Navy League of the United States

Sequestration:
A National Concern--
A Navy League Call to Action

Citizens in Support of the Sea Services
Our Mission:

• Educate the men and women in our local communities, our community leaders, and elected officials about the importance of our maritime forces to defend the United States and to protect global trade and our local economies

• Support the men and women of the sea services and their families

• Foster the education and development of our youth through the Naval Sea Cadet Corps and junior ROTC programs

The Sea Services need us to educate the nation on the perils of sequestration!
What is Sequestration?

• “An enforcement mechanism by which the President orders the cancellation of budgetary resources in amounts sufficient to eliminate a deficit.” – CBO

• Budget Control Act of 2011 (BCA):
  – Increased the debt ceiling & imposed ~$1 trillion budget cuts
    • $487 billion cut from Defense
  – Created Congressional “Super-Committee” to reduce deficit by an additional $1.2 trillion over ten years...or face sequestration
    • Broad Scope - - entitlements, revenue, discretionary spending
  – No agreement reached – sequestration is now the law
    • Across the board cuts begin January 2, 2013

• Severe consequences for U.S. economy, national security, and domestic programs
Sequestration Mechanics

Forces deficit reduction of $1.2T through FY 2021

– Calculated on the difference between enacted reductions and $1.2T goal (-18% for interest savings)
– Sequestration results in $984B reduction over 9 years
  • Reduction of ~$492B for Defense (9-years)
– Effective FY 2013 through FY 2021 (begins in Jan 2013)
– Separate categories for “Defense” and “Non-Defense”
– Equal “Across the Board” cuts -- per Program, Project, Activity (PPA)
– Defense expected to include OCO and Prior Year Unobligated Funds
  • Military Personnel accounts likely to be exempted
    – Other defense accounts absorb MILPERS share
– Full-Year FY 2013 reduction applied to final three quarters
What Sequestration Means:

• Cuts will automatically go into effect on January 1\textsuperscript{st}, 2013
• $54 billion in defense budget cuts in 2013 alone
• Cuts will take a sledgehammer to the budget—everything could be cut equally, no one program can be saved
• DOD is not currently \textit{planning} for the cuts
• Government bureaucrats will decide how to implement the cuts, Congress will cede control of the purse
Defense Sequester in FY2013

Defense
Base: $720.6 Bn
Seq: -$54.7 Bn
BCA Breach: -$5.0 Bn

OCO
Base: $88.5 Bn (8.3%) = -$7.3 Bn

Non-DOD Defense: $25.1 Bn
-$2.1 Bn

DOD
Base: $525.4 Bn (8.3%) = -$43.5 Bn

OCO
Base: $74.6 Bn (10.4%) = -$7.8 Bn

Prior Year Unobligated Balances
Base ~ $81.6 Bn (8.3%) = -$6.8 Bn

Prior Year Unobligated Balances
Base ~ $81.6 Bn (10.4%) = -$8.5 Bn

DOD
Base: $390.3 Bn (10.4%) = -$40.8 Bn

Military Personnel accounts exempted
FY 13 Shipbuilding Programs
($13.6 B in SCN for PBR 13)

Virginia SSN
2 Ships - $4.1 B

LCS
4 Ships - $1.8 B

CVN
1 Ship - $608 M

CVN Refuel
$1.6 B

DDG 51
2 Ships - $3.5 B

JHSV
1 Ship - $189 M

10 New Construction Ships To Absorb $1.8B Cut
“Such a large cut, applied in this indiscriminate manner, would render most of our ship and construction projects unexecutable -- you cannot buy three quarters of a ship.” - - Secretary of Defense
DoD Sequestration Impact

Secretary of Defense:

• Undermine ability to meet national security objectives
  – Significant operational risks -- delay response time to crises
  – Severely reduce force training / operational readiness

• Devastate force structure
  – Additional 100,000 troops separated from service
    • Smallest ground force since 1940
    • Smallest fleet since 1915 -- fewer than 230 ships
    • Smallest tactical fighter force in history of Air Force

• Force decisions on major programs that may include:
  – Termination of Joint Strike Fighter -- widen “fighter gap”
  – Terminate new strategic bomber -- critical to Asia-Pacific posture
  – Terminate ground combat vehicle modernization
  – Terminate all Army helicopter modernization
  – Delay or terminate major space initiatives
The Defense Industrial Base

• Sequestration will risk severe and permanent damage to the defense industrial base
  • Massive layoffs with a lost generation of skilled workers
  • Slashing R&D spending will stifle innovation
  • Consolidation by large contractors and reduced competition
• Companies cutting investments, slowing operations, and laying off workers
  • Political and economic uncertainty
• Jobs and the Economy
  • Loss of over 1,000,000 private sector jobs (Deloitte/AIA study)
  • Increase unemployment by 0.6% (AIA study/Dr. Robert Fuller)
  • Cut projected GDP growth by 25% (AIA study/Dr. Robert Fuller)
Current Status

- Congress still has not produced bipartisan legislation to stop sequestration
- Proposed legislation offers solutions not palatable to the other side; compromise is needed to pass a bill
- Industry is planning for the worst-case scenario and will be forced to lay off thousands of workers—up to one million jobs
- The WARN Act requires large companies to send mass layoff notices 60 days in advance—right before election day

We must tell Congress to ACT NOW!
Sequestration is Starting NOW

- Impacts likely to begin in 2012 – not January 2013
  - DoD will change what its buying in anticipation of sequestration
  - Lost revenue, lost jobs, and a depleted industrial base
- DoD may begin a “soft shutdown” in preparation for a “hard stop” of programs on January 2, 2013
- Even if Congress averts sequestration during the lame duck session, some adverse effects will already be felt

“We’re not gonna hire, we’re not gonna make speculative investment, we’re not gonna invest in incremental training because the uncertainty associated with $53 billion in reductions in the first fiscal quarter of next year is a huge disruption to our business.”
-Robert Stevens, CEO, Lockheed Martin
How the Navy League Can Help

• The only way to stop sequestration is through legislation in Congress
• 2012 is an election year, making it harder to be heard
• The Navy League must tell Congress to compromise on a bipartisan solution NOW!
• Navy Leaguers should call, email, write, or fax their Congressman and Senators—call and write often!
• Letters to the editor and op-eds in the local paper will help get Congress’ attention
• Please call NLUS HQ if you have trouble locating your Congressman and Senator’s contact information

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Citizens in Support of the Sea Services
Now that you have your Congressman’s attention, what do you say?

• Let them know **sequestration is a voting issue**
• Remind them of the importance of the sea services
• Cuts to the sea services impact national security, freedom of the seas, **economic prosperity**, humanitarian assistance, and jobs
In closing:

• Half a trillion dollars in defense spending will be cut, devastating the sea services

• The only way this can be stopped is through Congressional action and compromise

• It’s an election year: the sea services need you to contact your Congressman and Senators and tell them to find a bipartisan solution to stop sequestration

• Call, write, email, visit, fax your Congressman and Senators!
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