

UNITED STATES  
PATENT AND TRADEMARK OFFICE



# PPAC Public Advisory Committee (PPAC) financial management update

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# What is sequestration?

- Sequesters are **permanent** across-the-board budget cuts triggered by exceeding budgetary limits established by Congress.
  - The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA, codified at 2 USC 901 et seq) created sequestration and was amended by the Budget Control Act of 2011.
  - Budget caps were set for ten years at the time, with sequestration triggered when the caps were exceeded. This happened in 2013.
- USPTO was subject to a sequester in 2013 (along with much of the rest of the Executive Branch)
  - \$147.7M in USPTO fee collections were diverted and are now unavailable in an account at Treasury.
- The Fiscal Responsibility Act of 2023 (FRA) reinstituted sequestration as part of the debt ceiling deal, creating the risk of sequestration in 2024 and 2025.

# Potential FY 2025 sequestration analysis

- The Fiscal Responsibility Act of 2023 reinstituted discretionary spending limits for defense and non-defense discretionary spending in FY 2024 and FY 2025.
  - If a sequester is triggered in FY 2025, the estimated USPTO impact could be anywhere from 1% to 5%, or \$45M to \$230M\*.
  - Per an administrative determination, USPTO fees are not considered voluntary payments (see 2 USC 905: Exempt programs and activities).
  - Accordingly, USPTO fees are not exempt from sequestration per the Balanced Budget and Emergency Deficit Control Act of 1985.
  - Any sequestered fees would be added to the ~\$1B in unavailable USPTO fees at the Department of Treasury.

\*This sequestration range is only for illustrative purposes, and these potential impacts have not been included in the budget. The USPTO will refresh estimates if it anticipates a sequester in FY 2025.

# Sequestration: exempt programs and activities (2 USC 905)

- a) Social security benefits and tier I railroad retirement benefits
- b) Veterans programs

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- g) Other programs and activities

(1)(A) The following budget accounts and activities shall be exempt from reduction under any order issued under this subchapter:

Activities resulting from private donations, bequests, or voluntary contributions to the Government;

Activities financed by **voluntary payments** to the Government for goods or services to be provided for such payments

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# Thank you!

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