
OMB Sequestration Update Report to the President and Congress for Fiscal Year 2013



August 20, 2012

TABLE OF CONTENTS

	<i>Page</i>
Transmittal Letter.....	iii
I. Introduction.....	1
II. Discretionary Sequestration Update Report	3
III. Preview Estimate of the Disaster Funding Adjustment for Fiscal Year 2013.....	15

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, 2012

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 2013*. It has been prepared pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

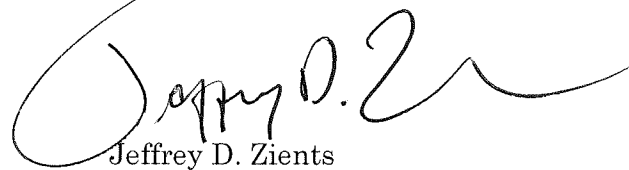
That Act, as amended by the Budget Control Act of 2011, includes two distinct types of sequestration. By far the largest and most immediate concern is the sequestration put into place by the failure of the Joint Select Committee on Deficit Reduction to achieve \$1.2 trillion in deficit reduction. This sequestration (the "Joint Committee sequester") can and should be avoided through a balanced package of deficit reduction.

This report concerns a mechanism different from the Joint Committee sequester. The Budget Control Act put into place a set of discretionary spending caps. If the Congress spends more than these caps allow, a sequestration of discretionary spending ("discretionary sequester") is ordered. This report discusses whether, under the actions taken to date by each chamber of the Congress on discretionary spending bills, a discretionary sequester would occur. The report estimates that, if enacted, the actions to date by the House of Representatives would result in a sequestration of \$6.6 billion in the current-law security category, while the actions by the Senate would result in a sequestration of \$0.4 billion in the current-law nonsecurity category.

To date, however, no 2013 appropriations bills have been enacted into law. Under the agreement in principle between House and Senate leadership, rather than act on these bills that are the subject of this report, the Congress would enact a six-month Continuing Resolution. That resolution has not been written. The Office of Management and Budget (OMB) is committed to working with the Congress to ensure that an unintended discretionary sequester does not occur as a result of the Continuing Resolution.

This report also includes information regarding the discretionary spending limits for each category in the Budget Control Act of 2011, the status of OMB scoring of the latest House and Senate action on discretionary appropriations bills, comparisons with the estimates provided by the Director of the Congressional Budget Office in his report, and OMB's preview estimate of the 2013 adjustment for disaster relief. OMB must issue a final sequestration report after the Congress adjourns.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey D. Zients". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Jeffrey D. Zients
Acting Director

Enclosure

Identical Letter Sent to The Honorable Joseph R. Biden
and The Honorable John A. Boehner

I. INTRODUCTION

The [Budget Control Act of 2011](#) (BCA, “the Act”) amended the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, (BBEDCA) by, among other things, reinstating discretionary spending limits. Exceeding these discretionary spending limits would result in a sequestration of discretionary budget authority. This report discusses the discretionary sequestration that would occur if the Congress were to enact the 2013 appropriations bills that have been reported or passed by the House and Senate to date. That sequestration is distinct from the sequestration that could take place on January 2, 2013 as a result of the failure of the Joint Select Committee on Deficit Reduction to propose legislation to achieve \$1.2 trillion in deficit savings. Information related to that sequestration will be forthcoming in September in the report under the Sequestration Transparency Act (P.L. 112–155).

Section 254 of the BBEDCA requires the Office of Management and Budget (OMB) to issue a Sequestration Update Report on August 20th of each year on the overall status of discretionary legislation. This report provides OMB’s current estimates of the spending limits set in the Act and OMB’s scoring of pending appropriations legislation against those limits as of August 17, 2012. As required, these estimates rely on the same economic and technical assumptions used in the President’s 2013 Budget, which the Administration transmitted to the Congress on Febru-

ary 13, 2012. In addition, as required in section 254(e) of the BBEDCA, this report contains OMB’s calculation of the 2013 preview estimate for disaster relief.

OMB’s scoring in this report does not contain any estimates for a six-month Continuing Resolution. It is limited to an analysis of the 12 annual appropriations bills for 2013 that have been reported or passed by the House and Senate.

Based on preliminary OMB scoring of the latest House action for the 12 annual appropriations bills, if offsets are not enacted, a sequestration of approximately \$6.6 billion in discretionary programs in the revised security (or defense) category would be required. At the same time, preliminary OMB estimates of appropriations action by the Senate indicate that a sequestration of approximately \$0.4 billion in discretionary programs in the revised non-security (or non-defense) category would be required if offsets are not enacted. These scoring estimates are summarized in Table 4 of this report.

No further action is currently anticipated on any of the appropriations bills analyzed in this report prior to the end of 2012. In the context of a continuing resolution, the Administration will work with the Congress to ensure that no unintended breach of the spending limits occurs under current law.

II. DISCRETIONARY SEQUESTRATION UPDATE REPORT

This report discusses the discretionary sequestration that would occur if the Congress were to enact the 2013 appropriations bills that have been reported or passed by the House and Senate to date. This sequestration is distinct from the sequestration that could take place on January 2, 2013, as a result of the failure of the Joint Select Committee on Deficit Reduction to propose legislation to achieve \$1.2 trillion in deficit savings. Information related to that sequestration will be forthcoming in September in the report under the Sequestration Transparency Act (P.L. 112–155).

The BBEDCA, as amended, requires OMB to issue reports containing OMB’s scoring of individual appropriations bills within 7 days of their enactment and, three times a year, on the overall status of discretionary legislation. This report provides that status based on OMB’s current estimates, reflecting pending appropriations legislation as of August 17, 2012. As the BBEDCA requires, the estimates rely on the same economic and technical assumptions used in the President’s 2013 Budget, which the Administration transmitted to the Congress on February 13, 2012. OMB’s scoring in this report does not contain any estimates for a six-month continuing resolution. Instead, it is limited to an analysis of the 12 annual appropriations bills for 2013 that have been reported or passed by the House and Senate.

Discretionary programs are funded annually through the appropriations process. The BBEDCA, as amended

by the BCA, limits—or caps—budget authority available for discretionary programs each year through 2021. For 2012 and 2013, the Act originally specified separate “security” and “non-security” categories for discretionary programs. The security category included discretionary appropriations associated with agency budgets for the Department of Defense, the Department of Homeland Security, the Department of Veterans Affairs, the National Nuclear Security Administration, the Intelligence Community Management Account, and all discretionary budget accounts in budget function 150 (international affairs). The nonsecurity category included all discretionary budget accounts that did not fall into the security category. After 2013, the Act specified a single category for all discretionary spending referred to as the “discretionary” category.

However, section 302 of the BCA provided for revisions to the caps if legislation proposed by the Joint Select Committee on Deficit Reduction, established by Title IV of the Act, to reduce the deficit by more than \$1.2 trillion was not enacted by January 15, 2012. Because the Joint Select Committee on Deficit Reduction failed to propose any legislation, and thus no such legislation was enacted, the caps have been revised. OMB’s Final Sequestration Report for 2012, issued on January 18, 2012, made the first and only revision required at that time, which was a redefinition of the categories of spending subject to discretionary caps (described in more detail below). The revised limits for

the redefined categories were used in the Preview Report, which was released with the President's 2013 Budget on February 13, 2012, and are again used in this Update Report.

Starting in 2013 and continuing through 2021, the revised security category includes just the discretionary programs in the national defense budget function (050), which consists mainly of the Department of Defense and the National Nuclear Security Administration. The revised nonsecurity category consists of all discretionary programs not in the security category—essentially all non-defense (or non-050) budget functions. As noted above, the cap amounts were adjusted to reflect the revised categories, but, the total cap for discretionary spending remains unchanged.

Under current law, the failure of the Joint Select Committee on Deficit Reduction requires the President to order a sequestration of non-exempt discretionary spending on January 2, 2013.¹ There will also be reductions in the revised discretionary caps from 2014 through 2021. Given that such revisions to the discretionary caps, were they to occur, would not alter the caps in 2013, and that changes to the caps from 2014 through 2021 are not required at this time, these cap reductions are not reflected in the revised limits used in this report.

The automatic reductions triggered by the failure of the Joint Committee were never intended to occur as a mat-

ter of sound policy. Indeed, these reductions would be extremely harmful to both defense and non-defense needs. The Administration included proposals in the President's 2013 Budget that would achieve savings in excess of the Joint Committee threshold, cancel the automatic reductions, and restore the caps to the original definitions set forth in Title I of the BCA.² The Administration continues to urge the Congress to act on such a package.

Although the Administration supports changes to the existing caps based on its 2013 Budget framework, it remains OMB's responsibility to monitor compliance with the existing discretionary spending limits throughout the year. Appropriations that OMB estimates exceed the revised budget authority limits would trigger an across-the-board reduction (or sequestration) pursuant to section 251 of the BBEDCA to eliminate the excess

² The 2013 Budget also included a proposed change in concepts and definitions that would reclassify as mandatory certain surface transportation programs that are currently funded from the General Fund, as well as two new adjustments to the discretionary limits related to program integrity efforts in the Internal Revenue Service's Operations Support and Enforcement accounts and the Department of Labor's unemployment insurance programs. These proposals are all summarized in the Budget Process chapter (including the Preview Report) of the *Analytical Perspectives* volume of the President's 2013 Budget. Although an agreement has not yet been reached with the Congress on these proposals, the Administration remains committed to bipartisan progress in enacting these proposals. See Chapter 14 of the *Analytical Perspectives* at the following link on OMB's website: <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2013/assets/concepts.pdf>

¹ Under section 251A of the BBEDCA, both non-exempt discretionary and non-exempt mandatory spending would be reduced by a uniform percentage.

spending. 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.—Table 2 shows how adjustments pursuant to section 251(b) of the BBEDCA affect the discretionary limits for each year from 2012 through 2021. Section 251(b)(1) allows adjustments for concepts and definitions in the Preview Report, which is transmitted with the President’s Budget, and section 251(b)(2) authorizes certain adjustments after the en-

actment of appropriations. At present, no supplemental appropriations for 2012 have been enacted and no appropriations for 2013 have been completed, so there are no adjustments that can be made in the Update Report at this time. However, Table 2 does include *anticipated* adjustments for 2013 equal to those proposed in the 2013 Budget that OMB assumes will be enacted, either in whole or in part, in the final 2013 appropriations bills based on House and Senate action so far. The actual adjustments will be determined at the end of this session of the Congress and will be reflected in

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS
(Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Original limits set in Title I of the Budget Control Act of 2011:										
Security Category.....	684.0	686.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....	359.0	361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category.....	N/A	N/A	1,066.0	1,086.0	1,107.0	1,131.0	1,156.0	1,182.0	1,208.0	1,234.0
Enacted adjustments pursuant to section 251(b)(2) of BBEDCA:										
OCO/GWOT:										
Security Category.....	+126.5	.....	.....	.....	.....	.....	.....	.....	.....	.....
Program Integrity:										
Nonsecurity Category.....	+0.5	.....	.....	.....	.....	.....	.....	.....	.....	.....
Disaster Relief:										
Security Category.....	+6.4	.....	.....	.....	.....	.....	.....	.....	.....	.....
Nonsecurity Category.....	+4.1	.....	.....	.....	.....	.....	.....	.....	.....	.....
Redefinition of limits pursuant to section 251A of BBEDCA:										
Security Category.....	N/A	-686.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....	N/A	-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
Revised Security Category.....	N/A	+546.0	+556.0	+566.0	+577.0	+590.0	+603.0	+616.0	+630.0	+644.0
Revised Nonsecurity Category.....	N/A	+501.0	+510.0	+520.0	+530.0	+541.0	+553.0	+566.0	+578.0	+590.0
Revised Limits Included in the OMB 2012 Final Sequestration and 2013 Preview Reports:										
Security Category.....	816.9	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....	363.5	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category.....	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....
Revised Security Category.....	N/A	546.0	556.0	566.0	577.0	590.0	603.0	616.0	630.0	644.0
Revised Nonsecurity Category.....	N/A	501.0	510.0	520.0	530.0	541.0	553.0	566.0	578.0	590.0

N/A = Not Applicable

OMB SEQUESTRATION UPDATE REPORT

OMB's Final Sequestration Report. Table 2 also shows anticipated adjustments for these items, where applicable, in subsequent years through

2021. No anticipated adjustments are currently shown for emergency requirements. The section 251(b)(2) anticipated adjustments include:

Table 2. DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>SECURITY CATEGORY</u>										
Preview Report Spending Limit.....	816,943	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments for the Update Report: No Adjustments										
Update Report Spending Limit.....	816,943	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anticipated Adjustments for the Final Sequestration Report: No Adjustments										
Anticipated Final Sequestration Report Spending Limit.....	816,943	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>NONSECURITY CATEGORY</u>										
Preview Report Spending Limit.....	363,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments for the Update Report: No Adjustments										
Update Report Spending Limit.....	363,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anticipated Adjustments for the Final Sequestration Report: No Adjustments										
Anticipated Final Sequestration Report Spending Limit.....	363,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>DISCRETIONARY CATEGORY</u>										
Preview Report Spending Limit.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments for the Update Report: No Adjustments										
Update Report Spending Limit.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anticipated Adjustments for the Final Sequestration Report: No Adjustments										
Anticipated Final Sequestration Report Spending Limit.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>REVISED SECURITY CATEGORY</u>										
Preview Report Spending Limit.....	N/A	546,000	556,000	566,000	577,000	590,000	603,000	616,000	630,000	644,000
Adjustments for the Update Report: No Adjustments										
Update Report Spending Limit.....	N/A	546,000	556,000	566,000	577,000	590,000	603,000	616,000	630,000	644,000
Anticipated Adjustments for the Final Sequestration Report: Overseas Contingency Operations/Global War on Terrorism.....	N/A	+88,482	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anticipated Final Sequestration Report Spending Limit.....	N/A	634,482	556,000	566,000	577,000	590,000	603,000	616,000	630,000	644,000

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
REVISED NONSECURITY CATEGORY										
Preview Report Spending Limit.....	N/A	501,000	510,000	520,000	530,000	541,000	553,000	566,000	578,000	590,000
Adjustments for the Update Report: No Adjustments										
Update Report Spending Limit.....	N/A	501,000	510,000	520,000	530,000	541,000	553,000	566,000	578,000	590,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>										
<i>Overseas Contingency Operations/Global</i>										
<i>War on Terrorism.....</i>	<i>N/A</i>	<i>+8,245</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>CDRs and Redeterminations.....</i>	<i>N/A</i>	<i>+751</i>	<i>+924</i>	<i>+1,123</i>	<i>+1,166</i>	<i>+1,309</i>	<i>+1,309</i>	<i>+1,309</i>	<i>+1,309</i>	<i>+1,309</i>
<i>Health Care Fraud and Abuse Control.....</i>	<i>N/A</i>	<i>+299</i>	<i>+329</i>	<i>+361</i>	<i>+395</i>	<i>+414</i>	<i>+434</i>	<i>+454</i>	<i>+475</i>	<i>+496</i>
<i>Disaster Relief.....</i>	<i>N/A</i>	<i>+5,648</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>	<i>N/A</i>
<i>Subtotal, Anticipated Adjustments</i>										
<i>for the Final Sequestration Report.....</i>	<i>N/A</i>	<i>+14,943</i>	<i>+1,253</i>	<i>+1,484</i>	<i>+1,561</i>	<i>+1,723</i>	<i>+1,743</i>	<i>+1,763</i>	<i>+1,784</i>	<i>+1,805</i>
Anticipated Final Sequestration Report Spending Limit.....	N/A	515,943	511,253	521,484	531,561	542,723	554,743	567,763	579,784	591,805
TOTAL DISCRETIONARY SPENDING										
Preview Report, Total Discretionary Spending.....	1,180,479	1,047,000	1,066,000	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Update Report, Total Discretionary Spending.....	1,180,479	1,047,000	1,066,000	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Anticipated Final Sequestration Report, Total Discretionary Spending.....	1,180,479	1,150,425	1,067,253	1,087,484	1,108,561	1,132,723	1,157,743	1,183,763	1,209,784	1,235,805

N/A = Not Applicable

Emergency Appropriations and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT).—These adjustments, found in section 251(b)(2)(A), include funding for amounts that the Congress so designates in law and with which the President subsequently concurs as being either an emergency requirement or for OCO/GWOT activities on an account-by-account basis. To date, the Congress has not enacted any emergency spending for 2012 or 2013. For OCO/GWOT activities, the 2012 Defense, Homeland Security, and State and Foreign Operations appropriations Acts provided a total of \$126,543 million for these purposes for 2012, which are already reflected in the 2012 cap. The President’s 2013 Budget included requests totaling

\$96,727 million for OCO/GWOT activities under the BBEDCA for 2013. The request included \$88,482 million in funding for programs in the Defense appropriations bill and \$8,245 million in the State and Foreign Operations bills. House action so far has funded the 2013 State and Foreign Operations request and has provided \$87,378 million in the Defense bill. These designations are nearly consistent with the 2013 Request and the 2013 House Budget Resolution allocations. Senate action so far allocates \$93,293 million in the Defense bill, \$254 million in the Homeland Security bill, and \$2,293 million to the State and Foreign Operations bill. Table 2 shows anticipated adjustments for OCO/GWOT activities equal to the levels requested in the President’s

Budget for 2013. The Budget includes a placeholder estimate of \$44,159 million for OCO/GWOT funding in 2014 and beyond, which reflects the Administration's proposal to cap total OCO/GWOT budget authority from 2013 to 2021 at \$450 billion, but that adjustment is not included against the current law caps since no specific policy decisions or assumptions regarding OCO/GWOT spending, including the share of defense versus international funding, in any particular year have yet been made.

Continuing Disability Reviews (CDRs) and Redeterminations.—Section 251(b)(2)(B) of the BBEDCA authorizes adjustment to the caps by the amounts appropriated for CDRs and redeterminations. CDRs are periodic reevaluations conducted to determine if recipients of Social Security disability insurance benefits and Supplemental Security Income (SSI) for persons with disabilities are still disabled. Redeterminations are periodic reviews of non-medical factors of eligibility for the means-tested SSI program, such as income and resources, and generally result in a revision of the individual's benefit level. The maximum cap adjustment in each year is limited to the levels of budget authority specified in the BBEDCA, provided that a base level of \$273 million is provided for these purposes in the underlying appropriations bill before the adjustment. In the 2012 Labor, HHS, and Education Appropriations Act, \$483 million was provided that was eligible for the cap adjustment—\$140 million below the permitted adjustment under the BBEDCA. The President's 2013 Budget proposed to

provide the additional \$140 million in 2012 that was eligible for a cap adjustment. Because the funding has yet to be enacted and, at this late date, there would not be sufficient time to complete the additional program integrity work by the end of the year, the 2012 supplemental proposal was not included in the 2013 Mid-Session Review. This will result in the loss of \$800 million in mandatory savings in the affected programs. The 2013 Budget included the full adjustment of \$751 million in 2013 and for all years thereafter for these activities. At present, the Senate has also provided this allocation in its markup of the 2013 Labor, HHS, Education bill while the House has not in its Subcommittee mark. The anticipated adjustments in Table 2 assume that the base and cap adjustments will be fully funded in all years.

Health Care Fraud and Abuse Control (HCFAC).—Section 251(b)(2)(C) of the BBEDCA authorizes adjustment to the caps by amounts appropriated for HCFAC activities, which include efforts to reduce the Medicare improper payment rate by 50 percent and strengthen the Health Care Fraud Prevention & Enforcement Action Team (HEAT) initiative. The maximum HCFAC cap adjustment in each year is limited to the levels of budget authority specified in the BBEDCA, provided that a base level of \$311 million for these purposes is provided in the underlying appropriations bill before the adjustment. Because the 2012 Labor, HHS, and Education Appropriations Act provided only \$310 million of base funding, OMB's Final Sequestration Report for 2012 did not include an adjustment for this fund-

ing. The President's 2013 Budget proposed to increase the 2012 base funding to \$311 million (which was fully offset) and to provide the additional \$270 million in funding that is eligible for the cap adjustment. The 2013 Budget also included the full amount of funding eligible for the cap adjustment in 2013, \$299 million, and for all years thereafter for these activities. At present, the additional 2012 funding has not been provided. If the funding is not provided before the end of the year, it will result in the loss of \$406 million in mandatory savings in the affected programs. For 2013, the Senate has fully provided for this allocation in its markup of the 2013 Labor, HHS, Education bill, while the House has not in its Subcommittee mark. The anticipated adjustments in Table 2 assume that the base and cap adjustment will be fully funded in each year.

Adjustments for Disaster Funding.—Section 251(b)(2)(D) of the BBEDCA authorizes an adjustment to the caps for appropriations that are designated by the Congress as being for disaster relief. Section 254(e) of the BBEDCA requires OMB to include in this Update Report a preview estimate of the adjustment for disaster funding for 2013. That estimate, which is currently \$11,779 million, can be found in section III of this report.

The Congress enacted a total of \$10,453 million in 2012 that was designated for disaster relief: \$2,329 million in the 2012 Agriculture, Rural Development, Food and Drug Administration and Related Agencies Appropriations Act; the 2012 Commerce, Justice, Science and

Related Agencies Appropriations Act; and the 2012 Transportation, Housing and Urban Development, and Related Agencies Appropriations Act (Divisions A, B, and C of P.L. 112–55); and an additional \$8,124 million in the 2012 Disaster Relief Appropriations Act (P.L. 112–77). Table 14–7 of the *Analytical Perspectives* volume of the President's 2013 Budget outlines by budget account the 2012 amounts that were designated for disaster relief pursuant to section 251(b)(2)(D).

The 2013 Budget requested \$5,648 million in funding in two accounts to be designated for disaster relief by the Congress: \$5,481 million in the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund 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 that total more than \$500 million) and the predictable annual cost of non-catastrophic events expected to obligate in 2013, and \$167 million in the Small Business Administration's Disaster Loans Program Account for administrative expenses related to Presidentially-declared major disasters. For these two programs, which are also outlined on Table 14–7 of the *Analytical Perspectives*, the Budget requests funding for both known needs based on expected costs of prior declared disasters and the typical average expenditures in these programs. This is consistent with the past practice of requesting and funding these as part of regular appropriations bills. Also consistent with past practice, the 2013 request level does not seek to

pre-fund anticipated needs in other programs arising out of disasters that have yet to occur, nor does the Budget seek funding for potential catastrophic needs. As additional information about the need to fund prior or future disasters becomes available, additional requests, in the form of either 2012 supplemental appropriations (designated as either disaster relief funding or emergency funding pursuant to the BBEDCA) or budget amendments to the 2013 Budget, will be transmitted.

Finally, under the principles outlined above, since the Administration does not have the information that would be necessary to state the total amount that will be requested in future years to be designated by the Congress for disaster relief, the Budget did not explicitly request to use the BBEDCA disaster designation in any year after the budget year. Therefore, Table 2 reflects an anticipated adjustment for the Final Report equal to the 2013 request for 2013 only and there is no anticipated adjustment in any of the outyears. At present, the Senate has fully funded the request level while the House has provided only the adjustment for FEMA.

Status of 2012 discretionary appropriations.—Table 3 summarizes the status of enacted 2012 discretionary appropriations, relative to the discretionary caps for 2012. The caps include all adjustments made in the 2012 Final Sequestration Report and,

as noted above, there have been no supplemental appropriations enacted in 2012. Continuing to use the same economic and technical assumptions underlying the 2012 Budget, the scoring estimates for enacted budget authority for both categories for 2012 remain within the specified cap levels.

Status of 2013 discretionary appropriations.—Table 4 shows a rack up consisting of either preliminary OMB scoring of the latest House and Senate action or available 302(b) allocations for the 12 annual appropriations bills. Based on these levels, if offsets are not enacted or spending is not reduced, OMB estimates that the House will breach the budget authority limit for the revised security (or defense) category by approximately \$6.6 billion while the Senate will breach the budget authority limit for the revised nonsecurity (or non-defense) category by \$0.4 billion. Enacting appropriations at the House levels in the revised security category and/or appropriations at the Senate levels in the revised nonsecurity category would trigger a uniform reduction (sequestration) of budgetary resources in all non-exempt budget accounts in those respective categories to eliminate the breach. At present, OMB estimates that House action on revised nonsecurity appropriations and Senate action on revised security appropriations are within the limits for each of those respective categories.

Table 3. STATUS OF 2012 DISCRETIONARY APPROPRIATIONS
(in millions of dollars)

	BA	Outlays
Security Category		
Adjusted discretionary spending limits.....	816,943	N/A
Total enacted appropriations ¹	816,871	862,749
Spending over (+)/under (-) limits.....	-72	N/A
Nonsecurity Category		
Adjusted discretionary spending limits.....	363,536	N/A
Total enacted appropriations.....	361,544	482,053
Spending over (+)/under (-) limits.....	-1,992	N/A
Total Discretionary Spending—All Categories		
Adjusted discretionary spending limits.....	1,180,479	N/A
Total enacted appropriations ¹	1,178,415	1,344,802
Spending over (+)/under (-) limits.....	-2,064	N/A

¹The enacted security appropriations total excludes estimated rescissions of -\$30 million taken from balances of previous congressionally-designated emergency funding. Since these rescissions were not designated as an emergency pursuant to section 251(b)(2)(A) of the BBEDCA, as amended, they are not counted as offsets toward the discretionary caps.

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

- The levels on Table 4 are equal to OMB scoring of base appropriations for each reported or passed House or Senate bill.
- Table 4 also includes a separate section by bill that adds OMB’s assumptions for the *anticipated* adjustments from Table 2 to the

caps for OCO/GWOT, CDR’s and Redeterminations, HCFAC, and Disaster Relief. Even if the House or Senate provided an alternate level for a cap adjustment, the level on Table 2 is substituted in its place. Since cap adjustments are funded outside of the limits, this is done to isolate the differences in base scoring, which will eventually determine if sequestration takes place.

- Since OMB scoring for the House Labor, HHS, and Education bill is incomplete and the Senate has not acted on the Interior and Environment bill, these bills are assumed to be funded at the 302(b) allocation.

Table 4. STATUS OF 2013 APPROPRIATIONS ACTION

(Discretionary budget authority in millions of dollars)

	House BA	Senate BA
<u>REVISED SECURITY CATEGORY</u>		
Revised Security Base Appropriations:		
Commerce, Justice, Science, and Related Agencies.....	4,966 F	4,850 C
Defense.....	518,110 F	511,128 C
Energy and Water Development.....	17,134 F	17,551 C
Financial Services and General Government.....	11 C	25 C
Homeland Security.....	1,563 F	1,564 C
Military Construction and Veterans Affairs.....	10,661 F	10,654 C
Transportation and Housing and Urban Development.....	184 F	184 C
Subtotal, Revised Security Base Discretionary.....	552,629	545,956
Revised Security Anticipated Adjustments: ¹		
Defense (OCO/GWOT).....	88,482	88,482
Total, Revised Security Discretionary.....	641,111	634,438
Estimated Final Sequestration Report Revised Security Category Limit.....	634,482	634,482
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT.....	+6,629	-44
<u>REVISED NONSECURITY CATEGORY</u>		
Revised Nonsecurity Base Appropriations:		
Agriculture and Rural Development.....	20,038 C	20,925 C
Commerce, Justice, Science, and Related Agencies.....	46,229 F	47,079 C
Defense.....	15 F	15 C
Energy and Water Development.....	14,912 F	15,782 C
Financial Services and General Government.....	21,132 C	22,959 C
Homeland Security.....	37,534 F	37,934 C
Interior and Environment.....	27,605 C	29,662 A
Labor, HHS, and Education.....	150,002 A	157,376 C
Legislative Branch.....	4,281 F ²	4,318 C
Military Construction and Veterans Affairs.....	61,086 F	61,320 C
State and Foreign Operations.....	40,130 C	49,845 C
Transportation and Housing and Urban Development.....	52,319 C	54,153 C
Subtotal, Revised Nonsecurity Base Discretionary.....	475,283	501,368
Revised Nonsecurity Anticipated Adjustments: ¹		
Financial Services and General Government (Disaster Relief).....	167	167
Homeland Security (Disaster Relief).....	5,481	5,481

Table 4. STATUS OF 2013 APPROPRIATIONS ACTION—Continued

(Discretionary budget authority in millions of dollars)

	House BA	Senate BA
Labor, HHS, and Education (Program Integrity).....	1,050	1,050
State and Foreign Operations (OCO/GWOT).....	8,245	8,245
Subtotal, Revised Nonsecurity Anticipated Adjustments.....	14,943	14,943
Total, Revised Nonsecurity Discretionary.....	490,226	516,311
Estimated Final Sequestration Report Nonsecurity Category Limit.....	515,943	515,943
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT.....	-25,717	+368
<u>TOTAL DISCRETIONARY SPENDING</u>		
Total, Discretionary.....	1,131,337	1,150,749
Estimated Final Sequestration Report Total Category Limits.....	1,150,425	1,150,425
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS.....	-19,088	+324

Key: C = Bill Reported Out by Committee; F = Bill Passed by House or by Senate; A = Current 302(b) allocation.

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

¹ The *anticipated* adjustments are pursuant to section 251(b)(2) of the BBEDCA, as amended, for Overseas Contingency Operations/Global War on Terrorism, CDR's and Redeterminations, HCFAC, and Disaster Relief. The 2013 Budget adjustments are included here since there is variation among the adjustments supported by the Administration, the House, and the Senate. This presentation provides a comparison that illustrates potential breaches of the estimated Final Sequestration Report Limits.

² OMB has adjusted its scoring of the House-passed bill upward for the Senate items that were included in the Senate-reported bill.

Comparison of OMB and CBO discretionary limits.—Section 254(e) of the BBEDCA requires that this report explain the differences between OMB and CBO estimates for discretionary spending limits. Table 5 compares OMB and CBO limits for 2012 through 2021. CBO uses the discretionary limits from OMB's Sequestration Preview Report as a starting point for adjustments in its Sequestration Update Report. For 2012, CBO's estimate is the same as OMB's estimate for all categories. For 2013

through 2021, CBO also has the same levels as OMB for the revised security and nonsecurity limits as redefined by section 251A of the BBEDCA. However, CBO includes approximate adjustments to the 2014–2021 limits to account for the automatic enforcement procedures in section 251A of the BBEDCA. OMB does not include these reductions to the revised limits because they are not required at this time and the amounts will be affected by future reestimates of mandatory spending.

OMB SEQUESTRATION UPDATE REPORT

**Table 5. COMPARISON OF OMB AND CBO
DISCRETIONARY SPENDING LIMITS**
(Discretionary budget authority in millions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<u>SECURITY CATEGORY</u>										
CBO Update Report Limit.....	816,943	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
OMB Update Report Limit.....	816,943	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference +/-.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>NONSECURITY CATEGORY</u>										
CBO Update Report Limit.....	363,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
OMB Update Report Limit.....	363,536	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference +/-.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<u>REVISED SECURITY CATEGORY</u>										
CBO Update Report Limit.....	N/A	546,000	501,351	511,351	522,351	535,350	548,350	561,349	575,349	589,349
OMB Update Report Limit.....	N/A	546,000	556,000	566,000	577,000	590,000	603,000	616,000	630,000	644,000
Difference +/-.....	N/A	.....	+54,649	+54,649	+54,649	+54,650	+54,650	+54,651	+54,651	+54,651
<u>REVISED NONSECURITY CATEGORY</u>										
CBO Update Report Limit.....	N/A	501,000	471,660	482,416	493,200	504,622	517,496	531,579	545,095	558,024
OMB Update Report Limit.....	N/A	501,000	510,000	520,000	530,000	541,000	553,000	566,000	578,000	590,000
Difference +/-.....	N/A	.....	+38,340	+37,584	+36,800	+36,378	+35,504	+34,421	+32,905	+31,976
<u>TOTAL, DISCRETIONARY SPENDING</u>										
CBO Update Report, Total Discretionary.....	1,180,479	1,047,000	973,011	993,767	1,015,552	1,039,972	1,065,847	1,092,928	1,120,445	1,147,374
OMB Update Report, Total Discretionary.....	1,180,479	1,047,000	1,066,000	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Difference +/-.....	.....	.....	+92,989	+92,233	+91,448	+91,028	+90,153	+89,072	+87,555	+86,626

N/A = Not Applicable

III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2013

As previously noted, section 254(e) of the BBEDCA requires OMB to include in its Sequestration Update Report a preview estimate of the adjustment for disaster funding for the upcoming year, in this case 2013. Last year, at the time the Sequestration Update Report was being prepared, OMB was working to complete the *OMB Report on Disaster Relief Funding* that was ultimately released on September 1, 2011. Therefore, OMB discussed the preview estimate of the disaster funding adjustment for 2012 in that report rather than in the Update Report.³

Section 251(b)(2)(D)(i) of the BBEDCA states that the adjustment for disaster relief in each year shall be the total of “appropriations for discretionary accounts that Congress designates as being for disaster relief in statute,” subject to a ceiling (i.e., a maximum allowable adjustment) calculated pursuant to section 251(b)(2)(D)(i)(I) and (II). Section 251(b)(2)(D)(i)(I) and (II) of the BBEDCA provides that the ceiling for the disaster relief adjustment in a given year is calculated by adding the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years) to an amount equal to “the difference between the enacted amount and the

allowable adjustment as calculated [for the prior year].”

The calculation of the ceiling in 2013 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2003 through 2012 period is \$126.8 billion. The low value dropped was for 2003 (\$1.8 billion), and the high value dropped was for 2005 (\$37.1 billion). The average for 2013 is therefore \$10,980 million.

For 2003 through 2011, there has only been one change to the data included in the *OMB Report on Disaster Relief Funding*. Subsequent to the release of that report, the Administration discovered that the Small Business Administration (SBA) data inadvertently included all of the funding that was provided for the Disaster Loans Program, rather than

Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2003 THROUGH 2012

(Discretionary budget authority in millions of dollars)

Year	Budget Authority
2003	\$1,844
2004	\$7,471
2005	\$37,115
2006	\$31,905
2007	\$5,446
2008	\$21,323
2009	\$2,743
2010	\$6,026
2011	\$2,473
2012	\$10,453

2003–2012	
Total Budget Authority	\$126,800
Low (2003)	\$1,844
High (2005)	\$37,115
Average (dropping high/low)	\$10,980

³ For a full account of OMB’s complete analysis and methodology, see “OMB Report on Disaster Relief Funding” on OMB’s website: http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/disaster_relief_report_sept2011.pdf.

limiting the data to only funding spent on activities undertaken pursuant to section 102(2) of the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The President's 2013 Budget remedied this error in calculating the request for SBA's Disaster Loans Program. For the purposes of adjusting the 2003 through 2011 data for this report, SBA calculated, based on a weighted historical average, that 96 percent of the funding in the SBA Disaster Loans Program was used for activities carried out pursuant to section 102(2) of the Stafford Act. This reflects the average for both large incidents, such as Hurricane Katrina, where the average is typically higher, as well as for the day-to-day operations of the program, where the average is typically lower. The total change in the 2003 through 2011 data due to the SBA error is \$228 million, which reduces the maximum allowable disaster funding adjustment for 2013 by only \$22 million. Pursuant to section 251(b)(2)(D) of the BBEDCA, the funding included in the average for 2012 is \$10,453 million, the enacted

level designated for disaster relief that was referenced in section II.

In the prior year (2012) the allowable adjustment was \$11,252 million. Since, to date, the Congress has only enacted a total of \$10,453 million in 2012 that has been designated for disaster relief, that total is \$799 million below the 2012 ceiling. Therefore, pursuant to the formula in section 251(b)(2)(D)(i)(I) and (II) of the BBEDCA, the ceiling for the disaster relief adjustment in 2013 will be \$11,779 million. That is equal to \$10,980 million (the average for 2013) plus \$799 million (the difference between the enacted amount and the allowable adjustment as calculated for the prior year). If supplemental appropriations are enacted before the end of 2012 that are designated for disaster relief, the ceiling for 2013 will change. In addition, no actual adjustment in the amount of the ceiling, or in any amount, will occur unless the Congress enacts appropriations that it specifically designates as being for disaster relief pursuant to the BBEDCA.