

Fort Bragg, Fayetteville brace for additional sequestration cuts in new fiscal year

[By Ali Rockett](#) – September 21, 2013

As Washington lawmakers continue to debate a budget that will keep the government running, sequestration looms.

The across-the-board spending cuts will likely continue into the new fiscal year, which starts Oct. 1, according to politicians, think tanks, economists and defense contractors. The cuts have hit communities such as Fayetteville especially hard, where 40 percent of the local economy is defense or military related.

While some express concern about a worst-case scenario, others say the impact in fiscal 2014 may not be as severe as this year's cuts.

Sequestration, which went into effect March 1, resulted in an immediate \$37 billion cut to defense spending. That prompted furloughs for about 650,000 civilian defense workers nationwide. Civilian workers initially were furloughed for 11 days, but that was reduced to six.

During Secretary of Defense Chuck Hagel's visit to Fort Bragg in July, he said if the sequester continues into fiscal 2014, the department is looking at another \$52 billion reduction from the defense department's budget request.

This could mean more civilian furloughs and reductions in workforce and troops as well as affecting military readiness.

Doug Peters, president of the Fayetteville Regional Chamber, said he recently pleaded with state lawmakers in Washington to do something to prevent further cuts through sequestration.

"Communities like ours cannot move on in this wave of uncertainty," Peters said. "This community has a tremendous amount at stake."

Fort Bragg officials say they are bracing for the inevitable.

"We do know budget cuts are forthcoming, but we don't know where they will be directed or to what extent," said Fort Bragg Garrison spokesman Tom McCollum.

The garrison command and Womack Army Medical Center have announced reductions in force. Womack is expected to lay off more than 200 employees by February. McCollum said the garrison command is still finalizing the number of layoffs, but earlier reports said 41 positions may be cut by Nov. 14.

Other commands on Fort Bragg are grappling with the same budget crunch - and the uncertainty.

"At this time, there are no concrete plans for civilian furloughs or reductions, reductions in troop levels, specific training events to be cut, or delays or cancellations of equipment procurement," said Lt. Col. Matthew Lawrence, chief public information officer for the U.S. Army Reserve Command at Bragg. "That being said, as was the case with sequestration in March, all options remain on the table."

Maj. Lisa Ray, of the U.S. Air Force Command, said the uncertainty surrounding the Air Force budget continues to put a strain on airman.

Economic impact

While Fort Bragg will take the brunt of these cuts, Fayetteville's economy will continue to be affected.

As of August, the Fayetteville metro area has lost 1,100 jobs since January, with about half the loss coming from federal government jobs, said Mike Walden, an economics professor at N.C. State University.

Sequestration poses a serious threat to Fayetteville's economy, he said.

"Military is taking a large brunt of the cuts," Walden said. "I don't know that there is anything you can do in the short run. Whenever you have a city whose economy hinges on one or two industries, you rise and fall with that industry."

In the long run, Walden said, Fayetteville's leaders should continue to look at diversifying its industrial base.

He called the city's workforce unique; people leave the military "with very marketable skill sets."

But many, such as retired Gen. Dan McNeill, find success outside of the military in the defense-related field. McNeill, president of the Logistics Company, a defense contractor, said during his time as a soldier and a commander, he remembers budget pinches. He recalled sleeping with batteries in his bed because they "lasted longer that way."

"We weren't issued batteries on demand, but when there was money."

But, he said, that was nothing compared with what Fort Bragg is facing today. McNeill called recent sequester cuts "draconian."

Where the government used to be more flexible with spending, he said, most government contracts now are "firm fixed price." That means if a contractor goes over the agreed-upon price, he pays for it out of his own revenue.

This is creating a "price shoot out" among contractors, he said.

"The U.S. government is working just like private companies to cut costs," McNeill said. "So what we see is a changing environment, and we try to adapt. Those like us are going to find the next two years difficult."

McNeill said he believes the real pain will come in fiscal 2014. Lingering effects from this year's cuts will compound the additional reductions needed to remain at sequester-level spending.

But despite the cuts, he still describes the defense department budget as "good." Compared to other sectors of the government, which have seen reduced funding over several years, the Department of Defense has grown since 2001 following the 9/11 attacks.

"That's why we have some optimism in our company that we can continue to get work and win contracts."

Just like the city of Fayetteville, defense contractors need to diversify their businesses, said Joy Thrash, executive director of the N.C. Defense Business Association.

She said there is a trickle-down effect from reductions in defense spending. They negatively impact defense contractors and companies that support them.

Benjamin Friedman, research fellow in defense studies for the Cato Institute, a libertarian think tank in Washington, D.C., said he thinks the impact of the upcoming cuts will be small, based on what occurred last year.

"A lot of the sky-is-falling rhetoric ended up not being quite right," said Friedman. He was referring to the reduction in furlough days for civilian defense workers, which was reduced from 11 to six.

"(Defense officials) ended up having more flexibility than they first admitted," he said.

The Pentagon is now preparing a new 2014 budget that falls below sequester-level spending, which is around \$475 billion, while still holding out hope for its original budget request for \$534 billion.

"The worst is over in terms of drastic cuts," Friedman said. "But the effects will be more drawn out, taking a few years to manifest."

