



## Final Sequestration Report for Fiscal Year 2020

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 through 2021.<sup>1</sup> 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 2020. 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). Those determinations are based on OMB's own estimates of federal spending.

### Limits on Discretionary Budget Authority for 2020

The Budget Control Act of 2011 (Public Law 112-25) has been modified several times to increase the caps on funding for the government's defense (called security in the law) and nondefense (nonsecurity) programs. Most recently, the Bipartisan Budget Act of 2019 (P.L. 116-37) set the limits for 2020 at \$1,288 billion—\$666.5 billion

for defense programs and \$621.5 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 emergency requirements leads to an increase in the caps. In addition, the caps are adjusted for budget authority that is designated for some types of disaster relief, the 2020 census, wildfire suppression, and certain program integrity initiatives.<sup>2</sup>

To date, CBO estimates, funding that will cause adjustments to the caps for 2020 has totaled \$112 billion (see Table 1). Most of that amount, \$72 billion, is an increase to the defense cap to account for budget authority provided for overseas contingency operations. The defense cap also will be adjusted by \$8 billion for funding designated for emergency requirements. Adjustments to the nondefense cap will total \$33 billion, according to CBO's estimates: \$8 billion for overseas contingency operations, \$18 billion for disaster relief, \$1 billion for emergency requirements, \$3 billion for the 2020 census, \$2 billion

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

Table 1.

### CBO's Estimate of the Limits on Discretionary Budget Authority for Fiscal Year 2020

Millions of Dollars			
	Defense <sup>a</sup>	Nondefense <sup>a</sup>	Total
Caps Established by the Bipartisan Budget Act of 2019 <sup>b</sup>	666,500	621,500	1,288,000
Adjustments			
Overseas contingency operations <sup>c</sup>	71,500	8,000	79,500
Disaster relief <sup>d</sup>	0	17,503	17,503
Emergency requirements <sup>e</sup>	8,000	543	8,543
2020 census	0	2,500	2,500
Wildfire suppression	0	2,250	2,250
Program integrity initiatives <sup>f</sup>	0	1,842	1,842
Total Adjustments	79,500	32,638	112,138
Adjusted Caps for 2020	746,000	654,138	1,400,138
Appropriations for 2020 (As of January 10, 2020)	746,000	654,138	1,400,138
<b>Memorandum:</b>			
Discretionary Funding Not Constrained by the Caps <sup>g</sup>	0	567	567

Source: Congressional Budget Office.

- The defense category consists of appropriations designated for budget function 050; all other discretionary appropriations are in the nondefense category.
- The Bipartisan Budget Act of 2019 canceled automatic spending reductions set to take effect in 2020 and set revised caps on defense and nondefense funding for that year at amounts that were a combined \$169 billion above what the caps would have been if the automatic spending reductions had occurred.
- Funding designated as required under section 251(b)(2)(A)(ii) of the Balanced Budget and Emergency Deficit Control Act of 1985 (Deficit Control Act). This category consists of funding primarily for military activities in Afghanistan and similar missions.
- Disaster relief funding is 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.
- Funding designated as required under section 251(b)(2)(A)(i) of the Deficit Control Act.
- Program integrity initiatives seek to identify and reduce overpayments in certain benefit programs, including Disability Insurance, Supplemental Security Income, Medicare, Medicaid, unemployment compensation, and the Children's Health Insurance Program.
- The 21st Century Cures Act requires discretionary funding for certain authorized activities to be excluded from calculations of appropriations constrained by the caps.

for wildfire suppression, and \$2 billion for program integrity initiatives.<sup>3</sup>

After those adjustments are made, the caps on budget authority for 2020 will total \$746 billion for defense programs and \$654 billion for nondefense programs—about \$1,400 billion in all. According to CBO's estimates, appropriations for 2020 that are subject to the caps equal those amounts; therefore, no sequestration will be required.<sup>4</sup>

The caps still could be breached if lawmakers provided additional appropriations for 2020 before the end of the fiscal year without increasing the limits—unless those appropriations either fell into a category that will cause a cap adjustment or were offset by reductions in funding for other programs. If the caps were breached late in fiscal year 2020, the 2021 caps would be reduced to compensate for the excess funding.

### Disaster Relief

The total increase in the caps to accommodate funding for disaster relief in 2020 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);
- Those amounts do not include the estimated budgetary savings attributable to rescissions of funding that was previously designated by the Congress as an emergency requirement before the current statutory limits on discretionary spending were put in place. Specifically, section 237 of division H of the Further Consolidated Appropriations Act, 2020 (P.L. 116-94), rescinded an estimated \$7 million in balances from the Department of Housing and Urban Development's Tenant-Based and Project-Based Rental accounts. In consultation with the House and Senate Budget Committees and the Office of Management and Budget, CBO has determined that rescinding those amounts will not result in an adjustment to the statutory limits on discretionary spending or reduce the amount of appropriations that are subject to the limit. As a result, CBO has excluded the estimated budgetary savings from this report.
  - 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 \$0.6 billion for nondefense programs for 2020, CBO estimates.

- The amount, if any, by which that adjusted 10-year average applicable in the previous year exceeded that year's appropriation;
- 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. 100-707), 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; lawmakers have already designated that maximum amount in appropriations for disaster relief for 2020. 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 relief funding appropriated in 2019 was less than the maximum allowable amount.

### Limits on Discretionary Budget Authority for 2021

The Budget Control Act of 2011 established limits on discretionary budget authority for 2021 that totaled \$1,234 billion—\$644 billion for defense and \$590 billion for nondefense—and established automatic procedures to reduce those limits under certain circumstances.<sup>5</sup> CBO estimates that those automatic reductions would have lowered the 2021 caps by a total of \$89 billion. The Bipartisan Budget Act of 2019 canceled those automatic reductions and set new caps for 2021 that are \$153 billion higher than they would have been if the automatic reductions had occurred.

As a result, the caps for 2021 now total \$1,298 billion—\$671.5 billion for defense and \$626.5 billion for nondefense. Those amounts do not account for adjustments to accommodate funding for future overseas contingency operations, disaster relief, emergency requirements, wildfire suppression, or program integrity initiatives.

5. That law also established procedures to reduce mandatory spending, which stems from budget authority that is generally controlled by laws other than appropriation acts. The automatic reductions to mandatory spending were subsequently extended through 2029.

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, Loretta Lettner was the editor, and Jorge Salazar was the graphics editor. An electronic version is available on CBO's website ([www.cbo.gov/publication/55995](http://www.cbo.gov/publication/55995)).

CBO seeks feedback to make its work as useful as possible. Please send comments to [communications@cbo.gov](mailto:communications@cbo.gov).



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