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Date:

MAY 20 2013

The Honorable Ron Wyden
Chairman
United States Senate
Energy and Natural Resources Committee
221 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Wyden:

Thank you for your letter of April 24, 2013, cosigned by Senator Lisa Murkowski, regarding the impact of sequestration on payments under the Secure Rural Schools Act.

To fulfill our commitment to rural communities, Secure Rural Schools payments were made on time in early January 2013, while the sequestration debate continued in Congress. Subsequently, the sequestration took effect, and agencies were required to implement it.

The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, requires that sequestration be taken at the budget account level, and applied equally to each program, project, and activity (PPA) in those accounts. In the case of Secure Rural Schools, the relevant account is the Forest Service Permanent Appropriations account, which includes two PPAs for Secure Rural Schools: one comprising the fiscal year (FY) 2013 budget authority from receipts in FY 2012 (the "receipts PPA"), and the other comprising additional FY 2013 budget authority provided from the U.S. Department of the Treasury to cover the shortfall in receipts necessary to make the full Secure Rural Schools payments (the "Treasury payments PPA"). While funding for Secure Rural Schools payments is based on the level of receipts collected in FY 2012, section 102(e) of the statute directs that the funds be paid after the end of the fiscal year. Therefore, it is budget authority for FY 2013 subject to sequestration under BBEDCA.

In calculating the sequestered amount, BBEDCA repeatedly refers to the amounts for a "fiscal year" or "that year" (2 U.S.C. 901a). Thus, consistent with the application of sequestration across programs of the U.S. Department of Agriculture (USDA), and across the government as a whole, the amount of the sequestration is based upon the full budgetary authority in the receipts PPA and the Treasury payments PPA for the entire fiscal year, not on the amount remaining available as of March 1, 2013, the date of the sequestration order.

Secure Rural Schools payments are made from both PPAs. The funding sources are not tied to a particular Title, so for purposes of sequestration, it does not matter which Title's funding stream is cut in order to meet the full sequestered amount, as long as the required reductions are taken from each PPA. USDA's goals in implementing sequestration have been to administer reductions in the most equitable and least disruptive manner possible. In this instance, USDA has determined that in order to ensure equity in the treatment of States, each State should take the same percentage reduction to Secure Rural Schools payments.



States can pay back the mandated sequestered amounts from their Title I and Title III money, or reduce Title II allocations by the requisite amount where applicable. This approach best ensures equity and uniformity in the implementation of the reductions, as it applies the same percentage reduction to the payments for each State. We encourage the States that have the option to elect to have the Forest Service use Title II funds to cover the sequestered amount, and thus avoid impacts to their schools and road funding and eliminate the need for repayment.

Regarding the assessment of interest, penalties, and administrative costs, the Forest Service will utilize existing Federal and Agency guidelines to waive these costs, where applicable. We are committed to working with you to mitigate the impacts of these actions on States and counties.

Again, thank you for writing. A similar response is being sent to Senator Murkowski.

Sincerely,



THOMAS L. TIDWELL
Chief

