



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Phillip L. Swagel, Director

May 20, 2025

Honorable Brendan F. Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

*Re: Potential Statutory Pay-As-You-Go Effects of a Bill to Provide
Reconciliation Pursuant to H. Con. Res. 14, the One Big Beautiful Bill Act*

Dear Ranking Member Boyle:

Today the Congressional Budget Office transmitted an estimate of the budgetary effects of the 2025 reconciliation bill, as ordered reported by the House Committee on the Budget on May 18, 2025.¹ CBO has not yet completed estimates of the effects of interactions among the titles of the legislation.

This letter responds to your questions concerning the sequestration (the cancellation of budgetary resources) in accordance with the Statutory Pay-As-You-Go Act of 2010 (S-PAYGO) that would occur if an enacted bill raised deficits by \$2.3 trillion over 10 years.

Under S-PAYGO, the Office of Management and Budget (OMB) is required to maintain 5- and 10-year scorecards that it updates with the estimated cumulative changes in revenues and outlays generated by newly enacted legislation.

If either scorecard indicates a net increase in the deficit, OMB is required to order a sequestration to eliminate the overage. The balance used to determine the amount of a sequestration is not the projected increase in the deficit for

1. Congressional Budget Office, estimated budgetary effects of a bill to provide for reconciliation pursuant to title II of H. Con. Res. 14, the One Big Beautiful Act (May 20, 2025), www.cbo.gov/publication/61420.

that particular year. Rather, OMB's 5- and 10-year scorecards identify the average annual effects of a piece of legislation over those periods and assign the average to each year in the period. Before an average is calculated, any current-year effects are combined with those for the budget year.²

Would Enactment of Legislation That Increases Deficits by \$2.3 Trillion Over the 2025–2034 Period Trigger Sequestration?

Yes, in accordance with S-PAYGO, OMB would record the average increases in deficits over the period, in this case \$230 billion each year, on the PAYGO scorecard. Without enactment of subsequent legislation that would offset the deficit increase, waive the recordation of the bill's effects on the scorecard, or otherwise mitigate or eliminate the statutory requirements, OMB would be required to issue a sequestration order not more than 14 days after the end of the current session of Congress (excluding weekends and holidays) to reduce spending by \$230 billion in fiscal year 2026 (or by a larger amount if the 5-year average increase in deficits was greater than the 10-year average).

How Would Sequestration Affect Medicare and Other Programs, Assuming That Funding Subject to Sequestration Remained Equal to the Amounts in CBO's January 2025 Baseline Projections?

Under S-PAYGO, reductions in Medicare spending are limited to 4 percent—or an estimated \$45 billion for fiscal year 2026. That would leave \$185 billion to be sequestered from the federal budget's remaining direct spending accounts in that year.

S-PAYGO exempts many large accounts, including those that provide funding for Social Security and low-income programs. Therefore, in CBO's estimation, OMB would have roughly \$120 billion in budgetary resources available for cancellation in 2026—less than the remaining amount that would be required to be sequestered.³

How Would Medicare Be Affected After 2026?

The 4 percent maximum reduction in Medicare spending would apply to sequestration orders for years after 2026. If OMB ordered a sequestration of \$230 billion for each year through 2034, the ordered reductions in Medicare

2. For more information, see Congressional Budget Office, *The Statutory Pay-As-You-Go Act and the Role of the Congress* (August 2020), www.cbo.gov/publication/56506, and letter to the Honorable Kevin McCarthy concerning potential statutory Pay-As-You-Go effects of the American Rescue Plan Act of 2021 (February 25, 2021), www.cbo.gov/publication/57030.

3. For a full list of accounts subject to automatic reductions, see Office of Management and Budget, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2025* (March 2024), <https://tinyurl.com/2vu2vsr8>.

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spending would increase to about \$75 billion in 2034 and would total roughly \$490 billion over the 2027–2034 period.

How Would All Other Programs That Are Subject to Sequestration Be Affected?

After accounting for the reduction in Medicare spending, the required reduction in spending for other programs would exceed the estimated amount of resources available to those programs in each year over the 2027–2034 period. If OMB sequestered all of the funding for those programs, the total amounts would be less than the reductions required by S-PAYGO.

I hope this information is useful to you. Please contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping horizontal flourish extending to the right.

Phillip L. Swagel
Director

cc: Honorable Jodey Arrington
Chairman
House Committee on the Budget