
OMB Sequestration Update Report to the President and Congress for Fiscal Year 2020



August 20, 2019

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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

August 20, 2019

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2020*. 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 sequestration preview report regarding enforcement of the discretionary spending caps for 2019 through 2021, including changes enacted in Public Law 116-37, the Bipartisan Budget Act of 2019. The report also includes cap updates for enacted 2019 emergency supplemental legislation, the status of OMB scoring of the action by the House of Representatives on 2020 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 2020 adjustment for disaster relief. OMB must issue a final sequestration report for 2020 after the Congress adjourns.

To date, no 2020 appropriations bills have been enacted into law and, aside from one update for enacted supplemental legislation, the 2020 and 2021 caps remain at the levels enacted in Public Law 116-37. Based on the current caps, this report estimates that actions to date by the House of Representatives, if enacted, will lead to a sequestration of \$14.2 billion to non-defense programs. No assessment of Senate action is included since the Senate had not begun consideration of 2020 appropriations legislation at the time this report was prepared.

Sincerely,

A handwritten signature in black 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), which had expired in 2002, by reinstating limits on discretionary budget authority for 2012 through 2021. Since enactment of the BCA, these spending limits have been revised a number of times due to reductions required by the BCA to enforce deficit targets (often referred to as “Joint Committee enforcement”) followed by bipartisan legislation to restore much of the reductions. These bipartisan agreements have occurred in the form of two-year budget deals: 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 update report by August 20 each year. This report provides OMB’s current estimates of the discretionary spending limits, including updates to the limits since OMB last reported on the caps in its 2020 sequestration preview report that was issued on March 18, 2019. The most significant update is for the BBA of 2019, which the President signed on

August 2, 2019. In addition, OMB adjusts the 2019 and 2020 caps in this report to account for discretionary supplemental appropriations that have been enacted since the 2020 sequestration preview report was issued. This report also contains OMB’s scoring estimates of pending appropriations legislation against the 2020 limits as of August 15, 2019. The report also lists anticipated adjustments to the caps based on the BBA of 2019 and the requested amounts in the President’s 2020 Budget.

As required, OMB’s estimates are based on the economic and technical assumptions used in the President’s 2020 Budget and cover the 12 annual appropriations bills for 2020 that have been reported or passed by the House of Representatives. Pursuant to section 254(e) of BBEDCA, this report also contains OMB’s calculation of the 2020 preview estimate of the adjustment for disaster relief funding.

If the discretionary limits for 2020 remain unchanged, OMB’s estimates of House action to date for the 12 annual appropriations bills for 2020 show that a sequestration of nearly \$14.2 billion would be required for programs in the non-defense category. At the time this report was prepared, the Senate had not begun consideration of 2020 appropriations legislation; therefore, no assessment of Senate action is included. The preliminary House estimates are summarized in Table 4 of this report.

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 adjusts the defense and non-defense caps for the changes enacted in the BBA of 2019 and provides OMB's mid-year assessment of pending appropriations legislation as of August 15, 2019 under current scoring estimates, and discusses the possible sequestration of discretionary programs that could occur if the actions taken to date by the House of Representatives 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 2020 Budget, and cover the 12 annual appropriations bills for 2020 that have been reported or passed by the House.

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

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 the Congress during this Administration on OMB's website (<https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>) or during the previous administration at the archive site (<https://obamawhitehouse.archives.gov/omb/legislative-reports/sequestration>).

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).

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

Adjustments to discretionary limits.—The agreement enacted in the BBA of 2019 raises the 2020 and 2021 defense and non-defense caps to levels that are higher than the caps set in the original BCA, as summarized in Table 2. In carrying out Joint Committee enforcement in OMB's 2020 preview report², the 2020 defense cap was reduced by \$53.8 billion from \$630.0 billion to \$576.2 billion and the non-defense cap was reduced by \$34.8 billion from \$578.0 billion to a level of \$543.2 billion.³ Section 101(a) of the BBA of 2019 raises the 2020 defense cap by \$90.3 billion to a level of \$666.5 billion and the 2020 non-defense cap by \$78.3 billion to a level \$621.5 billion. For 2021, the BBA of 2019 effectively cancels the Joint Committee enforcement reductions that would have been applied in the 2021 Budget and set new caps of \$671.5 billion for the defense category and \$626.5 billion for the non-defense category. These new caps represent increases over the current law caps of \$27.5 billion for defense and \$36.5 billion for non-defense.⁴

² OMB's preview report for 2020 is available at: <https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>.

³ The 2020 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.

⁴ The 2021 caps were never formally adjusted for Joint Committee enforcement since the size of those reductions would have to be based on sequestrable mandatory outlays in the 2021 Budget. However, the 2020 preview report did estimate the reductions for 2021 to be approximately \$53.8 billion for the defense category and \$33.9 billion for the non-defense category. This would have resulted in levels of \$590.2 billion for defense and \$556.1 billion for non-defense. Based on those levels, the caps set in the BBA

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							
Nonsecurity Category	359.0	361.0	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							
Nonsecurity Category	-361.0	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							
Nonsecurity Category	+359.0	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	-53.8	.....
Non-Defense Category	N/A	N/A	-36.6	.....	-36.5	.....	-37.3	-35.7	-34.8	.....
Adjustments pursuant to section 101(a) of the BBA of 2013 (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 BBA of 2015 (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	.....	.....
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
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+78.3	+36.5
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	+69.0	.....	.....
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	+20.8	+12.0	+8.0	.....	.....
Emergency Requirements:										
Security Category	+7.0	N/A							
Nonsecurity Category	+34.6	N/A							
Defense Category	N/A	N/A	+0.2	+0.1	.....	.....	+5.9	+2.8	.....	.....
Non-Defense Category	N/A	N/A	.....	+5.3	+1.7	+19.4	+103.8	+22.6	+0.0	.....
Program Integrity:										
Nonsecurity Category	+0.5	+0.5	N/A							
Non-Defense Category	N/A	N/A	+0.9	+1.5	+1.5	+2.0	+1.9	+1.9
Disaster Relief:										
Security Category	+6.4	+11.8	N/A							
Nonsecurity Category	+4.1	N/A							
Non-Defense Category	N/A	N/A	+5.6	+6.5	+7.6	+8.1	+7.4	+12.0
Technical adjustments for scoring differences with CBO: ¹										
Defense Category	N/A	N/A	+0.2	+0.0	.....	+0.0	+0.0	+0.0	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	+0.6	.....	.....	.....

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS—Continued

(Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Revised Limits Included in the OMB Sequestration Update Report:										
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
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	700.9	718.8	666.5	671.5
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	568.8	704.6	641.5	621.5	626.5

N/A = Not Applicable

¹ These 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.

In addition to changes resulting from the BBA of 2019, adjustments to the current year 2019 caps are required pursuant to section 251 of BBEDCA due to enacted discretionary supplemental legislation. The enacted discretionary supplemental legislation also requires an adjustment to the 2020 non-defense cap pursuant to section 251 of BBEDCA. These adjustments are described in the next section.

Section 251 of BBEDCA 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 2019 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.

Enacted Emergency Requirements. Section 251(b)(2)(A) of BBEDCA authorizes adjustment to the caps for appropriations that are designated by the Congress, and subsequently designated by the President, as emergency requirements. Since the 2020 sequestration preview report was released, there have been two discretionary supplemental appropriations acts enacted which require adjustments for emergency requirements to the 2019 caps pursuant to section 251(b)(2)(A)(i) of BBEDCA.

Public Law 116–20, the Additional Supplemental for Appropriations for Disaster Relief Act, 2019 (“2019 Disaster Relief Supplemental”) provided \$19.1 billion

of 2019 are about \$81.3 billion higher for defense and \$70.4 billion higher for non-defense.

for 2019 with nearly \$2.7 billion provided for defense programs and \$16.4 billion provided for non-defense programs. In addition, the 2019 Disaster Relief Supplemental included an additional \$8 million related to crop insurance at the Department of Agriculture that is scored to 2020, which leads to an increase of that amount in the 2020 non-defense cap (after accounting for the change to that cap in the BBA of 2019). Public Law 116–26, the Emergency Supplemental Appropriations for Humanitarian Assistance at the Southern Border Act, 2019 (“2019 Humanitarian Supplemental”) provided \$4.6 billion for 2019 with \$145 million provided for defense programs and \$4.4 billion provided for non-defense programs.

The Congress designated as emergency requirements the amounts provided in the respective 2019 Disaster Relief and Humanitarian Supplementals and the President’s subsequent designations were transmitted to the Congress on June 6, 2019 and July 1, 2019, respectively.⁵ The 2019 defense cap is adjusted by \$2.8 billion and the non-defense cap is adjusted by \$20.9 billion. The 2020 non-defense cap is also adjusted by \$8 million. Each of these adjustments are included in Table 2.

Anticipated section 251 of BBEDCA adjustments to discretionary limits.—In addition to actual adjustments required at this time, Table 2 shows *anticipated* adjustments for 2020 (and in some cases for 2021 where appropriate) that are available under current law and equal to the levels proposed in the

⁵ The President’s designations are available on OMB’s website: <https://www.whitehouse.gov/omb/supplementals-amendments-and-releases/>.

Table 2. DISCRETIONARY SPENDING LIMITS
(Discretionary budget authority in millions of dollars)

	2019	2020	2021
DEFENSE (OR “REVISED SECURITY”) CATEGORY			
2020 Preview Report Spending Limits	716,004	576,175	644,000
Defense Adjustments for the 2020 Sequestration Update Report:			
Defense Category changes enacted pursuant to section 101(a) of the BBA of 2019		+90,325	+27,500
Emergency Requirements	+2,838		
Subtotal, Defense Adjustments for the 2020 Update Report	+2,838	+90,325	+27,500
2020 Sequestration Update Report Spending Limits	718,842	666,500	671,500
<i>Anticipated Adjustments for the 2020 Final Sequestration Report:</i>			
<i>Overseas Contingency Operations/Global War on Terrorism</i>		+71,500	+69,000
<i>Emergency Requirements</i>		+9,200	
Subtotal, Anticipated Defense Adjustments for the 2020 Final Sequestration Report		+80,700	+69,000
<i>Anticipated 2020 Final Sequestration Report Defense Spending Limits</i>	<i>718,842</i>	<i>747,200</i>	<i>740,500</i>
NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY			
2020 Preview Report Spending Limits	620,576	543,193	590,000
Non-Defense Adjustments for the 2020 Sequestration Update Report:			
Non-Defense Category changes enacted pursuant to section 101(a) of the BBA of 2019		+78,307	+36,500
Emergency Requirements	+20,874	+8	
Subtotal, Non-Defense Adjustments for the 2020 Update Report	+20,874	+78,315	+36,500
2020 Sequestration Update Report Spending Limits	641,450	621,508	626,500
<i>Anticipated Adjustments for the 2020 Final Sequestration Report:</i>			
<i>Overseas Contingency Operations/Global War on Terrorism</i>		+8,000	+8,000
<i>SSA Dedicated Program Integrity</i>		+1,309	+1,302
<i>Health Care Fraud and Abuse Control</i>		+475	+496
<i>Disaster Relief</i>		+14,075	
<i>Reemployment Services and Eligibility Assessments</i>		+58	+83
<i>Wildfire Suppression</i>		+2,250	
<i>2020 Census</i>		+2,500	
Subtotal, Anticipated Non-Defense Adjustments for the 2020 Final Sequestration Report		+28,667	+9,881
<i>Anticipated 2020 Final Sequestration Report Non-Defense Spending Limits</i>	<i>641,450</i>	<i>650,175</i>	<i>636,381</i>
2020 Preview Report, Total Discretionary Spending	1,336,580	1,119,368	1,234,000
2020 Sequestration Update Report, Total Discretionary Spending	1,360,292	1,288,008	1,298,000
<i>Anticipated 2020 Final Sequestration Report, Total Discretionary Spending</i>	<i>1,360,292</i>	<i>1,397,375</i>	<i>1,376,881</i>

2020 Budget or included in the BBA of 2019. These anticipated adjustments are described in the text below. In all cases, the level of adjustments provided in the current appropriations bills reported or passed by the House are also provided. At this time, the Senate has not reported or passed any 2020 appropriations bills nor has it released any allocations laying out its 2020 appropriations framework so no levels for the Senate are noted. However, these are only anticipated adjustments. The actual adjustments will be determined at

the end of this session of the Congress based on appropriations enacted by the Congress and Administration and will be reflected in OMB’s 2020 final sequestration report. The section 251(b)(2) anticipated adjustments include:

Emergency Requirement and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) Appropriations.—Emergency requirements, as noted above, and OCO/GWOT appro-

priations are permitted adjustments to the caps pursuant to section 251(b)(2)(A) of BBEDCA so long as the Congress designates the funding 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 already made for 2019 and the anticipated adjustments for 2020, respectively.

Emergency Requirements. The 2019 defense cap includes a combined adjustment of \$2.8 billion for appropriations designated as emergency requirements in the 2019 supplementals discussed in the previous section. The 2019 non-defense cap includes \$20.9 billion in emergency requirement funds discussed in the previous section and includes nearly \$1.7 billion (for a total of \$22.6 billion) for amounts provided in the Supplemental Appropriations for Disaster Relief Act, 2018 (division I of the FAA Reauthorization Act of 2018; Public Law 115–254). For 2020, the President’s Budget proposes emergency requirements totaling \$9.2 billion for the Department of Defense. These funds are provided to address border security and hurricane recovery needs and this is shown as an anticipated adjustment to the defense cap in Table 2. The 2020 Budget also permits in section 7055 of the Department of State and Other International Programs chapter a repurposing of emergency funds that were previously enacted for Ebola response and preparedness in 2015. However, this amount is not a net addition in new funding, so no adjustment to the caps is displayed.

The 2020 Budget does not include any other funding designated as a BBEDCA emergency requirement for 2020 or beyond. However, the 2020 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 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 redesignated 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.

The House 2020 Military Construction and Veterans Affairs appropriations bill includes \$2.3 billion in defense funds designated as emergency requirements—mostly to address hurricane recovery needs. This amount is reflected on Table 4. House appropriations action so far includes no other emergency requirements.

OCO/GWOT. In OMB’s final sequestration report for 2019, a total adjustment of \$77.0 billion (including rescissions) was made to the 2019 caps, with \$69.0 billion allocated to the defense category and \$8.0 billion allocated to the non-defense category. These adjustments are already reflected in the 2019 caps. For 2020, the President’s Budget contained an OCO/GWOT request of \$164.6 billion. This level is no longer required given the increased defense caps in the BBA of 2019. In addition, section 101(b) of the BBA of 2019 specifies levels for OCO/GWOT of \$79.5 billion in 2020 and \$77.0 billion in 2021. The BBA of 2019 provides defense programs with \$71.5 billion in 2020 and \$69.0 billion in 2021 while non-defense programs receive \$8.0 billion in each year. Section 101(b) does not override the applicability of section 251(b)(2) (A) of BBEDCA to each individual appropriation that receives an OCO/GWOT designation. Therefore, the BBA of 2019 does not provide a binding cap on total OCO/GWOT funding but it does represent a recommendation for total OCO/GWOT funding as part of the larger budget agreement. Table 2 reflects the OCO/GWOT levels from the BBA of 2019 as anticipated adjustments for both 2020 and 2021.

House action so far provides \$68.1 billion in the Defense bill, \$0.9 billion in the Military Construction and Veterans Affairs bill, and \$8.0 billion in the State and Foreign Operations bill for a total of \$77.0 billion – essentially flat at the 2019 enacted level. Table 4 reflects the current House action.

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 redetermi-

nations. 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 an 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 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 2019 Labor, Health and Human Services, and Education Appropriations Act (division B of Public Law 115–245) (the “2019 LHHS Act”) fully funded the \$273 million base and provided \$1.4 billion as a cap adjustment – the maximum allowable adjustment specified for 2019 in BBEDCA. This amount is already included in the 2019 non-defense cap. The 2020 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1.3 billion through discretionary appropriations in 2020. The 2020 Budget also reflects full funding of the authorized cap adjustments for these programs through 2021 and extends the cap adjustments through 2029 at the rate of current services inflation assumed in the 2020 Budget.

The House has provided the full cap adjustment level of \$1.3 billion for these activities in their passed version of the 2020 Labor, Health and Human Services, Education, and Related Agencies appropriations (“2020 LHHS”) bill. Consistent with the 2020 Budget, Table 2 reflects the full, authorized amount for SSA's dedicated program integrity work as an anticipated adjustment for 2020 and 2021. Table 4 also reflects this same adjustment for the House allocations in 2020.

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 2019 LHHS Act provided the base \$311 million level and the maximum cap adjustment level of \$454 million. The 2020 Budget fully funds the base amount for this program and includes the full cap adjustment of \$475 million permitted by BBEDCA for 2020 and the full amount authorized by BBEDCA for 2021.

For HCFAC, the House provides the full cap adjustment level of \$475 million in its passed version of the 2020 LHHS bill. Consistent with the 2020 Budget, Table 2 reflects the full authorized amount for HCFAC as an anticipated adjustment for 2020 and 2021. Table 4 also reflects this same adjustment for the House allocation in 2020.

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 2020. That estimate is currently \$17.5 billion (see section III of this report).

For 2019, the Congress provided a total of \$12.0 billion in the 2019 Department of Homeland Security Appropriations Act (division A of Public Law 116–6). This amount was allocated entirely to the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund (DRF) account. This is nearly \$3.0 billion below the maximum allowable adjustment that was calculated in last year's sequestration update report for 2019.

The 2020 Budget requests \$14.1 billion 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 2020. The Administration's request addresses the significant and unprecedented recovery needs of the recent hurricanes and wildfires that have devastated our Nation. 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 2020 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 2019 supplemental appropriations or amendments to the 2020 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 2020 Budget does not explicitly request any disaster relief funding in any year after 2020 and instead reflects a placeholder amount in 2021 and beyond. Table 2 reflects the 2020 request. The table does not include the outyear placeholder amount as an anticipated cap adjustment to the non-defense category because it does not reflect a specific policy decision. At present, the House has fully funded the 2020 request in its reported 2020 Homeland Security appropriations bill.

Reemployment Services and Eligibility Assessments.— Section 30206(c) of title II of the Bipartisan Budget Act of 2018 (BBA of 2018; Public Law 115–123) created a new cap adjustment for program integrity efforts under section 251(b)(2)(E) of BBEDCA for Reemployment Services and Eligibility Assessments (RESEA). 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 RESEA adjustment was first available in 2019 and the 2019 LHHS Act provided the base level of \$117 million and \$33 million as a cap adjustment for these purposes—the maximum allowable adjustment specified for 2019 in BBEDCA. This adjustment was allocated to the non-defense category in OMB's final sequestration report for 2019. The 2020 Budget fully funds the base amount for this program and includes the full cap adjustments permitted by BBEDCA of \$58 million for 2020 and \$83 million for 2021.

The House provides the full cap adjustment level of \$58 million in its passed version of the 2020 LHHS bill. Consistent with the 2020 Budget, Table 2 reflects the full authorized amounts for RESEA as anticipated adjustments for 2020 and 2021. Table 4 also reflects this same adjustment for the House allocation in 2020.

Wildfire Suppression Operations.— Division O of Public Law 115–141, 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 was 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 billion for DOI. The 2020 Budget requests these base amounts for wildfire suppression and seeks the full \$2.25 billion adjustment authorized in BBEDCA for 2020 with \$1.95 billion included for Forest Service and \$0.3 billion included for DOI. Providing the full level authorized in 2020 will ensure that adequate resources are available to fight wildland fires, protect communities, and safeguard human life during the most severe wildland fire season. For 2021 through 2029, the cap adjustment levels in the 2020 Budget are placeholders at the 2020 request level. Those amounts will be refined in subsequent Budgets, as data on costs for wildfire suppression operations are updated annually.

The House provides the full cap adjustment level of \$2.25 billion in its passed version of the 2020 Interior

and Environment appropriations bill. Consistent with the 2020 Budget, Table 2 reflects the full authorized amounts for Wildfire Suppression as an anticipated adjustment for 2020. Since the outyear amounts in the 2020 Budget are placeholders, they are not reflected as anticipated cap adjustments to the non-defense category because it does not reflect a specific policy decision. Table 4 also reflects this same adjustment for the House allocation in 2020.

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. Given its inclusion in the BBA of 2019, this is included as an anticipated adjustment to the non-defense cap in 2020. The 2020 House Commerce, Justice, Science appropriations bill provides \$7.5 billion as a cap adjustment for the 2020 Census. In Table 4, OMB only permits an adjustment of \$2.5 billion to the non-defense cap and counts the remaining \$5 billion under the base non-defense cap.

Status of 2019 discretionary appropriations.— Table 3 summarizes the status of enacted 2019 discretionary appropriations, relative to the discretionary

Table 3. STATUS OF 2019 DISCRETIONARY APPROPRIATIONS

(Discretionary budget authority in millions of dollars)

	Budget Authority
Defense Category	
Adjusted discretionary spending limits	718,842
Total enacted appropriations	718,842
Spending over (+)/under (–) limits .....	.....
Non-Defense Category	
Adjusted discretionary spending limits	641,450
Total enacted appropriations	640,605
Spending over (+)/under (–) limits	–845
Total Discretionary Spending—All Categories	
Adjusted discretionary spending limits	1,360,292
Total enacted appropriations	1,359,447
Spending over (+)/under (–) limits	–845

caps for 2019. The caps include all adjustments made in OMB’s 2019 final sequestration report and the adjustments for the 2019 supplementals made in this report. Using the same economic and technical assumptions underlying the 2019 Budget, OMB’s estimates of enacted budget authority for the defense category remains at the 2019 spending cap while OMB’s estimate of budget authority for the non-defense category remains below the 2019 spending cap. If appropriations are enacted before the end of 2019 that lead to a 2019 category breach, then in its 2020 final sequestration report, OMB would adjust the 2020 limit for that category downward by the amount of the breach, pursuant to section 251(a)(5) of BBEDCA.

Status of 2020 discretionary appropriations.— Table 4 presents preliminary OMB scoring of the latest House action for the 12 annual appropriations bills, where available. With new caps set in the BBA of 2019, the 2020 House bills are estimated to be under the defense cap but over the non-defense cap. If appropriations are enacted for 2020 at the House levels without any further change to the caps, a sequestration of \$14.2 billion will be required for non-defense programs.

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

- The levels on Table 4 are equal to OMB scoring of appropriations for each reported or passed House bill, with the exception of the House 2020 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 2020 Homeland Security appropriations bill, the 302(b) allocation is being substituted because OMB is still reviewing the reported bill.
- As noted earlier, the House had anticipated in the 2020 Commerce, Justice, Science appropriations bill an adjustment for the 2020 Census of \$7.5 billion. However, the BBA of 2019 allows for an adjustment of only \$2.5 billion. OMB scoring permits that adjustment of \$2.5 billion but scores

Table 4. STATUS OF 2020 APPROPRIATIONS ACTION
(Discretionary budget authority in millions of dollars)

	House Action	
	BA	
<u>DEFENSE CATEGORY</u>		
Defense Base Appropriations:		
Commerce, Justice, Science, and Related Agencies	5,695	F
Defense	621,937	F
Energy and Water Development	23,114	F
Financial Services and General Government	33	F
Homeland Security	2,383	A
Military Construction and Veterans Affairs	10,541	F
Transportation and Housing and Urban Development	300	F
Subtotal, Defense Base Discretionary	664,003	
Defense Cap Adjustments: ¹		
Defense (OCO/GWOT)	68,078	F
Military Construction and Veterans Affairs (Emergency & OCO/GWOT)	3,222	F
Subtotal, Defense Cap Adjustments	71,300	
Total, Defense Discretionary	735,303	
Estimated Final Sequestration Report Defense Category Limit	737,800	
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	-2,497	
<u>NON-DEFENSE CATEGORY</u>		
Non-Defense Base Appropriations:		
Agriculture and Rural Development	24,299	F
Commerce, Justice, Science, and Related Agencies	64,222	F
Defense	142	F
Energy and Water Development	23,266	F
Financial Services and General Government	24,919	F
Homeland Security	47,355	A
Interior and Environment	37,333	F
Labor, HHS, and Education	190,213	F
Legislative Branch	5,106 ²	C
Military Construction and Veterans Affairs	94,676	F
State and Foreign Operations	47,774	F
Transportation and Housing and Urban Development	76,390	F
Subtotal, Non-Defense Base Discretionary	635,695	
Non-Defense Cap Adjustments: ¹		
Commerce, Justice, Science, and Related Agencies (2020 Census)	2,500	F
Homeland Security (Disaster Relief)	14,075	A
Interior and Environment (Wildfire Suppression)	2,250	F
Labor, HHS, and Education (Program Integrity)	1,842	F
State and Foreign Operations (OCO/GWOT)	8,000	F
2019 Disaster Relief Supplemental (Emergency Requirement)	8	E
Subtotal, Non-Defense Cap Adjustments	28,675	
Total, Non-Defense Discretionary	664,370	
Estimated Final Sequestration Report Non-Defense Category Limit	650,183	
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	+14,187	

Table 4. STATUS OF 2020 APPROPRIATIONS ACTION—Continued

(Discretionary budget authority in millions of dollars)

	House Action
	BA
TOTAL DISCRETIONARY SPENDING	
Total, Discretionary	1,399,673
Estimated Final Sequestration Report Total Category Limits	1,387,983
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS	+11,690
<i>Memorandum - Appropriations Counted Outside of Discretionary Caps:</i>	
<i>21st Century CURES Appropriations:³</i>	
<i>Agriculture and Rural Development</i>	<i>75 F</i>
<i>Labor, HHS, and Education</i>	<i>492 F</i>

Key: A = 302(b) Allocation; C = OMB scoring of bill reported out by committee; F = OMB scoring of bill passed by House; E = OMB scoring of enacted bill

NOTE: OMB scoring of the latest House action is preliminary and subject to change.

¹ The House bills include the cap adjustments that are currently available pursuant to section 251(b)(2) of BBEDCA for Emergency Requirements, Overseas Contingency Operations/Global War on Terrorism, Program Integrity for SSA, HCFAC, and RESEA, Disaster Relief, Wildfire Suppression, and the 2020 Census.

² Holding to tradition, the House-reported Legislative Branch bill does not include items from the Senate since the House moved its bill before the Senate released its own bill. For a more comparable bill total, OMB adds the Senate items from its 2020 Budget to its House scoring as a placeholder until a Legislative Branch bill with Senate items is released.

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.

the remaining \$5 billion towards the base non-defense cap and not as a cap adjustment.

- The House had anticipated a \$0.4 billion adjustment for program integrity activities at the Internal Revenue Service (IRS) in the 2020 Financial Services and General Government appropriations bill – which is similar to the adjustment proposed in the Administration’s 2020 Budget. However, the adjustment does not exist in BBEDCA and the Financial Services bill does not include the legislative language adding the adjustment to BBEDCA. OMB must score individual appropriations bills in accordance with existing law; therefore, OMB scores this amount as base funding and not as a cap adjustment.

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 2019 through 2021. CBO uses the discretionary limits from OMB’s 2020 sequestration preview report as a starting point for adjustments in its sequestration update report. CBO’s estimate for the 2019 non-defense cap is \$5 million lower than OMB’s estimate and this difference is entirely due to OMB scoring, on net, a higher cost for the 2019 Disaster Relief Supplemental.⁶ For 2020, OMB estimates a non-defense cap in this report that is \$8 million higher than CBO and this is because OMB adjusts the cap for the emergency requirement related to crop insurance at the Department of Agriculture scored for 2020 in the 2019 Disaster Relief Supplemental. CBO concurs with the \$8 million emergency score in 2020 but defers making this adjustment to the final sequestration report when many of the other adjustments for 2020 are expected to be finalized. For the defense category in 2019 and 2020 and for both categories in 2021, CBO’s estimates are the same as OMB’s estimates after accounting for the changes enacted in the BBA of 2019.

⁶ See OMB’s Seven-Day-After Report for the 2019 Disaster Relief Supplemental on OMB’s website for more information behind the scoring difference: <https://www.whitehouse.gov/omb/legislative/budget-enforcement-act-7-day-reports/>.

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2019	2020	2021
DEFENSE (OR "REVISED SECURITY") CATEGORY			
CBO 2020 Update Report Limits	718,842	666,500	671,500
OMB 2020 Update Report Limits	718,842	666,500	671,500
Difference +/- .....	.....	.....	.....
NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY			
CBO 2020 Update Report Limits	641,445	621,500	626,500
OMB 2020 Update Report Limits	641,450	621,508	626,500
Difference +/-	+5	+8	.....
CBO 2020 Update Report, Total Discretionary	1,360,287	1,288,000	1,298,000
OMB 2020 Update Report, Total Discretionary	1,360,292	1,288,008	1,298,000
Difference +/-	+5	+8	.....

III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2020

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 Consolidated Appropriations Act of 2018 (Public Law 115–141), 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.

Division O of the Public Law 115–141 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. 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, 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*⁷, which specified the methodology and criteria OMB is using for estimating the emer-

gency appropriations for Stafford Act disasters that will apply in the new formula under step 2.

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 2020. The first part of the calculation of the ceiling in 2020 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2010

Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2010 THROUGH 2019

(Discretionary budget authority in millions of dollars)

Fiscal Year	Budget Authority
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
2019	12,000

Average 2010–2019	
Total Budget Authority	78,024
Low (2011)	2,473
High (2019)	12,000
Average (dropping high/low)	7,944

Calculation of 2019 Carryover	
2019 Preview Estimate	14,965
2019 Enacted	12,000
2019 Carryover	2,965

Calculation of 2020 Preview Estimate	
Average	7,944
2019 Carryover	2,965
Emergency Adjustment (see Table 7)	6,594
2020 Preview Estimate	17,503

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

through 2019 period is \$78.0 billion. The low value dropped was for 2011 (\$2.5 billion), and the high value dropped was for 2019 (\$12.0 billion). The average for 2020 is therefore \$7.9 billion.

The second part of the calculation requires the determination of the 2020 emergency adjustment funding that should be added to the average. Table 7 summarizes the amounts used for determining this adjustment. The amounts for 2012 through 2018 come from the April 23, 2018 report to the Congress referenced above. The 2019 amount comes from Stafford Act

emergency requirements enacted in two supplemental appropriations Acts: (1) \$1.7 billion provided in the Supplemental Appropriations for Disaster Relief Act, 2018 (division I of the FAA Reauthorization Act of 2018; Public Law 115–254) and (2) \$4.3 billion enacted in the 2019 Disaster Relief Supplemental. The 2020 Emergency adjustment is determined by adding up the total budget authority provided since 2012 as emergency requirements for Stafford Act disasters, or \$131.9 billion, and taking five percent of that amount, or \$6.6 billion.

Table 7. SUMMARY OF FUNDING PROVIDED FOR DISASTERS DECLARED PURSUANT TO THE STAFFORD ACT AND DESIGNATED AS EMERGENCY PURSUANT TO BBEDCA, 2012–2019

(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
2019	5,958	298

2020 Emergency Adjustment	
Total Budget Authority	131,880
Five Percent	+6,594

The third part of the calculation requires determining the amount of any carryover from 2019 that should be applied to the ceiling. As noted earlier in this report, the funding ceiling originally calculated for 2019 was nearly \$15.0 billion and the Congress provided \$12.0 billion for FEMA’s DRF program in the 2019 Department of Homeland Security Appropriations Act (division A of Public Law 116–6). Since the Congress provided nearly \$3.0 billion less than the full amount of the allowable adjustment for 2019, this amount is considered to be carryover from 2019 into 2020 (see this calculation in Table 6).

After accounting for each of the components of the adjustment for the preview estimate for disaster relief, OMB calculates a funding ceiling in 2020 of just over \$17.5 billion. This is the result of taking the average (\$7.9 billion) and adding the emergency adjustment for 2020 (\$6.6 billion) and the carryover from 2019 (\$3.0 billion). 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.