



Sequestration Update Report: August 2019

By August 15 of each year, the Congressional Budget Office is required to publish its estimates of the limits (often called caps) on discretionary budget authority that were established under the Budget Control Act of 2011 (Public Law 112-25) and that remain in effect through fiscal year 2021.¹ CBO also must report whether, according to its estimates, enacted legislation for the current fiscal year has exceeded the caps and thus would trigger a cancellation of budgetary resources, known as a sequestration.

In CBO's estimation, a sequestration will not be required for 2019. However, the authority to make that determination—and, if so, how to cut budget authority—rests with the Administration's Office of Management and Budget (OMB), which reported in March that appropriations for 2019 had not exceeded the caps.²

Appropriations made since March have been designated as emergency requirements, thus falling into one of the categories that cannot breach a cap. By law, the caps on discretionary spending are adjusted upward when an appropriation is provided as an emergency requirement or to fund overseas contingency operations (such as military activities in Afghanistan). The caps also can be raised

to accommodate budget authority provided for disaster relief or for certain program integrity initiatives.³

Limits on Discretionary Budget Authority for 2019

The Budget Control Act has been modified several times to increase the caps on defense (called “security” in the law) and nondefense (nonsecurity) funding. The Bipartisan Budget Act of 2018 (P.L. 115-123) set the limits for 2019 at \$1,244 billion—\$647 billion for defense programs and \$597 billion for nondefense programs (see Table 1). Adjustments to those caps for 2019 amount to \$116 billion, mostly in the defense category: \$69 billion for overseas contingency operations and an estimated \$3 billion for emergency requirements.⁴

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. See Office of Management and Budget, *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2019* (March 2019), <https://go.usa.gov/xUwAB>.

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.
4. Emergency supplemental appropriations were enacted in June (P.L. 116-20) and July (P.L. 116-26), after OMB reported the final cap adjustments for 2019. CBO estimates that those two laws will increase the defense cap by a total of \$2,838 million and the nondefense cap by \$20,869 million. OMB estimated the nondefense appropriations to be \$20,874 million, \$5 million more than CBO's estimate. See Office of Management and Budget, *Budget Enforcement Act (Seven-Day-After) Reports*, “Emergency Supplemental Appropriations for Humanitarian Assistance and Security at the Southern Border Act, 2019” (July 11, 2019), and “Additional Supplemental Appropriations for Disaster Relief Act, 2019” (June 17, 2019), <https://go.usa.gov/xyhJQ>.

Note: 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 by the Bipartisan Budget Act of 2018 ^b	647,000	597,000	1,244,000
Adjustments			
Overseas contingency operations ^c	69,001	7,999	77,000
Emergency requirements ^d	2,838	22,549	25,387
Disaster relief ^e	0	12,000	12,000
Program integrity initiatives ^f	0	1,897	1,897
Estimating differences ^g	3	0	3
Total Adjustments	71,842	44,445	116,287
Adjusted Caps for 2019	718,842	641,445	1,360,287
Appropriations for 2019 Subject to the Caps ^h	718,842	640,605	1,359,447
Memorandum:			
Discretionary Funding Not Included in Calculation of Caps ⁱ	0	781	781

Sources: Congressional Budget Office; Office of Management and Budget.

- a. The defense category consists of appropriations designated for budget function 050; all other discretionary appropriations are in the nondefense category.
- b. 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 \$151 billion above what the caps would have been if the automatic spending reductions had occurred.
- c. Funding formally designated as required under section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985. This category consists of funding primarily for military activities in Afghanistan and similar missions.
- d. Funding formally designated as required under section 251(b)(2)(A)(i) of the Deficit Control Act.
- e. Funding designated under section 251(b)(2)(D) of the Deficit Control Act 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.
- f. 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.
- g. Section 747 of the Financial Services and General Government Appropriations Act, 2019, authorized the Office of Management and Budget to increase the caps for 2019 to reflect estimating differences between that agency and CBO. See Office of Management and Budget, *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2019* (March 2019), <https://go.usa.gov/xUwaB>.
- h. Discretionary appropriations for 2019 as reported by the Office of Management and Budget in *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2019* (March 2019), <https://go.usa.gov/xUwaB>, adjusted to include \$23,707 million in emergency supplemental appropriations that were provided in June and July 2019.
- i. The 21st Century Cures Act requires discretionary funding for certain authorized activities to be excluded from calculations of appropriations subject to the caps.

Adjustments to the nondefense cap total \$44 billion: \$8 billion for overseas contingency operations, \$23 billion—CBO estimates—for emergencies, \$12 billion for disaster relief, and \$2 billion for program integrity initiatives related to Medicare and to the Disability Insurance and Supplemental Security Income programs.⁵

With those adjustments, the caps on budget authority for 2019 total \$719 billion for defense programs and \$641 billion for nondefense programs—about \$1,360 billion in all. OMB reported in March that at that point, appropriations for 2019 that were subject to

5. Title VII, section 747, of the Consolidated Appropriations Act, 2019 (P.L. 116-6), authorized OMB to increase the caps for 2019 by \$3 million to reflect estimating differences between that

agency and CBO. See Office of Management and Budget, *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2019* (March 2019), <https://go.usa.gov/xUwaB>.

the caps were equal to or below the cap amounts.⁶ The subsequent emergency supplemental appropriations do not change that conclusion, and therefore no sequestration will be required.

The caps still could be breached if lawmakers provided additional appropriations for 2019 before the end of September 2019 without increasing the limits—unless those appropriations either fell into a category that causes a cap adjustment 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 established limits on discretionary budget authority for fiscal years 2020 and 2021 and automatic procedures to reduce the funding allowed for discretionary and mandatory spending through 2021.⁷ The Bipartisan Budget Act of 2019 (P.L. 116-37) canceled the automatic reductions in discretionary funding and set new caps for each year that are \$169 billion higher in 2020 and \$153 billion higher in 2021 than they would have been if the automatic reductions had occurred (see Table 2).

As established originally, the caps on discretionary budget authority would have totaled \$1,208 billion in 2020 and \$1,234 billion in 2021. Under current law, the 2020 caps are set at \$1,288 billion—\$666.5 billion for defense (3 percent more than the statutory cap for 2019) and \$621.5 billion (an increase of 4 percent) for nondefense. For 2021, the caps total \$1,298 billion—\$671.5 billion for defense and \$626.5 billion for nondefense. Those amounts do not account for adjustments to accommodate future emergencies, overseas contingency operations, disaster relief, program integrity initiatives, wildfire suppression, or census funding.⁸

6. The 21st Century Cures Act (P.L. 114-255) requires discretionary funding for certain authorized activities to be excluded from calculations of appropriations constrained by the caps. That funding totals \$0.8 billion for nondefense programs for 2019, CBO estimates.

7. Mandatory spending stems from budget authority that is generally controlled by laws other than appropriation acts. The automatic reductions in such spending were subsequently extended through 2029.

8. The Consolidated Appropriations Act, 2018 (P.L. 115-141), and the Bipartisan Budget Act of 2019 (P.L. 116-37) established

[*Value corrected on August 15, 2019]

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 Spending Reductions		
Defense	-53,825	-53,798
Nondefense	-34,807	-35,086*
Total	-88,632	-88,884
Changes Enacted in the Bipartisan Budget Act of 2019		
Defense	90,325	81,298
Nondefense	78,307	71,586
Total	168,632	152,884
Revised Caps		
Defense	666,500	671,500
Nondefense	621,500 ^a	626,500
Total	1,288,000	1,298,000

Source: Congressional Budget Office.

The Bipartisan Budget Act of 2019 canceled the automatic reductions in discretionary funding and set new caps for 2020 and 2021.

a. CBO expects that the nondefense cap for 2020 will be raised by \$8 million to reflect emergency spending for crop insurance stemming from the Additional Supplemental Appropriations for Disaster Relief Act, 2019.

Disaster Relief

The total increase in the caps to accommodate funding for disaster relief in 2019 is statutorily limited. Such an increase cannot exceed the sum of the following components:

- 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;

wildfire suppression and the 2020 census as categories of spending that will lead to adjustments in the nondefense caps.

- 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.

For 2020, CBO estimates, the maximum cap adjustment for disaster relief would be \$17.5 billion. Of that amount, \$7.9 billion is the average annual funding over the 2010–2019 period, excluding the highest and lowest annual amounts. Another \$6.6 billion is 5 percent of the funding provided for emergency requirements and disaster relief from 2012 through 2019. The remaining \$3.0 billion is the amount by which disaster funding appropriated in 2019 was less than the maximum allowable amount.

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 Christina Hawley Anthony, Megan Carroll, and Theresa Gullo. Mark Hadley and Robert Sunshine reviewed the report, Kate Kelly edited it, and Robert Rebach prepared it for publication. An electronic version is available on CBO's website (www.cbo.gov/publication/55542).

CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.



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