
OMB Sequestration Update Report to the President and Congress for Fiscal Year 2019



August 20, 2018

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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, 2018

The Honorable Paul D. Ryan
Speaker of the House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

Enclosed please find the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2019*. 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 final sequestration report regarding enforcement of the discretionary spending caps for both 2018 and 2019, including information about the discretionary caps for defense and non-defense, the status of OMB scoring of the latest action by the House of Representatives and the Senate on discretionary appropriations bills, comparisons with the estimates provided by the Congressional Budget Office (CBO) in its August update report, and OMB's preview estimate of the 2019 adjustment for disaster relief. OMB must issue a final sequestration report for 2019 after the Congress adjourns.

To date, no 2018 supplemental or 2019 appropriations bills have been enacted into law and, therefore, no changes are reflected to the current 2018 or 2019 caps. The 2019 caps remain at the levels enacted in the Bipartisan Budget Act of 2018 (BBA) and, assuming they remain unchanged, this report estimates that actions to date by the House of Representatives is within both the defense and non-defense caps. The report also finds that action in the Senate is within the non-defense cap but slightly over the defense cap by \$7 million. However, this defense breach is unlikely to trigger any sequestration since it is attributable to estimating differences OMB has with CBO and the Congress is expected, as it has done in previous years, to enact an allowance for 2019 to account for such differences.

As stated in its FY 2019 Budget, as amended, and throughout the appropriations process, this Administration strongly supports the overall defense levels included in the BBA. However, given the Nation's long-term fiscal constraints and the need to right-size the Federal Government, the Administration does not support spending at the BBA's non-Defense cap. The

Administration looks forward to working with the Congress to identify a path to ultimately enacting non-Defense discretionary spending for FY 2019 below the BBA cap of \$597 billion.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mick Mulvaney", is positioned above the printed name.

Mick Mulvaney
Director

Enclosure

Identical Letter Sent to The President and The Honorable Michael R. Pence

I. INTRODUCTION

The Budget Control Act of 2011 (BCA; Public Law 112–25) 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. Section 254 of BBEDCA requires OMB to issue a sequestration update report by August 20 each year. This report provides OMB’s current estimates of the discretionary spending limits, including any updates to the limits since OMB last reported on the caps in its 2018 final sequestration report¹ that was issued on April 6, 2018. The 2018 final sequestration report adjusted the caps from the amounts shown in the 2019 preview report to reflect Public Law 115–123, the Bipartisan Budget Act of 2018 (BBA of 2018). This report also contains OMB’s scoring estimates of pending appropriations legislation against those limits as of August 15, 2018. OMB makes no adjustments to either of the 2018 or 2019 caps at this time because there have been no events since the 2018 final sequestration report was issued that would trigger any cap adjustment. The report does, however, list anticipated adjustments to the 2019 limits based on requested amounts in the President’s 2019 Budget, as adjusted by the *Addendum to the President’s FY19 Budget to Account for the Bipartisan Budget Act of 2018*² (the “Addendum”).

As required, OMB’s estimates are based on the economic and technical assumptions used in the President’s 2019 Budget and cover the 12 annual appropriations bills for 2019 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 2019 preview estimate of the adjustment for disaster relief funding, including changes to the formula that were made in Public Law 115–141, the Consolidated Appropriations Act, 2018 (CAA of 2018).

If the discretionary limits for 2019 remain unchanged, OMB’s estimates of House action to date for the 12 annual appropriations bills for 2019 show no sequestration would be required for programs in either of the defense or non-defense categories. For the Senate, OMB’s estimates of non-defense appropriations are within the non-defense cap while OMB currently estimates a \$7 million breach of the defense category but this is unlikely to trigger a sequestration since it is due to technical estimating differences OMB has with the Congressional Budget Office (CBO) and the Congress is expected to enact an allowance for 2019 to account for such differences as it has done in previous years. These preliminary estimates are summarized in Table 4 of this report.

¹ The update report normally describes any changes to the caps since the preview report, which is transmitted with the President’s Budget in February. This year, the Congress changed this sequence by delaying OMB’s transmittal of the 2018 final sequestration report until after 2018 appropriations were completed on March 23, 2018. The delay was enacted in section 147 of the Continuing Appropriations Act, 2018 (division D of Public Law 115–56, as amended by division A of Public Law 115–96).

² The Addendum was released with the 2019 Budget on February 12, 2018 and is available on the OMB website: <https://www.whitehouse.gov/omb/budget/>. The detailed amendments to the 2019 Budget to reflect the Addendum and other changes or corrections were transmitted to the Congress on April 13, 2018. The amendments are also available on the OMB website: <https://www.whitehouse.gov/omb/supplementals-amendments-and-releases/>.

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 discretionary new budget authority. 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 scoring estimates of pending appropriations legislation as of August 15, 2018, and discusses the possible sequestration of discretionary programs that could 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 2019 Budget, as modified by the Addendum, and cover the 12 annual appropriations bills for 2019 that have been reported or passed by the House or Senate.

Section 251 of BBEDCA specifies two categories for discretionary funding.³ The revised security category includes only the discretionary programs in the defense budget function 050 (the "defense" category), which mainly consists of the Department of Defense and significant portions of agency budgets for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The revised non-security

category consists of all discretionary programs not in the revised security category—essentially all non-defense (or non-050) budget functions (the "non-defense" category).

Section 251A of BBEDCA requires an annual reduction in the caps as part of the Joint Committee reductions. In OMB's 2018 and 2019 preview reports⁴, the 2018 and 2019 defense caps were reduced by \$53,943 million and \$53,858 million, respectively, and the non-defense caps were reduced by \$37,251 million and \$35,657 million, respectively.⁵ Section 30101(a) of title I, division C of the BBA of 2018 subsequently raised the defense caps in 2018 by \$79,943 million and in 2019 by \$84,858 million to levels of \$629,000 million and \$647,000 million in 2018 and 2019, respectively. The non-defense caps were raised in 2018 by \$63,251 million and in 2019 by \$66,657 million to levels of \$579,000 million and \$597,000 million in 2018 and 2019, respectively. Further adjustments required by section 251 of BBEDCA were made in the 2018 final sequestration report for cap adjustments (described in the next section), but no further adjustments are made to the caps in this report. Absent further congressional action, section 251A of BBEDCA will require reductions to the current discretionary caps for 2020 and 2021. The precise amount of those reductions is not known at this time and will depend on the relative size of sequestrable 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.

OMB is required by law to report on the current discretionary limits in this report. The following discussion focuses on 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.

³ For more information on the structure of the BBEDCA spending caps and how they have changed over time, see Table 1 of this report, or consult any of the OMB's sequestration reports to the President and the Congress during the previous administration at the following archive site: https://obamawhitehouse.archives.gov/omb/legislative_reports/sequestration.

⁴ OMB's preview reports for 2018 and 2019 are available at: <https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>.

⁵ The 2018 and 2019 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.

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	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	359.0	361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	-361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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 American Taxpayer Relief Act (Public Law 112-240):										
Security Category .....	.....	+684.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	+359.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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	.....	-53.9	-53.9	.....	.....
Non-Defense Category	N/A	N/A	-36.6	.....	-36.5	.....	-37.3	-35.7	.....	.....
Adjustments pursuant to section 101(a) of the 2013 Bipartisan Budget Act (Public Law 113-67):										
Defense Category	N/A	N/A	+22.4	-44.7	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	+22.4	-27.6	.....	.....	.....	.....	.....	.....
Adjustments pursuant to section 101(a) of the 2015 Bipartisan Budget Act (Public Law 114-74):										
Defense Category	N/A	N/A	.....	.....	+25.0	-38.9	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	+25.0	-22.5	.....	.....	.....	.....
Adjustments pursuant to section 30101(a) of Title I in Division C of the BBA of 2018 (Public Law 115-123):										
Defense Category	N/A	N/A	.....	.....	.....	.....	+79.9	+84.9	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+63.3	+66.7	.....	.....
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	+58.8	+82.9	+66.1	.....	.....	.....
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	+20.8	+12.0	.....	.....	.....
Emergency Requirements:										
Security Category .....	.....	+7.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	+34.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	+0.2	+0.1	.....	.....	+5.9	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	+5.3	+1.7	+19.4	+103.8	.....	.....	.....
Program Integrity:										
Nonsecurity Category	+0.5	+0.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+0.9	+1.5	+1.5	+2.0	+1.9	.....	.....	.....
Disaster Relief:										
Security Category	+6.4	+11.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	+4.1	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+5.6	+6.5	+7.6	+8.1	+7.4	.....	.....	.....
Technical adjustments for scoring differences with CBO: ¹										
Defense Category	N/A	N/A	+0.2	+0.0	.....	+0.0	+0.0	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	+0.6	.....	.....	.....
Revised Limits Included in the OMB Sequestration Update Report:										
Security Category	816.9	801.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	363.5	394.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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	N/A	606.3	585.9	606.9	634.0	700.9	647.0	630.0	644.0
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	568.8	704.6	597.0	578.0	590.0

N/A = Not Applicable

¹ These adjustments are permitted under section 7 of Public Laws 113-76, 113-235, 114-113, and 115-31 and section 748 of division E of the CAA of 2018.

Table 2. DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2018	2019	2020	2021
DEFENSE (OR "REVISED SECURITY") CATEGORY				
2018 Final Sequestration Report Spending Limits	700,939	647,000	630,000	644,000
No changes				
2019 Sequestration Update Report Spending Limits	700,939	647,000	630,000	644,000
<i>Anticipated Adjustments for the 2019 Final Sequestration Report:</i>				
<i>Overseas Contingency Operations/Global</i>				
<i>War on Terrorism</i>		+69,001		
Anticipated 2019 Final Sequestration Report				
Spending Limits	700,939	716,001	630,000	644,000
NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY				
2018 Final Sequestration Report Spending Limits	704,646	597,000	578,000	590,000
No changes				
2019 Sequestration Update Report Spending Limits	704,646	597,000	578,000	590,000
<i>Anticipated Adjustments for the 2019 Final Sequestration Report:</i>				
<i>Overseas Contingency Operations/Global</i>				
<i>War on Terrorism</i>		-301		
<i>SSA Dedicated Program Integrity</i>		+1,410	+1,309	+1,302
<i>Health Care Fraud and Abuse Control</i>		+454	+475	+496
<i>Disaster Relief</i>		+6,652		
<i>Subtotal, Anticipated Adjustments</i>				
<i>for the 2019 Final Sequestration Report</i>		+8,215	+1,784	+1,798
Anticipated 2019 Final Sequestration Report				
Spending Limits	704,646	605,215	579,784	591,798
2018 Final Sequestration Report,				
Total Discretionary Spending	1,405,585	1,244,000	1,208,000	1,234,000
2019 Sequestration Update Report,				
Total Discretionary Spending	1,405,585	1,244,000	1,208,000	1,234,000
Anticipated 2019 Final Sequestration Report,				
Total Discretionary Spending	1,405,585	1,321,216	1,209,784	1,235,798

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 2018 through 2021. Section 251(b)(1) allows adjustments for changes in 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, no supplemental appropriations for 2018 nor new appropriations for 2019 have been completed, so there are no adjustments made to the caps in this report.

Anticipated adjustments to discretionary limits.—Although there are no actual adjustments required at this time, Table 2 shows *anticipated* adjust-

ments for 2019 that are available under current law and equal to the levels proposed in the 2019 Budget, as adjusted by the Addendum. The actual adjustments will be determined at the end of this session of the Congress and will be reflected in OMB’s 2019 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) of BBEDCA and include funding that the Congress so designates in law, and that the President subsequently designates, as being either for emergency requirements or for OCO/GWOT activities on an account-by-account basis. The

detail below specifies each of the adjustments made for 2018 and the anticipated adjustments for 2019, respectively.

Emergency Requirements. The 2018 defense cap includes a combined adjustment of \$5,856 million for appropriations designated as emergency requirements for hurricane response in subdivision 1 of division B of Public Law 115–123 and missile defense in division B of Public Law 115–96. The 2018 non-defense cap already includes a combined \$103,812 million adjustment that was enacted as emergency requirements predominantly for hurricane relief and California wildfire response in division A of Public Law 115–72 and subdivision 1 of division B of Public Law 115–123.

For 2019, the President’s Budget does not propose any net new emergency funding. However, the 2019 Budget does propose to eliminate the Title 17 Innovative Technology Loan Guarantee Program and the Advanced Technology Vehicles Manufacturing Loan Program in the Department of Energy. This proposal includes a permanent cancellation of most of the remaining balances of emergency funding, which were never designated pursuant to BBEDCA. The Budget also proposes permanent cancellations in the Department of Housing and Urban Development’s Tenant-based and Project-based Rental Assistance accounts as part of an accounting cleanup. These proposed cancellations are not re-designated in the Budget as emergency; therefore, the Budget does not show any savings being achieved under the caps, nor does the Budget adjust the caps for these cancellations.

OCO/GWOT. The CAA of 2018 provided a total of \$78,097 million (including rescissions) for 2018, with \$66,079 million allocated to the defense category and \$12,018 million allocated to the non-defense category. These adjustments are already reflected in the 2018 caps. The President’s 2019 Budget, as adjusted by the Addendum, requests a total of \$68,700 million for OCO/GWOT activities under BBEDCA for 2019 with \$69,001 million for defense programs and -\$301 million for international programs. As part of the Addendum, the Administration seeks to curtail the use of OCO/GWOT funding – particularly for international programs given the higher caps for non-defense – and the only funding designated as non-defense OCO/GWOT

in the 2019 Budget is a proposed cancellation of previously enacted OCO/GWOT balances.

House action so far provides \$68,080 million in the Defense bill, \$921 million in the Military Construction and Veterans Affairs bill, and \$8,018 million in the State and Foreign Operations bill for a total of \$77,019 million. Senate action allocates nearly the same amount as the House, but with a slightly different disbursement with \$67,914 million for the Defense bill, \$165 million for in the Homeland Security bill, \$921 million for the Military Construction and Veterans Affairs bill, and \$8,000 million for the State and Foreign Operations bill, for a total of \$77,000 million. Table 2 shows anticipated adjustments for OCO/GWOT activities equal to the levels requested in the President’s Budget for 2019.

After 2019, the 2019 Budget includes outyear OCO/GWOT amounts for defense for 2020 through 2023 that are estimates of incremental war costs that are consistent with the National Security and National Defense Strategies. Amounts from 2024 through 2028 reflect notional placeholders consistent with a potential transition of further OCO/GWOT costs into the base budget while continuing to fund contingency operations. The placeholder amounts for 2024 through 2028 do not reflect specific decisions or assumptions about OCO/GWOT funding in any particular year. Since all of the outyear OCO/GWOT amounts are illustrative at this time, they are not included as anticipated adjustments to the current law caps.

Social Security Dedicated Program Integrity Activities.—Section 251(b)(2)(B) of BBEDCA authorizes cap adjustments for Social Security Administration (SSA) appropriations primarily for Continuing Disability Reviews (CDRs) and redeterminations. CDRs are periodic reevaluations conducted to determine if recipients of Social Security Disability Insurance benefits and Supplemental Security Income (SSI) for persons with disabilities still qualify for benefits. Redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources, for the means-tested SSI program and generally result in a revision of the individual’s benefit level. SSA may also use cap adjustment funds for work CDRs, cooperative disability investigation units, and special attorneys for fraud prosecutions. The maxi-

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 intent 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, and additional savings in the outyears.

The CAA of 2018 fully funded the \$273 million base and provided \$1,462 million as a cap adjustment – the maximum allowable adjustment specified for 2018 in BBEDCA. This amount is already included in the 2018 non-defense cap. The 2019 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1,410 million through discretionary appropriations in 2019. The 2019 Budget also supports full funding of the authorized cap adjustments for these programs through 2021 and proposes to extend the cap adjustments through 2028 at the rate of current services inflation assumed in the 2019 Budget.

Both the House and Senate have provided the full cap adjustment level of \$1,410 million for these activities in their reported versions of the 2019 Labor, Health and Human Services, Education, and Related Agencies (LHHS) bill. Consistent with the 2019 Budget, Table 2 reflects the full, authorized amount for SSA's dedicated program integrity work as an anticipated adjustment for 2019 and for each year thereafter.

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, support the Health Care Fraud Prevention and Enforcement Action Team initiative, and reduce the Medicaid improper payment rates. 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 CAA of 2018 provided the base \$311 million level and the maximum cap adjustment level of \$434 million. The 2019 Budget fully funds the base amount

for this program and includes the full cap adjustment of \$454 million permitted by BBEDCA for 2019 and the full amounts authorized by BBEDCA for each year thereafter.

For HCFAC, both the House and Senate provide the full cap adjustment level of \$454 million in their reported versions of the 2019 LHHS bill. Consistent with the 2019 Budget, Table 2 reflects the full authorized amounts for HCFAC as an anticipated adjustment for 2019 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 2019. That estimate is currently \$14,965 million (see section III of this report).

For 2018, the Congress provided a total of \$7,366 million in the CAA of 2018. This amount was allocated entirely to the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund (DRF) account. This amount is also equal to the maximum allowable adjustment that was calculated in last year's sequestration update report for 2018.

The 2019 Budget requests \$6,652 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 2019. The Budget requests funding for both known needs based on expected costs of prior declared disasters and the typical average expenditures in this program. This request is consistent with the past practice of requesting and funding this program through regular appropriations bills. Also consistent with past practice, the 2019 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. If necessary, the President

may transmit a request for additional funding to fund prior or future disasters, in the form of either 2018 supplemental appropriations or amendments to the 2019 Budget.

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 2019 Budget does not explicitly request any disaster relief funding in any year after 2019 and instead reflects a placeholder amount equal to the 2019 request level. Table 2 reflects the 2019 request. The table does not include the outyear placeholder amounts as anticipated cap adjustments to the non-defense category because it does not reflect a specific policy decision. At present, both the House and Senate have fully funded the 2019 request in their reported Homeland Security appropriations bills.

New BBEDCA Cap Adjustments.—The BBA of 2018 and the CAA of 2018 each created a new cap adjustment under section 251(b)(2) of BBEDCA. Section 30206(c) of title II of the BBA of 2018 created an adjustment for Reemployment Services and Eligibility Assessments (RESEA), while section 102(a)(3) of division O of the CAA of 2018 created an adjustment for wildfire suppression activities. Each adjustment is permitted up to a maximum amount specified in the law if the underlying appropriations bill first funds a base level for these activities. For RESEA, the base funding level is \$117 million, while for wildfire suppression, the base is the average cost over ten years for such operations as requested in the President’s 2015 Budget for the Department of Agriculture’s Forest Service and for the Department of the Interior. The RESEA adjustment is allowed beginning in 2019, while the wildfire adjustment is allowed beginning in 2020.

The President’s 2019 Budget proposed an adjustment for wildfire suppression that would have begun in 2019. However, since the new adjustment enacted in the CAA of 2018 is not available until 2020, no anticipated adjustment is included on Table 2. For RESEA, the 2019 Budget was prepared before this adjustment was enacted so no anticipated adjustment is included on Table 2 as well. However, the House- and Senate-reported 2019 LHHS bills each include the \$117 mil-

lion base and the \$33 million adjustment authorized in BBEDCA for 2019.

Status of 2018 discretionary appropriations.—Table 3 summarizes the status of enacted 2018 discretionary appropriations, relative to the discretionary caps for 2018. The caps include all adjustments made in OMB’s 2018 final sequestration report. Using the same economic and technical assumptions underlying the 2018 Budget, OMB’s estimates of enacted budget authority for both categories for 2018 remain at the specified spending levels. However, if appropriations enacted before the end of 2018 lead to a 2018 category breach, then in its 2019 final sequestration report, OMB would adjust the 2019 limit for that category downward by the amount of the breach, pursuant to section 251(a)(5) of BBEDCA.

Status of 2019 discretionary appropriations.—Table 4 presents preliminary OMB scoring of the latest House and Senate action for the 12 annual appropriations bills, where available. Based on these levels, the House bills are estimated to be under both caps in 2019. For the Senate, OMB estimates levels that are under the non-defense cap but over the defense cap by \$7 million – a difference that is attributable to technical estimating differences OMB has with CBO. As a result, this breach is unlikely to trigger any sequestration since the Congress is expected to enact a provision allowing OMB to adjust the caps due to estimating differences with CBO. Such a provision has been enacted

Table 3. STATUS OF 2018 DISCRETIONARY APPROPRIATIONS

(Discretionary budget authority in millions of dollars)

	Budget Authority
Defense Category	
Adjusted discretionary spending limits	700,939
Total enacted appropriations	700,939
Spending over (+)/under (–) limits .....	.....
Non-Defense Category	
Adjusted discretionary spending limits	704,646
Total enacted appropriations	704,646
Spending over (+)/under (–) limits .....	.....
Total Discretionary Spending—All Categories	
Adjusted discretionary spending limits	1,405,585
Total enacted appropriations	1,405,585
Spending over (+)/under (–) limits .....	.....

Table 4. STATUS OF 2019 APPROPRIATIONS ACTION
(Discretionary budget authority in millions of dollars)

	House		Senate
	BA		BA
<u>DEFENSE CATEGORY</u>			
Defense Base Appropriations:			
Commerce, Justice, Science, and Related Agencies	5,595	C	5,401
Defense	606,379	F	607,004
Energy and Water Development	22,300	F	21,892
Financial Services and General Government	31	F	31
Homeland Security	2,058	A	2,058
Military Construction and Veterans Affairs	10,333	F	10,321
Transportation and Housing and Urban Development	300	C	300
Subtotal, Defense Base Discretionary	646,996		647,007
Defense Anticipated Adjustments: ¹			
Defense (OCO/GWOT)	68,080		68,080
Military Construction and Veterans Affairs (OCO/GWOT)	921		921
Subtotal, Defense Anticipated Adjustments	69,001		69,001
Total, Defense Discretionary	715,997		716,008
Estimated Final Sequestration Report Defense Category Limit	716,001		716,001
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	-4		+7
<u>NON-DEFENSE CATEGORY</u>			
Non-Defense Base Appropriations:			
Agriculture and Rural Development	23,257	C	23,228
Commerce, Justice, Science, and Related Agencies	56,994	C	57,659
Defense	128	F	129
Energy and Water Development	22,316	F	21,847
Financial Services and General Government	23,385	F	23,670
Homeland Security	49,345	A	46,411
Interior and Environment	35,228	F	35,831
Labor, HHS, and Education	177,257	C	179,332
Legislative Branch	4,844	F ²	4,795
Military Construction and Veterans Affairs	86,804	F	86,767
State and Foreign Operations	45,467	C	45,886
Transportation and Housing and Urban Development	71,022	C	70,637
Subtotal, Non-Defense Base Discretionary	596,047		596,192
Non-Defense Anticipated Adjustments: ¹			
Homeland Security (Disaster Relief)	6,652		6,652
Labor, HHS, and Education (Program Integrity)	1,864		1,864
State and Foreign Operations (OCO/GWOT)	-301		-301
Subtotal, Non-Defense Anticipated Adjustments	8,215		8,215
Total, Non-Defense Discretionary	604,262		604,407
Estimated Final Sequestration Report Non-Defense Category Limit	605,215		605,215
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	-953		-808
<u>TOTAL DISCRETIONARY SPENDING</u>			
Total, Discretionary	1,320,259		1,320,415
Estimated Final Sequestration Report Total Category Limits	1,321,216		1,321,216
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS	-957		-801

Table 4. STATUS OF 2019 APPROPRIATIONS ACTION—Continued

(Discretionary budget authority in millions of dollars)

	House	Senate
	BA	BA
Memorandum - Appropriations Counted Outside of Discretionary Caps:		
<i>21st Century CURES Appropriations:</i> ³		
<i>Agriculture and Rural Development</i>	70 C	70 F
<i>Labor, HHS, and Education</i>	711 C	711 C

Key: A = 302(b) Allocation; C = OMB scoring of bill reported out by committee; F = OMB scoring of 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 and HCFAC program integrity, and disaster relief. The requested adjustments in the 2019 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- and Senate-passed Legislative Branch bills do not include items from the other chamber since both the House and Senate moved their own bills before the other passed its own bill off the floor. For a more comparable bill total, OMB adds the Senate items from the Senate-passed bill to its House scoring and adds the House items from the House-passed bill to its Senate scoring.

³ The 21st Century CURES Act permitted funds to be appropriated for certain activities and not counted towards the discretionary caps so long as the appropriations were specifically provided for the authorized purposes. These amounts are displayed outside the discretionary totals for this reason.

in previous appropriations Acts since 2014 and the provision is included in the President’s 2019 Budget request and both of the House and Senate versions of the Financial Services and General Government Appropriations Act, 2019.⁶ However, this report does not reflect an anticipated cap adjustment due to estimating differences with CBO on Table 2 since such an adjustment is not yet current law and no estimate for its use was included in President’s 2019 Budget estimates (unlike other anticipated cap adjustments).

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

- The base levels on Table 4 are equal to OMB scoring of appropriations for each reported or passed House or Senate bill, with the exception of the House Homeland Security Appropriations bill (see the next bullet). OMB continues to review this legislation, so these estimates remain preliminary and subject to change.

- For the House Homeland Security Appropriations bill, the 302(b) allocation is being substituted because OMB is still reviewing the reported bill and awaiting CBO estimates in order to identify any scoring differences.
- Table 4 includes a separate section by bill that adds OMB’s assumptions for the *anticipated* adjustments from Table 2 to the caps for emergency requirements, OCO/GWOT, Social Security dedicated program integrity activities, HCFAC, and disaster relief funding. As noted previously, the requested level on Table 2 is used even if the House or Senate bill provides a different level so that any differences are for base scoring, which is effectively what determines if sequestration takes place.

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 the discretionary spending limits. Table 5 compares OMB and CBO limits for 2018 through 2021. CBO uses the discretionary limits from OMB’s 2018 final sequestration report as a starting point for adjustments in its sequestration update report. CBO’s estimates for 2018 and 2019 are the same as OMB’s

⁶ See section 736 of *General Provisions Government-wide* of the President’s 2019 Budget request, section 745 of division B of H.R. 6147, as passed by the House on July 19, 2018, and section 748 of division B of H.R. 6147 as passed by the Senate on August 1, 2018.

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2018	2019	2020	2021
<u>DEFENSE (OR "REVISED SECURITY") CATEGORY</u>				
CBO 2019 Update Report Limits	700,939	647,000	576,095	590,099
OMB 2019 Update Report Limits	700,939	647,000	630,000	644,000
Difference +/-			+53,905	+53,901
<u>NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY</u>				
CBO 2019 Update Report Limits	704,646	597,000	542,071	554,546
OMB 2019 Update Report Limits	704,646	597,000	578,000	590,000
Difference +/-			+35,929	+35,454
CBO 2019 Update Report, Total Discretionary	1,405,585	1,244,000	1,118,166	1,144,645
OMB 2019 Update Report, Total Discretionary	1,405,585	1,244,000	1,208,000	1,234,000
Difference +/-			+89,834	+89,355

N/A = Not Applicable

estimates for both categories. For 2020 and 2021, CBO begins with the same levels as OMB for the defense and non-defense limits. However, CBO includes approximate adjustments to those 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.

III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2019

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. “Disaster Relief” 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 (Stafford Act) (42 U.S.C. 5122(2)). Prior to enactment of the CAA of 2018, BBEDCA set an annual limit for the adjustment (or “funding ceiling”) that was calculated by adding the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years) plus any portion of the ceiling for the previous year that was not appropriated (or “carryover”). If the carryover from one year was not used in the subsequent year, it would not carry forward for a second year. This led to precipitous decline in the funding ceiling as higher disaster funding years began to fall out of the 10-year average formula. The ceiling fell from a high of \$18,430 million in 2015 to a low of \$7,366 million in 2018. The “use or lose” aspect of the carryover discouraged judicious use of the cap adjustment funding and the Administration proposed to work with the Congress in its 2018 and 2019 Budgets to address the declining ceiling.

Division O of the CAA of 2018 amended BBEDCA to stabilize the disaster formula by redefining the calculation beginning in fiscal year 2019. Under the new calculation, the funding ceiling is determined by adding three pieces: 1) the same 10-year average as calculated under the previous formula; 2) a portion of discretionary amounts appropriated to address Stafford Act disasters that were designated as emergency requirements pursuant to BBEDCA; and 3) the cumulative net carryover from 2018 and all subsequent fiscal years. With respect to the portion of emergency funding, the new calculation permits an adjustment of five percent of the total appropriations (net of any rescissions) that were provided after 2011 (or in the previous 10 years, whichever is less) as emergency requirements pursuant to section 251(b)(2)(A) (i) of BBEDCA for Stafford Act emergencies. On April 23, OMB released the *OMB Report on Disaster Relief Funding to the Committees on Appropriations and the Budget of the U.S. House of Representatives and the Senate, 2018*⁷, which specified the methodology and

criteria OMB is using for estimating the emergency appropriations for Stafford Act disasters that will apply in the new formula. Furthermore, the final piece of this change effectively allows any unused carryover to continue to be factored into each funding ceiling until it is used.

Section 254(e) of BBEDCA requires this sequestration update report to include a preview estimate (or funding ceiling) of the adjustment for disaster funding for the upcoming year under the new formula, in this case 2019. The first part of the calculation of the ceiling in 2019 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2009 through 2018 period is \$68,767 million. The low value dropped was for 2011 (\$2,473 million), and the high value dropped was for 2013 (\$11,779 million). The average for 2019 is therefore \$6,814 million.

Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2009 THROUGH 2018

(Discretionary budget authority in millions of dollars)

Fiscal Year	Budget Authority
2009	2,743
2010	6,026
2011	2,473
2012	10,453
2013	11,779
2014	5,626
2015	6,529
2016	7,643
2017	8,129
2018	7,366

2009–2018	
Total Budget Authority	68,767
Low (2011)	2,473
High (2013)	11,779
Average (dropping high/low)	6,814

⁷ The report is available on the OMB website: <https://www.whitehouse.gov/omb/legislative/omb-reports/>.

The second part of the calculation requires the determination of the 2019 emergency adjustment funding that should be added to the average. The amounts for determining this adjustment come from the April 23 report to the Congress that are summarized in Table 7. The 2019 Emergency adjustment is determined by adding up the total budget authority provided since 2012 as emergency requirements for Stafford Act disasters, or \$125,922 million, and taking five percent of that amount, or \$6,296 million.

The third part of the calculation requires determining the amount of any carryover from 2018 that should be applied to the ceiling. As noted earlier in this report, the funding ceiling originally calculated for 2018 was \$7,366 million and the Congress provided that total amount for FEMA’s DRF program in the CAA of 2018. Since the Congress provided the full amount of the allowable adjustment for 2018, there is no unused carryover to apply pursuant to the previous formula. However, the change to the formula in division O of the CAA of 2018 states that the adjustment for

five percent of Stafford Act emergency funding should be applied “starting in 2018” in section 251(b)(2)(D) (II). In addition, with respect to the carryover, section 251(b)(2)(D)(III) refers to “the cumulative net total of the unused carryover for fiscal year 2018 and all subsequent fiscal years...”. While division O of the CAA of 2018 states that the changes to the disaster formula should apply beginning in fiscal year 2019, OMB interprets sections 251(b)(2)(D)(II) and 251(b)(2)(D)(III) as requiring a look back at 2018 as if OMB had factored in the five percent of Stafford Act emergency appropriations in its preview estimate of the funding ceiling for 2018 after fiscal year 2017 had ended. This means OMB would have – at that time – determined the total budget authority provided over the 2012 to 2017 period as emergency requirements for Stafford Act disasters at \$37,101 million and five percent of that amount would be \$1,855 million. In this case, the preview estimate for 2018 would have been \$9,221 million (\$7,366 million plus \$1,855 million). Since this look-back is being applied in the determination of the funding ceiling for 2019, the \$1,855 million emergency adjustment for 2018 could not have been used and, therefore, is considered carryover from 2018 into 2019.

Table 7. SUMMARY OF FUNDING PROVIDED FOR DISASTERS DECLARED PURSUANT TO THE STAFFORD ACT AND DESIGNATED AS EMERGENCY PURSUANT TO BBEDCA, 2012-2018
(Discretionary budget authority in millions of dollars)

Fiscal Year	Budget Authority	Five Percent
2012	.....	.....
2013	22,301	1,115
2014	.....	.....
2015	.....	.....
2016	.....	.....
2017	14,800	740
2018	88,821	4,441

2018 Emergency Adjustment	
Total Budget Authority	37,101
Five Percent	+1,855

2019 Emergency Adjustment	
Total Budget Authority	125,922
Five Percent	+6,296

After taking into account each of the components of the new adjustment for the preview estimate for disaster relief, OMB calculates a funding ceiling in 2019 of \$14,965 million. This is the result of taking the average (\$6,814 million) and adding the emergency adjustment for 2019 (\$6,296 million) and the carryover from 2018 (\$1,855 million). 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.