



Sequestration Update Report: August 2020

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 will 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), which reported in January that appropriations for 2020 had not exceeded the caps.²

Although additional appropriations totaling an estimated \$503 billion have been made since January, they were designated as emergency requirements, one of the categories of funding that cannot breach a cap. By law, the caps 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 some types of disaster relief, the 2020 census, wildfire suppression, or certain program integrity initiatives.³

Limits on Discretionary Budget Authority for 2020

The Budget Control Act has been modified several times to increase the caps on funding for 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 (see Table 1).

CBO's estimates of the adjustments to the caps for 2020 amount to \$615 billion. Most of the estimated adjustments are for nondefense funding, including

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 appropriation acts.
2. See Office of Management and Budget, *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2020* (January 2020), <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. Also, the 21st Century Cures Act (P.L. 114-255) requires discretionary funding for certain 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.

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

Table 1.

Limits on Discretionary Budget Authority for Fiscal Year 2020

Millions of Dollars

	Defense ^a	Nondefense ^a	Total
Caps Established by the Bipartisan Budget Act of 2019 ^b	666,500	621,500	1,288,000
Adjustments			
Emergency requirements ^c	18,607	492,800	511,407
Overseas contingency operations ^d	71,500	8,000	79,500
Disaster relief ^e	0	17,503	17,503
2020 census	0	2,500	2,500
Wildfire suppression	0	2,250	2,250
Program integrity initiatives ^f	0	1,842	1,842
Estimating differences ^g	-1	465	464
Total Adjustments	90,106	525,360	615,466
Adjusted Caps for 2020	756,606	1,146,860	1,903,466
Appropriations for 2020 Subject to the Caps ^h	756,606	1,146,860	1,903,466
Memorandum:			
Discretionary Funding Not Included in Calculation of Caps ⁱ	0	567	567

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 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.
- c. Funding formally designated as required under section 251(b)(2)(A)(i) of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act).
- d. Funding designated as required under section 251(b)(2)(A)(ii) of the Deficit Control Act. This category consists of funding primarily for military activities in Afghanistan and similar missions.
- 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, including Disability Insurance, Supplemental Security Income, Medicare, Medicaid, unemployment compensation, and the Children's Health Insurance Program.
- g. Section 747 of division C of the Consolidated Appropriations Act, 2020 (Public Law 116-93), authorized the Office of Management and Budget (OMB) to increase the caps for 2020 to reflect estimating differences between that agency and CBO.
- h. Discretionary appropriations for fiscal year 2020 as reported by the Office of Management and Budget in *OMB Final Sequestration Report to the President and Congress for Fiscal Year 2020* (January 2020), <https://go.usa.gov/xUwaB>, plus subsequent appropriations that total \$503 billion, in CBO's estimation. OMB estimates that those subsequent appropriations total \$511 billion.
- i. The 21st Century Cures Act requires discretionary funding for certain authorized activities to be excluded from calculations of appropriations subject to the caps.

\$493 billion for emergency requirements.⁴ Other estimated adjustments to the nondefense cap include \$8 billion for overseas contingency operations, \$18 billion for disaster relief, \$3 billion for the 2020 census, \$2 billion for wildfire suppression, and \$2 billion for program integrity initiatives related to Medicare and to the Disability Insurance and Supplemental Security Income programs, bringing the total adjustment to the nondefense cap to \$525 billion.⁵ Adjustments to the defense cap are expected to total \$90 billion: \$72 billion for overseas contingency operations and \$19 billion for emergency requirements.

If those adjustments were made, the caps on budget authority for 2020 would total \$757 billion for defense programs and \$1,147 billion for nondefense programs—about \$1,903 billion in all, CBO estimates. OMB reported in January that at that point, appropriations for 2020 that were subject to the caps were equal to or below the cap amounts. The subsequent appropriations for emergency requirements do not change that conclusion, and therefore no sequestration will be required, in CBO's estimation.

The caps still could be breached if lawmakers provided additional appropriations for 2020 before the end of September 2020 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 2020, the 2021 caps would be reduced to compensate for the excess funding.

4. Multiple laws enacted after OMB reported the final cap adjustments for 2020 provided supplemental appropriations that were designated as emergency requirements. CBO estimates that those laws will increase the defense cap by \$10,607 million and the nondefense cap by \$492,257 million. OMB estimated the same amount for the laws' increase in defense appropriations but estimated the increase in nondefense appropriations to be \$500,888 million. See the entries from February through May 2020 at Office of Management and Budget, "Budget Enforcement Act (Seven-Day-After) Reports" (accessed August 7, 2020), <https://go.usa.gov/xyhJQ>.

5. Section 747 of division C of the Consolidated Appropriations Act, 2020 (P.L. 116-93), authorized OMB to increase the caps for 2020 by an additional \$465 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 2020* (January 2020), <https://go.usa.gov/xUwAB>.

Limits on Discretionary Budget Authority for 2021

The Budget Control Act 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.⁶ CBO estimates that those automatic reductions would have lowered the 2021 caps by a total of \$89 billion. But 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 emergencies, overseas contingency operations, disaster relief, wildfire suppression, or program integrity initiatives.

Disaster Relief

The total increase in the caps to accommodate funding for disaster relief 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;
- 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 maximum funding for disaster relief has exceeded the amounts appropriated for each year after 2018.

6. 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 2030.

For 2021, CBO estimates, the maximum cap adjustment for disaster relief will be \$17.3 billion. Of that amount, \$8.7 billion is the average annual funding over the 2011–2020 period, excluding the highest and lowest annual amounts. An additional \$8.6 billion is 5 percent of the funding provided for emergency requirements under the Stafford Act over the same period. Finally, the cumulative amount by which the maximum funding for disaster relief has exceeded the amounts appropriated for each year after 2018 is zero.

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. Benjamin Plotinsky was the editor, and Jorge Salazar was the graphics editor. An electronic version is available on CBO's website (www.cbo.gov/publication/56498).

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



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