The Federal Drug Budget Under Sequestration

Policy Brief

Prevention Most Affected by Sequestration

December 2011

Overview

With the failure of the Joint Select Committee on Deficit Reduction (the Super-Committee) to reach an agreement on how to trim $1.2 trillion from the federal budget over the next decade, the future of our national drug control policy is once again unclear. If members of Congress fail to reach a compromise on spending cuts, the sequester (automatic cut) will be implemented in 2013 as a series of across-the-board cuts resulting in $1.2 trillion in budget savings through 2021. Our analysis of the impact of the sequester concludes that the proposed cuts would be much more detrimental to demand reduction programs than to supply reduction programs. The disproportionate impact on demand reduction programs will impede the Obama administration's stated aim of implementing the public health approach promoted in its National Drug Control Strategy.

Federal Drug Budget Accounting

To understand why an across-the-board cut in federal spending has a disproportionate impact on the demand reduction portion of the federal drug control budget requires some understanding of how the budget is formulated. There is no single appropriation for federal drug control in any of Congress's 12 annual appropriations bills. Instead, funding for federal drug control is derived from portions of 10 of the appropriations bills passed annually. What is commonly understood as the federal drug control budget is actually an estimate prepared annually by the Office of National Drug Control Policy (ONDCP) —the federal agency charged by law with developing the national drug control strategy and the federal budget to implement it. ONDCP reports federal funds that span 14 major federal departments of government and the Federal Judiciary. For additional detail, the drug control budget may be further disaggregated into 40 bureaus and agencies.

Estimating resources for drug control activities is sometimes easy, as Congress makes explicit line-item appropriations that are intended to support the nation's drug control strategy. One example is appropriations for the Drug Enforcement Administration (DEA) that are explicitly described within the overall appropriations for the Department of Justice. As for the remainder of the drug control budget, ONDCP works with federal agencies to develop estimates of spending from appropriations that are multi-purpose and do not explicitly identify funds dedicated to drug control activities. One example of this estimation can be found in the estimates of spending for the federal Bureau of Prisons. The Bureau of Prisons houses many individuals for drug-related charges but does not have its budget appropriated in a way that distinguishes a prisoner charged with a drug-related crime from those who commit other crimes. ONDCP and the Bureau of Prisons thereby develop an estimate of the drug-related expenses based on drug-related data collected by the agency. According to our review of the federal drug control budget, explicit Congressional appropriations for drug control account for 34 percent, leaving the balance of 66 percent as estimates developed by federal agency budget analysts.

Sequestration's Effect on the Drug Budget

For those agencies receiving explicit appropriations for drug control activities, a sequestration would have an immediate and exacting effect on the budget for drug control activities. For example, since the DEA's budget is an explicit appropriation that is entirely drug-related, it would realize the full impact of a sequestration. A hypothetical 10 percent sequestration would reduce its resources for drug control by 10 percent.

For those other agencies that do not receive explicit line-item funds for drug-control activities from Congress, the potential effect of a sequestration is less clear. Since their drug spending is based on analyst estimates of resources that support drug-related activities, a sequestration would not directly affect available resources. For example, if an agency estimates that 20 percent of its workload reflects efforts to address drug control activities, then it will report to ONDCP that 20 percent of its appropriations should be counted in ONDCP's drug control budget. Under the assumption that a sequestration would affect all of this agency's activities equally, a 10 percent sequestration would reduce the level of resources reported to ONDCP by 2 percent (calculated as 10 percent times 20 percent).

Highlights

- The possible sequester (automatic cut) to the federal budget will limit ONDCP's efforts to reform national drug control policy.
- Because of the structure of the drug budget, automatic cuts favor supply reduction programs and may have a disproportionate impact on demand reduction programs.
- According to Carnevale Associates' review, direct Congressional appropriations account for 34 percent of the drug budget, while the remaining 66 percent constitute analyst estimates of other funding sources.
- Sequestration will affect areas of drug control spending at different rates because they have different levels of direct Congressional appropriations.
- Relative portions of drug control funding subject to direct sequestration are: prevention, 78 percent; international programs, 41 percent; law enforcement, 35 percent; treatment, 32 percent; and interdiction, 11 percent.
- Fifty-six percent of a dollar reduction in direct appropriations would be cut from demand reduction programs, compared to 44 percent from supply reduction programs.

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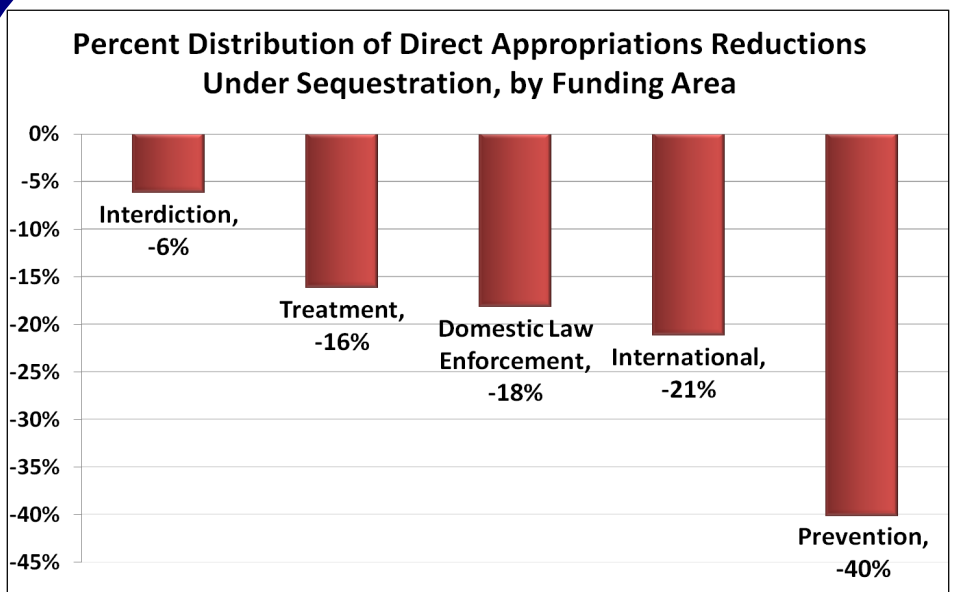

Note: This figure considers only appropriations for each area identified as specific line items and counted by ONDCP as 100 percent drug-related.
Source: Office of National Drug Control Policy, *Federal Drug Control Strategy Budget Summary: 2011*

—much less than sequestration. However, the effect on drug control could be smaller or larger if agency leaders have latitude to implement cuts unevenly within their agencies.

Continuing with this assumption, we estimate that 66 percent of the federal drug control budget falls into this category of resources where there are no explicit, identifiable congressional appropriations for a drug control activity. Hence, 66 percent of the federal drug control budget may realize less than the full effect of a sequestration.

The Five Functional Areas of the Federal Drug Control Budget

Since it became an operating agency in 1989, ONDCP has presented its estimates of federal drug control spending in five major functional areas: prevention, treatment, law enforcement, international or source country programs, and drug interdiction. Using the Obama administration's FY 2012 drug control budget request for our analysis, we estimated the impact of a sequestration on each of the five functional areas. We found the following:

1. Prevention is most affected: About 78 percent of the total $1.7 billion requested for prevention is identified in an appropriation bill and would therefore absorb the full effect of a sequester.
2. Law Enforcement, treatment, and international programs are roughly equally affected: We estimate that 41 percent of the $2.1 billion international budget, 35 percent of the $9.5 billion domestic law enforcement budget, and 32 percent of the $9.0 billion treatment budget is directly affected by a sequestration.
3. Interdiction is least affected: We estimate that 11 percent of the $3.9 billion allocated to interdiction is directly affected by a sequestration.

These estimates are based on ONDCP's FY 2012 request for drug control as reported in its *Federal Drug Control Strategy Budget Summary: 2011*. Our findings indicate that an automatic across-the-board cut from a sequestration would reduce resources that ONDCP identifies as essential components of its *National Drug Control Strategy*. In addition, the area being most promoted by ONDCP—more resources for prevention—would be reduced the most by a sequestration. Most of these resources are funds appropriated to the Substance Abuse and Mental Health Services Administration's (SAMHSA) Center for Substance Abuse Prevention and to ONDCP for the Drug Free Communities Program.

How a Dollar Reduction under Sequestration would be Allocated

Another way to view the impact of a sequestration on the federal drug control dollar is to look at how a dollar cut in direct line-item appropriations would be allocated among the five drug control functional areas. For this analysis, we focus on those dollars actually appropriated by Congress for drug control activities—those dollars that are identifiable in appropriations and counted by ONDCP as 100 percent drug-related.

Figure 1 shows our findings. Of a total dollar reduction in direct appropriations, 40 percent would be cut from prevention and another 16 percent would be cut from treatment. Together, these two areas constitute what ONDCP reports as spending for demand reduction—totaling 56 percent, or the majority of the dollar cut. With respect to supply reduction programs, source country programs get cut by 21 percent, domestic law enforcement gets cut by 18 percent, and interdiction is cut by 6 percent. In total, supply reduction appropriations sustain 44 percent of the direct dollar cut.

Conclusion

The mandatory $1.2 trillion reduction in federal spending that is scheduled to begin in 2013, and continue to 2021, will limit ONDCP's effort to reform national drug control policy. ONDCP's national drug control strategy aims to increase public health and safety through a public health approach. Sequestration's impact on the federal drug control budget will result in much more emphasis on supply reduction programs that seek to curb America's demand for illicit drugs by reducing access and availability to those drugs that cross our borders each year. Unless Congress or the administration intervenes with a more rational approach to deficit reduction, our nation's drug policy and the budget to implement it will be substantially at odds.

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