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**Subject:** Reductions in disposition of mineral lease revenue pursuant to sequester

Good morning all. Here's an expansion on our take regarding the reductions in FMR payments to states pursuant to the sequester, as we discussed yesterday afternoon:

Section 251A (2 USC 901A) of the Budget Control Act (BCA) requires the President to order a sequester (reduction) of budgetary resources for FY2013, if Congress does not enact deficit reduction of at least \$1.2 trillion. Congress did not enact such deficit reduction, and on March 1, OMB determined the dollar amount of the total sequestration for FY2013 to be \$85 billion, based on a formula set forth in section 251A(3).

Under section 251A(4) of the BCA, half of the total reduction calculated pursuant to paragraph (3) for FY2013 is allocated to defense spending, and the other half to non-defense spending. Within each half, the reductions are further allocated between discretionary appropriations and direct spending. Discretionary appropriations are defined in section 250(7) (2 USC 900(7)) of the BCA as budgetary resources provided in appropriation Acts. In contrast, direct spending is defined in section 250(8) to include budget authority provided by law other than appropriation Acts.

Distribution of revenue received from lease sales, bonuses, and royalties under the Mineral Leasing Act is directed in 30 USC 191. Because the funding for these payments is not provided in an appropriations Act, such payments would appear to be correctly classified as non-defense, direct spending for purposes of the BCA. Additionally, section 255 of the BCA (2 USC 905) exempts a number of programs from sequestration, however the royalty payments under the MLA do not appear to be exempt.

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