

INITIAL SEQUESTRATION REPORT
FOR FISCAL YEAR 1991

A Congressional Budget Office
Report to the Congress
and the Office of Management and Budget

August 20, 1990

CONTENTS

Letters of Transmittal	
SUMMARY	1
INTRODUCTION	1
BUDGET BASELINE TOTALS	2
ECONOMIC ASSUMPTIONS	3
REQUIRED OUTLAY REDUCTIONS	4
AUTOMATIC SPENDING INCREASES	5
SPECIAL RULES	5
Guaranteed Student Loan Program	5
Foster Care and Adoption Assistance Programs	5
Medicare	6
Veterans Medical Care and Other Health Programs	6
Child Support Enforcement Program	7
Unemployment Compensation Programs	7
Commodity Credit Corporation	7
Federal Pay	7
CONCEPTUAL ISSUES	8
SEQUESTRATION REDUCTIONS	8
APPENDIX: SEQUESTRATION REDUCTIONS BY AGENCY AND BUDGET ACCOUNT	11
TABLES	
1. Summary of CBO Budget Estimates for Fiscal Year 1991	2
2. CBO Economic Assumptions for Fiscal Year 1991	3
3. Real Economic Growth Rates from Previous Quarter	4
4. CBO Sequestration Calculations for Fiscal Year 1991	4
5. Composition of Baseline Outlays for Fiscal Year 1991	6
6. Automatic Spending Increases for Fiscal Year 1991 Subject to Sequestration	7
7. Defense Program Sequestrations for Fiscal Year 1991	9
8. Nondefense Program Sequestrations for Fiscal Year 1991 by Function	10

NOTES

All years referred to in this report are fiscal years, unless otherwise noted.

Details in the text and tables of this report may not add to totals because of rounding.

The Balanced Budget and Emergency Deficit Control Act of 1985 (commonly known as Gramm-Rudman-Hollings) is referred to in this report more briefly as the Balanced Budget Act. This act was amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987.

The source for all data in this report is the Congressional Budget Office, unless otherwise noted.

INITIAL SEQUESTRATION REPORT FOR FISCAL YEAR 1991

A CONGRESSIONAL BUDGET OFFICE REPORT TO THE CONGRESS AND THE OFFICE OF MANAGEMENT AND BUDGET

August 20, 1990

SUMMARY

The Congressional Budget Office (CBO) projects that, under current taxing and spending policies, the federal government deficit will total \$165.2 billion in fiscal year 1991. This estimate exceeds the target of \$64 billion specified in the Balanced Budget Act by \$101.2 billion. If CBO's estimates were controlling, and if no changes were made in policies, across-the-board reductions of 41.8 percent in defense programs and 38.0 percent in nondefense programs would be required to achieve the target.

On August 25, 1990, the Director of the Office of Management and Budget (OMB) will issue an initial independent estimate of the projected deficit, and will determine the necessity of across-the-board spending cuts. Based on the Administration's *Mid-session Review of the 1991 Budget* and subsequent developments, it appears that OMB's initial deficit will exceed the target by about \$85 billion.

Neither the CBO nor OMB baseline deficit estimate includes sufficient resources to resolve the hundreds of insolvent savings and loan associations whose deposits are federally insured. New legislation will be required to provide for these additional spending needs, which if included would push the projected 1991 deficit over \$230 billion. The estimates also do not include any deficit reduction that may emerge from budget negotiations currently under way between the Congress and the Administration.

INTRODUCTION

The Balanced Budget Act became law in December 1985 and established a series of annual budget deficit targets for the federal government that would lead to a balanced budget over five years. As amended in 1987, the Balanced Budget Act eased these annual targets and delayed the attainment of a balanced budget by one year, to fiscal year 1993. The deficit targets specified by the act are (in billions of dollars):

<u>Fiscal Year</u>	<u>Maximum Deficit</u>	<u>Sequestration Threshold</u>
1991	64	74
1992	28	38
1993	0	0

For 1991 and 1992, the deficit projection may exceed the target by as much as \$10 billion. If the Administration's deficit projection exceeds the target by more than this \$10 billion margin, the act provides a procedure--known as sequestration--to cut federal spending automatically. For 1993, sequestration would be triggered if any deficit is estimated in the Administration's October 15, 1992, report.

Sequestration involves the permanent cancellation of new budget authority and other authority to obligate and expend funds, except for special and trust funds, where the sequestered amounts of spending authority remain in the funds. The sequestration of budgetary resources is designed to achieve outlay reductions sufficient to reach the annual deficit targets.

The Balanced Budget Act specifies roles for the Congressional Budget Office, the Office of Management and Budget, and the Comptroller General. CBO's role is to advise OMB and the Congress, while the Director of OMB must determine whether or not sequestration is necessary and, if so, the amount of reductions in budgetary resources and outlays required to achieve the deficit target. Each year, CBO and OMB are required to prepare independently two sets of sequestration reports. The CBO reports, which are transmitted to the Director of OMB and to the Congress, are a benchmark against which the Congress and others may assess the OMB reports. The OMB reports, which are made to the President and to the Congress, provide the basis for sequestration orders to be issued by the President. The timetable for the agency reports and sequestration orders is shown on page 3.

TABLE 1. SUMMARY OF CBO BUDGET ESTIMATES FOR FISCAL YEAR 1991
(In billions of dollars)

	Revenues	Outlays	Deficit
Budget Baseline as of January 1, 1990	1,123.2	1,286.6	163.4
Effect of New Laws and Regulations			
Dire Emergency Supplemental Appropriations Act of 1990 (P.L. 101-302)	0.0	0.7	0.7
Iraqi sanctions	a	1.1	1.1
Other laws and regulations	a	a	a
Debt service costs	0.0	0.1	0.1
Subtotal	a	1.8	1.8
Budget Baseline as of August 15, 1990	1,123.2	1,288.4	165.2
Balanced Budget Act Deficit Target			64.0
Excess Deficit			101.2

a. Less than \$0.05 billion.

The initial CBO and OMB sequestration reports are based on laws that are enacted and regulations that are final at the time of a common snapshot date, August 15. The revised reports, however, must be based on laws enacted and regulations promulgated by the latest possible date before they are issued. Therefore, because the snapshot date may be different in the two agencies' final reports, some legislation and regulations reflected in one report may not be reflected in the other.

The role of the Comptroller General under the amended Balanced Budget Act is threefold: to prepare a report each year to the Congress and the President that certifies whether the final sequestration order issued by the President complies with the requirements of the Balanced Budget Act; to assess the compliance and accuracy of the OMB sequestration reports; and to make recommendations for improving sequestration procedures. The Comptroller's report is due on November 15.

This document is the initial CBO report for 1991. The report:

- o Estimates budget baseline levels as of January 1, 1990, and August 15, 1990, the amount of net deficit change that has occurred between the two dates, and the outlay reductions required for 1991;

- o Provides CBO economic assumptions used for the two baseline estimates, including the estimated rate of real economic growth for fiscal year 1991 by quarter; and
- o Calculates the amounts and percentages by which various budgetary resources must be sequestered in order to achieve the required outlay reductions.

BUDGET BASELINE TOTALS

The CBO budget baseline estimates of total revenues, outlays, and the deficit for fiscal year 1991 are shown in Table 1. Two sets of budget baseline estimates are provided--one for laws and regulations in effect on January 1, 1990, and the other for laws and regulations in effect on August 15, 1990. The economic and technical assumptions used for the August 15 budget baseline estimates are identical to those used for the January 1 estimates. The differences between the two sets of estimates, therefore, result only from laws enacted and final regulations promulgated since January 1.

These estimates are made in accordance with the specifications set forth in the Balanced Budget Act. When appropriations for the new fiscal year have not been enacted--and, as of August 15, none of the 1991 appropriation bills had been completed--the CBO and OMB budget baseline estimates under the act

are to be based on the appropriations enacted for the previous year, with an adjustment for inflation and increased pay costs. The act specifies the inflation adjustment as the estimated annual increase in the gross national product implicit price deflator, estimated by CBO to be 4.0 percent. For 70 percent of personnel costs, this inflation factor is increased to allow for higher agency retirement costs and for pay absorption in the previous fiscal year, and is reduced to account for pay absorption in the upcoming fiscal year.

For nonappropriated spending accounts and revenues, the baseline estimates assume that current laws and regulations will continue unchanged, and that expiring provisions of law will terminate as scheduled. The Balanced Budget Act, however, provides an exception to the general treatment of expiring provisions in the cases of excise taxes dedicated to trust funds, Commodity Credit Corporation agricultural price support programs, and contract authority for transportation trust funds. As required by the act, the budget baseline estimates include the receipts and outlays of the Social Security trust funds, even though they are legally off-budget.

The Balanced Budget Act provides that asset sales and loan prepayments shall neither be included in the budget baseline estimates nor count toward any net deficit reduction. The act makes an exception for asset sales and loan prepayments that are routine and ongoing according to the practices followed in fiscal year 1986 and for asset sales mandated by law as of September 17, 1987. The budget baseline estimates may not, however, assume or reflect an acceleration of routine asset sales or loan prepayments. The baseline therefore excludes \$0.4 billion in prepayments of Rural Electrification Administration loans expected in fiscal year 1991. The act also prohibits the inclusion of savings resulting from the

Snapshot date for initial CBO and OMB reports	August 15
Initial CBO report	August 20
Initial OMB report	August 25
Initial sequestration order	August 25
Revised CBO report	October 10
Revised OMB report	October 15
Final sequestration order	October 15

transfer of outlays, receipts, or revenues from one year to an adjacent year, except for certain types of transfers identified in law. No such savings apply to fiscal year 1991. Under these specifications, CBO's estimate as of August 15, 1990, of the budget baseline deficit for 1991 is \$165.2 billion.

Table 1 shows the estimated budgetary effect of laws enacted and final regulations promulgated since January 1, 1990. The estimated increase in the deficit since January 1 of \$1.8 billion stems almost entirely from two items: the Dire Emergency Supplemental Appropriations Act of 1990 and the imposition of sanctions on Iraq. In response to the sanctions by the United States, Iraq is expected to default on its loans obtained from U.S. lenders. Some of those loans were guaranteed by the Commodity Credit Corporation and the Export-Import Bank, which will have to spend an estimated \$1.1 billion in 1991 to make good on the guarantees.

ECONOMIC ASSUMPTIONS

The economic assumptions underlying the CBO budget baseline estimates for fiscal year 1991 are shown in Tables 2 and 3. The Balanced Budget Act requires the Directors of OMB and CBO to estimate the rate of real economic growth for the fiscal year covered by their reports, for each quarter of the fiscal year, and for the last two quarters of the preceding fiscal year. If either OMB or CBO projects real economic growth to be less than zero for any two

TABLE 2. CBO ECONOMIC ASSUMPTIONS FOR FISCAL YEAR 1991

Gross National Product	
Billions of current dollars	5,832
Percent change, year over year	6.6
Billions of constant (1982) dollars	4,307
Percent change, year over year	2.4
GNP Implicit Price Deflator (Percent change, year over year)	4.0
CPI-U (Percent change, year over year)	4.3
Civilian Unemployment Rate (Percent, fiscal year average)	5.4
Interest Rates (Fiscal year average)	
91-day Treasury bills	6.9
10-year Treasury notes	7.9

consecutive quarters, or if the Department of Commerce reports actual real growth to have been less than 1 percent for two consecutive quarters, the Congress and the President may suspend many of the provisions of the act.

Table 2 provides CBO's principal economic assumptions for fiscal year 1991. Table 3 shows the quarterly estimates for real economic growth. These assumptions are the same as those contained in the CBO report, *The Economic and Budget Outlook: An Update*, which was released in July, and do not entail real economic growth of less than zero in any quarter of 1991. Several developments since the completion of these estimates have significantly reduced the rate of economic growth that seems likely during the next year. While there is an increased risk that the rate of growth could fall below zero during fiscal year 1991, neither CBO nor the consensus of economists currently projects negative rates of economic growth.

TABLE 3. REAL ECONOMIC GROWTH RATES FROM PREVIOUS QUARTER (Percentage growth at annual rates)

Fiscal Year 1990	
Actual ^a	
January-March 1990	1.7
April-June 1990	1.2
CBO Estimate	
July-September 1990	2.2
Fiscal Year 1991	
CBO Estimate	
October-December 1990	2.6
January-March 1991	2.3
April-June 1991	2.6
July-September 1991	2.6

a. As reported by the Department of Commerce (July 27, 1990).

REQUIRED OUTLAY REDUCTIONS

Sequestration of budgetary resources will be necessary for 1991 if the deficit estimated by OMB exceeds the \$64 billion target by more than the \$10 billion margin. Once sequestration is triggered, budget outlays must be reduced by the entire amount by which the deficit exceeds \$64 billion. One-half of the required outlay reduction must be taken from defense programs (budget accounts in the national

defense function, 050, excluding the Federal Emergency Management Agency) and the other half from nondefense programs. CBO's deficit projection of \$165.2 billion would call for outlay reductions of \$101.2 billion in 1991. Table 4 shows how budget outlays in defense and nondefense programs would be cut back to achieve this reduction.

If sequestration is required, the law provides that the automatic spending increases in three programs--the National Wool Act, the special milk program, and vocational rehabilitation--be eliminated and the resulting savings be applied to the required reduction in outlays for nondefense programs. Eliminating these increases would produce \$56 million in outlay savings in 1991. The outlay savings to be obtained by applying four special rules are also credited to the required spending reductions in nondefense programs. These special rules are for guaranteed student loans, foster care and adoption assistance, Medicare, and certain health programs, and are described in a later section of this report. Applying the special rules to these programs would achieve \$2 billion in outlay savings in 1991.

TABLE 4. CBO SEQUESTRATION CALCULATIONS FOR FISCAL YEAR 1991 (In millions of dollars)

	Defense Programs	Nondefense Programs
Total Required Outlay Reductions	50,620	50,620
Savings from Eliminating Automatic Spending Increases	0	56
Savings from the Application of Special Rules		
Guaranteed student loans	0	26
Foster care and adoption assistance	0	8
Medicare	0	1,757
Other health programs	0	215
Subtotal	0	2,006
Remaining Reductions Required	50,620	48,558
Estimated Sequestration Outlay Base	121,233	127,774 ^a
Uniform Percentage Reduction	41.8	38.0

a. Includes \$6,440 million in estimated 1992 outlays for the Commodity Credit Corporation that can be affected by a 1991 sequestration (see discussion of special rule for CCC). Also includes an estimated \$1,944 million in outlays from the spending of offsetting collections.

The outlay reductions of \$50.6 billion in defense programs and the remaining reductions of \$48.6 billion in nondefense programs must be taken as a uniform percentage of all sequesterable budgetary resources in each category. The uniform reduction percentages are computed from outlay estimates: the required outlay savings to be achieved through across-the-board reductions are divided by the total estimated outlays from sequesterable budgetary resources in each category. The resulting uniform reduction percentages are then applied to all of the sequesterable budgetary resources (budget authority, credit authority, and other spending authority) for defense and nondefense programs.

According to CBO estimates, the 1991 outlays associated with sequesterable budgetary resources for defense programs are \$121.2 billion. From this base amount, \$50.6 billion in across-the-board outlay reductions must be made. The uniform percentage to be applied to sequesterable defense budgetary resources is 41.8 percent, as shown in Table 4. The Balanced Budget Act allows the President to exempt military personnel spending from sequestration, and he has chosen to do so this year. The exemption of military personnel spending reduces sequesterable outlays by \$77 billion. If military personnel were not exempt, the required reduction in defense spending would have been 25 percent.

The 1991 outlays associated with budgetary resources for nondefense programs subject to across-the-board reduction are estimated to be \$127.8 billion. To achieve \$48.6 billion in nondefense outlay reductions, a 38.0 percent across-the-board reduction in nondefense sequesterable resources is required.

Table 5 lists budget baseline outlays for 1991. Defense outlays total \$306.1 billion, of which \$121.2 billion is subject to sequestration. In defense programs, unlike nondefense programs, the law specifies that spending from unobligated balances is subject to sequestration. In addition to military personnel spending, the only defense outlays that are not subject to sequestration are those resulting from previously appropriated budget authority that has already been obligated.

Nondefense baseline outlays for 1991 total \$982.3 billion. Of this amount, only \$121.3 billion is subject to across-the-board reduction. An additional \$6.4 billion in 1992 Commodity Credit Corporation (CCC) outlays is counted under Balanced Budget Act specifications; together, these amounts yield the nondefense outlay base of \$127.8 billion shown in Table 4. As Table 5 shows, a large percentage of nondefense outlays is exempted by law from the sequestration process. Social Security benefits, net

interest payments, certain low-income programs, most federal retirement and disability benefits, veterans compensation and pensions, and regular state unemployment insurance benefits account for the largest exemptions. Outlays from appropriations for nondefense programs made in previous years are also not subject to sequestration.

AUTOMATIC SPENDING INCREASES

The three programs with automatic spending increases currently subject to sequestration by the Balanced Budget Act are listed in Table 6. The scheduled percentage increases are shown as well as the amount of estimated outlay savings to be gained by eliminating these increases.

SPECIAL RULES

The Balanced Budget Act provides special rules for the sequestration of budgetary resources for certain federal programs. This section describes these special rules and their application to the 1991 sequestration calculations. The estimated outlay savings derived from the first four rules are shown separately in Table 4. Any outlay savings resulting from the remaining special rules are included in the amount to be obtained from the uniform percentage reductions.

Guaranteed Student Loan Program

The Balanced Budget Act requires two changes in the guaranteed student loan (GSL) program to occur automatically under sequestration. First, the statutory factor for calculating the quarterly special allowance payments to lenders will be reduced by the lesser of 0.40 percentage point or the amount by which the statutory factor exceeds 3 percent for the first four quarters after the loan is made. Under the current program, the reduction will be 0.25 percentage point. Second, a student's origination fee will increase by 0.50 percentage point. In both cases, sequestration affects only GSL loans disbursed during the applicable fiscal year, but after the order is issued. For 1991, these changes are estimated by CBO to reduce outlays by \$26 million.

Foster Care and Adoption Assistance Programs

The Balanced Budget Act limits the amount to be sequestered in the foster care and adoption assistance programs to increases in foster care maintenance payment rates or adoption assistance payment rates taking effect during the current fiscal year.

TABLE 5. COMPOSITION OF BASELINE OUTLAYS FOR FISCAL YEAR 1991

Category	Estimate (In billions of dollars)	Percentage of Total
Defense Programs^a		
Subject to across-the-board reduction	121.2	9.4
Exempt from sequestration		
Military personnel	77.5	6.0
Other programs ^b	<u>107.4</u>	<u>8.3</u>
Total, defense programs	306.1	23.8
Nondefense Programs		
Subject to sequestration		
Certain programs with automatic spending increases ^c	1.8	0.1
Certain special rule programs ^d	133.4	10.4
Subject to across-the-board reduction ^e	<u>121.3</u>	<u>9.4</u>
Subtotal, subject to sequestration	256.5	19.9
Exempt from sequestration		
Social Security	264.4	20.5
Federal retirement, disability, and workers compensation	70.0	5.4
Earned income tax credit	4.3	0.3
Low-income programs ^f	97.9	7.6
Veterans compensation and pensions	15.9	1.2
State unemployment benefits	15.7	1.2
Offsetting receipts	-59.4	-4.6
Net interest	189.5	14.7
Other	<u>127.5</u>	<u>9.9</u>
Subtotal, exempt from sequestration	725.8	56.3
Total, nondefense programs	982.3	76.2
Total Outlays	1,288.4	100.0

a. Budget function 050, excluding Federal Emergency Management Agency programs.

b. Outlays from obligated balances.

c. National Wool Act, special milk, and vocational rehabilitation programs.

d. Guaranteed student loans, foster care and adoption assistance, Medicare, veterans medical care, and other health programs.

e. Excludes 1992 outlays for the Commodity Credit Corporation.

f. Family Support payments; child nutrition; Medicaid; Food Stamps; Supplemental Security Income; Special Supplemental Food Program for Women, Infants, and Children; Commodity Supplemental Food program; and Nutrition Assistance to Puerto Rico.

Moreover, the amounts are limited to the extent that the reduction can be made by reducing federal matching payments by a uniform percentage across states. The increases in payment rates for these programs are made by the states and localities. Any increases planned by the states for fiscal year 1991 were included in the CBO calculations for sequestration reductions. The estimated outlay savings in 1991 from sequestration are \$8 million.

Medicare

The sequestration reductions in the Medicare program are to be achieved by reducing payment amounts for covered services. No changes in coinsurance or deductible amounts are to be made, and

covered services are unaffected under a sequestration order. Under such an order, each payment amount for services provided during the fiscal year would be reduced by a maximum of 2 percent relative to whatever level of payment would otherwise be made under Medicare laws and regulations. According to CBO estimates, the outlay savings to be achieved in 1991 by applying this special rule are \$1.8 billion.

Veterans Medical Care and Other Health Programs

The Balanced Budget Act limits reductions in budget authority for the nonadministrative expenditures for veterans medical care, community and migrant health centers, and Indian health services and facili-

TABLE 6. AUTOMATIC SPENDING INCREASES FOR FISCAL YEAR 1991 SUBJECT TO SEQUESTRATION

Program	Scheduled Increase (Percent)	Outlay Reduction (Millions of dollars)
National Wool Act ^a	1.7	3
Special Milk Program ^b	1.3	c
Vocational Rehabilitation ^d	4.2	53
Total		56

a. Payment increases are based on changes in the wool parity price.
b. Benefits are indexed to the producer price index for fresh processed milk.
c. Less than \$0.5 million.
d. The program is indexed to the change in the consumer price index (CPI-U) from October of the previous year.

ties to 2 percent in 1991 and any subsequent year. The estimated outlay savings to be achieved in 1991 by applying this special rule to these programs are \$215 million.

Child Support Enforcement Program

In the child support enforcement (CSE) program, the Balanced Budget Act provides that sequestration of entitlement payments to states is to be accomplished by reducing the federal matching rates for state administrative expenses. For 1991, the federal matching rates on most expenditures under CBO estimates would be reduced from 66 percent to 35 percent, and the rate for computer-related and laboratory expenditures would be reduced from 90 percent to 47 percent. These reductions in the matching rates are necessary to achieve the same reduction applied to other nondefense programs.

If states increase their share of CSE spending to maintain total program spending at the expected 1991 level, this reduction in the federal matching rate will lower federal outlays by the same percentage as other nondefense programs. If states do not increase their 1991 budgeted amounts to compensate for lower matching rates, however, the lower federal matching rate would result in a larger percentage reduction in federal spending than the act requires. The estimated outlay savings that are to be achieved in 1991 by applying this special rule are \$603 million.

Unemployment Compensation Programs

The Balanced Budget Act provides that the following items are not to be sequestered: regular state unemployment benefits, the state share of extended unemployment benefits, unemployment benefits paid to former federal employees and former members of the armed services, and loans and advances to the state and federal unemployment accounts. The federal share of extended benefits, unemployment insurance for railroad employees, other federally paid benefits, and state and federal administrative expenses are subject to sequestration.

Commodity Credit Corporation

Under the Balanced Budget Act, payments and loan eligibility under any contract entered into by the Commodity Credit Corporation (CCC) after a sequestration order has been issued for a fiscal year are subject to a percentage reduction. The act requires that reductions for all farm commodities supported by the CCC be made in a uniform manner, including all noncontract programs, projects, and activities within the CCC's jurisdiction. The act further stipulates that outlay reductions in the post-sequestration year that are the result of contract adjustments in the sequestration year should be credited to the overall outlay reduction required in the sequestration year. The outlay savings to be achieved by applying this special rule are estimated by CBO to be \$1.8 billion in 1991, and \$2.4 billion in 1992. The actual amount of savings realized in each year will depend upon how the sequestration is carried out for the various CCC programs. In accordance with the act, however, all of these estimated outlay savings are credited toward the required reduction in nondefense spending.

Federal Pay

The Balanced Budget Act provides that rates of pay or any scheduled pay increases may not be reduced following a sequestration order. For members of the armed services, this provision applies to rates of basic pay, basic subsistence allowances, and basic quarter allowances. Budgetary resources available for federal pay, however, will be subject to sequestration as part of the reduction of administrative expenses, which include travel, printing, supplies, and other services. The total amount of government-wide savings to be achieved in 1991 from employee compensation cannot be estimated because program managers are expected to be urged not to resort to personnel furloughs and reductions in force until

other administrative expenses are reduced as much as possible.

CONCEPTUAL ISSUES

CBO's estimate of the 1991 baseline deficit includes funding for the Food Stamp program. The Balanced Budget Act specifies that the baseline shall assume full funding of all laws that provide spending authority as defined in section 401(c)(2) of the Congressional Budget Act. The Food Stamp program is explicitly included in this category. Because the enabling statute for the Food Stamp program continues, CBO includes the program in its baseline, even though the authorization for appropriations expires in 1990. OMB, however, does not include the Food Stamp program in its baseline. CBO and OMB also continue to make different assumptions about pay absorption and about the treatment of the Railroad Retirement Board's supplemental annuity pension fund.

SEQUESTRATION REDUCTIONS

A summary of CBO's calculations for the sequestration of budgetary resources and the estimated outlay savings for 1990 is provided for national defense programs in Table 7 and for nondefense programs by function in Table 8. The tables show CBO's budget baseline estimates for new budget authority and outlays, reductions in outlays caused by sequestration, and post-sequestration spending levels. In most instances, additional outlay savings would be gained in 1992 and later years as a result of the cancellation of 1991 budget authority. Interest costs would also be permanently lowered as a result of reduced federal borrowing needs. Savings in later years have not been estimated for this report. A detailed list of the sequestration base and reductions by agency and budget account by type of spending authority is provided as an appendix to this report.

The CBO sequestration calculations and post-sequestration spending levels are advisory only. OMB will determine whether a sequestration is triggered and, if so, the actual sequestration amounts. OMB's initial determination will be issued on August 25.

TABLE 7. DEFENSE PROGRAM SEQUESTRATIONS FOR FISCAL YEAR 1991
(In billions of dollars)

Budget Function 050	August Budget Baseline	CBO Estimated Seques- tration	Post- Seques- tration
Department of Defense-Military			
Military personnel			
Budget authority	81.5	0	81.5
Outlays	81.1	0	81.1
Operation and maintenance			
Budget authority	90.4	37.9	52.5
Outlays	88.9	29.9	59.0
Procurement			
Budget authority	85.2	48.9	36.4
Outlays	80.5	6.8	73.8
Research, development, test, and evaluation			
Budget authority	37.9	17.2	20.7
Outlays	37.4	9.7	27.7
Military construction and other			
Budget authority	8.0	4.8	3.2
Outlays	8.1	1.4	6.7
Subtotal, DoD--military			
Budget authority	303.1	108.9	194.2
Outlays	296.0	47.8	248.2
Atomic Energy Defense Activities			
Budget authority	10.0	4.4	5.6
Outlays	9.8	2.9	6.9
Other Defense-related Activities^a			
Budget authority	0.6	0.2	0.5
Outlays	0.6	0.1	0.5
Total			
Budget authority	313.8	113.5	200.3
Outlays	306.5	50.8	255.7

a. Includes the function 050 portion of Federal Emergency Management Agency budget accounts, which are reduced at the same rate as nondefense programs.

TABLE 8. NONDEFENSE PROGRAM SEQUESTRATIONS FOR
FISCAL YEAR 1991 BY FUNCTION (In billions of dollars)

Budget Function	August Budget Baseline	CBO Estimated Seques- tration	Post- Seques- tration
150 International Affairs			
Budget authority	20.1	7.8	12.3
Outlays	17.9	4.1	13.7
250 General Science, Space, and Technology			
Budget authority	15.2	5.8	9.4
Outlays	15.2	3.5	11.7
270 Energy			
Budget authority	6.4	3.1	3.3
Outlays	4.4	1.6	2.8
300 Natural Resources and Environment			
Budget authority	18.8	8.4	10.4
Outlays	18.9	5.3	13.6
350 Agriculture ^a			
Budget authority	18.9	2.9	16.1
Outlays	15.1	3.1	12.0
370 Commerce and Housing Credit			
Budget authority	23.5	1.4	22.2
Outlays	25.0	1.8	23.2
400 Transportation			
Budget authority	32.3	12.1	20.2
Outlays	30.7	4.3	26.4
450 Community and Regional Development			
Budget authority	9.2	2.8	6.5
Outlays	8.6	0.9	7.6
500 Education, Training, Employment, and Social Services			
Budget authority	43.0	13.0	30.0
Outlays	41.8	4.8	37.0
550 Health			
Budget authority	66.3	7.1	59.2
Outlays	65.5	2.8	62.7
570 Medicare			
Budget authority	122.4	0	122.4
Outlays	104.9	2.7	102.3
600 Income Security			
Budget authority	196.8	6.7	190.1
Outlays	160.5	3.4	157.1
650 Social Security			
Budget authority	339.5	0	339.5
Outlays	266.3	0.7	265.7
700 Veterans Benefits and Services			
Budget authority	31.9	1.5	30.5
Outlays	31.7	1.1	30.6
750 Administration of Justice			
Budget authority	13.9	5.2	8.6
Outlays	12.8	3.9	9.0
800 General Government			
Budget authority	11.7	4.5	7.2
Outlays	11.7	4.0	7.6
900 Net Interest ^b			
Budget authority	189.5	3.9	185.6
Outlays	189.5	3.9	185.6
950 Undistributed Offsetting Receipts			
Budget authority	-38.6	0	-38.6
Outlays	-38.6	0	-38.6
Total			
Budget authority	1,121.0	86.2	1,034.9
Outlays	982.0	52.0	930.0

a. Excludes \$2.4 billion in estimated 1992 outlay savings for programs of the Commodity Credit Corporation that are credited toward the 1991 sequestration (see discussion of special rule for the CCC).

b. Includes \$3.9 billion savings in debt service costs as a result of 1991 outlay reductions through sequestration.