



March 4, 2013

Honorable Paul Ryan
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you requested, the Congressional Budget Office (CBO) is providing information in this letter on appropriations for fiscal year 2013 and the effect on those appropriations of the automatic spending reductions (known as sequestration) that were implemented on March 1.

If H.R. 933, the Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013 (as introduced on March 4) is enacted, appropriations for 2013 for programs limited by the statutory caps will total \$1,043 billion.¹ In addition, the proposed appropriations and previously enacted legislation include funding for certain activities that are not constrained by the caps; together, H.R. 933 and Public Law 113-2, the Disaster Relief Appropriations Act, 2013, would provide a total of \$153 billion in such funding.² Both appropriations limited by the caps and those that are not constrained include resources that are subject to the automatic spending reductions. All told, appropriations for 2013 will total \$1,196 billion if H.R. 933 is enacted.

In *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (March 1, 2013), the Office of Management and Budget (OMB) provided details on the automatic spending reductions for 2013. Specifically, those reductions will lower the \$1,043 billion in appropriations limited by the caps (as well as unobligated balances for defense programs) by \$59 billion, resulting in an annual total of

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1. The caps were initially established by the Budget Control Act of 2011 and later amended by the American Taxpayer Relief Act of 2012.
 2. Those activities include overseas contingency operations, disaster relief, program integrity efforts, and emergency requirements.

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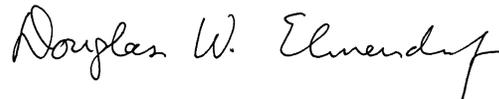
\$984 billion in net new budget authority (see Table 1). In addition, funding for activities that are not constrained by the statutory caps will be reduced by about \$9 billion, to a total of \$144 billion. Thus, total discretionary budget authority in 2013 will be \$1,127 billion, which is \$68 billion less than the \$1,196 billion of authority that would be provided if H.R. 933 was enacted in the absence of sequestration (see Table 2 for CBO's estimates of budget authority by appropriations subcommittee, excluding the effects of sequestration).

Automatic reductions to mandatory programs will reduce funding for those programs by another \$17 billion, by OMB's calculation. Therefore, OMB reports that the total sequestration will amount to \$85 billion in budget authority.

CBO previously estimated that the automatic spending reductions would lower outlays by \$42 billion in 2013 (and by additional amounts in subsequent years). Incorporating OMB's determination of the distribution of those reductions across budget categories will probably change that estimate somewhat, but CBO has not yet had an opportunity to update its calculations.

If you wish further details, we will be pleased to provide them. The CBO staff contact is Jeff Holland, who can be reached at 226-2880.

Sincerely,



Douglas W. Elmendorf
Director

Enclosure

cc: Honorable Chris Van Hollen
Ranking Member

Honorable Hal Rogers
Chairman, Committee on Appropriations

Honorable Nita Lowey
Ranking Democratic Member

Table 1.
Budget Authority for Fiscal Year 2013

(Billions of dollars)

	Before <u>Sequestration</u>	Amount <u>Sequestered</u>	After <u>Sequestration</u>
Discretionary Budget Authority Subject to the Caps in the Deficit Control Act ^a	1,043	-59	984
Adjustments			
Overseas contingency operations ^b	99	-6	92
Emergency requirements ^c	42	-2	40
Disaster relief ^d	12	-1	11
Program integrity ^e	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	153	-9	144
Total Discretionary Budget Authority	1,196	-68	1,127
Mandatory Budget Authority ^f	2,409	-17	2,392
Total Budget Authority	3,605	-85	3,519

SOURCES: Congressional Budget Office, Office of Management and Budget.

NOTE: Numbers in this table were derived from CBO's estimates for appropriation legislation (including H.R. 933, as introduced on March 4), OMB's *Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013* (March 1, 2013), and CBO's February 2013 baseline. CBO has not yet done a full analysis of the effects of the sequestration on its baseline estimates.

a. Caps on discretionary budget authority for 2013 apply to security (\$684 billion) and nonsecurity (\$359 billion) spending. The amount sequestered includes a reduction in unobligated balances for defense programs.

b. This category consists of funding for war-related activities in Afghanistan and for similar activities.

c. This category consists mostly of funding for relief and recovery from Hurricane Sandy that was designated as an emergency requirement by the Congress. About \$5 billion in funding related to Hurricane Sandy was declared disaster relief, and about \$3 billion was not declared either as an emergency requirement or as disaster relief.

d. For the purposes of adjustments to the cap, "disaster relief" refers to activities carried out pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act; such activities may result from a natural disaster that causes damage of sufficient severity to warrant federal assistance.

e. Program integrity initiatives identify and reduce overpayments in benefit programs, such as Disability Insurance, Supplemental Security Income, Medicare, Medicaid, and the Children's Health Insurance Program. For 2013, funding for program integrity initiatives thus far has been provided only for Disability Insurance and Supplemental Security Income.

f. Most mandatory programs--including Social Security and other federal retirement programs, Medicaid, and veterans' benefits--are exempt from sequestration. The \$17 billion reduction in mandatory budget authority is an estimate prepared by the Office of Management and Budget.

Table 2.**Total Discretionary Appropriations for FY 2013, Including H.R. 933, the Department of Defense, Military Construction and Veterans Affairs, and Full-Year Continuing Appropriations Act, 2013 as Introduced on March 4, 2013, and P.L. 113-2, the Disaster Relief Appropriations Act, 2013.**

(In millions of dollars)

March 4, 2013

House Subcommittee	Regular Appropriations 1,2/			Appropriations with Sec. 251 Adjustments 3/				Total Appropriations	
	Security	Nonsecurity	Total Regular Appropriations	Overseas Contingency Operations	Disaster Relief	Program Integrity	Emergency Requirements (P.L. 113-2)		
Agriculture	BA:	1,648	18,599	20,247	0	0	0	224	20,471
	O:	1,702	20,787	22,489	0	0	0	72	22,561
Commerce, Justice, Science	BA:	78	50,356	50,434	0	0	0	363	50,797
	O:	81	62,906	62,987	0	0	0	97	63,084
Defense	BA:	517,592	0	517,592	87,226	0	0	88	604,906
	O:	572,369	15	572,384	48,044	0	0	42	620,470
Energy and Water	BA:	11,528	25,301	36,829	0	0	0	1,889	38,718
	O:	11,532	29,853	41,385	0	0	0	327	41,712
Financial Services	BA:	0	21,226	21,226	0	0	0	811	22,037
	O:	0	24,137	24,137	0	0	0	430	24,567
Homeland Security	BA:	39,656	0	39,656	258	11,779	0	6,693	58,386
	O:	45,585	0	45,585	206	1,453	0	283	47,527
Interior	BA:	0	30,606	30,606	0	0	0	1,443	32,049
	O:	0	32,130	32,130	0	0	0	153	32,283
Labor, HHS, Education	BA:	0	156,708	156,708	0	0	483	827	158,018
	O:	0	166,769	166,769	0	0	430	108	167,307
Legislative Branch	BA:	10	4,289	4,299	0	0	0	0	4,299
	O:	10	4,320	4,330	0	0	0	0	4,330
Military Construction, VA	BA:	71,531	347	71,878	0	0	0	261	72,139
	O:	79,088	267	79,355	2	0	0	24	79,381
State, Foreign Operations	BA:	41,957	136	42,093	11,203	0	0	0	53,296
	O:	48,591	143	48,734	3,245	0	0	0	51,979
Transportation, HUD	BA:	0	51,432	51,432	0	0	0	29,070	80,502
	O:	0	114,606	114,606	0	0	0	588	115,194
Total	BA:	684,000	359,000	1,043,000	98,687	11,779	483	41,669	1,195,618
	O:	758,958	455,933	1,214,891	51,497	1,453	430	2,124	1,270,395

Memorandum Regarding Sequestration:

This table does not show the effects of the sequestration required by Sec. 251A of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act), as amended by the Budget Control Act of 2011. On March 1, 2013, the Office of Management and Budget ordered the sequestration and reported that the total amount to be sequestered from discretionary accounts is \$68,413 million. Amounts in each column of this table that are subject to sequestration under the Budget Control Act of 2011 will be reduced on a pro-rata basis to meet that sequestration requirement.

SOURCE: Congressional Budget Office.

Notes: BA = budget authority; O = outlays; HHS = Health and Human Services; VA = Veterans Affairs; HUD = Housing and Urban Development.

In H.R. 933:

Division A = Department of Defense Appropriations Act, 2013

Division B = Military Construction and Veterans Affairs and Related Agencies Appropriations Act

Division C = Full-Year Continuing Appropriations Act, 2013

1. These amounts are subject to discretionary spending limits in the Deficit Control Act. The spending limits were established in the Budget Control Act of 2011 (P.L. 112-25), which amended the Deficit Control Act.
2. Division D provides for an across-the-board rescission of 0.098 percent of budget authority and obligation limitations in the nonsecurity category and 0.109 percent of budget authority in the security category. The rescission is applicable to amounts provided in H.R. 933 (with several exclusions; see sec. 3001(d)), advance appropriations for 2013, and contract authority in 2013 for any program subject to limitation incorporated or otherwise contained in divisions A through C of H.R. 933.
3. The spending limits set by the Deficit Control Act are to be adjusted to accommodate appropriations for these purposes, pursuant to section 251(b)(2) of the Deficit Control Act.