



Final Sequestration Report for Fiscal Year 2016

Within 10 days of the end of a session of Congress, the Congressional Budget Office is required by law to issue a report that provides estimates of the limits (often called “caps”) on discretionary budget authority in effect for each fiscal year through 2021.¹ CBO is also required to report whether, according to its estimates, enacted legislation for the current fiscal year has exceeded those caps; if the caps were exceeded, a sequestration (that is, a cancellation of budgetary resources) would be required.

In CBO’s estimation, such a sequestration will not be required for 2016. However, the authority to determine whether a sequestration is required and, if so, exactly how to make the necessary cuts in budget authority rests with the Administration’s Office of Management and Budget (OMB). Those determinations are based on OMB’s own estimates of federal spending.

Limits on Discretionary Budget Authority for 2016

The Bipartisan Budget Act of 2015 (Public Law 114-74) modified the caps on defense and nondefense funding for fiscal year 2016 that were established by the Budget Control Act of 2011 (P.L. 112-25). The Bipartisan Budget Act reset those limits to total \$1,066.6 billion—\$548.1 billion for defense programs and \$518.5 billion for nondefense programs.

By law, however, the caps are adjusted upward when appropriations are provided for certain purposes.

1. Budget authority is the authority provided by law to incur financial obligations that will result in immediate or future outlays of federal funds. Discretionary budget authority is provided and controlled by appropriation acts. All of the years referred to in this report are federal fiscal years, which run from October 1 to September 30.

Specifically, budget authority designated as an emergency requirement or provided for overseas contingency operations, such as military activities in Afghanistan, leads to an increase in the caps, as does budget authority provided for some types of disaster relief (as this report explains below) or for certain “program integrity” initiatives.²

To date, CBO estimates, such adjustments to the caps on discretionary budget authority for 2016 have totaled \$83.1 billion (see Table 1). Most of that amount, \$58.8 billion, is an increase in the defense cap to account for budget authority provided for overseas contingency operations. Estimated adjustments to the nondefense cap include \$14.9 billion for overseas contingency operations, \$7.1 billion for disaster relief, \$1.5 billion for program integrity initiatives related to Medicare and to the Disability Insurance and Supplemental Security Income programs, and \$0.7 billion for emergency funding for managing forest fires.

After those adjustments are made, the caps on budget authority for 2016 total an estimated \$606.9 billion for defense programs and \$542.8 billion for nondefense programs—about \$1.15 trillion in all. According to CBO’s estimates, appropriations for defense and non-defense programs in 2016 are equal to those caps; therefore, no sequestration will be required.

The caps could be breached, however, if lawmakers were to provide additional appropriations before the end of September 2016—unless those appropriations fell into one of the categories that cause an adjustment to the caps or were offset by reductions in funding for other

2. Such initiatives may be aimed at reducing improper benefit payments in the Disability Insurance and Supplemental Security Income programs, Medicare, Medicaid, and the Children’s Health Insurance Program.

Table 1.**Limits on Discretionary Budget Authority for Fiscal Year 2016**

Millions of Dollars

	Defense ^a	Nondefense ^a	Total
Caps Established in the Budget Control Act ^b	548,091	518,491	1,066,582
Adjustments			
Overseas contingency operations ^c	58,798	14,895	73,693
Disaster relief ^d	0	7,143	7,143
Program integrity initiatives ^e	0	1,523	1,523
Emergency requirements	0	698	698
Subtotal	58,798	24,259	83,057
Adjusted Caps for 2016	606,889	542,750	1,149,639
Appropriations for 2016 (As of December 28, 2015)	606,889	542,750	1,149,639

Source: Congressional Budget Office.

- The defense category comprises appropriations designated for budget function 050; the nondefense category comprises all other discretionary appropriations.
- The Budget Control Act of 2011 amended the Balanced Budget and Emergency Deficit Control Act of 1985 to reinstate caps on discretionary budget authority. The Bipartisan Budget Act of 2015 canceled automatic spending reductions set to take effect in 2016 and set revised caps on defense and nondefense funding for that year at amounts that were each \$25 billion above what the caps would have been if the automatic spending reductions had occurred.
- This category consists of funding for war-related activities in Afghanistan or for similar activities.
- For the purposes of adjustments 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; such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance.
- Program integrity initiatives may be aimed at reducing improper benefit payments in the Disability Insurance and Supplemental Security Income programs, Medicare, Medicaid, and the Children's Health Insurance Program. In 2016 thus far, funding for program integrity initiatives has been provided for Medicare and for the Disability Insurance and Supplemental Security Income programs.

programs. If the caps were breached late in the fiscal year, the caps for 2017 would be reduced to compensate for the excess funding in 2016.

Limits on Discretionary Budget Authority for 2017 Through 2021

The Budget Control Act also established limits on discretionary budget authority for fiscal years 2017 through 2021, as well as automatic procedures that will reduce the funding allowed for both discretionary and mandatory spending through 2021.³ The Bipartisan Budget Act canceled the automatic reductions in discretionary spending for 2016 and 2017 and set new caps

for 2017 that are a total of \$30 billion higher than they would have been if the automatic reductions had occurred; those caps equal \$551 billion for defense programs and \$519 billion for nondefense programs.

CBO has estimated how the automatic procedures will affect the caps on discretionary budget authority for each year from 2018 through 2021 (see Table 2).⁴ CBO's calculations, however, can only approximate the eventual outcomes, because OMB is ultimately responsible for implementing the automatic reductions on the basis of its own estimates.

3. Mandatory spending refers to outlays from budget authority that is generally controlled by laws other than appropriation acts. Sequestration of such spending was subsequently extended through 2025.

4. For a detailed analysis of the methods that CBO uses to calculate automatic reductions, see Congressional Budget Office, *Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act* (September 2011), www.cbo.gov/publication/42754.

Table 2.**Limits on Discretionary Budget Authority for Fiscal Years 2017 Through 2021**

Millions of Dollars

	2017	2018	2019	2020	2021
Caps Originally Set in the Budget Control Act					
Defense	590,000	603,000	616,000	630,000	644,000
Nondefense	541,000	553,000	566,000	578,000	590,000
Total	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Estimated Effect of Automatic Spending Reductions^a					
Defense	-53,932	-53,960	-53,957	-53,953	-53,949
Nondefense	-37,469	-37,401	-36,300	-35,094	-34,778
Total	-91,401	-91,361	-90,257	-89,047	-88,727
Changes Enacted in the Bipartisan Budget Act of 2015					
Defense	15,000	n.a.	n.a.	n.a.	n.a.
Nondefense	15,000	n.a.	n.a.	n.a.	n.a.
Total	30,000	n.a.	n.a.	n.a.	n.a.
Estimate of Revised Caps					
Defense	551,068	549,040	562,043	576,047	590,051
Nondefense	518,531	515,599	529,700	542,906	555,222
Total	1,069,599	1,064,639	1,091,743	1,118,953	1,145,273

Source: Congressional Budget Office.

- a. The automatic spending reductions specified in the Budget Control Act are set to reduce the caps on discretionary budget authority for 2018 through 2021. (The Bipartisan Budget Act of 2015 canceled those reductions for 2016 and 2017.) In addition, a sequestration of mandatory spending is scheduled for each year through 2025. These estimates reflect CBO's calculations; however, the Office of Management and Budget is responsible for the official determination of such reductions.

The caps on discretionary budget authority originally established by the Budget Control Act were set to rise gradually from a total of \$1,156 billion in 2018 to \$1,234 billion in 2021. However, the automatic procedures will reduce those caps. For 2018, the reduction will total \$91 billion (or 7.9 percent), CBO estimates; for 2021, the reduction will be slightly smaller—\$89 billion (or 7.2 percent).

Under current law, the reductions in the caps for defense programs will be proportionately larger than the reductions in the caps for nondefense programs. By CBO's estimate, the defense cap will shrink by \$54 billion each year, a cut that amounts to 8.9 percent in 2018 and slightly smaller percentages in subsequent years. The nondefense cap will shrink by \$37 billion in 2018, which represents a cut of 6.8 percent, and by similar amounts (and smaller percentages) in later years. How those reductions are apportioned among the various budget accounts within

the two categories will be determined by future appropriation acts.

After those reductions are accounted for, the overall limit on discretionary budget authority will decrease slightly from \$1,070 billion for 2017 to \$1,065 billion for 2018 and then steadily increase to \$1,145 billion for 2021, CBO estimates; the average annual increase from 2018 to 2021 would be 2.5 percent. The defense and nondefense caps that add up to that limit will follow a similar pattern. The cap for the defense category will decline from \$551 billion for 2017 to \$549 billion for 2018 and then rise to \$590 billion for 2021, CBO estimates. The cap for nondefense funding will decrease from \$518 billion for 2017 to \$516 billion for 2018 and then rise to an estimated \$555 billion for 2021. (Those figures do not include any adjustments that might be made to accommodate future appropriations for emergencies, overseas contingency operations, disaster relief, or program integrity initiatives.)

Disaster Relief

The total increase in the caps to accommodate funding for disaster relief in a given year is limited by law. It cannot exceed the sum of the following two amounts: the average funding provided for disaster relief over the previous 10 years (adjusted to exclude the highest and lowest annual amounts) and the amount, if any, by which the adjusted 10-year average applicable in the previous year exceeded that year's appropriation. For 2016, CBO estimates that the maximum potential adjustment for disaster relief is \$14.1 billion. That total consists of:

- The average of \$8.7 billion in funding provided over the 2006–2015 period (excluding the highest and lowest annual amounts); and
- The \$5.4 billion by which disaster-relief funding appropriated in 2015 (\$6.5 billion) was lower than the adjusted average of \$11.9 billion over the previous 10 years.

Lawmakers designated \$7.1 billion in appropriations for 2016 as funding for disaster relief—\$7.0 billion less than the maximum potential amount.

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