



Final Sequestration Report for Fiscal Year 2019

In general, after a session of Congress ends, the Congressional Budget Office is required to issue a report that provides estimates of the limits (often called caps) on discretionary budget authority that are in effect for each fiscal year through 2021.¹ CBO also must report whether, according to its estimates, enacted legislation for the current fiscal year has exceeded those caps. If so, a sequestration (that is, a cancellation of budgetary resources) would be required.

Normally, CBO's final sequestration report would be issued 10 days after the end of a session of Congress. However, because the appropriations for fiscal year 2019 were not final at the end of the second session of the 115th Congress on January 3, 2019, the deadline was extended until 10 days after the Consolidated Appropriations Act, 2019 (Public Law 116-6), was signed into law on February 15, 2019.²

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 annual appropriation acts.
2. Before that deadline was extended by the Further Additional Continuing Appropriations Act, 2019 (P.L. 116-5), the House and Senate Committees on the Budget had requested that CBO delay the preparation and release of this report until the agency could fully account for the funding provided in all 12 annual appropriation bills. See Congressional Budget Office, "CBO to Delay Release of Sequestration Report," *CBO Blog* (January 11, 2019), www.cbo.gov/publication/54919.

In CBO's estimation, a sequestration will not be required for 2019. 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 2019

The Bipartisan Budget Act of 2018 (P.L. 115-123) modified the caps on defense and nondefense funding for fiscal year 2019 that were originally established by the Budget Control Act of 2011 (P.L. 112-25). P.L. 115-123 reset those limits to total \$1,244 billion—\$647 billion for defense programs and \$597 billion for nondefense programs.

By law, however, the caps are adjusted upward when appropriations are provided for certain purposes. Specifically, budget authority that is designated for overseas contingency operations, such as military activities in Afghanistan, or for an emergency requirement leads to an increase in the caps, as does budget authority designated for some types of disaster relief or for certain program integrity initiatives.³

3. Program integrity initiatives seek to identify and reduce overpayments in benefit programs, such as Disability Insurance, Supplemental Security Income, Medicare, Medicaid, unemployment compensation, and the Children's Health Insurance Program.

Notes: All years referred to are federal fiscal years, which run from October 1 to September 30 and are designated by the calendar year in which they end. Numbers may not sum to totals because of rounding.

Table 1.

Limits on Discretionary Budget Authority for Fiscal Year 2019

Millions of Dollars

	Defense ^a	Nondefense ^a	Total
Caps Established in the Bipartisan Budget Act of 2018 ^b	647,000	597,000	1,244,000
Adjustments			
Overseas contingency operations ^c	69,000	8,000	77,000
Disaster relief ^d	0	12,000	12,000
Program integrity initiatives ^e	0	1,897	1,897
Emergency requirements ^f	0	1,680	1,680
Total Adjustments	69,000	23,577	92,577
Adjusted Caps for 2019	716,000	620,577	1,336,577
Appropriations for 2019 (As of February 25, 2019)	716,000	620,577	1,336,577
Memorandum:			
Discretionary Funding Not Included in Calculation of Caps ^g	0	781	781

Source: Congressional Budget Office.

- The defense category (statutorily, the revised security category) consists of appropriations designated for budget function 050; all other discretionary appropriations are in the nondefense category (statutorily, the revised nonsecurity category).
- The Bipartisan Budget Act of 2018 canceled automatic spending reductions set to take effect in 2019 and set revised caps on defense and nondefense funding for that year at amounts that were a combined \$153 billion above what the caps would have been if the automatic spending reductions had occurred.
- Funding formally designated as required under section 251(b)(2)(A)(ii) of the Balanced Budget and Deficit Control Act of 1985. This category consists of funding primarily for military activities in Afghanistan and similar missions.
- In this context, disaster relief funding is designated under section 251(b)(2)(D) of the Balanced Budget and Deficit Control Act of 1985 for activities carried out in keeping with section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act, as amended. Such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance.
- Program integrity initiatives seek to identify and reduce overpayments in certain benefit programs, such as Disability Insurance, Supplemental Security Income, Medicare, Medicaid, unemployment compensation, and the Children's Health Insurance Program.
- Funding formally designated as required under section 251(b)(2)(A)(i) of the Balanced Budget and Deficit Control Act of 1985.
- The 21st Century Cures Act requires discretionary funding for certain authorized activities to be excluded from calculations of appropriations subject to the caps.

To date, CBO estimates, such adjustments to the caps on discretionary budget authority for 2019 have totaled \$93 billion (see Table 1). Most of that amount, \$69 billion, is an increase to the defense cap to account for budget authority provided for overseas contingency operations. Estimated adjustments to the nondefense cap include \$8 billion for overseas contingency operations, \$12 billion for disaster relief, \$2 billion for program integrity initiatives, and \$2 billion for funding designated for emergency requirements.

After those adjustments are made, the caps on budget authority for 2019 will total an estimated \$716 billion for defense programs and \$621 billion for nondefense programs—about \$1,337 billion in all. According to CBO's estimates, appropriations for 2019 are equal to those amounts; therefore, no sequestration will be required.⁴

The caps could be breached, however, if lawmakers provided additional appropriations for 2019 before the end of September—without modifying the caps—unless those appropriations either fell into a category that causes an adjustment to the caps or were offset by reductions in funding for other programs. If the caps were breached late in fiscal year 2019, the 2020 caps would be reduced to compensate for the excess funding.

Limits on Discretionary Budget Authority for 2020 and 2021

The Budget Control Act of 2011 also established limits on discretionary budget authority for fiscal years 2020 and 2021 as well as automatic procedures to reduce the funding allowed for discretionary and mandatory spending through 2021.⁵ CBO has estimated the extent to which the automatic procedures will affect the caps on discretionary budget authority for each year (see Table 2).⁶ CBO's calculations, however, only

- The 21st Century Cures Act (P.L. 114-255) requires discretionary funding for certain authorized activities to be excluded from calculations of appropriations subject to the caps; that funding totals nearly \$1 billion for nondefense programs for 2019, CBO estimates.
- Mandatory spending refers to outlays from budget authority that is generally controlled by laws other than appropriation acts. The automatic reductions in such spending were subsequently extended through 2027.
- 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.

approximate the eventual outcomes; OMB ultimately is responsible for implementing the automatic reductions on the basis of its own estimates.

The caps on discretionary budget authority established in the Budget Control Act of 2011 were set to total \$1,208 billion in 2020 and \$1,234 billion in 2021. However, the automatic procedures will reduce those caps. For 2020, the reduction will total \$90 billion (or 7.4 percent), CBO estimates; for 2021, the reduction will be slightly smaller—\$89 billion (or 7.2 percent).

Under current law, the reductions for 2020 and 2021 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 (or about 8.5 percent) each year. The nondefense cap will shrink by \$36 billion in 2020 and by \$35 billion in 2021—cuts of about 6 percent. The apportionment of those reductions among the various budget accounts within the two categories will be determined by future appropriation acts.

After those reductions are accounted for, CBO estimates, the overall limit on discretionary budget authority will drop from \$1,244 billion for 2019 to \$1,118 billion for 2020—a decrease of about 10 percent. The cap for defense appropriations will decrease from \$647 billion to \$576 billion, and the nondefense cap will shrink from \$597 billion to \$542 billion, CBO estimates.

From 2020 to 2021, according to CBO’s estimates, the caps will increase by about 2 percent—to \$590 billion for defense appropriations and to \$555 billion for nondefense funding. Those amounts do not include any adjustments that might be made to accommodate future appropriations for overseas contingency operations, disaster relief, program integrity initiatives, emergency requirements, or wildfire suppression.⁷

CBO’s estimate of the aggregate caps for 2020 and 2021 is slightly higher than its August 2018 estimates because the agency has increased its projections of mandatory

7. The Bipartisan Budget Act of 2018 included certain funding provided for reemployment services to the program integrity initiatives that are not constrained by the caps for 2019 through 2021. In addition, beginning in 2020, the Consolidated Appropriations Act, 2018 (P.L. 115-141), established wildfire suppression as a category of spending that will lead to an increase in the nondefense caps.

Table 2.

Limits on Discretionary Budget Authority for Fiscal Years 2020 and 2021

Millions of Dollars

	2020	2021
Caps Established in the Budget Control Act of 2011		
Defense	630,000	644,000
Nondefense	578,000	590,000
Total	1,208,000	1,234,000
Estimated Effect of Automatic Spending Reductions^a		
Defense	-53,844	-53,840
Nondefense	-35,904	-35,441
Total	-89,748	-89,281
Estimate of Revised Caps		
Defense	576,156	590,160
Nondefense	542,096	554,559
Total	1,118,252	1,144,719

Source: Congressional Budget Office.

a. Automatic spending reductions specified in the Budget Control Act of 2011 are set to reduce the caps on discretionary budget authority for 2020 and 2021. Although these estimates reflect CBO’s calculations, the Office of Management and Budget is responsible for the official determination of such reductions.

spending subject to sequestration.⁸ Under the formula delineated in the Budget Control Act of 2011, that change resulted in small decreases to the total required reductions in the discretionary caps.

Disaster Relief

The total increase in the caps to accommodate funding for disaster relief in a given year is limited by law. Such an increase cannot exceed the sum of the following:

- The average funding provided for disaster relief over the previous 10 years (adjusted to exclude the highest and lowest annual amounts);
- The amount, if any, by which that adjusted 10-year average applicable in the previous year exceeded that year’s appropriation;

8. See Congressional Budget Office, *Sequestration Update Report: August 2018* (August 2018), www.cbo.gov/publication/54357.

- Five percent of amounts designated for emergency requirements and appropriated over the previous 10 years under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (P.L. 93-288), as amended; and
- The cumulative amount by which the new cap has exceeded the amounts appropriated for each year after 2018.⁹

For 2019, CBO estimates, the maximum potential cap adjustment for disaster relief is \$15.0 billion, which equals the sum of the adjusted average (\$6.8 billion) over the past 10 years, 5 percent (\$6.3 billion) of appropriations over the past 10 years that were provided in response to major disasters and designated for emergency requirements, and the amount (\$1.9 billion) by which disaster funding appropriated in 2018 was below the maximum allowable amount.¹⁰ So far, lawmakers have designated \$12.0 billion in appropriations for 2019 for disaster relief—\$2,965 million less than the potential maximum amount.

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9. The Consolidated Appropriations Act, 2018, increased the maximum allowable adjustment for disaster relief, beginning in 2019. Previously, the limit included only the adjusted average and the amount by which the appropriation for disaster relief in the prior year was below its maximum.
10. See Office of Management and Budget, *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2019* (August 2018), <https://go.usa.gov/xUwaB>.

This Congressional Budget Office report was prepared in response to the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Previous editions are available at <https://go.usa.gov/xQCKb>. In keeping with CBO's mandate to provide objective, impartial analysis, the report makes no recommendations.

Avi Lerner prepared the report with guidance from Theresa Gullo, Christina Hawley Anthony, and Adam Wilson. Mark Hadley and Robert Sunshine reviewed the report, Kate Kelly edited it, and Casey Labrack prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/54983).



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