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



February 12, 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.
3. The Bipartisan Budget Act of 2018 (BBA; H.R. 1892) was signed into law on February 9, 2018. H.R. 1892 sets new discretionary spending limits for 2018 and 2019 and directs that the reductions to the discretionary spending limits described in this report not be applied for 2019. The Balanced Budget and Emergency Deficit Control Act of 1985 requires that this report be released on the same day as the President's Budget. As a result of this timing constraint, this report does not incorporate the requirements of H.R. 1892. Consistent with H.R. 1892, the revised discretionary spending limits for 2018 and 2019 will be reflected in OMB's final sequestration report for 2018 that will be issued after final 2018 appropriations are completed.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 12, 2018

THE DIRECTOR

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 2019*. 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 2019, sets forth estimates for the current year and each subsequent year through 2021 of the applicable discretionary spending limits for each category. This includes adjustments that are calculated in the *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019* and adjustments due to changes in concepts and definitions. The report also provides a summary of the proposed and anticipated changes to the discretionary spending limits contained in the 2019 Budget.

The Bipartisan Budget Act of 2018 (BBA; H.R. 1892) was signed into law on February 9, 2018. The legislation sets new discretionary spending limits for 2018 and 2019 and directs that the reductions to the discretionary spending limits described in this report not be applied for 2019. BBEDCA requires that this report be released on the same day as the President's Budget. As a result of this timing constraint, this report does not incorporate the requirements of H.R. 1892. Consistent with H.R. 1892, the revised discretionary spending limits for 2018 and 2019 will be reflected in OMB's final sequestration report for 2018 that will be issued after final 2018 appropriations are completed.

Sincerely,

Mick Mulvaney
Director

Enclosure

Identical Letter Sent to The Honorable Michael R. Pence
and The Honorable Paul D. Ryan

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 BBEDCA’s limits on discretionary budget authority for 2012 through 2021. 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 2019, provides the status of the discretionary limits for the current year and for each year thereafter through 2021 as of the date of the President’s 2019 Budget submission.

Due to the incomplete status of 2018 appropriations, this report is being released before OMB’s final sequestration report for 2018. As a result, this report’s estimates of the 2018 caps remain unchanged from the levels included in OMB’s sequestration update report for 2018, which was released on August 18, 2017. For the budget year (2019) caps, section 251A of BBEDCA requires an adjustment in this report based on the calculations included in the *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019*. Since no legislation has been enacted that replaces the Joint Committee reductions to the caps for discretionary programs beyond 2019, under current law these reductions to the discretionary caps continue in 2020 and 2021. As part of its commitment to fiscal restraint, the Administration supports the overall level in 2019 for base discretionary funding after the Joint Committee reductions are taken into account. However, the Administration believes that resources need to be rebalanced to ensure America’s national security needs are met. This

report describes the President’s proposals to replace the defense reductions with near-equal reductions in non-defense spending while setting new caps through 2028 that would enhance America’s security and rebalance the non-defense mission to focus on core Government functions.

OMB anticipates releasing its final sequestration report for 2018 after the Budget is transmitted, which will replace the estimates of the 2018 caps included in this report and reflect any further adjustments to the caps in 2018 or beyond that may be enacted with final appropriations. In August, OMB will issue a sequestration update report that will provide a mid-year status update on the limits and enacted appropriations, as well as a preview estimate of the 2019 adjustment for disaster funding. OMB will issue a final sequestration report for 2019 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 2019 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 2019 and the calculations in each 2019 sequestration report, including this preview report, are made using the same economic and technical assumptions underlying the President’s 2019 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 excess.

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).

At this time, no adjustments are made to the current year 2018 caps and they presently stand at \$549,057 million for defense and \$515,749 million for non-defense – the same levels included in the preview report that accompanied the President’s 2018 Budget and in OMB’s 2018 update report that was released on August 18, 2017. Section 147 of the Continuing Appropriations Act, 2018 (division D of Public Law 115–56, as amended by division A of Public Laws 115–90 and 115–96, and division B of Public Law 115–120) (“the CR”) delayed the release of the 2018 final sequestration report until 15 days after expiration of the CR. OMB anticipates these caps will change due to enacted and expected adjustments discussed in the next section when it issues its final sequestration report for 2018.

For 2019, section 251A of BBEDCA requires reductions at this time to the current 2019 caps as part of Joint Committee enforcement. These reductions are described in the current law adjustments section below, but only adjustments for 2019 are made at this time. Unless there is a change to current law, similar reductions would be required for 2020 and 2021 when OMB issues its Joint Committee and sequestration preview reports for each of those years. The precise amount of those reductions is unknown at this time, as it depends in part on the relative size of sequestrable mandatory outlays in the baseline for each of those Budgets. Therefore, those future cap reductions are not reflected in the revised limits used in this report.

Table 1 summarizes the history of changes that have occurred to the discretionary caps since their reinstatement and summarizes the changes to these limits proposed in the 2019 Budget, which are discussed in more detail in the proposed changes and anticipated adjustments sections below.

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 the previous Administration at the following archive site: https://obamawhitehouse.archives.gov/omb/legislative_reports/sequestration.

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2019 BUDGET

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
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	N/A	N/A	N/A	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	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	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	N/A	N/A	N/A
Defense Category	N/A	+546.0	+556.0	+566.0	+577.0	+590.0	+603.0	+616.0	+630.0	+644.0	N/A						
Non-Defense Category	N/A	+501.0	+510.0	+520.0	+530.0	+541.0	+553.0	+566.0	+578.0	+590.0	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	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	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	N/A						
Non-Defense Category	N/A	N/A	-36.6	-36.5	-37.3	-35.7	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						
Non-Defense Category	N/A	N/A	+22.4	-27.6	N/A						
Adjustments pursuant to section 101(a) of 2015 Bipartisan Budget Act (Public Law 114-74):																	
Defense Category	N/A	N/A	N/A	+25.0	+25.0	-38.9	N/A						
Non-Defense Category	N/A	N/A	N/A	+25.0	+25.0	-22.5	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	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	+85.4	+64.4	+58.8	+82.9	N/A						
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	+20.8	N/A						
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	N/A						
Non-Defense Category	N/A	N/A	+5.3	+1.7	+4.1	N/A						

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2019 BUDGET—Continued

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
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						
Non-Defense Category	N/A	N/A	+0.9	+1.5	+1.5	+2.0	N/A	N/A	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						
Nonsecurity Category	+4.1	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	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments pursuant to section 7 of Public Laws 113-76, 113-235, 114-113, and 115-31:																	
Defense Category	N/A	N/A	+0.2	+0.0	.....	+0.0	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	.....	.....	.....	.....	.....	N/A	N/A	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						
Nonsecurity Category	363.5	394.1	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	N/A	N/A	N/A
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	549.1	562.1	630.0	644.0	N/A						
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	553.6	515.7	530.3	578.0	590.0	N/A						
President's Proposed Changes to Discretionary Limits in the 2019 Budget:																	
New Budget Proposals:																	
Revise and extend limits to 2028:																	
Defense Category	N/A	N/A	.....	.....	.....	.....	+53.9	+64.9	+30.0	+33.0	+694.0	+712.0	+727.0	+742.0	+758.0	+774.0	+790.0
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	-53.7	-65.3	-122.0	-143.0	+438.0	+429.0	+420.0	+412.0	+404.0	+396.0	+388.0
Privatization of Air Traffic Control:																	
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	.....	-10.2	-10.2	-10.2	-10.2	-10.2	-10.2
Federal Civilian Employee Retirement Reform:																	
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	-6.5	-7.5	-8.0	-8.5	-8.9	-8.6	-8.3	-8.0	-7.7
Anticipated adjustments pursuant to section 251(b)(2) of BBEDCA:																	
OCO/GWOT:																	
Defense Category	N/A	N/A	.....	.....	.....	.....	+65.8	+89.0	+73.0	+65.8	+65.8	+65.8	+10.0	+10.0	+10.0	+10.0	+10.0
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+12.0	+12.0	+8.0	+4.0	+2.0	+2.0	+2.0	+2.0	+2.0	+2.0	+2.0
Emergency Requirements:																	
Defense Category	N/A	N/A	.....	.....	.....	.....	+5.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+63.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Program Integrity:																	
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+1.9	+1.9	+1.8	+1.8	+1.9	+1.9	+2.0	+2.1	+2.2	+2.2	+2.3

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2019 BUDGET—Continued
(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Disaster Relief:																	
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+6.7	+6.7	+6.7	+6.7	+6.7	+6.7	+6.7	+6.7	+6.7	+6.7	+6.7
Proposed adjustments to section 251(b)(2) of BBEDCA:																	
Program Integrity:																	
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	+0.4	+0.7	+1.1	+1.5	+1.8	+1.9	+1.9	+1.9	+1.9	+1.9
Wildfire Suppression:																	
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5	+1.5
President's proposed limits in the 2019 Budget:																	
Security Category	816.9	801.5	N/A														
Nonsecurity Category	363.5	394.1	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	N/A	N/A	N/A
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	674.6	716.0	733.0	742.8	759.8	777.8	737.0	752.0	768.0	784.0	800.0
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	553.6	546.0	487.4	468.2	454.6	433.3	424.2	415.0	407.4	399.7	392.1	384.5

N/A = Not Applicable

Table 2. PREVIEW REPORT DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW

(Net budget authority in millions of dollars)

	2018	2019	2020	2021
<u>DEFENSE (OR “REVISED SECURITY”) CATEGORY</u>				
2018 Sequestration Update Report Spending Limit	549,057	616,000	630,000	644,000
Joint Committee Enforcement Reductions pursuant to section 251A of BBEDCA:				
Defense Cap Reduction for 2019 .....	.....	-53,858	.....	.....
Preview Report Spending Limit	549,057	562,142	630,000	644,000
<u>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</u>				
2018 Sequestration Update Report Spending Limit	515,749	566,000	578,000	590,000
Joint Committee Enforcement Reductions pursuant to section 251A of BBEDCA:				
Non-Defense Cap Reduction for 2019 .....	.....	-35,657	.....	.....
Preview Report Spending Limit	515,749	530,343	578,000	590,000
<u>TOTAL DISCRETIONARY FUNDING</u>				
2018 Sequestration Update Report,				
Total Discretionary Spending	1,064,806	1,182,000	1,208,000	1,234,000
2019 Budget Preview Report,				
Total Discretionary Spending	1,064,806	1,092,485	1,208,000	1,234,000

Current Law Adjustments to Discretionary Limits

BBEDCA permits certain adjustments to the discretionary limits. Section 251(b)(1) allows for adjustments due to changes in concepts and definitions in this 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. At this time, OMB includes no change to the caps for concepts and definitions or adjustments pursuant to section 251(b)(2). While funding designated as emergency requirements has already been enacted for 2018, any adjustments to the 2018 caps will be made in OMB’s final sequestration report for 2018, which is delayed until 15 days after expiration of the CR. Pursuant to section 251A of BBEDCA, this report is required to specify reductions to the 2019 discretionary spending limits. The *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2019* discusses the calculations that determine the amount of cap reductions required to meet the Joint Committee deficit reduction requirement for 2019. Based on the estimates in that report, the defense cap is reduced by \$53,858 million and the non-defense cap is reduced by \$35,657 million. These adjustments are made to the respective current law caps in Table 2. These adjustments revise

the cap for defense in 2019 from \$616,000 million to \$562,142 million and revise the cap for non-defense from \$566,000 million to \$530,343 million. OMB will be required to implement reductions to the discretionary caps when it issues preview reports for future years unless legislation is enacted to cancel the Joint Committee reductions. However, as discussed above, since those reductions are not required at this time and will need to be recalculated based on the estimates of direct spending programs in future President’s Budgets, the defense and non-defense limits for 2020 and 2021 remain unadjusted at this point.

Proposed Changes to the Discretionary Limits

The President’s 2018 Budget sought to rightsize Federal spending priorities by removing the Joint Committee reductions for the defense category and paying for the increase by reducing the category for non-defense programs by about the same amount. Since 2018 appropriations remain incomplete, the Administration recommends its 2018 Budget policy – to live within the current law caps for 2018 of \$1,065 billion but with the defense cap raised to \$603 billion while the non-defense cap is reduced to \$462 billion – be enacted. The approach will make a down-payment on a major change in the allocation of Federal

Table 3. PROPOSED CHANGES TO THE DISCRETIONARY SPENDING LIMITS

(Net budget authority in millions of dollars)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
DEFENSE (OR "REVISED SECURITY") CATEGORY											
Preview Report Spending Limit	549,057	562,142	630,000	644,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revise 2018–2021 caps and extend to 2028	+53,943	+64,858	+30,000	+33,000	+694,000	+712,000	+727,000	+742,000	+758,000	+774,000	+790,000
Anticipated Defense Adjustments:											
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT	+65,756	+89,000	+73,000	+65,800	+65,800	+65,800	+10,000	+10,000	+10,000	+10,000	+10,000
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for Emergency Requirements	+5,853										
Subtotal, Anticipated Defense Adjustments	+71,609	+89,000	+73,000	+65,800	+65,800	+65,800	+10,000	+10,000	+10,000	+10,000	+10,000
Proposed Spending Limit	674,609	716,000	733,000	742,800	759,800	777,800	737,000	752,000	768,000	784,000	800,000
NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY											
Preview Report Spending Limit	515,749	530,343	578,000	590,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revise 2018–2021 caps and extend to 2028	-53,749	-65,343	-122,000	-143,000	+438,000	+429,000	+420,000	+412,000	+404,000	+396,000	+388,000
Air Traffic Control Privatization					-10,173	-10,173	-10,173	-10,173	-10,173	-10,173	-10,173
Employer Share of Federal Civilian Employee Retirement			-6,461	-7,482	-8,026	-8,544	-8,919	-8,619	-8,324	-8,034	-7,743
Anticipated and Proposed Non-Defense Adjustments:											
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT	+12,018	+12,018	+8,000	+4,000	+2,000	+2,000	+2,000	+2,000	+2,000	+2,000	+2,000
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for Emergency Requirements	+63,348										
Anticipated adjustments pursuant to Section 251(b)(2)(B) of BBEDCA for Social Security Dedicated Program Integrity	+1,462	+1,410	+1,309	+1,302	+1,351	+1,403	+1,456	+1,511	+1,569	+1,629	+1,690
Anticipated adjustments pursuant to Section 251(b)(2)(C) of BBEDCA for HCFAC	+414	+454	+475	+496	+515	+534	+555	+576	+598	+620	+644
Anticipated adjustments pursuant to Section 251(b)(2)(D) of BBEDCA for Disaster Relief	+6,713	+6,652	+6,652	+6,652	+6,652	+6,652	+6,652	+6,652	+6,652	+6,652	+6,652
Proposed adjustment to Section 251(b)(2) of BBEDCA for IRS Program Integrity		+362	+748	+1,098	+1,450	+1,806	+1,893	+1,895	+1,904	+1,913	+1,921
Proposed adjustment to Section 251(b)(2) of BBEDCA for Wildfire Suppression Operations		+1,519	+1,519	+1,519	+1,519	+1,519	+1,519	+1,519	+1,519	+1,519	+1,519
Subtotal, Anticipated and Proposed Non-Defense Adjustments	+83,955	+22,415	+18,703	+15,067	+13,487	+13,914	+14,075	+14,153	+14,242	+14,333	+14,426
Proposed Spending Limit	545,955	487,415	468,242	454,585	433,288	424,197	414,983	407,361	399,745	392,126	384,510
TOTAL DISCRETIONARY SPENDING											
2018 Sequestration Update Report,											
Total Discretionary Spending	1,064,806	1,182,000	1,208,000	1,234,000	N/A						
Preview Report,											
Total Discretionary Spending	1,064,806	1,092,485	1,208,000	1,234,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2019 Budget Proposed,											
Total Discretionary Spending	1,220,564	1,203,415	1,201,242	1,197,385	1,193,088	1,201,997	1,151,983	1,159,361	1,167,745	1,176,126	1,184,510
N/A = Not Applicable											

resources that is built upon in the 2019 Budget. The 2019 Budget also adheres to the current law discretionary total of \$1,092 billion but with a defense cap that is raised to \$627 billion while the non-defense cap is reduced to \$465 billion – a shift of approximately \$65 billion between the categories. This shift in policy would enhance America’s national security and put America first by providing critical investments for the U.S. military while making the difficult choices necessary to scale back the non-defense mission. The 2019 Budget does so by focusing on the core Government responsibilities of protecting America’s border, caring for U.S. veterans, and enhancing law enforcement.

After 2019, the Budget proposes new caps through 2028 that would effectively remove discretionary programs from the Joint Committee equation but maintain a fiscally responsible path. The defense cap increases by an average of 3 percent per year through 2023 to resource the National Security and National Defense Strategies, followed in 2024 through 2028 with inflationary growth of about 2.1 percent per year. For non-defense, the cap is reduced by 2 percent per year (the “2 penny plan”). Meeting these levels will require discipline and fiscal prudence, but the 2019 Budget demonstrates how these transformational changes in Government funding can be made responsibly. The proposed changes to the base caps are shown on Table 3. For 2018 through 2021, the changes are shown as deltas from the current law caps.

The Budget further proposes that the non-defense caps be reduced to account for policy proposals to privatize air traffic control programs and to reduce Federal agencies’ contributions to the retirement plans of civilian employees. These cap reductions would prevent the savings achieved by these reforms 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. The reduction for air traffic control privatization is not scheduled to begin until 2022, while the Federal employee cost share reduction would begin in 2020. These proposed changes are included on Table 3. For more information on these proposals 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 2019 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 Budget, if enacted, would trigger these adjustments to the discretionary caps. These anticipated adjustments, shown in Table 3, 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. As described above, OMB’s final sequestration report for 2018 has been delayed until 15 days after expiration of the CR so no adjustments have been made to 2018 at this point. When the final 2018 report is released, OMB anticipates making adjustments for enacted emergency requirements in 2018, including:²

- \$20,517 million to the non-defense category for mostly hurricane relief and recovery efforts provided in division A of Public Law 115–72, the Additional Supplemental Appropriations for Disaster Relief Requirements, 2017; and
- \$4,687 million to the defense category mostly for missile defense provided in division B of Public Law 115–96, the Department of Defense Missile Defeat and Defense Enhancements Appropriations Act, 2018.

The Administration also anticipates making an adjustment for its pending 2018 supplemental proposal that the Administration requested on November 17, 2017³ for a combined \$43,997 million to fund fur-

² For more information, see OMB’s Seven-Day-After reports on OMB’s website: <https://www.whitehouse.gov/omb/legislative/budget-enforcement-act-7-day-reports/>. The amounts in Public Law 115–72 include changes to mandatory programs that are re-based as mandatory in the 2019 Budget.

³ The Administration’s request can be found on OMB’s website in the following location: <https://www.whitehouse.gov/omb/legislative/letters/>

ther hurricane response and recovery. This request provides \$1,166 million for the defense category and \$42,831 million for the non-defense category. The 2019 Budget does not propose any other emergency funding for 2018. However, in 2019, the Budget proposes 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 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. As noted previously, appropriations for 2018 remain incomplete and OMB's final sequestration report for 2018 is delayed until 15 days after expiration of the CR. No adjustments for OCO appropriations have been made to 2018 thus far but the Administration continues to assume its amended 2018 request of \$77,774 million with \$65,756 million for defense programs and \$12,018 million for international programs. For 2019, the President's Budget provides a total of \$101,018 million for OCO/GWOT activities with \$89,000 million for defense programs and \$12,018 million for international programs. The Budget also includes outyear allowances for OCO/GWOT activities with separate amounts for defense and non-defense funding for each year through 2028. The 2020 through 2023 defense amounts are consistent with the National Security and National Defense Strategies. The 2024 through 2028 defense amounts, and the non-defense levels in all years, represent notional placeholders that are consistent with a potential transition of certain OCO costs into the base budget. These placeholder amounts do not reflect specific decisions or assumptions about OCO funding in any

particular year. The DOD OCO/GWOT amounts are allocated to the defense category in Table 3, while the international and outyear non-defense placeholder amounts are allocated to the non-defense category.

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 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.

As noted previously, appropriations for 2018 remain incomplete and OMB's final sequestration report for 2018 is delayed until 15 days after expiration of the CR. Based on the continuing appropriations in the CR, OMB assumes that the base appropriation and full cap adjustment will be provided in final appropriations for 2018 and makes an anticipated adjustment of \$1,462 million in Table 3 for SSA CDRs and redeterminations—the maximum allowable adjustment specified for 2018 in BBEDCA. The 2019 Budget provides both the base funding level of \$273 million and the maximum cap adjustment level of \$1,410 million specified in BBEDCA through discretionary appropriations in 2019. The \$1,410 million adjustment is also displayed in 2019 as an anticipated adjustment to the non-defense category in Table 3 with cap adjustments aligned with the authorized levels in BBEDCA included for each year through 2021 followed by amounts

that grow with current services inflation for each year thereafter. The “Program Integrity Funding” discussion in the President’s Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2019 Budget provides a complete description of this and other program integrity efforts along with OMB’s methodology in determining their effectiveness.

Health Care Fraud and Abuse Control (HCFAC).—Section 251(b)(2)(C) of BBEDCA authorizes adjustment of 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 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 appropriations bill before the adjustment. As noted previously, appropriations for 2018 remain incomplete and OMB’s final sequestration report for 2018 is delayed until 15 days after expiration of the CR. OMB assumes that the base appropriation and at least the continuing appropriation provided in the CR will be provided in final appropriations for 2018 and makes an anticipated adjustment of \$414 million in Table 3 for HCFAC. 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 with cap adjustments aligned with BBEDCA shown for each year through 2021 followed by amounts that grow with current services inflation for each year thereafter. The “Program Integrity Funding” discussion in the President’s Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2019 Budget provides a complete description of this and other program integrity efforts and OMB’s methodology in determining their effectiveness.

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)). BBEDCA sets a limit for the adjustment equal to the total of the aver-

age funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years), plus any portion of the allowable adjustment (funding ceiling) for the previous year that was not appropriated (excluding the portion of the previous year’s ceiling that was itself due to any unused amount from the year before). For the 2018 adjustment, OMB determined a preview estimate of \$7,366 million in its Sequestration Update Report for 2018 that was released on August 18, 2017. As noted previously, appropriations for 2018 remain incomplete, but the CR provided a continuing appropriation of \$6,713 million for the Federal Emergency Management Agency’s (FEMA’s) Disaster Relief Fund (DRF) account. OMB anticipates adjusting the 2018 cap for the final appropriation provided for disaster relief when it issues its final sequestration report for 2018. Presently, the continuing appropriation is assumed as an anticipated adjustment to the non-defense category. If final appropriations for 2018 affirm this amount of \$6,713 million, the appropriation would be \$653 million below the ceiling available in 2018 and this amount would carry over into the estimate of the 2019 allowable allowance, which OMB currently estimates at \$7,386 million. OMB’s estimate will be revised, as appropriate, in its August 2018 sequestration update report for 2019.

The 2019 Budget requests \$6,652 million 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 predictable annual cost of non-catastrophic events expected to obligate in 2019. This request does not pre-fund anticipated needs arising out of disasters that have yet to occur, nor does it fund potential catastrophic needs. If more information becomes available about the need to fund prior or future disasters, additional requests, in the form of either 2018 supplemental appropriation requests or amendments to the Budget with appropriate emergency or disaster relief designations, may be transmitted. After 2019, the Budget includes a placeholder for disaster relief that is equal to the current 2019 request. 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 2018 estimate, 2019 request, and outyear placeholder amounts are shown on Table 3 as anticipated cap adjustments to the non-defense category.

In addition to its 2019 Request, the Budget proposes to fix the declining disaster relief ceiling due to loss of unused carryover in previous years. Under the Administration's proposal, the disaster formula would change in future years by: 1) adding all unspent "carryover" balances currently excluded by the formula to future annual cap adjustments until expended, and 2) adding to future annual cap adjustments five percent of emergency appropriations provided for Stafford Act-declared disasters since the creation of the disaster cap formula. These adjustments would lead to a ceiling formula that better reflects the likely requirements and unpredictable nature for future disaster response and recovery costs. The "Disaster Relief Funding" and "Declining Disaster Relief Cap Adjustment" sections in the President's Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2019 Budget provide a more thorough description of this cap adjustment, the Administration's 2019 request, the declining adjustment for the disaster relief cap adjustment, and the Administration's proposal to address the declining adjustment.

New Cap Adjustment Proposals

Program Integrity.—The 2019 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 \$362 million for IRS and is included in Table 3 as a proposed adjustment to the non-defense limit in 2019 and in all years thereafter. For more information on this new adjustment, see the "Program Integrity Funding" section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2019 Budget.

Wildfire Suppression Operations.—The 2019 Budget proposes to amend section 251(b)(2) of BBEDCA by adding a new discretionary cap adjustment for wildfire suppression operations at the Departments of Agriculture and the Interior. The 2019 Budget provides 100 percent of the ten-year average for suppression operations for these agencies within the discretionary cap, but also proposes this adjustment to ensure that adequate resources are available to fight wildland fires, protect communities, and safeguard human life during the most severe wildland fire seasons. The proposal allows for a maximum permissible adjustment of \$1,519 million in 2019 that increases to \$2,068 million by 2027. At this time, the Administration is requesting the full \$1,519 million be provided for the wildfire suppression operations cap adjustment in 2019, which is shown as a proposed adjustment to the non-defense limits in 2019 through 2028. For 2020 through 2028, the cap adjustment levels are placeholders at the 2019 request level. Those amounts will be refined in subsequent Budgets, as data on costs for wildfire suppression operations are updated annually. For more information on this new adjustment, see the "Proposed Adjustments to the Discretionary Spending Limits for Wildfire Suppression Operations at the Departments of Agriculture and the Interior" section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2019 Budget.