
OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2021



February 10, 2020

TABLE OF CONTENTS

	<i>Page</i>
Transmittal Letter	iii
I. Introduction.....	1
II. Discretionary Sequestration Preview Report.....	3

LIST OF TABLES

	<i>Page</i>
Table 1. Overview of Changes to Discretionary Spending Limits and the Limits Proposed in the 2021 Budget.....	4
Table 2. Preview Report Discretionary Spending Limits Under Current Law.....	7
Table 3. Proposed Discretionary Spending Limits in the 2021 Budget.....	8

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

February 10, 2020

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2021*. It has been prepared pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA).

As required by law, the Preview Report, the first of the three required sequestration reports for 2021, sets forth estimates for the current year (2020) and the budget year (2021)—the remaining years for discretionary caps first enacted in the Budget Control Act of 2011. The report includes any adjustments required under current law, including for changes in concepts and definitions, if applicable. The report also provides a summary of the proposed and anticipated changes to the discretionary spending limits contained in the 2021 Budget.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Vought".

Russell T. Vought
Acting Director

Enclosure

Identical Letter Sent to The Honorable Michael R. Pence
and The Honorable Nancy Pelosi

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; Public Law 99-177), which had expired in 2002, by reinstating BBEDCA's limits on discretionary budget authority for 2012 through 2021. Since enactment of the BCA, these spending limits have been revised a number of times, with changes usually occurring in the form of two-year budget agreements: the 2014 and 2015 limits were revised by the Bipartisan Budget Act of 2013 (BBA of 2013; Public Law 113-67); the 2016 and 2017 limits were revised by the Bipartisan Budget Act of 2015 (BBA of 2015; Public Law 114-74); the 2018 and 2019 limits were revised by the Bipartisan Budget Act of 2018 (BBA of 2018; Public Law 115-123); and, most recently, the 2020 and 2021 limits were revised by the Bipartisan Budget Act of 2019 (BBA of 2019; Public Law 116-37).

Section 254 of BBEDCA requires OMB to issue a sequestration preview report with the President's Budget submission. This preview report, the first of the three required sequestration reports for 2021, provides the status of the discretionary limits for the current year (2020) and the budget year (2021)—the remaining years of the discretionary cap regime put in place by the BCA in 2011—as of the date of the President's 2021 Budget submission. The 2020 and 2021 caps remain unchanged from the levels included in OMB's final sequestration report for 2020. The 2021 Budget proposes no change to the 2020 or 2021 caps and, for 2021, requests up to the \$740.5 billion level set for defense programs by the BBA of 2019 with \$671.5 billion for base programs and \$69.0 billion as a cap adjustment for Overseas Contingency Operations. As part of its commitment to fiscal restraint, the 2021

Budget proposes a non-defense level of \$590 billion instead of requesting up to the \$626.5 billion level for 2021 set in the BBA of 2019. After 2021, the Budget seeks to extend the BBEDCA caps through 2025 at the levels contained in the 2021 Budget. This report describes the President's goal to fully resource national security needs while paying for those increases over time with reductions in non-defense spending. This approach will continue to enhance America's security while rebalancing the non-defense mission to focus on core Government functions.

After this preview report, the next update to the caps is anticipated in August when OMB will issue a sequestration update report that will provide a mid-year status update on the limits and enacted appropriations, if any, as well as a preview estimate of the 2021 adjustment for disaster relief funding. OMB will issue a final sequestration report for 2021 after the end of this congressional session that will contain final estimates of enacted appropriations and any adjustments to the discretionary limits. If it is determined that a cap is breached, that final report for 2021 will also include a Presidential Order to implement a sequestration of non-exempt discretionary accounts within that category to eliminate the breach. As required by BBEDCA, OMB's estimates of discretionary appropriations for 2021 and the calculations in each 2021 sequestration report, including this preview report, are made using the same economic and technical assumptions underlying the President's 2021 Budget. In addition, each of these reports will include, where appropriate, comparisons between OMB's estimates and estimates from the Congressional Budget Office and an explanation of any differences between those estimates.

II. DISCRETIONARY SEQUESTRATION PREVIEW REPORT

Discretionary programs are funded annually through the appropriations process. BBEDCA limits—or caps—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. Throughout each session of the Congress, OMB is required to monitor compliance with the discretionary spending limits. Within seven working days of enactment of an appropriations bill, OMB reports its estimates of the total new discretionary budget authority provided by the legislation. If the bill provides additional appropriations for the current year, OMB also determines at that time whether the additional budget authority would cause total discretionary appropriations to exceed the relevant cap for that year. OMB makes the same determination for the budget year at the end of each session of the Congress. Appropriations that OMB estimates to exceed the budget authority caps trigger an across-the-board reduction (or sequestration) to eliminate the excess spending. However, if the caps for the current year are breached late in the fiscal year (after June 30), the caps for the following budget year are reduced by the amount of the breach.

Section 251 of BBEDCA specifies two categories for discretionary funding.¹ 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 nonsecurity 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).

Table 1 summarizes the history of changes that have occurred to the discretionary caps since their reinstatement and summarizes the anticipated cap adjustments and proposed extension of the caps that are described in further detail below. The Administration is seeking to extend the caps for four additional years through 2025 at the levels contained in the 2021 Budget. Since this report focuses on the Administration’s proposals regarding caps, only amounts for the cap extension through 2025 are presented. The levels the Administration proposes for the full-10 year budget window through 2030 can be found in other Budget documents such as Table S–7 in the main *Budget* volume.

¹ 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 Congress during this Administration on OMB’s website: <https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>. Sequestration reports that were prepared under the previous Administration are available at the following archive site: https://obamawhitehouse.archives.gov/omb/legislative_reports/sequestration.

Current Law Adjustments to Discretionary Caps

BBEDCA permits certain adjustments to the discretionary limits. Section 251(b)(1) allows for adjustments due to changes in concepts and definitions in this preview report, after consultation with the Congressional Budget Office and the congressional Budget Committees. Section 251(b)(2) also authorizes certain adjustments after the enactment of appropriations in either the update report or the final sequestration report. At this time, OMB includes no change to the caps for concepts and definitions. As a result, no adjustments are made to the 2020 or 2021 caps and they stand at the same levels included in OMB’s final sequestration report for 2020 that was released on January 21, 2020.² These levels are included in Table 2 with the defense caps at \$746.0 billion in 2020 and \$671.5 billion in 2021 while the non-defense caps remain at \$654.6 billion in 2020 and \$626.5 billion in 2021.

Proposed 2021 Budget Funding Levels and Extension of the Caps

The 2021 Budget follows a framework that is similar to the Administration’s previous budget proposals by ensuring national security needs are fully funded while restraining lower-priority spending. For defense programs, the Budget adheres to the current law discretionary cap of \$671.5 billion for base programs and the \$69 billion level specified in the BBA of 2019 for Overseas Contingency Operations for a net total of \$740.5 billion. For non-defense, the Administration proposes no change to the existing cap but requests a level of \$590 billion—the same level that had been included for non-defense in 2021 in the BCA before including the changes enacted in the BBA of 2019. As a result, the non-defense level in the 2021 Budget falls below the 2021 cap by \$36.5 billion. After 2021, the 2021 Budget seeks an extension of the BBEDCA caps through 2025 at the levels proposed in the 2021 Budget. At these levels, defense programs would be increased by about two percent per year through 2025 while non-defense programs will begin a two percent—or “2-penny”—reduction each year to help improve the Nation’s fiscal situation.

A four-year extension is a reasonable time limit for new statutory caps. After this timeframe, the Congress and the President can consider a further extension based on national security needs and the Nation’s fiscal situation. The levels included in the 2021 Budget for 2026 through 2030 are largely placeholders that reflect a projection of current policies with defense programs frozen at the 2025 level while non-defense programs continue the 2-penny reduction.

² OMB’s 2020 final sequestration report can be found on OMB’s website: <https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>.

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2021 BUDGET

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
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	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	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	N/A	N/A	N/A	N/A
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	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	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	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	+546.0	+566.0	+577.0	+590.0	+603.0	+616.0	+630.0	+644.0	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+501.0	+510.0	+530.0	+541.0	+553.0	+566.0	+578.0	+590.0	N/A	N/A	N/A	N/A
Adjustments to limits pursuant to section 901(d) of 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	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	N/A	N/A	N/A
Defense Category	N/A	N/A	-546.0	-4.0	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	-501.0	-4.0	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Joint Select Committee on Deficit Reduction Enforcement:														
Defense Category	N/A	N/A	-53.9	.....	-53.9	.....	-53.9	-53.9	-53.9	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	-36.6	.....	-36.5	.....	-37.3	-35.7	-34.8	.....	N/A	N/A	N/A	N/A
Adjustments pursuant to section 101(a) of 2013 Bipartisan Budget Act (Public Law 113-67)														
Defense Category	N/A	N/A	+22.4	-44.7	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+22.4	-27.6	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Adjustments pursuant to section 101(a) of 2015 Bipartisan Budget Act (Public Law 114-74):														
Defense Category	N/A	N/A	.....	.....	+25.0	-38.9	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	+25.0	-22.5	.....	.....	.....	.....	N/A	N/A	N/A	N/A
Adjustments pursuant to section 30101(a) of Title I in Division C of the 2018 Bipartisan Budget Act (Public Law 115-123):														
Defense Category	N/A	N/A	.....	.....	.....	.....	+79.9	+84.9	.....	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+63.3	+66.7	.....	.....	N/A	N/A	N/A	N/A
Adjustments pursuant to section 101(a) of Title I of the BBA of 2019 (Public Law 116-37):														
Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+90.3	+27.5	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+78.3	+36.5	N/A	N/A	N/A	N/A
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	N/A	N/A
Defense Category	N/A	N/A	+85.4	+64.4	+58.8	+82.9	+66.1	+69.0	+71.5	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	+20.8	+12.0	+8.0	+8.0	.....	N/A	N/A	N/A	N/A

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2021 BUDGET—Continued
(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Emergency Requirements:														
Security Category		+7.0	N/A	N/A	N/A	N/A	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	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	+0.2	+0.1	.....	.....	+5.9	+2.8	+8.0	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	+5.3	+1.7	+19.4	+103.8	+22.6	+0.5	.....	N/A	N/A	N/A	N/A
Program Integrity:														
Nonsecurity Category	+0.5	+0.5	N/A	N/A	N/A	N/A	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	+1.9	+1.8	.....	N/A	N/A	N/A	N/A
Disaster Relief:														
Security Category	+6.4	+11.8	N/A	N/A	N/A	N/A	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	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	+12.0	+17.5	.....	N/A	N/A	N/A	N/A
Wildfire Suppression:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+2.3	.....	N/A	N/A	N/A	N/A
2020 Census:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+2.5	.....	N/A	N/A	N/A	N/A
Technical adjustments for scoring differences with CBO:¹														
Defense Category	N/A	N/A	+0.2	+0.0	.....	+0.0	+0.0	+0.0	.....	.....	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	+0.6	.....	+0.5	.....	N/A	N/A	N/A	N/A
Revised Limits Included in the OMB Preview Report:														
Security Category	816.9	801.5	N/A	N/A	N/A	N/A	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	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	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	700.9	718.8	746.0	671.5	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	568.8	704.6	641.5	654.6	626.5	N/A	N/A	N/A	N/A
President's Proposed Changes to Discretionary Limits in the 2021 Budget:														
New Budget Proposals and Assumptions:														
New Limits for 2022 through 2025:														
Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	+739.0	+755.0	+781.0	+798.0
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	+578.0	+567.0	+555.0	+544.0
Federal Civilian Employee Retirement Reform:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	-6.3	-7.4	-8.5	-9.6
Anticipated adjustments pursuant to section 251(b)(2) of BBEDCA:														
OCO/GWOT:														
Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	+69.0	+20.0	+20.0	+10.0	+10.0
Program Integrity:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	+1.9	+2.2	+2.4	+2.8	+2.9
Disaster Relief:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	+5.1	+5.1	+5.1	+5.1	+5.1

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2021 BUDGET—Continued

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Wildfire Suppression:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	+2.4	+2.4	+2.4	+2.4	+2.4
Proposed adjustments to section 251(b)(2) of BBEDCA:														
Program Integrity:														
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	+0.4	+0.8	+1.2	+1.5	+1.9
President's proposed limits in the 2021 Budget:														
Security Category	816.9	801.5	N/A	N/A	N/A	N/A	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	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	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	700.9	718.8	746.0	740.5	759.0	775.0	791.0	808.0
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	568.8	704.6	641.5	654.6	636.2	582.2	570.6	558.2	546.6

N/A = Not Applicable

¹These adjustments are permitted under section 7 of Public Laws 113-76, 113-235, 114-113, and 115-31, section 748 of division E of Public Law 115-141, and section 747 of division D of Public Law 116-6 and division C of Public Law 116-93.

Table 2. PREVIEW REPORT DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW

(Net budget authority in millions of dollars)

	2020	2021
DEFENSE (OR “REVISED SECURITY”) CATEGORY		
2020 Final Sequestration Report Spending Limit	745,999	671,500
No changes		
Preview Report Spending Limit	745,999	671,500
NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY		
2020 Final Sequestration Report Spending Limit	654,603	626,500
No changes		
Preview Report Spending Limit	654,603	626,500
TOTAL DISCRETIONARY FUNDING		
2020 Final Sequestration Report,		
Total Discretionary Spending	1,400,602	1,298,000
2021 Budget Preview Report,		
Total Discretionary Spending	1,400,602	1,298,000

The shift in policy proposed in the 2021 Budget—with increases for defense and restraint in non-defense—will enhance America’s national security by supporting the 2018 National Defense Strategy and protecting America’s vital national interests. The 2021 Budget also makes the difficult choices necessary to scale back the non-defense mission and focus on the core Government responsibilities of protecting America’s border, caring for U.S. veterans, and enhancing law enforcement. Meeting these levels will require discipline and fiscal prudence, but the 2021 Budget demonstrates how these transformational changes in Government funding can be made responsibly. The caps for 2021 along with the proposed extension of the base caps through 2025 are shown on Table 3.

The Budget further proposes to reduce its requested non-defense caps in 2022 through 2025 (and in the funding levels after 2025) to account for a policy proposal to reduce Federal agencies’ contributions to the retirement plans of civilian employees. Reducing the caps in 2022 through 2025 will prevent the savings achieved by this reform from being redirected to augment existing non-defense programs. Reforms to the retirement plans of Federal civilian employees would also yield savings in the defense category, but no defense cap reduction is included because those savings would be redirected to critical national security investments within the category. This proposed change is also included on Table 3. For more information on this proposal and the Administration’s discretionary cap policy, please see the Budget Enforcement and Budget Presentation section of the Budget Process chapter in the *Analytical Perspectives* volume of the President’s 2021 Budget.

Anticipated Current Law Adjustments Pursuant to BBEDCA

Section 251(b)(2) of BBEDCA allows for adjustment of the discretionary caps, provided that certain conditions are met and/or specific designations are provided. Several proposals included in the 2021 Budget, if enacted, would trigger these adjustments to the discretionary caps in 2021 and those proposed for 2022 through 2025. In all cases, the 2021 Budget extends these adjustments through the entire budget window to 2030 but Table 3 of this preview report displays the years for which actual caps are in place and proposed for extension through 2025. These *anticipated* adjustments include the following:

Emergency Requirement Appropriations.—These adjustments are authorized by section 251(b)(2)(A)(i) of BBEDCA and include funding for amounts that the Congress designates in law and the President subsequently so designates as being an emergency requirement on an account-by-account basis. In OMB’s final sequestration report for 2020, net total adjustments of \$8.0 billion and \$0.5 billion were made to the defense and non-defense caps, respectively, in 2020 for emergency requirements provided in either the Consolidated Appropriations Act, 2020 (CAA; Public Law 116-93) or the Further Consolidated Appropriations Act, 2020 (FCAA; Public Law 116-94). Since the 2020 final sequestration report was released, the United States-Mexico-Canada Agreement Implementation Act (USMCA; Public Law 116-113) was enacted providing \$843 million in non-defense funds in title IX of the Act designated as emergency requirements for 2020. As adjustments for emergency requirements can only be made in either the update report or the final sequestration report pursuant to

Table 3. PROPOSED DISCRETIONARY SPENDING LIMITS IN THE 2021 BUDGET

(Net budget authority in millions of dollars)

	2021	2022	2023	2024	2025
DEFENSE (OR "REVISED SECURITY") CATEGORY					
Preview Report Spending Limit	671,500	N/A	N/A	N/A	N/A
Proposed defense caps for 2022 through 2025 .....	.....	+739,000	+755,000	+781,000	+798,000
Anticipated Defense Adjustments:					
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT	+69,000	+20,000	+20,000	+10,000	+10,000
Proposed Spending Limit	740,500	759,000	775,000	791,000	808,000
NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY					
Preview Report Spending Limit	626,500	N/A	N/A	N/A	N/A
Proposed non-defense caps for 2022 through 2025 .....	.....	+578,000	+567,000	+555,000	+544,000
Employer Share of Federal Civilian Employee Retirement .....	.....	-6,304	-7,445	-8,537	-9,555
Anticipated and Proposed Non-Defense Adjustments:					
Anticipated adjustments pursuant to Section 251(b)(2)(B) of BBEDCA for Social Security Dedicated Program Integrity	+1,302	+1,585	+1,624	+1,813	+1,761
Anticipated adjustments pursuant to Section 251(b)(2)(C) of BBEDCA for HCFAC	+496	+514	+532	+552	+571
Anticipated adjustments pursuant to Section 251(b)(2)(D) of BBEDCA for Disaster Relief	+5,060	+5,060	+5,060	+5,060	+5,060
Anticipated adjustments pursuant to Section 251(b)(2)(E) of BBEDCA for RESEA	+83	+133	+258	+433	+533
Anticipated adjustments pursuant to Section 251(b)(2)(F) of BBEDCA for Wildfire Suppression	+2,350	+2,350	+2,350	+2,350	+2,350
Proposed adjustment to Section 251(b)(2) of BBEDCA for IRS Program Integrity	+400	+828	+1,173	+1,524	+1,878
Subtotal, Anticipated and Proposed Non-Defense Adjustments	+9,691	+10,470	+10,997	+11,732	+12,153
Proposed Spending Limit	636,191	582,166	570,552	558,195	546,598
<i>MEMORANDUM, Funding below or not counted towards Non-Defense Spending Limits:</i>					
2021 Budget funding below 2021 non-defense cap ¹	-36,500	.....	.....	.....	.....
21st Century Cures Appropriations ²	+474	+546	+1,135	+457	+182
Non-BBEDCA Emergency Cancellations ³	-4,822	.....	.....	.....	.....
Subtotal, Funding below or not counted towards limits	-40,848	+546	+1,135	+457	+182
<i>MEMORANDUM: Proposed 2021 Budget Non-Defense Funding</i>	595,343	582,712	571,687	558,652	546,780
TOTAL DISCRETIONARY SPENDING					
2020 Final Sequestration Report,					
Total Discretionary Spending	1,298,000	N/A	N/A	N/A	N/A
Preview Report,					
Total Discretionary Spending	1,298,000	N/A	N/A	N/A	N/A
2021 Budget Proposed,					
Total Discretionary Spending	1,376,691	1,341,166	1,345,552	1,349,195	1,354,598

N/A = Not Applicable

¹ The 2021 Budget does not propose to amend the estimated BBEDCA caps in 2021 but funds non-defense programs \$36.5 billion below the non-defense cap as part of the Administration's efforts to rebalance the non-defense mission. The amount by which 2021 Budget levels are below the 2021 non-defense level are included in the memorandum section to illustrate that the non-defense cap is not reduced but acknowledge the amount by which 2021 Budget funding will fall below the non-defense cap.

² The 21st Century Cures Act permitted funds to be appropriated each year and not counted towards the discretionary caps so long as the appropriations were specifically provided for the authorized purposes. These amounts are displayed outside of the non-defense discretionary limits for this reason and the levels included reflect authorized levels.

³ The 2021 Budget includes permanent cancellations of balances of emergency funding in the Department of Energy that were not designated pursuant to BBEDCA. These cancellations are not being re-designated as emergency; therefore, no savings are being achieved under the caps nor will the caps be adjusted for these cancellations.

section 251(b)(2) of BBEDCA, this adjustment is not made in this report or displayed on any table. OMB anticipates adjusting the 2020 non-defense cap for this funding in its update report that is due in August.

For 2021, the 2021 Budget does not include any funding designated as a BBEDCA emergency requirement for 2021 or beyond. However, the 2021 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. These proposals include a permanent cancellation of all of the remaining balances of emergency funding, which were never designated pursuant to BBEDCA. These cancellations are not re-designated as emergency; therefore, no savings are being achieved under the caps nor will the caps be adjusted for these cancellations.

Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT).—These adjustments are authorized by section 251(b)(2)(A)(ii) of BBEDCA and include funding for amounts that the Congress designates in law and the President subsequently so designates as being for OCO/GWOT activities on an account-by-account basis. In OMB’s final sequestration report for 2020, a net total adjustment for OCO/GWOT appropriations of \$79.5 billion was made with \$71.5 billion provided for defense programs and \$8.0 billion provided for international programs based on amounts provided in the CAA and FCAA. For 2021, as noted previously, the 2021 Budget provides for OCO/GWOT activities a total of \$69.0 billion for defense programs. After 2021, for the remaining years of the Future Years Defense Program (FYDP) and the Administration’s proposed caps, OCO amounts would be \$20 billion for 2022 and 2023 and \$10 billion for 2024 and 2025, consistent with a potential transition of certain OCO costs into the base budget while continuing to fund contingency operations. Note that out-year OCO amounts do not reflect any specific decisions or assumptions about OCO funding in any particular year. All of these OCO/GWOT amounts are for the Department of Defense and they are reflected as anticipated adjustments to the defense category in Table 3. While not displayed on Table 3, the OCO/GWOT amounts reflected in the 2021 Budget for 2026 and beyond remain at a notional \$10.0 billion placeholder.

Social Security Dedicated Program Integrity Activities.—Section 251(b)(2)(B) of BBEDCA authorizes an adjustment of the caps by the amounts appropriated for Continuing Disability Reviews (CDRs) and redeterminations in the Social Security Administration (SSA). 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 maximum cap adjustment in each year is specified in BBEDCA and becomes available only if a base level, before the adjustment, of \$273 million is provided for these purposes in the underlying appropriations bill. The intent of this adjustment is to ensure sufficient resources for SSA to reduce improper payments and achieve savings in mandatory spending totaling tens of billions of dollars over the next 10 years, and additional savings in the outyears.

The Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2020 (2020 LHHS Act; division A of FCAA) provided the base appropriation of \$273 million and the full \$1.3 billion cap adjustment appropriation authorized for 2020 under BBEDCA. This amount was included as an adjustment to the non-defense category in OMB’s final sequestration report for 2020. The 2021 Budget provides both the base funding level of \$273 million and the maximum cap adjustment level of \$1.3 billion specified in BBEDCA through discretionary appropriations in 2021. The \$1.3 billion adjustment is displayed in 2021 as an anticipated adjustment to the non-defense category in Table 3. After 2021, the 2021 Budget includes amounts for this adjustment that support the full dedicated program integrity workload volumes expected each year thereafter. The amounts that would be cap adjustments under the Administration’s proposed cap extension through 2025 are displayed on Table 3 as well. The “Discretionary Funding for Program Integrity Cap Adjustments” discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2021 Budget provides a complete description of this and other program integrity efforts along with OMB’s methodology in determining their effectiveness. A Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.

Health Care Fraud and Abuse Control (HCFAC).—Section 251(b)(2)(C) of BBEDCA authorizes adjustment of the caps for 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 Medicaid improper payment rates. The maximum HCFAC cap adjustment in each year is specified in BBEDCA and becomes available only if a base level of \$311 million for these purposes is provided in the underlying appropriations bill before the adjustment. The 2020 LHHS Act

provided the base appropriation of \$311 million and the full \$475 million cap adjustment appropriation authorized for 2020 under BBEDCA. This amount was included as an adjustment to the non-defense category in OMB's final sequestration report for 2020. The 2021 Budget fully funds the base amount for this program and includes the full cap adjustment of \$496 million permitted by BBEDCA for 2021. The \$496 million adjustment is displayed in 2021 as an anticipated adjustment to the non-defense category in Table 3. After 2021, the 2021 Budget includes amounts for this adjustment that grow with current services inflation for each year thereafter. The amounts that would be cap adjustments under the Administration's proposed cap extension through 2025 are displayed on Table 3 as well. The "Discretionary Funding for Program Integrity Cap Adjustments" discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2021 Budget provides a complete description of this and other program integrity efforts along with OMB's methodology in determining their effectiveness. A Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.

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. "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 (42 U.S.C. 5122(2)). Prior to enactment of the Consolidated Appropriations Act of 2018 (Public Law 115-141), BBEDCA set a limit (or "funding ceiling") for the adjustment that was determined through a formula that added the total 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 a precipitous decline in the funding ceiling as higher disaster funding years began to fall out of the 10-year average formula.

The declining ceiling was ultimately addressed in Division O of Public Law 115-141, which amended BBEDCA to stabilize the disaster formula by redefining the calculation beginning in fiscal year 2019. Under the revised 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. On April 23, 2018, 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*,³ which specified the methodology and criteria OMB is using for estimating the emergency appropriations for Stafford Act disasters that will apply in the revised formula under step 2.

Section 254(e) of BBEDCA requires OMB to include in its August update report a preview estimate of the adjustment for disaster funding for the upcoming fiscal year. As required by law, OMB calculated a preview estimate of \$17.5 billion for the ceiling in 2020. The Congress provided appropriations totaling that amount in the divisions C and D of the CAA with \$17.4 billion for the Federal Emergency Management Agency's Disaster Relief Fund (DRF) in the Department of Homeland Security and \$0.2 billion for the Disaster Loans Program Account in the Small Business Administration. The total amount of \$17.5 billion was added to the 2020 non-defense cap in OMB's final sequestration report for 2020.

Since the amount enacted for disaster relief in 2020 is equal to the preview ceiling of \$17.5 billion, under the revised formula there will be no carryover applied to the 2021 ceiling under current assumptions. The 2021 ceiling is currently estimated to be about \$15.3 billion based on the following three components: the 10-year average including enacted 2020 appropriations (\$8.7 billion); five percent of Stafford Act emergencies since 2012 (\$6.6 billion); and carryover from the previous year (\$0). Any revisions necessary to account for further changes in 2020 appropriations levels will be included in the 2021 sequestration update report, which is expected to be released in August of 2020.

The 2021 Budget requests \$5.1 billion in funding in FEMA's DRF to cover the costs of Presidentially-declared major disasters, including identified costs for previously declared catastrophic events and the estimated annual cost of non-catastrophic events expected to obligate in 2021. The Administration's request continues to address the significant and unprecedented recovery needs of the recent hurricanes and wildfires that have devastated our Nation. Consistent with past practice, the 2021 request level does not seek to pre-fund anticipated needs in other programs arising out of disasters that have yet to occur.

If more information becomes available about the need to fund prior or future disasters, additional requests, in the form of either 2020 supplemental appropriation requests or further amendments to the Budget with appropriate emergency or disaster relief

³ The report is available on the OMB website: <https://www.whitehouse.gov/omb/legislative/omb-reports/>.

designations, may be transmitted. After 2021, the Budget includes a placeholder for disaster relief that is equal to the 2021 request level. This level does not reflect a specific request but a placeholder amount that will be decided on an annual basis during the normal budget development process since the Administration does not have adequate information about known or estimated needs that would be necessary to state the total amount that will be requested in future years. The current 2021 request and outyear placeholder amounts through 2025 are shown on Table 3 as anticipated cap adjustments to the non-defense category. The “Disaster Relief Funding” section in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2021 Budget also provides a thorough description of this cap adjustment.

Reemployment Services and Eligibility Assessments.—Section 30206(c) of title II of the BBA of 2018 created a new cap adjustment for program integrity efforts under section 251(b)(2)(E) of BBEDCA for Reemployment Services and Eligibility Assessments (RESEA) in the Department of Labor. Similar to the SSA dedicated program integrity and HCFAC cap adjustments, an adjustment is permitted up to a maximum amount specified in BBEDCA if the underlying appropriations bill first provides a base level of \$117 million for these activities. The 2020 LHHS Act provided the base level of \$117 million and \$58 million as a cap adjustment for these purposes—the maximum allowable adjustment specified for 2020 in BBEDCA. This adjustment was allocated to the non-defense category in OMB’s final sequestration report for 2020. The 2021 Budget fully funds the base amount for this program and includes the full cap adjustment permitted by BBEDCA of \$83 million for 2021. After 2021, the proposed cap adjustments through 2025 and the outyear amounts thereafter reflect the levels specified for congressional procedures through 2027 with current services inflation then applied in 2028 through 2030. The “Discretionary Funding for Program Integrity Cap Adjustments” discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2021 Budget provides a more complete description of this and other program integrity efforts. A Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.

Wildfire Suppression Operations.—Division O of Public Law 115-141, as amended by section 7(2) of Public Law 116-6, the Stephen Sepp Wildfire Suppression Funding and Forest Management Activities Act, created a new adjustment under section 251(b)(2)(F) of BBEDCA for wildfire suppression activities. BBEDCA permits this adjustment up to a maximum amount specified in the law if the underlying

appropriations bill first funds a base level for these activities. The base level is defined as the average costs over ten years for wildfire suppression operations that were requested in the President’s 2015 Budget for USDA Forest Service and for the Department of the Interior (DOI). These amounts have been determined to be \$1,011 million for the Department of Agriculture’s Forest Service and \$384 million for the Department of the Interior (DOI). The 2021 Budget requests these base amounts for wildfire suppression and seeks the full \$2,350 million adjustment authorized in BBEDCA for 2021 with \$2,040 million included for Forest Service and \$310 million included for DOI. Providing the full level authorized in 2021 will ensure that adequate resources are available to fight wildland fires, protect communities, and safeguard human life during the most severe wildland fire season. After 2021, the Budget includes a placeholder for wildfire suppression that is equal to the 2021 request level. Those amounts will be refined in subsequent Budgets, as data on costs for wildfire suppression operations are updated annually. The current 2021 request and outyear placeholder amounts through 2025 are shown on Table 3 as anticipated cap adjustments to the non-defense category. For more information on this adjustment, see the “Wildfire Suppression Operations at the Departments of Agriculture and the Interior” section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2021 Budget.

U.S. Census for 2020.—Section 101(c) of the BBA of 2019 created a new cap adjustment under section 251(b)(2)(G) of BBEDCA for the 2020 Census. The adjustment is for 2020 only and capped at \$2.5 billion. The adjustment is permitted for any appropriation provided for the Periodic Censuses and Programs account of the Bureau of the Census in the Department of Commerce that the Congress designates in statute as being for the “2020 Census” subject to the \$2.5 billion cap. The full adjustment of \$2.5 billion was provided in division B of the CAA and this adjustment was allocated entirely to the non-defense category in OMB’s final sequestration report for 2020. This adjustment is not available for 2021 and there are no proposals regarding this adjustment in the 2021 Budget.

New Cap Adjustment Proposals

Program Integrity.—The 2021 Budget proposes to amend section 251(b)(2) of BBEDCA to add a new discretionary cap adjustment related to program integrity efforts. This new adjustment is for tax administration activities in the Internal Revenue Service’s (IRS) Enforcement and Operations Support accounts. The adjustment would be permitted if the underlying appropriations bill provides a base level of funding for these activities. The new adjustment totals \$400 million for IRS and is included in Table 3 as a proposed cap adjustment to the non-defense limits in

2021 through 2025 and is included in all years thereafter in the 2021 Budget. The “Discretionary Funding for Program Integrity Cap Adjustments” discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume

of the 2021 Budget provides a more complete description of this and other program integrity efforts. A Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.

