awaiting report 12-102 on how sequestration would affect municipal finances and the finances of human services organizations that partner with the City.

Sequestration became a law last August, when the Budget Control Act of 2011 (BCA) was signed into law. The law created a framework for reducing federal spending and raising the national debt limit to avoid defaulting on federal loan obligations. The BCA called for spending cuts to occur in two phases. The first round of cuts affected FY12, when the City's CDBG Entitlement Grant was cut by17%. The second round of cuts which is equal to $1.2 trillion over the next 10 years was left to a bipartisan committee called the Joint Select Committee on Deficit Reduction to set the framework for those reductions. Unfortunately, the Joint Select Committee could not reach and agreement on the framework for additional cuts to send to Congress for consideration within the allotted time frame. As a result, the BCA included an automatic sequestration effective January 1, 2013 built into the law in case the Joint Select Committee could not agree.

Sequestration calls for across the board cuts to be applied equally to both non-defense and defense discretionary spending over the next ten years resulting in both categories being cut a total of $54.7 billion a year. These cuts will result in a 9.4% cut in defense discretionary spending, an 8.2% cut in non-defense discretionary spending and a 2% cut to Medicare. Based upon documentation received from several sources including the National League of Cities, the areas that may affect Cambridge include cuts to the CDBG Entitlement Grant, HOME Investment Grants, Department of Justice Grants to State and Local governments, Community Oriented Policing Grants, Environmental Protection Agency Grants, and the Department of Education Title I Grants. As the reality of these cuts grows closer, my staff will be a monitoring the financial affects on both City departments and human service organizations. Attached is a copy of the OMB Report Pursuant to the Sequestration Transparency Act of 2012, a NACo document discusses the projected Sequestration cuts, and the National League of Cities Message to Congress "Sequestration is Bad Policy" all of which go into further detail.

NATIONAL LEAGUE of CITIES

Cities' Message to Congress: Sequestration is Bad Policy

SEPTEMBER 21, 2012

By Carolyn Coleman

Now that Congress has passed a continuing resolution to avoid a government shut down and adjourning until after the election, the nation's cities are bracing for sequestration, a set of across-the-board spending cuts to the federal budget set to take effect on January 2, 2013. NLC opposes these draconian cuts and instead is calling on Congress to take action to prevent the cuts from taking effect.

"It's irresponsible, it's bad policy, and we deserve better from our federal government," said NLC President Ted Ellis, mayor, Bluffton, IN.

According to studies, the cuts will reduce the nation's gross domestic product by $215 billion; decrease personal earning of the workforce by over $100 billion; will cost the U.S. economy 2.14 million jobs; and raise the national unemployment rate above nine percent.

"Cities continue to face the effects of the economic downturn; however, local leaders are still paying their bills and working to create opportunities for growth in their local communities," said Ellis. "But local governments need certainty and support from their federal counterparts, not bad policy like the sequestration."

The threat of sequestration became law last August, when bipartisan majorities in the House and Senate passed and the President signed the Budget Control Act of 2011 (BCA). The law forged a framework for reducing federal spending and raising the nation's debt ceiling in order to avoid default on the federal government's loan obligations. Specifically, the BCA called for the spending cuts to occur in two phases. The first round of cuts happened as part of the fiscal year 2012 appropriations process. To find the second round of cuts—$1.2 trillion over the next 10 years—the BCA called for the creation of a Joint Select Committee on Deficit Reduction, a bipartisan committee of 12 members selected by the respective majority and minority leadership in the House and Senate.

Although sequestration is now a political orphan for which no one takes credit, the House passed the legislation by a vote of 269 to 161, with 174 Republicans and 95 Democrats voting for it. The Senate passed the legislation by a vote of 74 to 26, with six Democrats and 19 Republicans voting against it. The President signed it into law on August 2, 2011.

Under the law, the Joint Select Committee, which became known as the "Super Committee," had until November 23, 2011 to reach agreement on the additional cuts and to refer this package of cuts to Congress for consideration. Recognizing perhaps the tendency in Congress towards gridlock rather than agreement, the BCA included the threat of sequestration to take effect in January 2013 if the Super Committee failed to reach agreement on the second round of cuts.

These across-the-board cuts would be applied equally to non-defense and defense discretionary spending over the next ten years, with both categories being cut by a total of $54.7 billion each year. Overall, sequestration would result in a 9.4 percent cut in defense discretionary spending and an 8.2 percent cut in non-defense discretionary spending. Sequestration would also impose cuts of 2.0 percent to Medicare. Transportation programs funded by the Highway Trust Fund, Social Security, Medicaid, and civil and military employee pay are exempt from sequestration.

The Super Committee failed to reach agreement on the cuts. After months of negotiations, last November *Super Committee Co-Chairs Representative Jeb Hensarling (R-TX) and Senator Patty Murray (D-WA) announced that it was impossible for the Committee to reach agreement.*

With the across-the-board cuts now scheduled to take effect in just over three months, and Congress in recess until after the November 6 elections, the consequences of the cuts to communities and families are becoming clearer. It has also become clear that no one expected or intended the cuts to be implemented. What is not clear, however, is how Congress will avoid them.

In a report released last week, the White House Office and Management and Budget (OMB) provided preliminary estimates of the sequestration's impact on more than 1,200 budget accounts, including programs important to cities and towns. Here are several of those estimates:

- The Community Development Fund, which includes the Community Development Block Grant (CDBG), would be cut by $279 million; it is currently funded at $3.4 billion.
- The Choice Neighborhoods program would be cut by $10 million; it is currently funded at $120 million.
- The Home Investment Partnership Program (HOME) would be cut by $82 million; this program is currently funded at $1 billion.
- Department of Justice State and Local Law Enforcement Assistance Grants would be cut by $92 million; these grants are currently funded at $1.12 billion.
- The Community Oriented Policing Services (COPS) Program would be cut by $13 million; this program is currently funded at $162 million.
- Environmental Protection Agency State and Tribal Assistance Grants, which includes funding for the Clean and Safe Drinking Water State Revolving Funds, would be cut by $293 million; these grants are currently funded at $3.56 billion.
- The Department of Labor Training and Employment Services account, which funds job training programs, would be cut by $262 million; it is currently funded at $3.192 billion.
- The Department of Education Accelerating Achievement and Ensuring Equity Account, which includes Title I funding, would be cut by more than $1 billion; it is currently funded at $15.7 billion.
- FEMA State and Local Programs, which include Urban Area Security Initiative grants and the State Homeland Security Grant program, would be cut by $183 million; these programs are now funded at $2.2 billion.
- AMTRAK funding would be reduced by $38 million; it is funded currently $466 million.
- Federal Transit Capital Investment Grants would be cut by $156 million; these grants are now funded at $1.9 billion.

According to OMB, while "the Department of Defense would be able to shift funds to ensure war fighting and critical military readiness capabilities were not degraded, sequestration would result in a reduction in readiness of many non-deployed units, delays in investments in new equipment and facilities, cutbacks in equipment repairs, declines in military research and development efforts, and reductions in base services for military families."

Sequestration would also impact the subsidy bond market. By OMB's estimates, rebate payments on subsidy bonds authorized for FY 2013 would be reduced by 7.6 percent, totaling $255 million for the $181 billion in Build America Bonds issued between April 2009 and December 2010.

A cut now will leave issuers on the hook to make the full interest payments without having budgeted for the money. However, the effect on the ability to pay debt service is mitigated to the extent that most general obligation bond issuers budget to pay full debt service without accounting for receipt of the interest subsidies, and most revenue bond issuers did not pledge the subsidies to bondholders. Instead, they use the subsidy to offset debt service costs once the subsidy is received.

Even if the proposed cut is not enacted, OMB giving voice to the possibility of retroactively reducing the federal subsidy will likely have a chilling effect on any future credit bond program.

By OMB's own admission, the cuts would "be deeply destructive to national security, domestic investments, and core government functions." NLC agrees and will continue to urge Congress and the President to avoid the automatic budget cuts and adopt a non-partisan plan to reduce the deficit and balance needed reductions in spending with revenue enhancement.

"Over the last several years, programs important to cities and towns have already been cut by over 20 percent," said Ellis. "Cities acknowledge the need to bring the federal budget into balance, but relying on blunt instruments like the across the board cuts is no substitute for governing. Members of Congress need to step up and do their jobs as legislators just as mayors and council members do at the local level all the time and not let the consequences of inaction be the rule of the day."

OMB Report Pursuant to the Sequestration Transparency Act of 2012 (P. L. 112–155)

Introduction

The Sequestration Transparency Act of 2012 (STA) (P.L. 112-155) requires the President to submit to Congress a report on the potential sequestration triggered by 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 required by the Budget Control Act of 2011 (BCA). In response, the Office of Management and Budget (OMB) is issuing this report based on assumptions required by the STA. The report provides Congress with a breakdown of exempt and non-exempt budget accounts, an estimate of the funding reductions that would be required across non-exempt accounts, an explanation of the calculations in the report, and additional information on the potential implementation of the sequestration.

In August 2011, bipartisan majorities in both the House and Senate voted for the threat of sequestration as a mechanism to force Congress to act on further deficit reduction. The specter of harmful across-the-board cuts to defense and nondefense programs was intended to drive both sides to compromise. The sequestration itself was never intended to be implemented. The Administration strongly believes that sequestration is bad policy, and that Congress can and should take action to avoid it by passing a comprehensive and balanced deficit reduction package.

As the Administration has made clear, no amount of planning can mitigate the effect of these cuts. Sequestration is a blunt and indiscriminate instrument. It is not the responsible way for our Nation to achieve deficit reduction. The President has already presented two proposals for balanced and comprehensive deficit reduction. It is time for Congress to act. Members of Congress should work together to produce a balanced plan that achieves at least the level of deficit reduction agreed to in the BCA that the President can sign to avoid sequestration. The Administration stands ready to work with Congress to get the job done.

The estimates and classifications in the report are preliminary. If the sequestration were to occur, the actual results would differ based on changes in law and ongoing legal, budgetary, and technical analysis. However, the report leaves no question that the sequestration would be deeply destructive to national security, domestic investments, and core government functions. Under the assumptions required by the STA, the sequestration would result in a 9.4 percent reduction in non-exempt defense discretionary funding and an 8.2 percent reduction in non-exempt nondefense discretionary funding. The sequestration would also impose cuts of 2.0 percent to Medicare, 7.6 percent to other non-exempt nondefense mandatory programs, and 10.0 percent to non-exempt defense mandatory programs.

The percentage cuts in this report, and the identification of exempt and non-exempt accounts, reflect the requirements of the laws that the Administration is applying. With the single exception of military personnel accounts, the Administration cannot choose which programs to exempt, or what percentage cuts to apply. These matters are dictated by a detailed statutory scheme. The Administration does not support these cuts, but unless Congress acts responsibly, there will be no choice but to implement them.

On two separate occasions, the President has put forward proposals to responsibly avoid these arbitrary cuts: first, in the President's Plan for Economic Growth and Deficit Reduction that was presented to the Joint Committee in September 2011, and second, in the President's fiscal year (FY) 2013 Budget. Both of these plans made tough choices to reduce the deficit with a balanced package of spending cuts and revenue increases, with the FY 2013 Budget proposing $2.50 in spending cuts for every $1 in new revenue. Both plans included over $4 trillion in deficit reduction, including the deficit reduction in the BCA itself, far exceeding the amount that would have been required of the Joint Committee to avoid sequestration. Importantly, the President's proposals would ensure that deficit reduction is achieved in a way that asks the top two percent of Americans to shoulder their fair share of the burden.

Instead of working to enact a balanced deficit reduction package to avoid the threat of sequestration, some Members of Congress are focusing on unbalanced solutions that rely solely on spending cuts or try to alter only part of the sequestration. These proposals do not represent realistic, fair, or responsible ways to avoid sequestration. Unlike the President's proposals, they are sharply contrary to the conclusions of numerous independent and bipartisan groups that recommend a comprehensive, balanced deficit reduction package comprised of both spending cuts and revenue increases.

The House Republican FY 2013 Budget Resolution and the House Republican Sequester Replacement Reconciliation Act of 2012 (SRRA) represent particularly irresponsible approaches to addressing sequestration. The BCA has already locked in almost $1 trillion of discretionary spending reductions over 10 years, bringing nonsecurity discretionary spending down to the lowest level as a share of the economy since the Eisenhower Administration. The House Republican proposals would further cut nondefense discretionary spending, refuse to raise any revenue from the top two percent for deficit reduction, and fail to address the Medicare sequestration. These proposals would shift the burden of deficit reduction onto the middle-class and vulnerable populations and represent the wrong choices for the Nation's long-term growth and prosperity.

This report, which provides preliminary estimates of the sequestration's impact on more than 1,200 budget accounts, makes clear that sequestration would have a devastating impact on important defense and nondefense programs. While the Department of Defense would be able to shift funds to ensure war fighting and critical military readiness capabilities were not degraded, sequestration would result in a reduction in readiness of many non-deployed units, delays in investments in new equipment and facilities, cutbacks in equipment repairs, declines in military research and development efforts, and reductions in base services for military families.

On the nondefense side, sequestration would undermine investments vital to economic growth, threaten the safety and security of the American people, and cause severe harm to programs that benefit the middle-class, seniors, and children. Education grants to States and local school districts supporting smaller classes, afterschool programs, and children with disabilities would suffer. The number of Federal Bureau of Investigation agents, Customs and Border Patrol agents, correctional officers, and federal prosecutors would be slashed. The Federal Aviation Administration's ability to oversee and manage the Nation's airspace and air traffic control would be reduced. The Department of Agriculture's efforts to inspect food processing plants and prevent foodborne illnesses would be curtailed. The Environmental Protection Agency's ability to protect the water we drink and the air we breathe would be degraded. The National Institutes of Health would have to halt or curtail scientific research, including needed research into cancer and childhood diseases. The Federal Emergency Management Agency's ability to respond to incidents of terrorism and other catastrophic events would be undermined. And critical housing programs and food assistance for low-income families would be cut.

Because there is still time for Congress to act to prevent these cuts, and because of the need to avoid unnecessarily diverting scarce resources from other important Government functions, OMB issued guidance to agencies in July instructing them to continue normal spending and operations. Until Congress acts, the Administration will continue to work, as necessary, on issues related to the sequestration and its implementation. OMB will issue additional guidance regarding sequestration in the months ahead as necessary.

However, no amount of planning can mitigate the significant impact of the sequestration. The destructive across-the-board cuts required by the sequestration are not a substitute for a responsible deficit reduction plan. The President has already presented two proposals for balanced and comprehensive deficit reduction, but under our Constitution, he cannot do the job alone. Congress also needs to act. The Administration remains ready to work with Congress to enact a balanced plan that achieves at least the level of deficit reduction agreed to in the BCA, and cancels the sequestration.

Technical Report

The Sequestration Transparency Act of 2012 (STA) (P.L. 112-155) requires the President to submit to Congress a report on the sequestration for fiscal year (FY) 2013 that is scheduled to be ordered on January 2, 2013, pursuant to section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended (BBEDCA). This sequestration, should it occur, is the result of the failure of the Joint Select Committee on Deficit Reduction to propose, and Congress to enact, legislation reducing the deficit by $1.2 trillion, as required by the Budget Control Act of 2011 (BCA). For ease of reference, this report will hereafter refer to this sequestration as the "Joint Committee sequestration."

Relying on assumptions specified in the STA, this report provides estimates of the sequestration's impact on more than 1,200 budget accounts, including:

- an estimate of the sequestration percentages and amounts necessary to achieve the required reductions for the defense and nondefense functions for FY 2013;
- for each budget account, estimates of the amount of sequestrable and exempt budgetary resources and the estimated reduction in sequestrable budgetary resources for FY 2013 (see Appendix A);
- a preliminary identification of all sequestrable and exempt budgetary accounts (see Appendix B); and
- additional information to enhance public understanding of the Joint Committee sequestration.

The estimates and classifications in this report are preliminary. As required by the STA, the report assumes that discretionary appropriations are funded at the level that would be provided under a continuing resolution (CR) at the same rate of operations as in FY 2012. Appropriations legislation that is actually enacted for the fiscal year beginning on October 1, 2012 will change the estimates provided in this report. Other legislation, including any enacted changes to direct spending levels between now and January 2, 2013, as well as changes in the level of unobligated balances in the defense function, could also affect these estimates. Depending on the timing of the discretionary Final Sequestration Report for FY 2013, the discretionary spending limits could be adjusted as provided by section 251(b)(2) of BBEDCA, which would change the allocation of the Joint Committee reductions between the defense and nondefense functions. In addition, the Office of Management and Budget (OMB) continues to review the application of various provisions of BBEDCA to specific programs and accounts, including, for example, the Federal administrative expenses provision in section 256(h) (discussed further below).

Under the assumptions required for this report about the level of discretionary appropriations for FY 2013, and without additional changes to direct spending, this report's calculations show a sequestration of 9.4 percent for defense function discretionary appropriations and 10.0 percent for defense function direct spending. The corresponding sequestration percentages for the nondefense function would be a reduction of 8.2 percent for discretionary appropriations and 7.6 percent for direct spending.

The Administration continues to urge Congress to avoid the Joint Committee sequestration through the enactment of bipartisan balanced deficit reduction legislation. Such legislation could and should replace all of the arbitrary, across-the-board reductions described in this report. As this report illustrates, sequestration is a blunt, indiscriminate instrument and not a responsible way to make policy.

Basis for Calculations

As of the date of this report, no appropriations bills have been enacted for FY 2013. Accordingly, consistent with the assumptions required by the STA, the estimates for the level of sequestrable budgetary resources and resulting reductions assume that budget accounts with discretionary appropriations are funded at the annualized level provided by a CR at a rate of operations as provided in the applicable appropriation act for FY 2012, plus any funding enacted as advance appropriations for FY 2013. The annualized level, which is a preliminary estimate, is calculated by taking FY 2012 enacted appropriations net of any recurring rescissions and changes in mandatory programs (CHIMPs). The level is also adjusted for any transfers mandated by law. These estimates of the CR amounts follow the rules applied for recent CRs, as described in OMB Bulletin 11-01, Apportionment of the Continuing Resolution(s) for Fiscal Year 2012.[1]

Pursuant to section 255(e) of BBEDCA, unobligated balances in the defense function (but not in other functions) are sequestrable budgetary resources. Estimates of unobligated balances available at any future point in time can vary greatly from actual amounts. For this report, the majority of estimated unobligated balances for budget accounts in the defense function were provided by the Department of Defense. In general, for multiyear accounts, the Department of Defense estimated unobligated balances as of December 31, 2012, by assuming that funds appropriated in prior years would be obligated at five-year historical average rates.

This report's estimates of sequestrable budgetary resources and outlays for budget accounts with direct spending are equal to the current law baseline amounts contained in the President's FY 2013 Budget, adjusted for the effects of legislation enacted since the Budget was transmitted.

Sections 255 and 256 of BBEDCA identify programs exempt from sequestration and subject to special rules. Most of the exemptions in section 255 are straightforward applications of law. There are more complicated issues, however, regarding certain special rules in section 256. Specifically, section 256 includes a number of special rules that on their face (that is, absent a contrary indication in another provision of law) apply only to a sequestration order issued under section 254.[2] This raises the question of whether these rules apply to the Joint Committee sequestration.

On August 2, 2012, the Senate Parliamentarian made a ruling on the applicability of a sequestration rule which reflected the conclusion that the Joint Committee sequestration would not be implemented by an order issued under section 254. Consistent with the Senate Parliamentarian's ruling, OMB has independently concluded that, based on the statutory text of BBEDCA, the Joint Committee sequestration order would not be an order under section 254. Accordingly, as set forth in this report, the special rules in section 256 that apply

[1] OMB Bulletin 11-01 is available online at *http://www.whitehouse.gov/sites/default/files/omb/assets/bulletins/b11-01.pdf*.

[2] With respect to this report, the special rules in question mainly affect the estimate of sequestrable discretionary funding for certain health programs specified in section 256(e) and discretionary Federal administrative expenses pursuant to section 256(h).

only to a sequestration order issued under section 254 do not apply to the Joint Committee sequestration, except to the extent those rules are otherwise made applicable by another provision of law. Section 251A(7)(A) of BBEDCA does not include any such provision for discretionary spending, and, as a result, in estimating the reduction in discretionary spending required by the Joint Committee sequestration, this report does not apply the special rules in section 256 that apply only to a sequestration order issued under section 254. Pursuant to section 251A(8) of BBEDCA, the special rules in section 256 do apply to the reduction in direct spending required by the Joint Committee sequestration.

Under section 256(h) of BBEDCA, Federal administrative expenses are subject to sequestration pursuant to an order issued under section 254 "without regard to any exemption, exception, limitation, or special rule that is otherwise applicable." For reasons set forth above for the Joint Committee sequestration, this rule would only apply to Federal administrative expenses that constitute direct spending. BBEDCA does not define "administrative expenses." For purposes of this report, "administrative expenses" for typical Government programs are defined as the object classes for personnel compensation, travel, transportation, communication, equipment, supplies, materials, and other services.[3] For commercial, business-like activities, this report distinguishes between (a) overhead costs that are necessary to run a business, and (b) expenses that are directly tied to the production and delivery of goods or services. The report excludes the latter from the definition of administrative expenses, consistent with the accounting practices of commercial businesses and OMB's past practice under BBEDCA. The Administration will continue to review the application of this definition to individual budget accounts.

To summarize this complex discussion: the special rules for certain health programs apply to the mandatory components of those programs, not the discretionary components. Mandatory administrative expenses for an otherwise exempt program are subject to sequestration, but not discretionary administrative expenses. For exempt mandatory programs with sequestrable administrative expenses, administrative expenses are defined as described above.

Calculation of Sequestration Percentages

Under section 251A of BBEDCA, the failure of the Joint Select Committee triggers automatic reductions in discretionary appropriations and direct spending to achieve the deficit reduction that the Joint Select Committee process was supposed to achieve. Absent further congressional action, the first of these reductions will be implemented on January 2, 2013, by a sequestration of non-exempt discretionary appropriations and non-exempt direct spending. As shown in Table 1, the total amount of deficit reduction required is specified by formula in section 251A(3), starting with the total reduction of $1.2 trillion required for FY 2013 through FY 2021, deducting a specified 18 percent for debt service savings, and then dividing the result by 9 to calculate the annual reduction of $109 billion over each year from FY 2013 to FY 2021. The annual reduction is split evenly between budget accounts in function 050 (defense function) and in all other functions (nondefense function), so that each function would be reduced by $54.667 billion.

Table 1. CALCULATION OF TOTAL ANNUAL REDUCTION BY FUNCTION

(In billions of dollars)

Joint Committee savings target	1,200.000
Deduct debt service savings (18%)	-216.000
Net programmatic reductions	984.000
Divide by 9 to calculate annual reduction	109.333
Split 50/50 between defense and nondefense functions	54.667

[3] See Conference Report on House Resolution 372 (H. Rpt. 99-433).

The next calculation needed is to allocate the reductions, which have already been split between defense and nondefense, between discretionary and direct spending. The law requires that proportionality be maintained between a specified calculation of these two types of spending. The discretionary base that is used for allocating reductions between discretionary and direct spending differs from the amount of resources that are actually sequestrable. The base for allocating reductions to discretionary appropriations is the revised discretionary spending limits for FY 2013 listed in section 251A(2)(A) of BBEDCA. For purposes of this report, the discretionary spending limits have not been revised to include adjustments pursuant to section 251(b)(2) of BBEDCA for certain funding included in the CR levels because these adjustments cannot be made until OMB issues its discretionary Final Sequestration Report for FY 2013.[4] Pursuant to paragraphs (5) and (6) of section 251A, and consistent with section 6 of the Statutory Pay-As-You-Go Act of 2010, the base for allocating reductions to budget accounts with direct spending is the sum of the direct spending outlays in the budget year and the subsequent year that would result from new sequestrable budget authority in FY 2013.

Once the reductions are allocated between direct spending and discretionary appropriations using the bases above, the sequester percentage for discretionary appropriations is obtained from the sequestrable base, which is described above in the "Basis for Calculations" section. For mandatory programs, the sequestrable base is the same as the mandatory base for allocating the reduction. Pursuant to sections 255 and 256 of BBEDCA, most mandatory spending is exempt from sequestration or, in the case of the Medicare program, is subject to a 2 percent limit on sequestration. For discretionary defense programs, the sequestrable base equals total discretionary appropriations (including funding that would trigger cap adjustments), plus unobligated balances and funding financed by fees, minus exemptions. Except for funding for military personnel, most discretionary defense funding is sequestrable. For discretionary nondefense programs, the sequestrable base equals total discretionary appropriations (including funding that would trigger cap adjustments) and funding financed by fees, adjusted to exclude funding for the Department of Veterans Affairs and other exempt amounts.

Defense Function Reduction

Table 2 shows the calculation of the sequestration percentages and dollar reductions required for budget accounts with discretionary appropriations or direct spending within the defense function. The calculation involves the following steps:

Step 1. Pursuant to section 251A(5), the total reduction of $54.667 billion is allocated proportionately between discretionary appropriations and direct spending. The total base is the sum of the FY 2013 revised discretionary spending limit for the security category ($546 billion) and OMB's baseline estimates of sequestrable direct spending outlays ($0.679 billion) in the defense function in FY 2013 and FY 2014 from new direct spending budget authority in FY 2013. Discretionary appropriations comprise more than 99 percent of the total base in the defense function.

Step 2. Total defense function spending must be reduced by $54.667 billion. As required by section 251A(5)(A), allocating the reduction based on the ratio of the revised discretionary spending limit to the total base yields a $54.599 billion reduction required for discretionary appropriations. Under section 251A(5)(B), the remaining $0.068 billion is the reduction required for budget accounts with direct spending.

[4] Although the discretionary spending limits have not been adjusted to include funding for Overseas Contingency Operations, disaster relief, and programs integrity, the associated funding, the CR levels assumed in this report include those funding as sequestrable discretionary resources. That is because the STA requires for purposes of this report that OMB assume all discretionary appropriations are repeated in FY 2013 at the FY 2012 level.

Step 3. As required by section 251A(7)(A), the discretionary percentage reduction for FY 2013 is calculated by dividing the discretionary reduction amount calculated in step 2 ($54.599 billion) by the sequestrable budgetary resources ($580.073 billion) for budget accounts with discretionary appropriations in the defense function, which yields a 9.4 percent sequestration rate for budget accounts with non-exempt discretionary appropriations.[5] A similar calculation is required by section 251A(8) for the sequestration of direct spending. Dividing the direct spending reduction amount ($0.068 billion) by the sequestrable budgetary resources ($0.679 billion) for budget accounts with direct spending yields a 10.0 percent sequestration rate for budget accounts with non-exempt direct spending.

Table 2. DEFENSE FUNCTION REDUCTION

(Dollars in billions)

		Discretionary	Direct Spending	Total
Step 1.	Base for allocating reduction	546.000	0.679	546.679
	Percentage allocation of reductions	99.88%	0.12%	
Step 2.	Allocation of total reduction	54.599	0.068	54.667
	Percentage allocation of reductions	99.88%	0.12%	
Step 3.	Sequestration percentages calculation:			
	Sequestrable base	580.073	0.679	
	Sequestration percentage	9.4%	10.0%	

Nondefense Function Reduction

Table 3 shows the calculation of the sequestration percentages and dollar reductions required for budget accounts with discretionary appropriations or direct spending within all other functions besides 050 (nondefense function). The calculation is more complicated than the calculation for the defense function due to a two percent limit on sequestration of Medicare non-administrative spending, a two percent limit on sequestration of community and migrant health centers (which applies only to the mandatory funding of those programs), and a special rule for applying the sequestration to student loans. The calculation involves the following steps:

Step 1. Total spending in the nondefense function must be reduced by $54.667 billion. Of this, $11.085 billion would come from a sequestration of the portion of Medicare subject to the two percent limit ($554.265 billion), leaving a $43.582 billion reduction to be derived from the other discretionary appropriations and direct spending in the nondefense function.

Step 2. Pursuant to section 251A(6), the remaining reduction of $43.582 billion is allocated proportionately between the other discretionary appropriations and direct spending in the nondefense function. The base ($574.302 billion) is the sum of the FY 2013 revised discretionary spending limit for the nonsecurity category ($501.000 billion) and the remaining sequestrable direct spending base ($73.302 billion). The latter amount equals OMB's baseline estimates of total sequestrable direct spending outlays ($627.567 billion) minus the portion of Medicare subject to the two percent limit ($554.265 billion) in the nondefense function in FY 2013 and FY 2014 from new direct spending budget authority in FY 2013.

[5] Defense sequestrable budgetary resources include non-exempt new budget authority and unobligated balances carried over from prior fiscal years. Budgetary resources for military personnel accounts are considered exempt, pursuant to section 255(f) and the July 31, 2012 letter from OMB Acting Director Jeffrey D. Zients notifying Congress of the President's intent to exempt military personnel accounts from sequestration, available at: *http://www.whitehouse.gov/sites/default/files/omb/legislative/letters/military-personnel-letter-biden.pdf*.

The discretionary spending limit accounts for 87.24 percent of the remaining base in the nondefense function, and direct spending accounts for 12.76 percent.

Applying these percentage allocations to the remaining required reduction for programs in the nondefense function yields the reduction for discretionary appropriations ($38.021 billion) and for remaining direct spending ($5.561 billion), following the procedures for allocating the sequestration contained in section 251A(6).

Step 3. The sequestration for the mandatory portions of certain health programs is limited to two percentage points pursuant to sections 251A(8) and 256(e)(2) of BBEDCA. These programs have sequestrable budgetary resource of $1.344 billion, so a two percentage point reduction would save $0.027 billion. Deducting these savings from the non-Medicare direct spending reduction leaves $5.534 billion to be taken by a uniform percentage reduction of the remaining sequestrable direct spending of $71.958 billion in the nondefense function.

Step 4. As required by section 251A(7)(A), dividing the discretionary reduction amount ($38.021 billion) calculated in step 2 by the sequestrable budgetary resources for discretionary appropriations ($463.465 billion) in the nondefense function yields an 8.2 percent sequestration rate for budget accounts with non-exempt discretionary appropriations.

The remaining reduction ($5.534 billion) to direct spending is applied as a uniform percentage reduction to the remaining budget accounts with sequestrable direct spending and by increasing student loan fees by the same uniform percentage, as specified in sections 251A(8) and 256(b). Each one percentage point increase in the sequestration rate is estimated to result in $0.012 billion of savings in the direct student loan program. Solving simultaneously for the single percentage that would achieve the remaining reduction when applied to both the remaining sequestrable direct spending ($71.958 billion) and to student loan fees yields a 7.6 percent reduction. This percentage reduction would yield savings of $0.091 billion in the direct student loan program and $5.443 billion from the remaining budget accounts with non-exempt direct spending.

Table 3. NONDEFENSE FUNCTION REDUCTION

(Dollars in billions)

	Discretionary	Direct Spending	Total
1. Total reduction, excluding savings from Medicare 2% limit:			
Medicare base subject to 2% limit		554.265	
Total nondefense function reduction			54.667
Reduce Medicare by 2%			–11.085
Non-Medicare reduction amounts			43.582
2. Allocate non-Medicare reduction:			
Total base for allocating reduction	501.000	627.567	1,128.567
Exclude Medicare (portion subject to 2% limit)		–554.265	–554.265
Non-Medicare base	501.000	73.302	574.302
Percentage allocation of non-Medicare base	87.24%	12.76%	
Non-Medicare reduction amounts	38.021	5.561	43.582
Percentage allocation of non-Medicare reduction	87.24%	12.76%	
3. Savings from 2% limit on sequestration of certain health programs			
Certain health programs sequestrable base		1.344	
Reduce other health programs by 2%		–0.027	
4. Sequestration percentages calculation:			
Remaining reduction amounts	38.021	5.534	
Savings from uniform percentage reduction:			
From 7.6% increase in student loan fee		0.091	
From remaining sequestrable budget accounts	38.021	5.443	
Sequestrable base for uniform percentage reduction	463.465	71.958	
Sequestration percentage	8.2%	7.6%	
Summary of reductions:			
2% sequestration of Medicare		11.085	
2% limit on sequestration of other health programs		0.027	
Student loan fee increase		0.091	
Uniform percentage reduction	38.004	5.469	
Rounding	0.017	–0.026	
Total reduction	38.021	16.646	54.667

Reductions by Budget Account (Appendix A)

Based on assumptions required in the STA, Appendix A of this report sets forth the percentage reductions required for each of 897 budget accounts with sequestrable funding. Specifically, Appendix B shows both the sequestrable and exempt portions of each budget account, the percentage reduction required for each sequestrable budgetary resource, and the resulting reduction.

The STA also included a requirement to show reductions for each account at the program, project, and activity (PPA) level. As described further below, because of the STA's reporting deadline of just 30 days, the large number of PPAs across all agencies and budget accounts, and inconsistencies in the way PPAs are defined, additional time is necessary to identify, review, and resolve issues associated with providing information at this level of detail.

Section 251A(10) of BBEDCA states that the required reductions "shall be implemented in accordance with section 256(k)." Section 256(k)(2) provides as follows:

> Except as otherwise provided, the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President's Budget).

Thus, each budget account must be analyzed separately to determine its component PPAs. For discretionary spending, the inquiry requires agencies to conduct a detailed analysis of their appropriation act(s) for the relevant fiscal year and, if applicable, any legislative report accompanying that act. For direct spending, it requires them to conduct a close review of specific line items in the President's Budget.

To assist in the preparation of this report, OMB asked agencies, after consultation with the chairs and ranking members of the Appropriations Committees of the House and the Senate, to submit budgetary information to OMB on PPAs. In doing so, agencies identified thousands of PPAs across appropriations acts and accompanying reports and the President's Budget, with varying definitions of PPAs depending on the particular act and the reporting agency. Regularizing reporting across different budget accounts and agencies requires the resolution of many definitional questions, and the sheer volume of data presents administrative challenges that require additional time for OMB to address.

The uniform reductions shown in Appendix A leave no question that sequestration is an indiscriminate and destructive instrument that Congress should replace with balanced deficit reduction.

Sequester/Exempt Classifications by Budget Account (Appendix B)

The STA requires an identification of all exempt budget accounts with discretionary appropriations and direct spending. In addition to identifying exempt budget accounts, Appendix B provides a preliminary classification of each type of budgetary resource within each budget account as sequestrable or exempt and provides the legal citation for each exempt classification. The listing identifies budgetary resources as both sequestrable and exempt when the budgetary resource funds multiple activities and some of the activities are exempt. Further, the listing also identifies discretionary and direct spending budgetary resources that are potentially subject to a special rule listed in section 256 of BBEDCA. As previously discussed, the estimates in this report reflect the conclusion that the Joint Committee sequestration would not be implemented by an order under section 254; therefore, the special rules in section 256 that apply only to a sequestration order issued under 254 would apply only to the direct spending portion of the Joint Committee sequestration, where BBEDCA expressly instructs those special rules to be applied. In addition, the report identifies military personnel accounts that the President indicated his intent to exempt from sequestration under section 255(f) of BBEDCA.[6]

[6] See footnote 5.

Federal Budget Sequestration 101

Perspectives through the County Lens

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What is Sequestration?

Sequestration: Process of applying automatic, across-the-board spending reductions evenly divided between **security** (defense) and **non-security**(mandatory/entitlement funds + annual discretionary funds) functions

- *Because the Super Committee failed to reach an agreement, sequestration is now scheduled to occur beginning on January 2, 2013*

- *Sequestration was first enacted in 1985 as part of the balanced budget and emergency deficit control act (commonly known as the Gramm-Rudman-Hollings Act)*
- *Serves as the model for the process to be used during implementation of the Federal Budget Control Act of 2011*

What is Sequestration?

- ***"However, the report leaves no question that sequestration would be deeply destructive to national security, domestic investments, and core government functions."***

- OMB Report Pursuant to the Sequestration Transparency Act of 2012 (P. L. 112-155),
President's Office of Management and Budget, September 14, 2012

Context for Federal Debt and Deficit

Discussion and Actions

Federal Budget Picture

Fiscal Year 2012 Outlays:
$3.63 Trillion

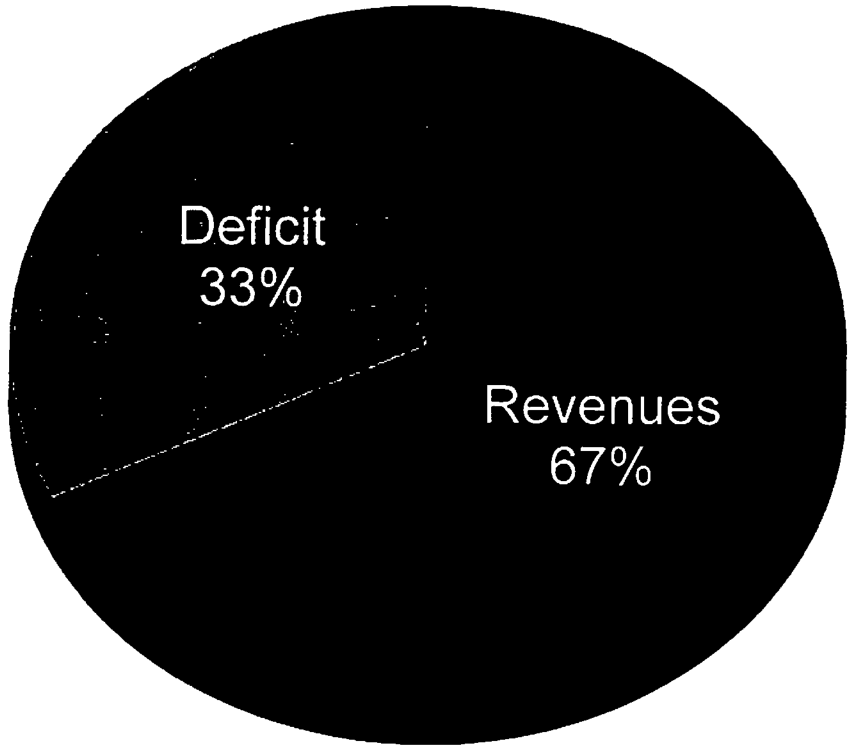
Nearly

One-Third

of Our

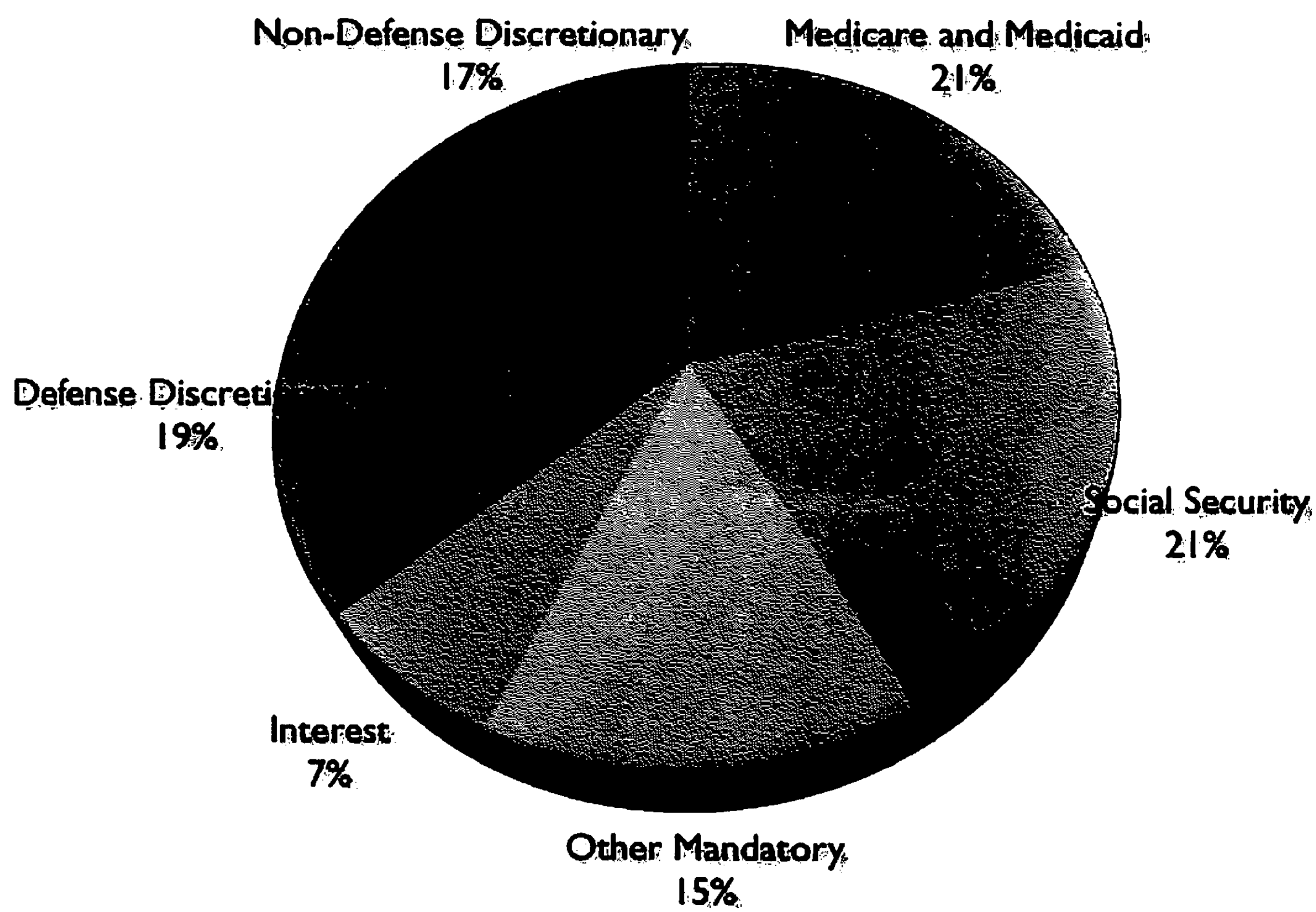
Spending is

Borrowed



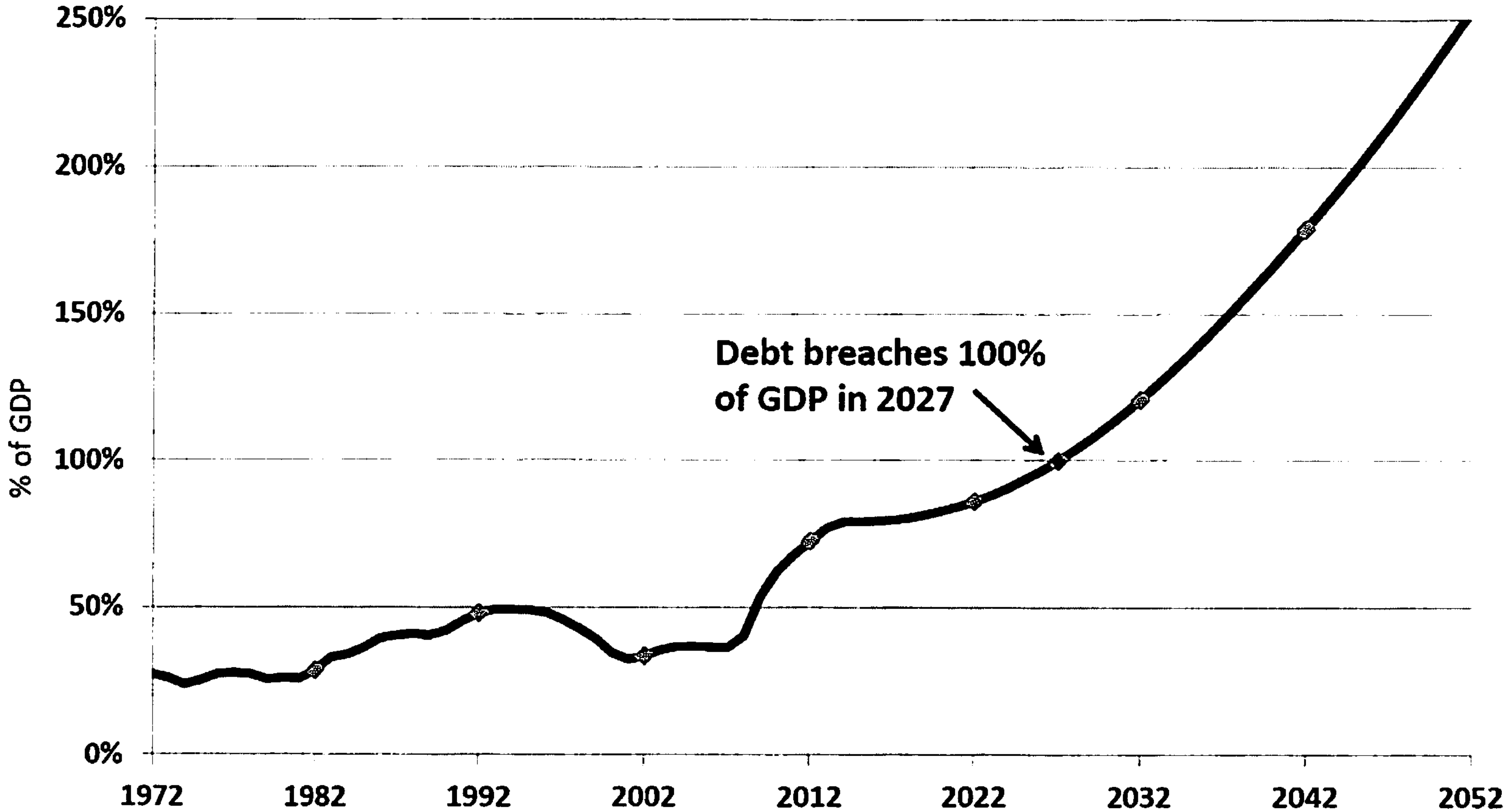
Source: Congressional Budget Office (January 2012)

FY2012 Federal Budget Snapshot



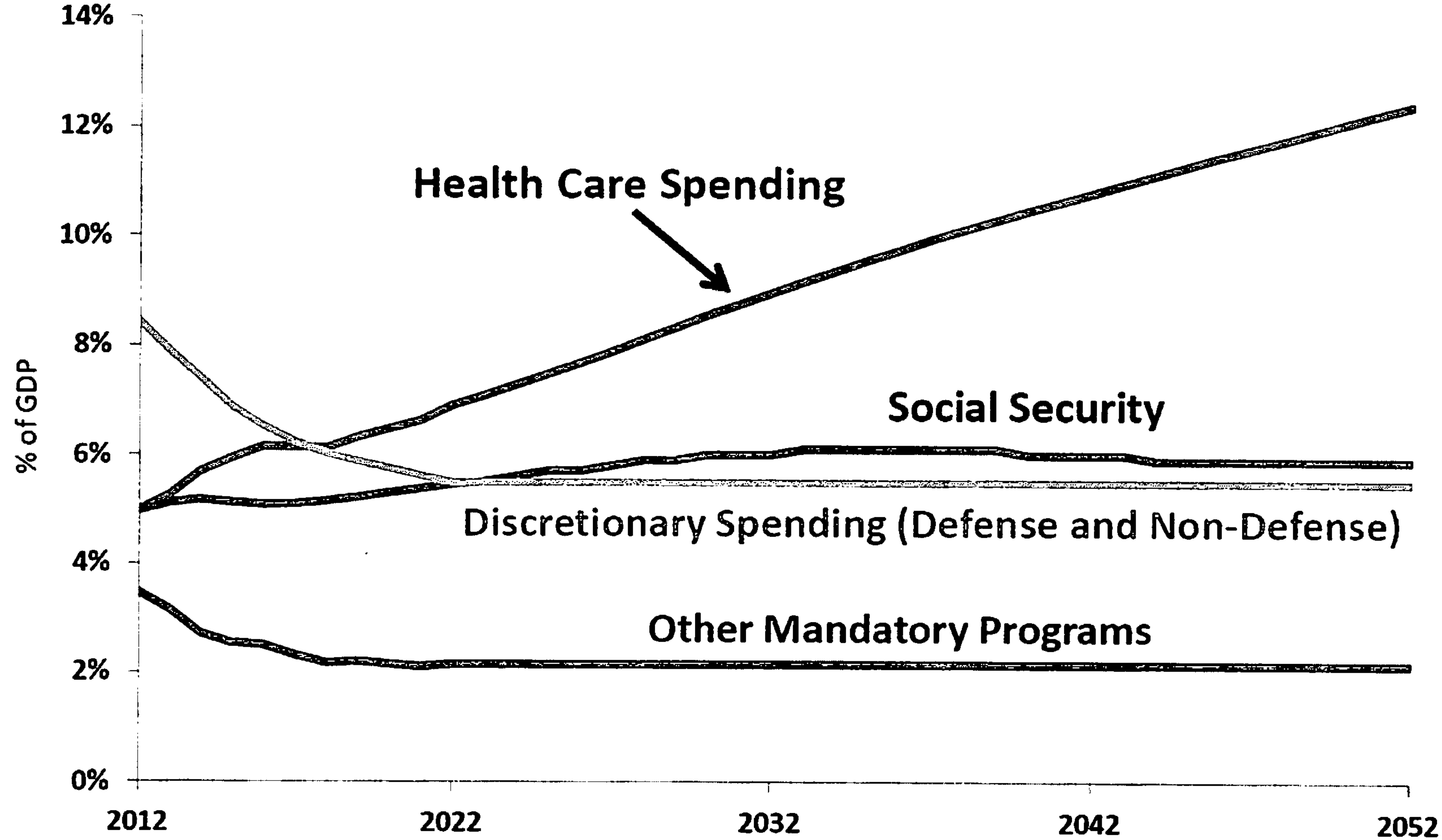
Federal Budget Picture

Absent reforms, U.S. debt is set to skyrocket in the coming decades



Sources: Congressional Budget Office (January 2012) and Bipartisan Policy Center

HEALTH CARE COSTS ARE THE PRIMARY DRIVER OF THE DEBT



Sources: Congressional Budget Office's Alternative Fiscal Scenario (January 2012), additionally assuming that troops overseas decline to 45,000 by 2015; Bipartisan Policy Center extrapolations

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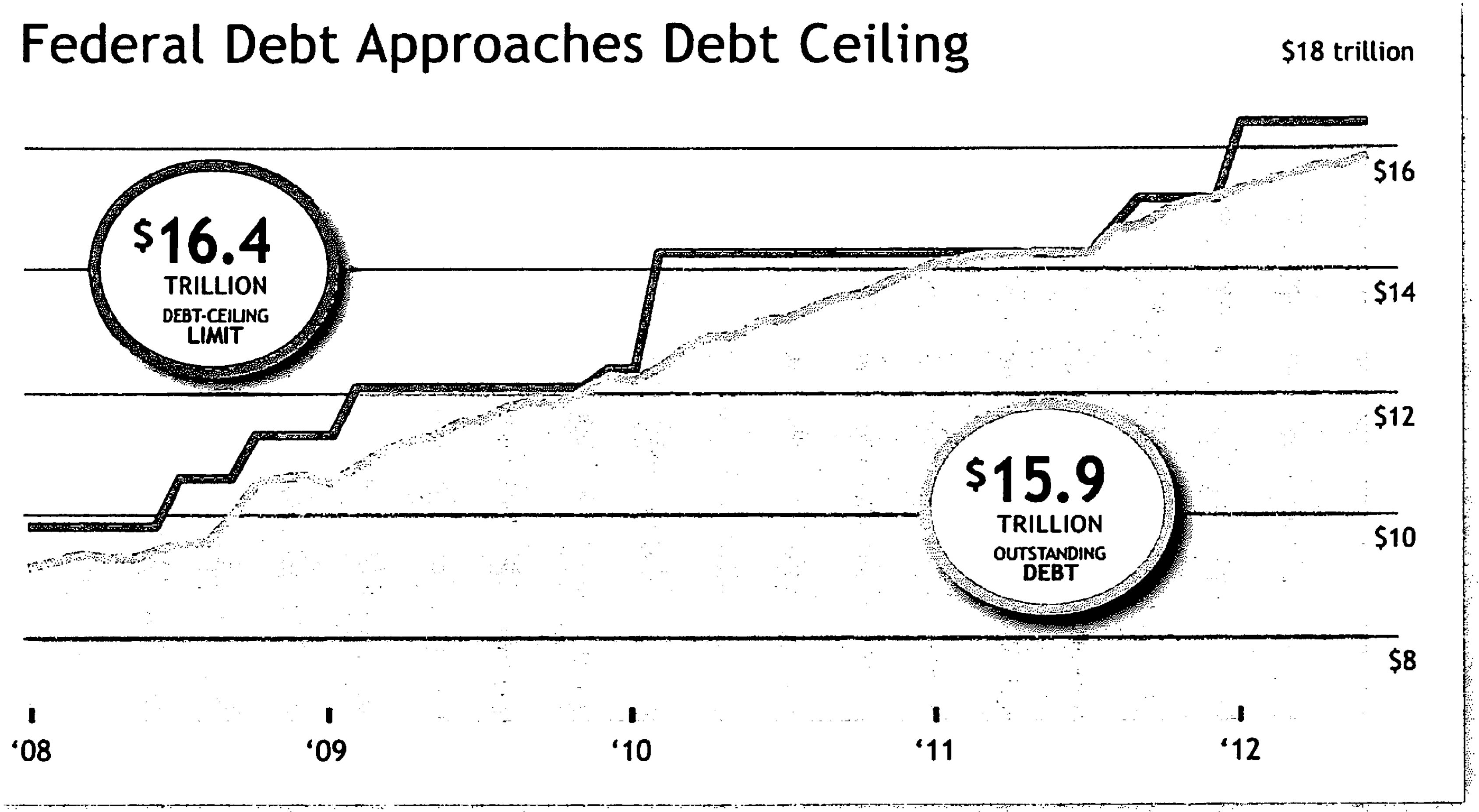
Federal Debt Approaches Debt Ceiling



Source: U.S. Treasury - as of August 15, 2012

How Did We Get Here?

How Did We Get Here?

Reached *Old* Federal Debt Ceiling

Budget Control Act of 2011 (S. 365) Enacted

Failure of Super Committee to Find Savings

Sequester Required by Law

How Did We Get Here?

Budget Control Act of 2011 (S. 365)

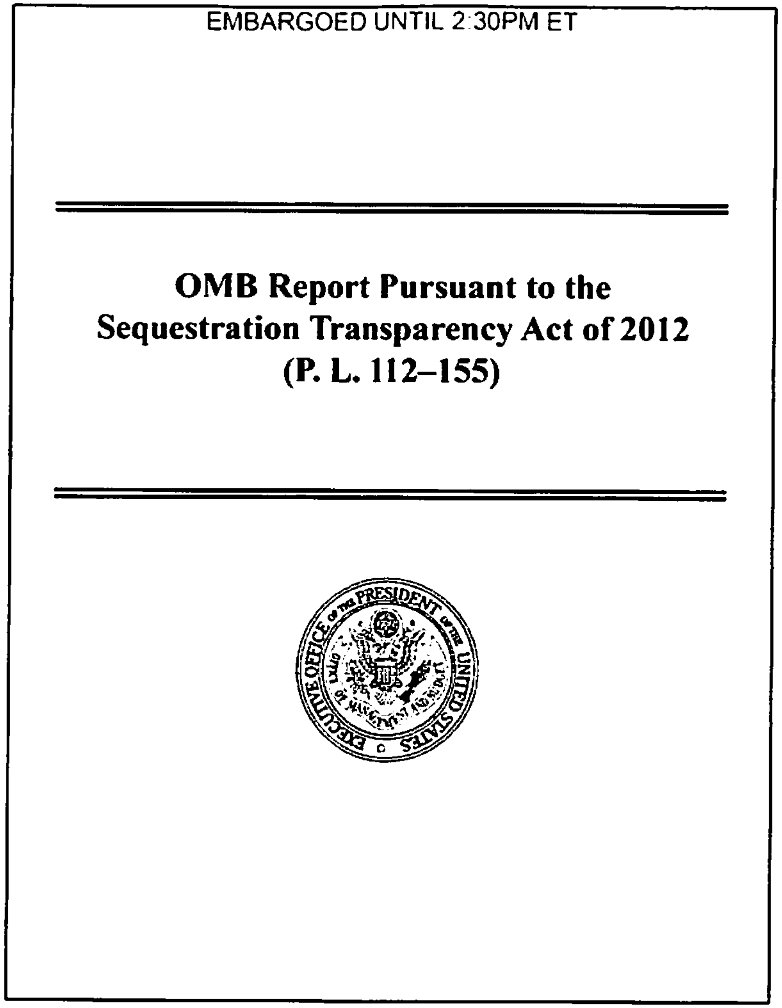
- Set stage for $2.4 Trillion increase in Federal debt ceiling *BUT* with offsetting reductions in two phases

  ✓ $900 Billion in savings over next 10 years, including new spending caps for 12 annual appropriations bills

  ✓ Joint Select Committee on Deficit Reduction ("Super Committee") set up to identify at least $1.5 Trillion in extra savings over 10 years

  - HOWEVER, if committee fails, automatic trigger of across-the-board cuts in both defense and non-defense accounts each year over the next nine years (thru FY2021)

http://democrats.budget.house.gov/sites/democrats.budget.house.gov/files/08.03.11%20Budget%20Control%20Act%20summary.pdf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OMB Report Pursuant to the Sequestration Transparency Act of 2012 (P. L. 112–155)

Basics of the Federal Budget Sequestration Process and Impact

Understanding the Breakdown of Funding Levels Under Sequestration

Total “triggered” cut
$1.2 trillion

Subtract 18 percent
in debt service
savings
$216 Billion

Distribute remaining
$984 billion
evenly among
fiscal years
2013 to 2021

$109.3 Billion in
Automatic Cuts
per Year

Evenly split
each year’s cut
between defense
and non-defense
accounts

Defense
$54.6 billion

Non-defense
$54.6 billion

Translating FY2013 Sequestration Cuts

- 9.4 percent to non-exempt defense discretionary spending
- 8.2 percent to non-exempt domestic discretionary spending
- 2.0 percent to Medicare, 7.6 percent to non-exempt nondefense mandatory programs, and 10.0 percent to non-exempt defense mandatory programs

Source: http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/sequestration_update_august2012.pdf

Understanding Sequestration

- **What is unique about FY2013**
  - ✓ Cuts occur at start of 2nd quarter of the fiscal year (Jan. 2, 2013)
  - ✓ Discretionary cuts occur no matter what Congress appropriates
  - ✓ Sequester cuts happen at "program-project activity" (PPA) level

- **Across-the-board cuts difficult for many PPAs:**
  - ✓ Accounts that are nearly all personnel costs, like those for Border Patrol Agents
  - ✓ Large procurement of construction projects

What is Exempt from Sequestration?

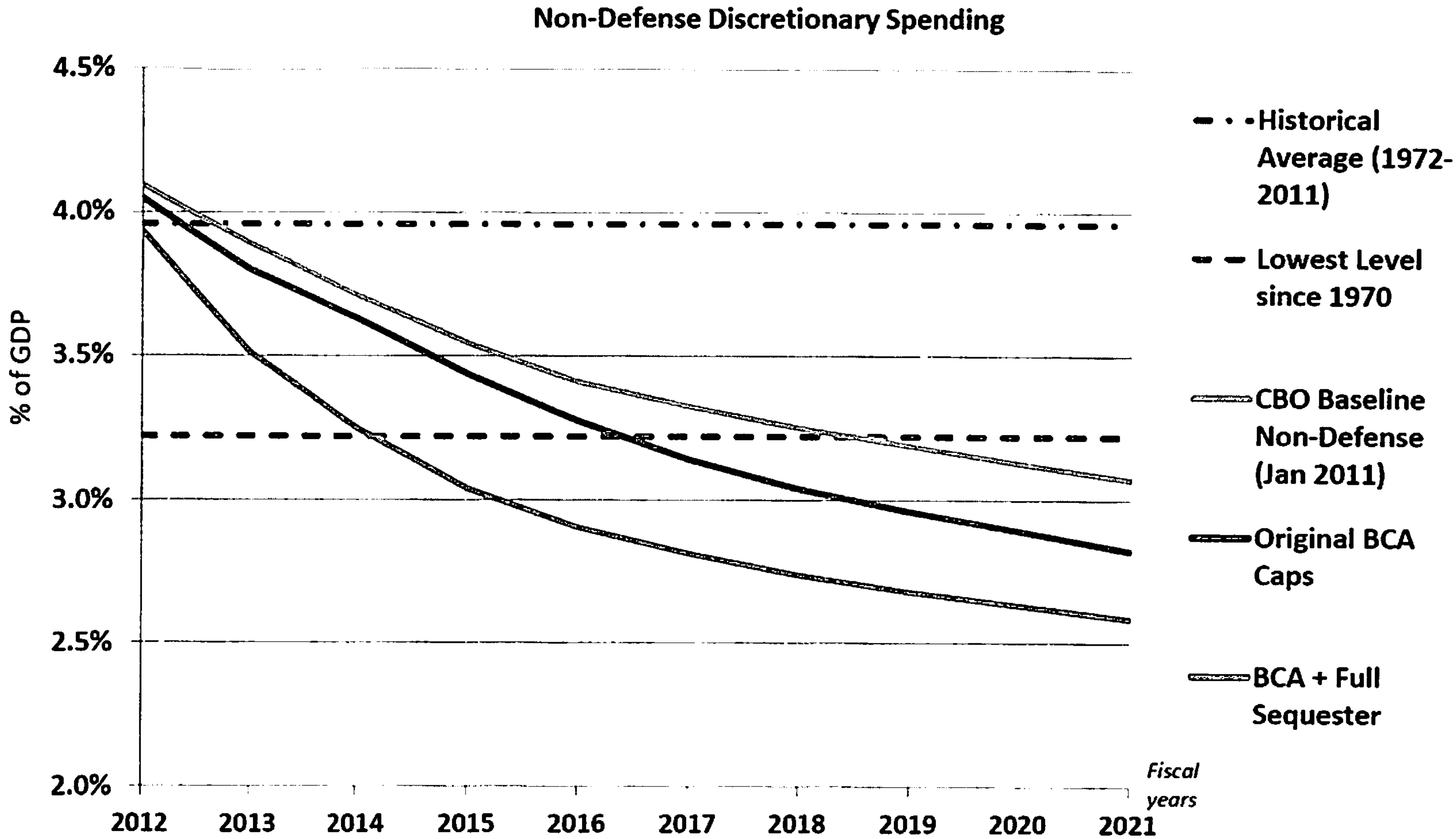
Here is a snapshot of 149 exempt programs:

- Medicaid
- Social Security
- Medicare Part D – Low-income Subsidies
- Medicare Payments to States for Qualified Individual Premiums
- Food Stamps (SNAP)*
- Children's Health Insurance Funds
- Transit Formula Grants
- Grants in Aid to Airports
- Childcare Entitlement
- Veteran's Affairs Programs
- Commodity Loans and Conservation Reserve Program
- Crop Insurance
- Military Personnel Funding
- Pell grants
- *Salary and benefits for Members of Congress and the President*

* *SNAP receives $8 million annual cut*

For a complete list of exempt programs, download the OMB Report
http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/stareport.pdf

DOMESTIC DISCRETIONARY SPENDING WOULD BE CUT TO THE BONE



Source: Congressional Budget Office

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FY2013 Projected Cuts:
8.2% Domestic Discretionary Reduction = $38 Billion Total

Examples of FY2013 Cuts by Program

- HUD Community Development Block Grant (CDBG) = $242 Million
- HUD HOME Investment Program = $81 Million
- HUD Section 8 Housing = $1.5 Billion
- HUD Homeless Assistance = $156 Million
- U.S. Economic Development Administration (EDA) = $34 Million
- USDA Rural Development = $203 Million
- EPA State and Local Grants = $293 Million
- EPA Hazardous Substance / Superfund = $119 Million
- DOE Energy Efficiency & Renewable Energy = $54 Million
- FEMA State & Local Disaster Preparedness & Recovery Programs = $183 Million
- FEMA Disaster Relief = $580 Million

FY2013 Projected Cuts:

8.2% Domestic Discretionary Reduction = $38 Billion Total

Examples of FY2013 Cuts by Program

- DOJ State Criminal Alien Assistance Program (SCAAP) = $17 Million
- DOT Essential Air Service* = $12 Million *(Discretionary funds only)*
- Education Dept's Elementary & Secondary Education = $1.3 Billion
- FTA Transit Capital Grants = $163 Million
- HHS Substance Abuse & Mental Health = $275 Million
- HHS Child Care Discretionary = $187 Million
- HHS Older American / Aging Services = $121 Million
- DOJ State & Local Law Enforcement = $92 Million
- DOJ Juvenile Justice = $21 Million
- DOL WIA Title I Formula Grants to States = $262 Million

FY2013 Projected Cuts:
Mandatory/Direct Allocation = $5 Billion Total

Programs Cut by 7.6%

- Payment-in-Lieu-of-Taxes (PILT) = $30 Million
- HHS Social Service Block Grant (SSBG) = $136 Million
- DOT Essential Air Services* = $4 Million *(Mandatory funds only)*
- HHS Prevention & Public Health Fund = $76 Million
- NTIA State & Local Implementation Program = $5 Million

Programs Cut Less Than 7.6%

- FHWA Federal-Aid Highways = $56 Million
- HHS TANF = $2 Million
- SNAP = $8 Million
- Child Nutrition = $4 Million

FY2013 Projected Cuts: Medicare - Total $11 billion (2.0%)

- Limited to 2% cut from provider payments under parts A & B
- Medicare Advantage (Part C)
- Drug Plan Contracts (Part D)

What Will Happen in 2014 through 2021?

In billions of dollars

	2014	2015	2016	2017	2018	2019	2020	2021
Defense caps before reduction	556	566	577	590	603	616	630	644
Required reduction, dollars	54.7	54.7	54.7	54.7	54.7	54.7	54.7	54.7
Required reduction, percent	9.8%	9.7%	9.5%	9.3%	9.1%	8.9%	8.7%	8.5%
Resulting level of caps	501	511	522	535	548	561	575	589
NDD caps before reduction	510	520	530	541	553	566	578	590
Required reduction, dollars	38	37	37	36	35	34	33	32
Required reduction, percent	7.5%	7.2%	6.9%	6.7%	6.4%	6.1%	5.7%	5.4%
Resulting level of caps	472	483	493	505	518	532	545	558
2% Medicare sequestration, dollars	11.4	12.2	12.9	13.4	14.2	15.4	16.5	17.8
Non-exempt mandatory cuts other than Medicare, dollars	5.2	5.2	5.2	5.1	5.1	5.0	5.4	4.8
Non-exempt mandatory cuts other than Medicare, percent	7.5%	7.2%	6.9%	6.7%	6.4%	6.1%	5.7%	5.4%

Source: Center for Budget Policy and Priorities

Program Savings in Bowles-Simpson, Adjusted for Savings in Discretionary Programs That Policymakers Have Already Achieved or Locked In

Dollars in billions; Bowles-Simpson extended to cover 2013-2022

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	10-yr total
Total program reductions (Table 1)	118	168	203	237	270	305	341	376	408	441	2,866
Less: program cuts already achieved	83	106	120	135	148	153	167	175	183	189	1,465
Equals: remaining program cuts	34	62	83	102	122	146	174	201	225	252	1,401
Total discretionary reductions (Table 1)	86	122	146	174	197	221	244	267	291	316	2,068
Less: program cuts already achieved	83	106	120	135	148	153	167	175	183	189	1,465
Equals: remaining discretionary cuts	4	16	29	39	49	62	77	92	108	127	603

Source: Center for Budget Policy and Priorities

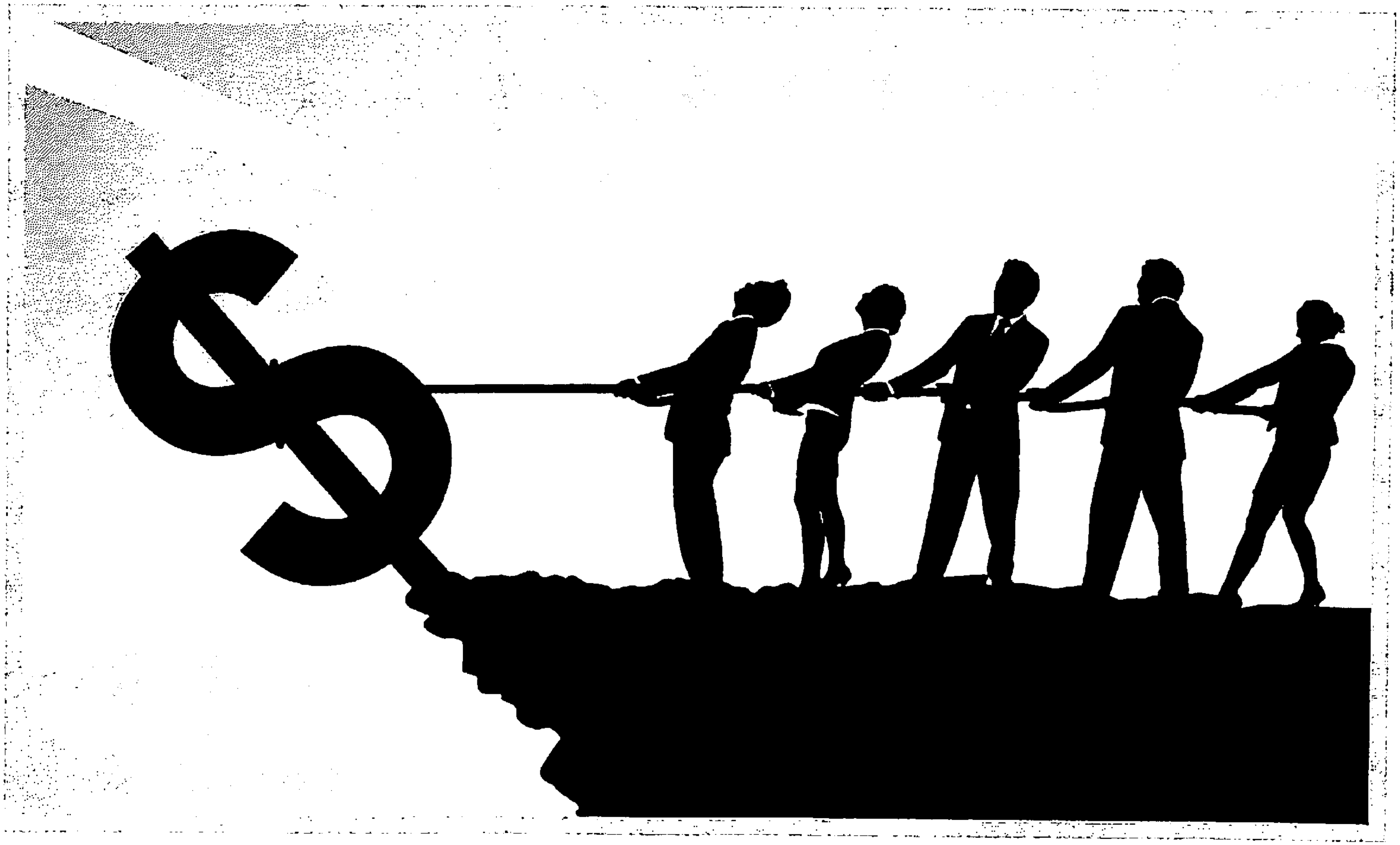
FY2014 and Beyond to FY2021

- **Defense Eligible Accounts**
  - ✓ Unlike 2013, no automatic, across-the-board cuts to all affected Defense programs, ***BUT*** Appropriations Committees will decide specific line item budget levels to stay within the newly reduced Defense spending caps

FY2014 and Beyond to FY2021

- **Non-Defense Accounts**
  - ✓ Medicare will assume a larger share of cuts even though program cuts remain at 2% of the program
    - ➢ In real dollars, cut jumps from $11.4 Billion in 2014 to $17.8 Billion by 2021, or 21% of Non-Defense cut to 33% by 2021
  - ✓ Unlike 2013, no automatic, across-the-board spending reductions to all eligible accounts. HOWEVER, ...
  - ✓ Since Appropriations Committee will have discretion to reach new spending targets, programs such as Pell grants, Veteran's medical, community and migrant health centers, and Indian health will have NO special protections from FY2014-2021

Elections and Fiscal Cliff Scenarios



Lame Duck Makes Sequestration Negotiations More Tense

Concurrent Fiscal Pressures Cause Legislative Bottleneck

Nov 6, 2012
Election Day

Nov 13, 2012
Lame Duck Session Begins

Jan 1, 2013
Lame Duck Ends

Lame Duck Session

Dec 31, 2012

- ☑ Bush-era tax cuts expire
- ☑ Emergency unemployment benefits end
- ☑ Payroll Tax Holiday ends
- ☑ Alternative Minimum Tax exemptions end

Jan 2, 2013

If no action, sequester takes effect

- ✓ $54.6B in defense cuts
- ✓ $54.6B in non-defense cuts

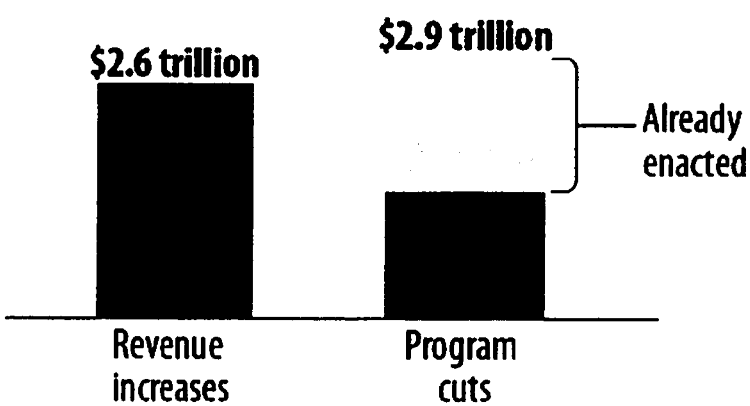
Source: National Journal, *July 2, 2012, Field Guide to the Lame Duck, Nancy Cook.*

Potential Grand Bargain with Simpson-Bowles as Baseline

Stabilizing vs. Reducing the Debt Ratio

Bowles-Simpson Recommended Nearly Equal Amounts of Program Cuts and Revenue Increases Over 2013-2022

Half of the Program Cuts in the Original Plan Have Been Achieved



Note: Calculations exclude debt service and Social Security solvency proposals.

Source: CBPP calculations, based on Moment of Truth Project and Congressional Budget Office estimates.

Summary of Original Bowles-Simpson Plan

	Total plan	Not yet enacted
Ten-year cumulative totals in trillions of dollars		
Revenue increases	$2.6	$2.6
Program cuts	$2.9	$1.4
Interest savings	$0.8	$0.6
TOTAL deficit reduction	$6.3	$4.6
Ratio, program cuts to revenue increases		
Not counting interest	1.1 to 1.0	0.5 to 1.0
Counting interest	1.4 to 1.0	0.8 to 1.0

Note: Covers 2013 through 2022; excludes Social Security solvency proposals; measured relative to current policy; may not add due to rounding.

"70% of Simpson-Bowles cuts in discretionary spending have already been enacted into law!"

Key Factors to Avoid Sequester?

- **Lame Duck Session:** Congress returns November 13 for organizational efforts, but will adjourn for Thanksgiving week and return first week of December for possible Lame Duck session
- **Market Reactions:** In post-election environment, Wall Street expects Congress and the White House to address fiscal cliff issues, including tax extensions and potential tax and entitlement reforms, delay of sequestration, and raising of federal debt ceiling
- **Election Outcomes:** Will we have a change in the White House, and one or both chambers of Congress? Who will be the key players in the budget deliberations? How will the 2014 Senate campaigns for Senate Minority Leader Mitch McConnell (R-KY) and Senate Finance Committee Chairman Max Baucus (D-MT) come into play?

Can Sequestration be Avoided?

- **YES! However…**

  ✓ Congress must pass legislation and President Obama would need to sign before January 2, 2013

  ✓ Congress could pass legislation to postpone cuts—and buy time for a grand bargain on the federal debt and deficit

  ✓ Moody's Investors Services warned it would lower the U.S. credit rating if negotiations do not produce a plan to stabilize and reduce the national debt. So, there is still real pressure to address our nation's long-term debt

Beyond Sequestration, What Else is on the Table for Fiscal Cliff Discussions?

Bush Tax Cuts + AMT	$235 Billion
Extension of Payroll Tax Cut	$90 Billion
Unemployment Insurance	$25 Billion
Tax Extenders and Business Depreciation	$80 Billion
The Sequester	$60 Billion
Affordable Care Act Taxes	$25 Billion
Medicare "Doc" Fix	$10 Billion
Federal Debt Ceiling	????
Total	$525 Billion Minimum