



March 12, 2013

Honorable Jeff Sessions  
Ranking Member  
Committee on the Budget  
United States Senate  
Washington, DC 20510

Dear Senator:

As you requested, the Congressional Budget Office (CBO) is providing information in this letter on appropriations for fiscal year 2013 and the effect on those appropriations of the automatic spending reductions (known as sequestration) that were implemented on March 1.

If the Consolidated and Continuing Appropriations Act, 2013 (an amendment to H.R. 933, as offered in the Senate on March 11, 2013) is enacted, appropriations for 2013 for programs limited by the statutory caps will total \$1,043 billion.<sup>1</sup> In addition, the proposed appropriations and previously enacted legislation include funding for certain activities that are not constrained by the caps; together, that Senate legislation and Public Law 113-2, the Disaster Relief Appropriations Act, 2013, would provide a total of \$153 billion in such funding.<sup>2</sup> Both appropriations limited by the caps and those that are not constrained include resources that are subject to the automatic spending reductions. All told, appropriations for 2013 will total \$1,196 billion if the Senate legislation is enacted.

In *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (March 1, 2013), the Office of Management and Budget (OMB) provided details on the automatic spending reductions for 2013. Specifically, those reductions will lower the \$1,043 billion in appropriations limited by the caps (as well as unobligated balances for defense programs) by \$59 billion, resulting in an annual total of \$984 billion in net new budget authority (see Table 1). In addition, funding for activities that are not constrained by the

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1. The caps were initially established by the Budget Control Act of 2011 and later amended by the American Taxpayer Relief Act of 2012.

2. Those activities include overseas contingency operations, disaster relief, program integrity efforts, and emergency requirements.

statutory caps will be reduced by about \$9 billion, to a total of \$144 billion. Thus, total discretionary budget authority in 2013 will be \$1,127 billion, which is \$68 billion less than the \$1,196 billion of authority that would be provided if the Senate legislation was enacted in the absence of sequestration (see Table 2 for CBO's estimates of budget authority by appropriations subcommittee, excluding the effects of sequestration).

Automatic reductions to mandatory programs will reduce funding for those programs by another \$17 billion, by OMB's calculation. Therefore, OMB reports that the total sequestration will amount to \$85 billion in budget authority.

The figures in Table 1 are the same as those in Table 1 provided with the letter to Chairman Paul Ryan on March 4, 2013. Table 2 reflects the somewhat different allocations of total funding that would be provided by the proposed Senate amendment.

CBO previously estimated that the automatic spending reductions would lower outlays by \$42 billion in 2013 (and by additional amounts in subsequent years). Incorporating OMB's determination of the distribution of those reductions across budget categories will probably change that estimate somewhat, but CBO has not yet had an opportunity to update its calculations.

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

Sincerely,



Douglas W. Elmendorf  
Director

Enclosure

cc: Honorable Patty Murray  
Chairman

Honorable Barbara Mikulski  
Chairwoman, Committee on Appropriations

Honorable Richard Shelby  
Vice Chairman

**Table 1.**  
**Budget Authority for Fiscal Year 2013**

(Billions of dollars)

	Before <u>Sequestration</u>	Amount <u>Sequestered</u>	After <u>Sequestration</u>
Discretionary Budget Authority Subject to the Caps in the Deficit Control Act <sup>a</sup>	1,043	-59	984
Adjustments			
Overseas contingency operations <sup>b</sup>	99	-6	92
Emergency requirements <sup>c</sup>	42	-2	40
Disaster relief <sup>d</sup>	12	-1	11
Program integrity <sup>e</sup>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	153	-9	144
Total Discretionary Budget Authority	1,196	-68	1,127
Mandatory Budget Authority <sup>f</sup>	2,409	-17	2,392
Total Budget Authority	3,605	-85	3,519

SOURCES: Congressional Budget Office, Office of Management and Budget.

NOTE: Numbers in this table were derived from CBO's estimates for appropriation legislation (including an amendment to H.R. 933, as offered in the Senate on March 11, 2013), the *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (March 1, 2013), and CBO's February 2013 baseline. CBO has not yet done a full analysis of the effects of the sequestration on its baseline estimates.

a. Caps on discretionary budget authority for 2013 apply to security (\$684 billion) and nonsecurity (\$359 billion) spending. The amount sequestered includes a reduction in unobligated balances for defense programs.

b. This category consists of funding for war-related activities in Afghanistan and for similar activities.

c. This category consists mostly of funding for relief and recovery from Hurricane Sandy that was designated as an emergency requirement by the Congress. About \$5 billion in funding related to Hurricane Sandy was declared disaster relief, and about \$3 billion was not declared either as an emergency requirement or as disaster relief.

d. 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.

e. Program integrity initiatives identify and reduce overpayments in benefit programs, such as Disability Insurance, Supplemental Security Income, Medicare, Medicaid, and the Children's Health Insurance Program. For 2013, funding for program integrity initiatives thus far has been provided only for Disability Insurance and Supplemental Security Income.

f. Most mandatory programs--including Social Security and other federal retirement programs, Medicaid, and veterans' benefits--are exempt from sequestration. The \$17 billion reduction in mandatory budget authority is an estimate prepared by the Office of Management and Budget.

**TABLE 2. Total Discretionary Appropriations for Fiscal Year 2013, Including the Consolidated and Continuing Appropriations Act, 2013 (an Amendment in the Nature of a Substitute to H.R. 933) as Posted on the Senate Committee on Appropriations Web Site on March 11, 2013 and Public Law 113-2, the Disaster Relief Appropriations Act, 2013**

(In millions of dollars)

March 12, 2013

Senate Subcommittee	Regular Appropriations 1,2/			Appropriations with Sec. 251 Adjustments 3/					Total Appropriations
	Security	Nonsecurity	Total Regular Appropriations	Overseas Contingency Operations	Disaster Relief	Program Integrity	Emergency Requirements (P.L. 113-2)		
Agriculture	BA:	1,618	18,914	20,532	0	0	0	224	20,756
	O:	1,692	21,196	22,888	0	0	0	72	22,960
Commerce, Justice, Science	BA:	81	50,129	50,210	0	0	0	363	50,573
	O:	84	62,624	62,708	0	0	0	97	62,805
Defense	BA:	517,675	0	517,675	87,226	0	0	88	604,989
	O:	572,424	15	572,439	48,044	0	0	42	620,525
Energy and Water	BA:	11,501	25,243	36,744	0	0	0	1,889	38,633
	O:	11,518	29,832	41,350	0	0	0	327	41,677
Financial Services	BA:	0	21,453	21,453	0	0	0	811	22,264
	O:	0	24,370	24,370	0	0	0	430	24,800
Homeland Security	BA:	39,609	0	39,609	254	11,779	0	6,693	58,335
	O:	45,334	0	45,334	203	1,453	0	283	47,273
Interior	BA:	0	29,827	29,827	0	0	0	1,443	31,270
	O:	0	31,583	31,583	0	0	0	153	31,736
Labor, HHS, Education	BA:	0	156,872	156,872	0	0	483	827	158,182
	O:	0	167,114	167,114	0	0	430	108	167,652
Legislative Branch	BA:	8	4,276	4,284	0	0	0	0	4,284
	O:	8	4,307	4,315	0	0	0	0	4,315
Military Construction, VA	BA:	71,544	339	71,883	0	0	0	261	72,144
	O:	79,097	262	79,359	2	0	0	24	79,385
State, Foreign Operations	BA:	41,964	129	42,093	11,203	0	0	0	53,296
	O:	49,520	140	49,660	3,510	0	0	0	53,170
Transportation, HUD	BA:	0	51,817	51,817	0	0	0	29,070	80,887
	O:	0	114,914	114,914	0	0	0	588	115,502
Total	BA:	684,000	358,999	1,042,999	98,683	11,779	483	41,669	1,195,613
	O:	759,677	456,357	1,216,034	51,759	1,453	430	2,124	1,271,800

**Memorandum Regarding Sequestration:**

This table does not show the effects of the sequestration required by Sec. 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act), as amended by the Budget Control Act of 2011. On March 1, 2013, the Office of Management and Budget ordered the sequestration and reported that the total amount to be sequestered from discretionary accounts is \$68,413 million. Amounts in each column of this table that are subject to sequestration under the Budget Control Act of 2011 will be reduced on a pro-rata basis to meet that sequestration requirement.

SOURCE: Congressional Budget Office.

Notes: BA = budget authority; O = outlays; HHS = Health and Human Services; VA = Veterans Affairs; HUD = Housing and Urban Development; FDA = Food and Drug Administration.

In the Senate Substitute to H.R. 933: Division A = Agriculture, Rural Development, FDA, and Related Agencies; Division B = Commerce, Justice, Science and Related Agencies; Division C = Defense; Division D = Homeland Security; Division E = Military Construction and Veterans Affairs, and Related Agencies; Division F = Full-Year Continuing Appropriations Act, 2013; Division G = Other Matters.

1. These amounts are subject to discretionary spending limits in the Deficit Control Act. The spending limits were established in the Budget Control Act of 2011 (P.L. 112-25), which amended the Deficit Control Act.
2. Section 3001 of division G provides for across-the-board rescissions: for budget authority and obligation limitations in the nonsecurity category, 2.513 percent in divisions A and E and 1.877 percent in division B; for budget authority in the security category, 0.092 percent. The rescissions exclude amounts designated as OCO, disaster relief, and program integrity.
3. The spending limits set by the Deficit Control Act are to be adjusted to accommodate appropriations for these purposes, pursuant to section 251(b)(2) of the Deficit Control Act.