



February 28, 2013

Honorable Patrick J. Toomey
United States Senate
Washington, DC 20510

Dear Senator:

In response to your request, CBO has reviewed S. 16, a bill to provide for a sequester replacement, as introduced on February 27, 2013. The legislation would provide the President with flexibility in administering the automatic spending reductions (also known as sequestration) that are scheduled to take effect on March 1. The bill would require the President to cut the same total amount in budgetary resources this year as currently required by law (\$85.3 billion)—but instead of applying across-the-board cuts to all nonexempt programs, S. 16 would allow him to decide how to allocate those cuts, subject to certain limitations specified in the bill. (For example, no more than half of the reductions could come from defense spending.) In addition, the Secretary of Defense would be given some authority to transfer amounts appropriated for 2013 for the Department of Defense from some accounts to others.

The President would have until March 15 to report to the Congress on his plan for the reductions in spending. The Congress would then have the opportunity to vote on a resolution of disapproval of the President's plan. If such a resolution is enacted or if the President does not submit a plan, the sequestration as provided in current law would remain in effect.

Providing such flexibility in administering the automatic spending reductions would introduce some additional uncertainty about the ultimate amount of savings that would be generated. Some reductions in budget authority would result in immediate outlay savings, but some would result in savings over a long period of time and others might result in no savings at all (because some funds are never spent).

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CBO has no basis for predicting in detail how the President would implement this new authority. The President's plan could reduce outlays by more or less than would occur under the across-the-board cuts currently scheduled to take place. However, with the opportunity to focus such cuts on lower-priority programs or on programs for which the consequences of the budget reductions would be less immediate, CBO anticipates that the President might well apply more of the reductions to budget authority that would have remained unspent over the next 10 years in any event, thereby generating marginally lower outlay savings than would occur under current law.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Jeff Holland.

Sincerely,



Douglas W. Elmendorf
Director

cc: Honorable Harry Reid
Senate Majority Leader

Honorable Mitch McConnell
Senate Minority Leader

Honorable Patty Murray
Chairman, Committee on the Budget

Honorable Jeff Sessions
Ranking Member

Identical letter sent to the Honorable James M. Inhofe