

## CONGRESSIONAL BUDGET OFFICE

# Sequestration Update Report for Fiscal Year 2012

August 12, 2011

Under the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the Budget Control Act of 2011 (Public Law 112-25), the Congressional Budget Office (CBO) is required to issue, on August 15 each year, a report providing information about the limits on discretionary spending (now set through 2021) and an explanation of any adjustments to them that are required to be made. This document reports on the limits that were specified in the recently enacted law because no actions have been taken that would necessitate a change in them.

### **Discretionary Spending Caps**

The Budget Control Act imposes caps on appropriations of new discretionary budget authority that start at \$1,043 billion in 2012 and reach \$1,234 billion in 2021. For 2012 and 2013, separate caps for “security” and “nonsecurity” budget authority are in effect; from 2014 to 2021, only one cap applies to total discretionary funding (see Table 1).<sup>1</sup> If those caps are exceeded, across-the-board cuts (that is, a sequestration) will be applied to discretionary accounts in an amount sufficient to eliminate the excess.<sup>2</sup>

The law allows for adjustments to the discretionary spending limits when appropriations are provided for certain purposes. Funding for the wars in Afghanistan and Iraq or similar activities (sometimes referred to as overseas contingency operations) would lead to an increase in the caps, as would other funding designated as an emergency requirement. Furthermore, the law allows for an increase in the caps if additional budget authority is provided for “program integrity” initiatives aimed at reducing improper benefit payments in the Disability Insurance and Supplemental Security Income programs, Medicare, Medicaid, and the Children’s Health Insurance Program. Finally, the caps would be increased if appropriations were provided for

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1. For the purpose of enforcing those discretionary spending caps, the security category comprises discretionary appropriations for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account (95-0401-0-1-054), and discretionary accounts in budget function 150 (international affairs). The nonsecurity category comprises all discretionary appropriations not included in the security category.
  2. Budgetary resources include new budget authority, unobligated balances of budget authority, and limits on the obligation of budget authority.

**Table 1.**

**Caps on Discretionary Budget Authority as Specified in the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended by the Budget Control Act of 2011**

(By fiscal year, in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Total, 2012-2021
<b>Total</b>	<b>1,043</b>	<b>1,047</b>	<b>1,066</b>	<b>1,086</b>	<b>1,107</b>	<b>1,131</b>	<b>1,156</b>	<b>1,182</b>	<b>1,208</b>	<b>1,234</b>	<b>11,260</b>
Security	684	686	n.a								
Nonsecurity	359	361	n.a								

Source: Congressional Budget Office.

Notes: For the purpose of enforcing those discretionary spending caps, the security category comprises discretionary appropriations for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account (95-0401-0-1-054), and discretionary accounts in budget function 150 (international affairs). The nonsecurity category comprises all discretionary appropriations not included in the security category.

If recommendations of the Joint Select Committee on Deficit Reduction that would reduce deficits by at least \$1.2 trillion over the 2012–2021 period are not enacted by January 15, 2012, the law specifies additional procedures for reducing deficits. Those procedures would include reductions to the caps on discretionary spending and the sequestration of certain mandatory spending authority.

n.a. = not applicable.

certain types of disaster relief.<sup>3</sup> Because the Budget Control Act was just enacted on August 2, no actions that would trigger adjustments to the limits specified in that law have yet taken place.<sup>4</sup>

### Adjustments for Disaster Relief

Section 254 of BBEDCA specifies that CBO’s sequestration update report “contain a preview estimate of the adjustment for disaster funding for the upcoming fiscal year.” Such an adjustment may not exceed the total of:

- Average funding over the previous 10 years (excluding the highest and lowest years) and

3. For the purpose of an adjustment to the cap, “disaster relief” refers to activities carried out pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5122(2)); such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance.

4. For an analysis of the Budget Control Act of 2011, see Congressional Budget Office, letter to the Honorable John A. Boehner and the Honorable Harry Reid estimating the impact on the deficit of the Budget Control Act (August 1, 2011).

- Any amount by which the prior year's allowable adjustment exceeded appropriations for disaster relief that year.<sup>5</sup>

At this time, CBO does not have an estimate of the potential cap adjustment for disaster relief for fiscal year 2012 because data on historical spending meeting the law's definition of disaster relief were not available when this report was prepared.

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5. Amounts appropriated for disaster relief may not separately qualify for a cap adjustment if they are also designated as emergency funding or as funding for overseas contingency operations.