

PB Washington Update - March 1, 2013 - Interim Update

The government-wide sequestration went into effect today despite some last minute partisan efforts yesterday in Congress to soften the impact. Congress then left town for the weekend.

Attached is a memo from OMB to federal agency heads providing them with general instructions about implementing the sequester. We expect the White House to issue more detailed information about specific agency cuts very soon.

Key points from the memo include:

- The total government-wide sequester for FY'13 is \$85B. Since the cuts must be taken during the final seven months of FY'13, rather than over a full 12 months, the 5.3% cuts in non-defense discretionary programs equate to 9% between now and the September 30 end of the fiscal year. The 7.9% cuts in defense programs equate to 13%.
- Agencies are told to identify any major contracts or grants that they plan to cancel or delay.
- Agencies should communicate with federal contractors and grant recipients regarding the agencies' sequester plans that could affect them.
- Agencies are asked to reduce contracting costs where appropriate and only enter into new acquisition contracts or exercise options when they support high priority initiatives. Agencies may consider de-scoping or terminating for convenience contracts that are no longer affordable within the funds available.
- Agencies may consider delaying awarding of new grants or reducing the level of continued grant funding. Agencies may be forced to reduce the level of assistance provided through formula funds or block grants.
- Agencies should give increased scrutiny to hiring new personal, giving bonuses, and incurring obligations for training, conferences and travel.