



# Final Sequestration Report for Fiscal Year 2021

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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 fiscal year 2021.<sup>1</sup> (No caps have been established for subsequent years.) 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 2021. 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

The Budget Control Act of 2011 (Public Law 112-25) has been modified several times to increase the caps on funding for defense (called security in the law) and for nondefense (nonsecurity) programs. Most recently, the Bipartisan Budget Act of 2019 (P.L. 116-37) set the limits for 2021 at \$1,298 billion—\$671.5 billion for defense and \$626.5 billion for nondefense (see Table 1).

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.

As specified in law, those caps are adjusted each year to accommodate certain types of spending. On the basis of the appropriations provided in the Consolidated Appropriations Act, 2021 (P.L. 116-260), CBO estimates that the adjustments to the caps for 2021 amount to \$293 billion. Most of the estimated adjustments are for nondefense funding, including \$194 billion for emergency requirements, largely designated for the Departments of Education, Health and Human Services, and Transportation. Other estimated adjustments to the nondefense cap include the following: \$8 billion for overseas contingency operations (such as military activities in Afghanistan), \$17 billion for disaster relief, \$2 billion for wildfire suppression, and \$2 billion for program integrity initiatives.<sup>2</sup> Combined, those changes bring the total adjustment to the nondefense cap to \$223 billion. Adjustments to the defense cap are expected to total \$69 billion, nearly all of which is for overseas contingency operations.

After those adjustments are made, the caps on budget authority for 2021 will total \$741 billion for defense programs and \$850 billion for nondefense programs, CBO estimates—nearly \$1.6 trillion in all. According to

2. 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.

Table 1.

## Limits on Discretionary Budget Authority for Fiscal Year 2021

Millions of Dollars

	Defense <sup>a</sup>	Nondefense <sup>a</sup>	Total
Caps Established by the Bipartisan Budget Act of 2019 <sup>b</sup>	671,500	626,500	1,298,000
Adjustments			
Emergency requirements <sup>c</sup>	106	193,884	193,990
Overseas contingency operations <sup>d</sup>	69,000	8,000	77,000
Disaster relief <sup>e</sup>	0	17,285	17,285
Wildfire suppression	0	2,350	2,350
Program integrity initiatives <sup>f</sup>	0	1,881	1,881
Total Adjustments	69,106	223,400	292,506
Adjusted Caps	740,606	849,900	1,590,506
Appropriations (As of January 12, 2021)	740,606	849,900	1,590,506
<b>Memorandum:</b>			
Discretionary Funding Not Subject to Caps <sup>g</sup>	0	474	474

Data source: Congressional Budget Office. See [www.cbo.gov/publication/56955#data](http://www.cbo.gov/publication/56955#data).

- 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 2021 and set revised caps on defense and nondefense funding for that year at amounts that were a combined \$153 billion above what the caps would have been if the automatic spending reductions had occurred.
- 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).
- 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.
- 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.
- 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.
- The 21st Century Cures Act requires discretionary funding for certain activities to be excluded from calculations of appropriations subject to the caps.

CBO's estimates, appropriations for 2021 do not exceed the caps; therefore, no sequestration will be required.<sup>3</sup>

The caps still could be breached if lawmakers provided additional appropriations for 2021 before the end of the fiscal year without increasing the limits—unless those appropriations either fell into a category that caused a cap adjustment or were offset by reductions in funding for other programs.

## Disaster Relief

Unlike the other adjustments to the discretionary caps, the maximum amount by which the caps can be increased for disaster relief funding is variable and dependent on funding in prior years. The total increase in the caps to accommodate funding for disaster relief in 2021 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 the 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 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 \$0.5 billion for nondefense programs for 2021. Similarly, section 101 of division AA of the Consolidated Appropriations Act, 2021 (P.L. 116-260), requires discretionary funding derived from the Harbor Maintenance Trust Fund (HMTF), up to specified limits, to be excluded from calculations of funding constrained by the caps. That provision was not in effect when CBO provided its cost estimate for the 12 appropriation acts for fiscal year 2021. That cost estimate showed discretionary appropriations constrained by the nondefense caps for 2021 that included \$1.7 billion in estimated appropriations from the HMTF. (See Congressional Budget Office, cost estimate for Divisions A through L of the House Amendment to the Senate Amendment to H.R. 133, the Consolidated Appropriations Act, 2021 [Rules Committee Print 116-68], December 21, 2020, [www.cbo.gov/publication/56913](http://www.cbo.gov/publication/56913).) Consistent with that estimate, this report does not exclude CBO's estimate of HMTF-derived appropriations from calculations of cap-constrained funding in 2021.

- The cumulative amount by which the new cap has exceeded the amounts appropriated for each year after 2018.

For 2021, CBO estimates, the maximum cap adjustment for disaster relief will be \$17.4 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 \$8.7 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. Loretta Lettner was the editor, and Casey Labrack was the graphics editor. The report is available on CBO’s website ([www.cbo.gov/publication/56955](http://www.cbo.gov/publication/56955)).

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



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