



The Deputy Secretary of Energy
Washington, DC 20585

March 5, 2013

The Honorable Bill Haslam
Governor, State of Tennessee
Tennessee State Capitol
Nashville, TN 37243-0001

Dear Governor Haslam:

As you are likely aware, due to the failure of Congress to reach a deal on balanced deficit reduction to avoid sequestration, on March 1, 2013 the President was required by law to issue a sequestration order canceling approximately \$85 billion in budgetary resources across the Federal Government for the remainder of the Federal fiscal year. We want to provide you, as a partner with the Department of Energy, with timely and clear information about how these unfortunate budget cuts impact us, and in turn what they mean for jobs in and funds provided to Tennessee.

As a result of sequestration, the Department's overall budget has been reduced by nearly \$1.9 billion for the remainder of the fiscal year. For the State of Tennessee, the Department's current preliminary analysis is that the impacts will include the following:

- Direct reductions to the Department's contractors in Tennessee are estimated at \$90 million.
- As a result of this decrease in funding, we understand that contractors may be forced to furlough or lay off an estimated 1,400 employees in Tennessee, beginning as early as April 1, 2013.
- Certain impacts to the Department's subcontractors in Tennessee may be significant, but many are not included in this estimate.
- The Department is reallocating money from long-term efforts to limit sequestration's near-term impact. The impact of prolonged or permanent sequestration, then, would be greater than described here.
- An example of a particular estimated sequestration impact is that the Department will be required to decrease funding for contractors at the Y-12 National Security Complex by approximately \$41 million, which the Department understands may result in furloughs of more than 1,000 contractor employees.



While these reductions are unfortunate and will be damaging, the Department is doing everything within its power to protect our mission to the greatest extent possible. Accordingly, we are prepared to work to manage these reductions to the extent that we can. Please be aware that this preliminary analysis may change as we seek to manage reductions across the Department's complex. And should Congress take subsequent action that changes the level or nature of these reductions, we are committed to working to manage those changes.

Thank you for your continued partnership with the Department of Energy, and for your cooperation as we work together to manage these unfortunate circumstances.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Daniel B. Poneman". The signature is fluid and cursive, with a large loop at the end.

Daniel B. Poneman