
OMB Sequestration Update Report to the President and Congress for Fiscal Year 2016



August 20, 2015

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

THE DIRECTOR

August 20, 2015

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2016*. The Office of Management and Budget (OMB) has prepared it pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985.

This report updates information contained in the OMB preview report regarding enforcement of the discretionary spending caps for both 2015 and 2016, including information about the discretionary spending limits for defense and non-defense programs, the status of OMB scoring of the latest action by the House of Representatives and Senate on discretionary appropriations bills, comparisons with the estimates provided by the Congressional Budget Office in its August update report, and OMB's preview estimate of the 2016 adjustment for disaster relief. OMB must issue a final sequestration report after the Congress adjourns.

To date, no 2016 appropriations bills have been enacted into law and, therefore, no changes are reflected to the current 2016 caps. If the 2016 discretionary caps remain unchanged, this report estimates that, if enacted, the actions by the House of Representatives and the Senate would result in a sequestration of \$3 million and \$1 million, respectively, in the defense category. This report also finds that, if enacted, actions by the House of Representatives would result in a sequestration of nearly \$1.8 billion in the non-defense category while actions by the Senate are in compliance with the current 2016 spending limit for the non-defense category.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shaun Donovan".

Shaun Donovan
Director

Enclosure

Identical Letter Sent to The Honorable Joseph R. Biden
and The Honorable John A. Boehner

I. INTRODUCTION

The Budget Control Act of 2011 (BCA) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), which had expired in 2002, by reinstating limits on discretionary budget authority for 2012 through 2021. The failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, deficit reduction legislation triggered steep reductions to discretionary spending for fiscal years 2013-2021 on top of the \$1 trillion in reductions below the discretionary baseline enacted in the BCA. Working together, the Congress and the President reached agreement in the Bipartisan Budget Act of 2013 (BBA) to restore part of the scheduled reductions for 2014 and 2015. This partial restoration of the discretionary spending limits was paid for by other provisions that reduced the deficit.

To date, Congress has taken no action to address the reductions to the discretionary spending limits scheduled for 2016-2021, and the procedures instituted by the BCA remain in place for those years. The limits are enforced by a sequestration of non-exempt discretionary budget authority that is ordered at the end of the current session of the Congress if enacted appropriations exceed the limits. This report discusses the current status of the limits and Office of Management and Budget (OMB) scoring of actions taken to date by each chamber of the Congress on discretionary spending bills relative to those limits.

Section 254 of BBEDCA requires OMB to issue a sequestration update report on August 20th of each year. This report provides OMB's current estimates of the discretionary spending limits, including any updates to the limits since OMB issued the 2016 preview report on February 2, 2015 with the President's Budget. This report also contains OMB's scoring of

pending appropriations legislation against those limits as of August 15, 2015. Currently, OMB adjusts the 2015 defense cap downwards by \$14 million and the 2015 non-defense cap upwards by \$812 million to account for final 2015 appropriations for Overseas Contingency Operations and disaster relief that were enacted in the Department of Homeland Security Appropriations Act, 2015. The 2015 Homeland Security Appropriations Act was enacted after the 2016 preview report was released and this update report is the first opportunity OMB has to make these adjustments. OMB makes no adjustments to the 2016 caps at this time because there have been no events since the 2016 preview report was issued that would trigger any cap adjustment.

As required, OMB's estimates are based on the economic and technical assumptions used in the President's 2016 Budget and cover the 12 annual appropriations bills for 2016 that have been reported or passed by the House or Senate. Pursuant to section 254(e) of BBEDCA, this report also contains OMB's calculation of the 2016 preview estimate of the adjustment for disaster relief funding.

If the discretionary limits for 2016 remain unchanged, OMB's estimates of House and Senate action to date for the 12 annual appropriations bills show that a sequestration of approximately \$3 million and \$1 million, respectively, in discretionary programs in the defense (or revised security) category would be required. In addition, OMB estimates that current House action for the non-defense category would trigger a sequestration of approximately \$1,789 million while OMB's estimate of Senate action for the non-defense category is within the 2016 limit. These estimates are summarized in Table 4 of this report.

II. DISCRETIONARY SEQUESTRATION UPDATE REPORT

Discretionary programs are funded through the annual appropriations process. BBEDCA set limits (or caps) on the amount of new budget authority available for discretionary programs each year through 2021 but does not require that the Congress appropriate the full amount available under the discretionary limits. OMB is required to provide regular reports regarding the status of the discretionary spending limits as the Congress works on the annual appropriations bills. Within seven working days of enactment of an appropriations bill, BBEDCA requires OMB to report its estimates of the enacted budget authority and associated outlays. BBEDCA also requires OMB to issue reports three times during the year on the overall status of the discretionary caps, including this August update report. This update report provides OMB's mid-year assessment, reflecting current estimates of pending appropriations legislation as of August 15, 2015, and discusses the sequestration of discretionary programs that would occur if the actions taken to date by each chamber of the Congress on discretionary spending bills were to become law. Appropriations that OMB estimates would exceed the current caps would trigger an across-the-board reduction (or sequestration) pursuant to section 251(a) of BBEDCA to eliminate the breach. As required by law, OMB's estimates are based on the economic and technical assumptions used in the President's 2016 Budget, which was transmitted on February 2, 2015, and cover the 12 annual appropriations bills for 2016 that have been reported or passed by the House or Senate.

For 2012 and 2013, BBEDCA originally specified separate "security" and "nonsecurity" categories¹ for discretionary programs and then a single "discretionary" category for each year after 2013. These caps were subsequently revised pursuant to section 302 of the BCA as a result of the Joint Select Committee on Deficit Reduction's failure to propose, and the Congress's failure to enact, legislation to reduce the deficit by more than \$1.2 trillion by January 15, 2012. The revised security category was defined to

¹ For more information on the structure of the original security and nonsecurity categories, see any of OMB's sequestration reports to the President and the Congress for fiscal years 2012 through 2014, which are available at: http://www.whitehouse.gov/omb/legislative_reports/sequestration.

include only the discretionary programs in the national defense budget function (050) (the "defense" category), which mainly consists of the Department of Defense and significant portions of the budgets for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The revised nonsecurity category contains all discretionary programs not in the defense category—all non-050 budget functions (the "non-defense" category). Although the ATRA reinstated the security and nonsecurity categories for 2013 at lower levels, the defense and non-defense categories remain in place for 2014 through 2021.

In OMB's 2014 preview report², the 2014 limits were reduced pursuant to section 251A of BBEDCA to incorporate the portion of the Joint Committee reductions allocated to discretionary spending. The defense cap was reduced by \$53.9 billion, and the non-defense cap was reduced by \$36.6 billion.³ The BBA restored \$22.4 billion each (\$44.8 billion in total) to the defense and non-defense categories for 2014. The BBA also replaced the Joint Committee reductions to the defense and non-defense caps that would have taken place for 2015 with smaller reductions of \$44.7 billion to the defense cap and \$27.6 billion to the non-defense cap. The BBA, however, did not revise the Joint Committee reductions after 2015 and section 251A of BBEDCA required reductions to the discretionary caps for 2016, which were reflected in OMB's 2016 preview report.⁴ Specifically, the defense cap was reduced by \$53.9 billion and the non-defense cap was reduced by \$36.5 billion. No further adjustments are made in this report. Absent further congressional action, section 251A of BBEDCA also requires reductions to the current discretionary caps for 2017 through 2021. The precise amount of those reductions is not known at this time and will depend on the relative size of sequestrable

² OMB's Sequestration Preview Report for 2014 is available at: http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy14_preview_and_joint_committee_reductions_reports_05202013.pdf.

³ The 2014 Joint Committee reductions for discretionary programs are enforced through cap reductions, in contrast to the 2013 reductions, which were enforced through a sequestration of non-exempt discretionary funds that was ordered on March 1, 2013.

⁴ OMB's Sequestration Preview Report for 2016 is available at: https://www.whitehouse.gov/omb/legislative_reports/sequestration.

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in billions of dollars)

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|--------|--------|----------|----------|----------|----------|----------|----------|----------|----------|
| Original limits set in Title I of the Budget Control Act of 2011: | | | | | | | | | | |
| Security Category | 684.0 | 686.0 | N/A |
| Nonsecurity Category | 359.0 | 361.0 | N/A |
| Discretionary Category | N/A | N/A | 1,066.0 | 1,086.0 | 1,107.0 | 1,131.0 | 1,156.0 | 1,182.0 | 1,208.0 | 1,234.0 |
| Redefinition of limits pursuant to section 251A of BBEDCA: | | | | | | | | | | |
| Security Category | | -686.0 | N/A |
| Nonsecurity Category | | -361.0 | N/A |
| Discretionary Category | N/A | N/A | -1,066.0 | -1,086.0 | -1,107.0 | -1,131.0 | -1,156.0 | -1,182.0 | -1,208.0 | -1,234.0 |
| Defense Category | N/A | +546.0 | +556.0 | +566.0 | +577.0 | +590.0 | +603.0 | +616.0 | +630.0 | +644.0 |
| Non-Defense Category | N/A | +501.0 | +510.0 | +520.0 | +530.0 | +541.0 | +553.0 | +566.0 | +578.0 | +590.0 |
| Adjustments pursuant to section 901(d) of the ATRA: | | | | | | | | | | |
| Security Category | | +684.0 | N/A |
| Nonsecurity Category | | +359.0 | N/A |
| Defense Category | N/A | -546.0 | -4.0 | | | | | | | |
| Non-Defense Category | N/A | -501.0 | -4.0 | | | | | | | |
| Joint Select Committee on Deficit Reduction Enforcement: | | | | | | | | | | |
| Defense Category | N/A | N/A | -53.9 | | -53.9 | | | | | |
| Non-Defense Category | N/A | N/A | -36.6 | | -36.5 | | | | | |
| Adjustments pursuant to section 101(a) of the BBA: | | | | | | | | | | |
| Defense Category | N/A | N/A | +22.4 | -44.7 | | | | | | |
| Non-Defense Category | N/A | N/A | +22.4 | -27.6 | | | | | | |
| Enacted adjustments pursuant to section 251(b)(2) of BBEDCA: | | | | | | | | | | |
| OCO/GWOT: | | | | | | | | | | |
| Security Category | +126.5 | +98.7 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Defense Category | N/A | N/A | +85.4 | +64.4 | | | | | | |
| Non-Defense Category | N/A | N/A | +6.5 | +9.3 | | | | | | |
| Emergency Requirements: | | | | | | | | | | |
| Security Category | | +7.0 | N/A |
| Nonsecurity Category | | +34.6 | N/A |
| Defense Category | N/A | N/A | +0.2 | +0.1 | | | | | | |
| Non-Defense Category | N/A | N/A | | +5.3 | | | | | | |
| Program Integrity: | | | | | | | | | | |
| Nonsecurity Category | +0.5 | +0.5 | N/A |
| Non-Defense Category | N/A | N/A | +0.9 | +1.5 | | | | | | |
| Disaster Relief : | | | | | | | | | | |
| Security Category | +6.4 | +11.8 | N/A |
| Nonsecurity Category | +4.1 | | N/A |
| Non-Defense Category | N/A | N/A | +5.6 | +6.5 | | | | | | |
| Adjustments pursuant to section 7 of Public Laws 113-76 and 113-235: | | | | | | | | | | |
| Defense Category | N/A | N/A | +0.2 | +0.0 | | | | | | |
| Non-Defense Category | N/A | N/A | | | | | | | | |
| Revised Limits Included in the OMB Sequestration Update Report: | | | | | | | | | | |
| Security Category | 816.9 | 801.5 | N/A |
| Nonsecurity Category | 363.5 | 394.1 | N/A |
| Discretionary Category | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A |
| Defense Category | N/A | | 606.3 | 585.9 | 523.1 | 590.0 | 603.0 | 616.0 | 630.0 | 644.0 |
| Non-Defense Category | N/A | | 504.8 | 514.9 | 493.5 | 541.0 | 553.0 | 566.0 | 578.0 | 590.0 |

N/A = Not Applicable

Table 2. DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| DEFENSE (OR "REVISED SECURITY") CATEGORY | | | | | | | |
| Preview Report Spending Limit | 585,870 | 523,091 | 590,000 | 603,000 | 616,000 | 630,000 | 644,000 |
| Adjustments for the Update Report: | | | | | | | |
| Overseas Contingency Operations/Global | | | | | | | |
| War on Terrorism | -14 | ..... | ..... | ..... | ..... | ..... | ..... |
| Update Report Spending Limit | 585,856 | 523,091 | 590,000 | 603,000 | 616,000 | 630,000 | 644,000 |
| <i>Anticipated Adjustments for the Final Sequestration Report:</i> | | | | | | | |
| <i>Overseas Contingency Operations/Global</i> | | | | | | | |
| <i>War on Terrorism .....</i> | ..... | +50,949 | ..... | ..... | ..... | ..... | ..... |
| Anticipated Final Sequestration Report | | | | | | | |
| Spending Limit | 585,856 | 574,040 | 590,000 | 603,000 | 616,000 | 630,000 | 644,000 |
| NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY | | | | | | | |
| Preview Report Spending Limit | 514,107 | 493,491 | 541,000 | 553,000 | 566,000 | 578,000 | 590,000 |
| Adjustments for the Update Report: | | | | | | | |
| Disaster Relief | +812 | ..... | ..... | ..... | ..... | ..... | ..... |
| Update Report Spending Limit | 514,919 | 493,491 | 541,000 | 553,000 | 566,000 | 578,000 | 590,000 |
| <i>Anticipated Adjustments for the Final Sequestration Report:</i> | | | | | | | |
| <i>Emergency Requirements .....</i> | ..... | +1,055 | ..... | ..... | ..... | ..... | ..... |
| <i>Overseas Contingency Operations/Global War on</i> | | | | | | | |
| <i>Terrorism .....</i> | ..... | +7,047 | ..... | ..... | ..... | ..... | ..... |
| <i>CDRs and Redeterminations .....</i> | ..... | +1,166 | ..... | ..... | ..... | ..... | ..... |
| <i>Health Care Fraud and Abuse Control .....</i> | ..... | +395 | +414 | +434 | +454 | +475 | +496 |
| <i>Disaster Relief .....</i> | ..... | +6,872 | ..... | ..... | ..... | ..... | ..... |
| <i>Subtotal, Anticipated Adjustments for the Final</i> | | | | | | | |
| <i>Sequestration Report .....</i> | ..... | +16,535 | +414 | +434 | +454 | +475 | +496 |
| Anticipated Final Sequestration Report Spending Limit | 514,919 | 510,026 | 541,414 | 553,434 | 566,454 | 578,475 | 590,496 |
| TOTAL DISCRETIONARY SPENDING | | | | | | | |
| Preview Report, Total Discretionary Spending | 1,099,977 | 1,016,582 | 1,131,000 | 1,156,000 | 1,182,000 | 1,208,000 | 1,234,000 |
| Update Report, Total Discretionary Spending | 1,100,775 | 1,016,582 | 1,131,000 | 1,156,000 | 1,182,000 | 1,208,000 | 1,234,000 |
| Anticipated Final Sequestration Report, Total | | | | | | | |
| Discretionary Spending | 1,100,775 | 1,084,066 | 1,131,414 | 1,156,434 | 1,182,454 | 1,208,475 | 1,234,496 |

mandatory outlays in the baseline in future Budgets. Since these reductions are unknown and are not required to be made at this time, they are not reflected in the limits shown in this report.

The BBA took an important first step toward replacing the damaging Joint Committee reductions with sensible long-term reforms. However, the pending cap reductions for 2016 and beyond lead to cap levels that do not provide sufficient resources for national security, domestic investments, and the core Government functions that are required to ensure that the Nation is achieving its full potential in a growing economy. Left unchanged, the Joint Committee reductions

would leave base discretionary funding in 2016 at its lowest level in a decade when adjusted for inflation. The President's 2016 Budget builds on the progress made with the enactment of the BBA by proposing roughly equal increases to both the defense and non-defense caps. These additional discretionary resources in 2016 would help spur economic growth, promote opportunity for all, and strengthen national security by providing critical investments in infrastructure, education, and innovation. The Budget further proposes to restore discretionary spending after 2016 to a path that would continue to support economic growth, economic mobility, and security. These investments would be paid for by a balanced package

of spending cuts, targeted tax loophole closers, and program integrity measures included in the Budget.⁵ Even with these investments, discretionary spending will reach its lowest level on record as a share of GDP in later years.

OMB is required by law to report on the current discretionary limits in this report. The following discussion focuses on new and potential current law adjustments to those limits. Table 1 summarizes the original caps enacted in the BCA and all changes to date that have been made to those caps.

Adjustments to discretionary limits.—Table 2 shows the effect of adjustments pursuant to section 251(b) of BBEDCA on the discretionary limits for each year from 2015 through 2021. Section 251(b)(1) allows adjustments for concepts and definitions to be made in the preview report, which is transmitted with the President’s Budget, and section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. At present, only Public Law 114-4, the Department of Homeland Security Appropriations Act, 2015 (DHS Act) has been enacted in 2015 subsequent to issuance of OMB’s 2016 preview report. The DHS Act provided full-year appropriations to the Department of Homeland Security, which had been operating under continuing appropriations provided by Public Law 113-164, the Continuing Appropriations Resolution, 2015, which was extended in Division L of Public Law 113-235, the Consolidated and Further Continuing Appropriations Act, 2015 (CFCAA). The DHS Act also supplanted continuing appropriations that had been designated for Overseas Contingency Operations (OCO) pursuant to section 251(b)(2)(A)(ii)

of BBEDCA and for disaster relief pursuant to section 251(b)(2)(D) of BBEDCA. The continuing appropriations of \$227 million for OCO and \$5,626 million for disaster relief were used to adjust the 2015 limits in the OMB final sequestration report for 2015, which was released on January 20, 2015. The caps are now adjusted in this report to reflect the actual full-year appropriations of \$213 million for OCO and \$6,438 million for disaster relief in the DHS Act. This results in a downward adjustment to the defense cap of \$14 million for the OCO change and an upward adjustment of \$812 million to the non-defense cap for the disaster relief change. These adjustments are made on Table 2. At present, no appropriations for 2016 have been completed, so there are no adjustments made to the budget year caps in this report.

Anticipated adjustments to discretionary limits.—In addition to actual adjustments required at this time, Table 2 shows *anticipated* adjustments for 2016 equal to those proposed in the 2016 Budget, which OMB assumes will be enacted in the final 2016 appropriations bills. The actual adjustments will be determined at the end of this session of Congress and will be reflected in OMB’s final sequestration report. The section 251(b)(2) anticipated adjustments include:

Emergency Requirement and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) Appropriations.—These adjustments are permitted by section 251(b)(2)(A) and include funding that the Congress so designates in law, and that the President subsequently designates, as being either emergency requirements or for OCO/GWOT activities on an account-by-account basis. At present, no further adjustments are anticipated for 2015.

For 2016, the Administration has not requested any funding as an emergency requirement, but it has requested that a new cap adjustment for wildfire suppression be added to section 251(b)(2) of BBEDCA. The proposed wildfire suppression cap adjustment would require the ceiling on the disaster relief cap adjustment to be reduced by the preceding fiscal year’s wildfire suppression adjustment, so that there would be no increase in overall discretionary spending pursuant to this proposal. The Budget requests \$1,055 million for these purposes in 2016. Title V of the Senate-reported 2016 Interior and Environment

⁵ The 2016 Budget also includes: a proposed change in concepts and definitions that would reclassify as mandatory certain surface transportation programs that are currently funded from the General Fund; two new adjustments to the discretionary limits related to program integrity efforts in the Internal Revenue Service’s Operations Support and Enforcement accounts, the Alcohol and Tobacco Tax and Trade Bureau, and the Department of Labor’s unemployment insurance programs; and a new adjustment for wildfire suppression operations at the Departments of Agriculture and the Interior. These and other proposals are summarized in the Budget Process chapter of the *Analytical Perspectives* volume of the President’s 2016 Budget and in the preview report. Although an agreement has not yet been reached with the Congress, the Administration remains committed to working with the Congress on a bipartisan basis to enact these proposals. See Chapter 11 of the *Analytical Perspectives*, available at: https://www.whitehouse.gov/sites/default/files/omb/budget/fy2016/assets/ap_11_process.pdf.

appropriations bill includes the new cap adjustment. However, since the adjustment has not been enacted to date, the Senate bill is providing the 2016 request as a one-time emergency requirement; therefore, the Administration is also assuming this amount as an anticipated adjustment. In addition, the Senate-reported State and Foreign Operations bill includes \$759 million in funds designated as emergency requirements for the Migration and Refugee Assistance and International Disaster Assistance accounts but these amounts are not reflected as anticipated adjustments on Table 2.

The CFCAA and the DHS Act provided a total of \$73,695 million (including rescissions) for OCO/GWOT activities for 2015, which is already reflected in the 2015 caps. The President's 2016 Budget requested a total of \$57,996 million for OCO/GWOT activities under BBEDCA for 2016. House action so far provides \$88,422 million in the Defense bill, \$532 million in the Military Construction and Veterans Affairs bill, and \$7,334 million in the State and Foreign Operations bill for a total of \$96,288 million. Senate action so far allocates \$86,867 million in the Defense bill, \$160 million in the Homeland Security bill, and \$9,259 million to the State and Foreign Operations bill for a total of \$96,286 million. The House and Senate OCO funding levels, particularly in the Defense bill, attempt to circumvent the defense cap by using OCO funds to pay for base requirements. The Administration opposes this approach and proposes making roughly equal increases to the defense and non-defense caps. These increases would be paid for by enacting savings proposals included in the 2016 Budget. Therefore, Table 2 shows anticipated adjustments for OCO/GWOT activities equal to the levels requested in the President's Budget for 2016. The 2016 Budget also includes a placeholder estimate of about \$26.7 billion for OCO/GWOT funding for 2017 through 2021, which is in line with previous years' proposals to cap total OCO/GWOT budget authority from 2013 to 2021 at \$450 billion. However, those amounts will be refined in subsequent Budgets as the Administration develops its OCO transition plan. As a result, outyear adjustments are not included as anticipated adjustments to the current law caps because no specific policy decisions or assumptions regarding outyear OCO/GWOT spending in any particular year have been made to date, including the share of defense versus non-defense funding.

Continuing Disability Reviews (CDRs) and Redeterminations.—Section 251(b)(2)(B) of BBEDCA authorizes cap adjustments for appropriations for CDRs and redeterminations. CDRs are periodic re-evaluations conducted to determine if recipients of Social Security disability insurance benefits and Supplemental Security Income (SSI) for persons with disabilities are still disabled. Redeterminations are periodic reviews of non-medical factors of eligibility for the means-tested SSI program, such as income and resources, and generally result in a revision of the individual's benefit level. The maximum cap adjustment in each year is limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$273 million is provided for these purposes in the underlying appropriations bill before the adjustment.

The purpose of this adjustment is to ensure sufficient resources for the Social Security Administration to reduce improper payments, achieving tens of billions of dollars in deficit savings over the next 10 years. The CFCAA provided \$1,123 million as a cap adjustment, which was made in OMB's 2015 final sequestration report. Since the adjustment for CDRs and redeterminations was fully funded in both 2014 and 2015 and may again be funded in 2016, the 2016 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1,166 million through discretionary appropriations. The \$1,166 million adjustment is displayed as an anticipated adjustment to the non-defense category in Table 2. However, the failure to provide the full level of adjustment authorized by BBEDCA prior to 2014 and the delays in annual appropriations for these activities make it difficult for the agency to execute its budget plans and achieve targeted results in each year. Therefore, to better ensure these resources continue to be provided in the future and to maximize potential savings, the Budget proposes dedicated mandatory funding for these activities starting in 2017. If mandatory funding is provided, the Budget proposes to eliminate the discretionary cap adjustment beginning in 2017 and to reduce the discretionary caps by the base funding for these activities.

The House has provided the 2015 level of funding for these activities in its reported version of the 2016 Labor, Health and Human Services, Education, and Related Agencies (LHHS) bill while the Senate has

provided full funding of the cap adjustment at \$1,166 million in its reported version of the 2016 LHHS bill. In order to best reflect the appropriations bills that have moved to date, Table 2 reflects the full, authorized amount for CDRs and redeterminations as an anticipated adjustment for 2016. However, no adjustments are shown in Table 2 subsequent to 2016 because it is assumed that the Budget proposal to replace the cap adjustments with mandatory funding will be enacted.

Health Care Fraud and Abuse Control (HCFAC).—Section 251(b)(2)(C) of BBEDCA authorizes adjustment to the caps by amounts appropriated for HCFAC activities, which include efforts to reduce the Medicare improper payment rate and strengthen the Health Care Fraud Prevention and Enforcement Action Team initiative. The maximum HCFAC cap adjustment in each year is limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$311 million for these purposes is provided in the underlying appropriations bill before the adjustment. The CFCAA provided both the base \$311 million level and the maximum cap adjustment permitted by BBEDCA. As a result, OMB's 2015 final sequestration report included an adjustment of \$361 million to the caps for HCFAC for the first time since the caps have been reinstated. The 2016 Budget fully funds the base amount for this program and includes the full cap adjustment of \$395 million permitted by BBEDCA for 2016 and the cap adjustments permitted by BBEDCA for each year thereafter.

For HCFAC, the House provides the same \$361 million enacted in 2015 in its reported version of the 2016 LHHS bill while the Senate has provided for full funding of the cap adjustment at \$395 million in its reported version of 2016 LHHS bill. Table 2 reflects the full authorized amount for HCFAC as an anticipated adjustment for 2016 and for each year thereafter.

Disaster Funding.—Section 251(b)(2)(D) of BBEDCA authorizes an adjustment to the caps for appropriations that are designated by the Congress as being for “disaster relief,” which is defined as activities carried out pursuant to a determination under section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act (42 U.S.C. 5122(2)). Section 254(e) of BBEDCA requires OMB to include in this report a preview estimate of the adjustment for disaster

funding for 2016. That estimate is currently \$14,125 million (see section III of this report).

The CFCAA and the DHS Act provided a total of \$6,529 million designated for disaster relief with \$6,438 million provided to the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund (DRF) and \$91 million provided to the Department of Agriculture's (USDA's) Emergency Forest Restoration Program, Emergency Conservation Program, and Watershed and Flood Prevention Operations accounts. This amount is \$11,901 million below the maximum allowable adjustment of \$18,430 million for 2015.

The 2016 Budget requested \$6,872 million in two accounts to be designated for disaster relief by the Congress in 2016: \$6,713 million in FEMA's DRF to cover the costs of Presidentially-declared major disasters, including identified costs for previously declared catastrophic events (defined by FEMA as events with expected costs totaling more than \$500 million) and the predictable annual cost of non-catastrophic events expected to be obligated in 2016; and \$159 million in the Small Business Administration's Disaster Loans Program Account for administrative expenses related to Presidentially-declared major disasters. For these two programs, the Budget requests funding for both known needs based on expected costs of prior declared disasters and the typical average expenditures in these programs. This request is consistent with the past practice of requesting and funding these programs through regular appropriations bills. Also consistent with past practice, the 2016 request level does not seek to pre-fund anticipated needs in other programs arising from potential future disasters, nor does the Budget seek funding for potential catastrophic needs. As additional information about the need to fund prior or future disasters becomes available, additional requests, in the form of either 2015 supplemental appropriations or amendments to the 2016 Budget, will be transmitted.

Finally, under the principles outlined above, since the Administration does not have the information necessary to state the total amount that might be designated as disaster relief, the 2016 Budget did not explicitly request any disaster relief funding in any year after 2016. Therefore, Table 2 reflects an anticipated adjustment for the final report for 2016 only, and there is no anticipated adjustment in any of the outyears. At present,

**Table 3. STATUS OF 2015
DISCRETIONARY APPROPRIATIONS**
(In millions of dollars)

| | BA | Outlays |
|--|-----------|-----------|
| Defense Category | | |
| Adjusted discretionary spending limits | 585,856 | N/A |
| Total enacted appropriations | 585,856 | 595,984 |
| Spending over (+)/under (-) limits ..... | ..... | N/A |
| Non-Defense Category | | |
| Adjusted discretionary spending limits | 514,919 | N/A |
| Total enacted appropriations | 511,520 | 609,161 |
| Spending over (+)/under (-) limits | -3,399 | N/A |
| Total Discretionary Spending—All Categories | | |
| Adjusted discretionary spending limits | 1,100,775 | N/A |
| Total enacted appropriations | 1,097,376 | 1,205,145 |
| Spending over (+)/under (-) limits | -3,399 | N/A |

N/A = Not Applicable

the Senate has fully funded the 2016 request while the House has provided only the adjustment for FEMA.

Status of 2015 discretionary appropriations.—Table 3 summarizes the status of enacted 2015 discretionary appropriations, relative to the discretionary caps for 2015. The caps include all adjustments made in OMB’s 2015 final sequestration report and, as noted previously, include adjustments for revised OCO and disaster relief amounts enacted in the DHS Act. Using the same economic and technical assumptions underlying the 2015 Budget, OMB’s estimates of enacted budget authority for both categories for 2015, including amounts enacted in the CFCAA and the DHS Act, remain within the specified spending levels. However, should appropriations be enacted before the end of 2015 that lead to a 2015 category breach, then in its 2016 final sequestration report, OMB would adjust the 2016 limit for that category downward by the amount of the breach, pursuant to section 251(a)(5) of BBEDCA.

Status of 2016 discretionary appropriations.—Table 4 presents preliminary OMB scoring of the latest House and Senate action for the 12 an-

nual appropriations bills. Based on these levels, both House and Senate bills are slightly over the defense caps by \$3 million and \$1 million, respectively. At the same time, OMB estimates show that the House is over the non-defense cap by \$1,789 million while the Senate would not breach the non-defense cap.

OMB estimates of House and Senate action to date are based on the following assumptions:

- The levels on Table 4 are equal to OMB scoring of base appropriations for each reported or passed House or Senate bill.
- Table 4 also includes a separate section by bill that adds OMB’s assumptions for the *anticipated* adjustments from Table 2 to the caps for emergency requirements (including wildfire suppression), OCO/GWOT, CDR’s and redeterminations, HCFAC, and disaster relief funding. As noted previously, the level on Table 2 is used even if the House or Senate bill provides an alternate level so that any differences are for base scoring, which is effectively what determines if sequestration takes place.

Table 4. STATUS OF 2016 APPROPRIATIONS ACTION

(Discretionary budget authority in millions of dollars)

| | <u>House</u> | <u>Senate</u> |
|---|----------------------|----------------------|
| | <u>BA</u> | <u>BA</u> |
| <u>DEFENSE CATEGORY</u> | | |
| Defense Base Appropriations: | | |
| Commerce, Justice, Science, and Related Agencies | 5,078 F | 5,068 C |
| Defense | 490,091 F | 488,996 C |
| Energy and Water Development | 18,886 F | 19,002 C |
| Financial Services and General Government | 43 C | 46 C |
| Homeland Security | 1,659 C | 1,711 C |
| Military Construction and Veterans Affairs | 7,151 F | 8,083 C |
| Transportation and Housing and Urban Development | 186 F | 186 C |
| Subtotal, Defense Base Discretionary | 523,094 | 523,092 |
| Defense Anticipated Adjustments: ¹ | | |
| Defense (OCO/GWOT) | 50,949 | 50,949 |
| Total, Defense Discretionary | 574,043 | 574,041 |
| Estimated Final Sequestration Report Defense Category Limit | 574,040 | 574,040 |
| CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT | +3 | +1 |
| <u>NON-DEFENSE CATEGORY</u> | | |
| Non-Defense Base Appropriations: | | |
| Agriculture and Rural Development | 20,440 C | 20,421 C |
| Commerce, Justice, Science, and Related Agencies | 46,278 F | 45,978 C |
| Defense | 135 F | 136 C |
| Energy and Water Development | 16,480 F | 16,326 C |
| Financial Services and General Government | 20,231 C | 20,532 C |
| Homeland Security | 37,672 C | 38,499 C |
| Interior and Environment | 30,161 C | 30,006 C |
| Labor, HHS, and Education | 155,184 C | 153,492 C |
| Legislative Branch | 4,291 F ² | 4,309 C ² |
| Military Construction and Veterans Affairs | 68,905 F | 69,490 C |
| State and Foreign Operations | 40,028 C | 38,307 C |
| Transportation and Housing and Urban Development | 55,475 F | 55,849 C |
| Subtotal, Non-Defense Base Discretionary | 495,280 | 493,345 |
| Non-Defense Anticipated Adjustments: ¹ | | |
| Financial Services and General Government (Disaster Relief) | 159 | 159 |
| Homeland Security (Disaster Relief) | 6,713 | 6,713 |
| Interior and Environment (Emergency/Wildfire Suppression) | 1,055 | 1,055 |
| Labor, HHS, and Education (Program Integrity) | 1,561 | 1,561 |
| State and Foreign Operations (OCO/GWOT) | 7,047 | 7,047 |
| Subtotal, NonDefense Anticipated Adjustments | 16,535 | 16,535 |
| Total, Non-Defense Discretionary | 511,815 | 509,880 |
| Estimated Final Sequestration Report Non-Defense Category Limit | 510,026 | 510,026 |
| CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT | +1,789 | -146 |

Table 4. STATUS OF 2016 APPROPRIATIONS ACTION—Continued

(Discretionary budget authority in millions of dollars)

| | <u>House</u> | <u>Senate</u> |
|--|--------------|---------------|
| | BA | BA |
| TOTAL DISCRETIONARY SPENDING | | |
| Total, Discretionary | 1,085,858 | 1,083,921 |
| Estimated Final Sequestration Report Total Category Limits | 1,084,066 | 1,084,066 |
| CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS | +1,792 | -145 |

Key: C = Bill reported out by committee; F = Bill passed by House or by Senate.

NOTE: OMB scoring of latest House and Senate action is preliminary and subject to change.

¹ The *anticipated* adjustments are pursuant to section 251(b)(2) of BBEDCA for Emergency Requirements, Overseas Contingency Operations/Global War on Terrorism, SSA CDR's and redeterminations, HCFAC, and disaster relief. The requested adjustments in the 2016 Budget are included here since there is variation among the adjustments supported by the Administration, the House, and the Senate. This presentation is meant to provide a comparison that best illustrates potential breaches of the estimated final sequestration report limits.

² Holding to tradition, the respective House-passed Legislative Branch bill does not include items from the Senate until that chamber passes its own bill off the floor. For a more comparable bill total, OMB adds the Senate items from the Senate-reported bill to its House scoring.

Comparison of OMB and CBO discretionary limits.— Section 254(e) of BBEDCA requires this report to explain the difference between OMB and CBO estimates for discretionary spending limits. Table 5 compares OMB and CBO limits for 2015 through 2021. CBO uses the discretionary limits from OMB's 2016 sequestration preview report as a starting point for adjustments in its sequestration update report. CBO's estimates for 2015 and 2016 are the same as OMB's estimates for

both categories. For 2016 through 2021, CBO begins with the same levels as OMB for the defense and non-defense limits. However, CBO includes approximate adjustments to the 2017-2021 limits to account for the Joint Committee reductions pursuant to section 251A of BBEDCA. OMB does not include these reductions to the revised limits because they are not required at this time and because the amounts will be affected by future reestimates of mandatory spending.

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|---|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| CBO Update Report Limit | 585,856 | 523,091 | 536,068 | 549,072 | 562,079 | 576,086 | 590,094 |
| OMB Update Report Limit | 585,856 | 523,091 | 590,000 | 603,000 | 616,000 | 630,000 | 644,000 |
| Difference (+)/(-) | | | +53,932 | +53,928 | +53,921 | +53,914 | +53,906 |
| CBO Update Report Limit | 514,919 | 493,491 | 503,675 | 515,418 | 529,397 | 542,674 | 555,001 |
| OMB Update Report Limit | 514,919 | 493,491 | 541,000 | 553,000 | 566,000 | 578,000 | 590,000 |
| Difference (+)/(-) | | | +37,325 | +37,582 | +36,603 | +35,326 | +34,999 |
| CBO Update Report, Total Discretionary | 1,100,775 | 1,016,582 | 1,039,743 | 1,064,490 | 1,091,476 | 1,118,760 | 1,145,095 |
| OMB Update Report, Total Discretionary | 1,100,775 | 1,016,582 | 1,131,000 | 1,156,000 | 1,182,000 | 1,208,000 | 1,234,000 |
| Difference (+)/(-) | | | +91,257 | +91,510 | +90,524 | +89,240 | +88,905 |

III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2016

Section 251(b)(2)(D)(i) of BBEDCA states that the adjustment for disaster relief in each year shall be the total of “appropriations for discretionary accounts that the Congress designates as being for disaster relief in statute,” subject to a ceiling (i.e., a maximum allowable adjustment) calculated pursuant to sections 251(b)(2)(D)(i)(I) and (II). The ceiling for each year is calculated by adding the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years) to an amount equal to “the difference between the enacted amount and the allowable adjustment as calculated [for the prior year].”

Section 254(e) of BBEDCA requires this report to include a preview estimate (or funding ceiling) of the adjustment for disaster funding for the upcoming year, in this case 2016. The first part of the calculation of the ceiling in 2016 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2006 through 2015 period is \$104.3 billion. The low value dropped was for 2011 (\$2.5 billion), and the high value dropped was for 2006 (\$31.9 billion).

The average for 2016 is therefore \$8,741 million. For 2006 through 2014, there were no changes to the data included in the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2015*.⁶

The second part of the calculation requires the determination of the amount of carryover from the prior year. In the prior year (2015), the allowable adjustment was \$18,430 million, and, as noted previously, the Congress provided a total of only \$6,529 million for FEMA’s DRF program and a number of accounts in USDA. To date, the level of appropriations enacted in 2015 that has been designated for disaster relief is \$11,901 million below the 2015 ceiling. However, pursuant to section 251(b)(2)(D)(i)(II) of BBEDCA, any unused carryover from 2014 (\$6,517 million) cannot carry forward into the calculation of the 2016 preview estimate. As a result, the \$11,901 million level is reduced by the 2014 carryover of \$6,517 million

⁶ For a full account of OMB’s analysis and methodology, see “OMB Report on Disaster Relief Funding,” available at: http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/disaster_relief_report_sept2011.pdf.

Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2006 THROUGH 2015

(Discretionary budget authority in millions of dollars)

| Year | Budget Authority |
|------|------------------|
| 2006 | 31,905 |
| 2007 | 5,446 |
| 2008 | 21,323 |
| 2009 | 2,743 |
| 2010 | 6,026 |
| 2011 | 2,473 |
| 2012 | 10,453 |
| 2013 | 11,779 |
| 2014 | 5,626 |
| 2015 | 6,529 |

| 2006–2015 | |
|-----------------------------|---------|
| Total Budget Authority | 104,303 |
| Low (2011) | 2,473 |
| High (2006) | 31,905 |
| Average (dropping high/low) | 8,741 |

which leaves \$5,384 million as the underage that carries forward into the calculation of the 2016 preview adjustment. Therefore, pursuant to the formula in sections 251(b)(2)(D)(i)(I) and (II) of the BBEDCA, the ceiling for the disaster relief adjustment in 2016 will be \$14,125 million. That amount is equal to \$8,741 million (the average for 2015) plus \$5,384 million (the difference between the enacted amount and the allow-

able adjustment as calculated for the prior year). If supplemental appropriations are enacted before the end of 2015 that are designated for disaster relief, the ceiling for 2016 will change. It is important to note that no actual adjustment to the caps will occur unless the Congress enacts appropriations that it specifically designates as being for disaster relief pursuant to BBEDCA.