

---

---

# **OMB Sequestration Update Report to the President and Congress for Fiscal Year 2014**

---

---



August 20, 2013



## TABLE OF CONTENTS

	<i>Page</i>
Transmittal Letter	
I. Introduction .....	1
II. Discretionary Sequestration Update Report .....	3
III. Preview Estimate of the Disaster Relief Funding Adjustment for Fiscal Year 2014 .....	13

### 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, 2013

THE DIRECTOR

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 2014*. 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, as amended.

This report updates information contained in the OMB preview report regarding enforcement of the discretionary spending caps for 2014, including information about the discretionary spending limits for defense and non-defense programs, the status of OMB scoring of the latest House and Senate action on discretionary appropriations bills, comparisons with the estimates provided by the Congressional Budget Office in its August update report, and OMB's preview estimate of the 2014 adjustment for disaster relief. OMB must issue a final sequestration report after the Congress adjourns.

The estimates contained in this report reflect discretionary caps that are \$91 billion below the levels agreed to by bipartisan majorities in both the House and Senate in the Budget Control Act of 2011 (BCA), as amended by the American Taxpayer Relief Act of 2012 (ATRA). OMB was required by law to reduce the discretionary caps for 2014 to these lower levels due to the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact comprehensive deficit reduction legislation to achieve the savings targets set forth in the BCA. The Administration has no discretion in the calculation and allocation of the reductions. Instead, the reductions have been calculated pursuant to the requirements specified in the BCA.

To date, no 2014 appropriations bills have been enacted into law. Unless the discretionary caps are restored to the levels agreed to in ATRA and reflected in the Senate budget resolution and its appropriations bills, this report estimates that, if enacted, the actions by the House of Representatives would result in a sequestration of \$47.9 billion in the defense category, while the actions by the Senate would result in a sequestration of \$54.1 billion in the defense category and a sequestration of \$34.3 billion in the non-defense category.

OMB is required by law to issue this report. However, the reductions calculated in this report demonstrate the need to enact a comprehensive deficit reduction plan to replace the Joint Committee reductions and set an appropriate level of spending in 2014 to support economic growth and job creation and provide for critical government services. The Senate Budget Resolution and the 2014 Budget included proposals that would achieve savings in excess of the targets set forth in the BCA, and would restore the caps to the levels agreed to in ATRA. The Senate funding levels would enable critical investments in education, infrastructure, innovation, and national security that support America's continued economic recovery and best positions America to compete in the future. The Administration continues to urge the Congress to act on such a legislative package and stands ready to work with the Congress to grow our economy, create good middle class jobs and shrink our deficits in a balanced way.

Sincerely,

A handwritten signature in black ink, appearing to read 'S. M. Burwell', written in a cursive style.

Sylvia M. Burwell  
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) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) by reinstating discretionary spending limits for 2012–2021. The limits for 2013 and 2014 were reduced by the *American Taxpayer Relief Act of 2012* (ATRA). The limits are enforced by a sequestration of non-exempt discretionary budget authority that is ordered at the end of the current session of Congress if enacted appropriations exceed the limits. This report discusses the sequestration of discretionary programs that would occur under the actions taken to date by each chamber of the Congress on discretionary spending bills.

Section 254 of BBEDCA requires the Office of Management and Budget (OMB) to issue a sequestration update report on August 20th of each year. This report provides OMB's current estimates of the discretionary spending limits, and OMB's scoring of pending appropriations legislation against those limits as of August 16, 2013. OMB was required by law to reduce the discretionary limits for 2014 due to the failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, comprehensive and responsible deficit reduction legislation to achieve the savings targets set forth in the BCA. These adjusted discretionary limits are \$91 billion below the levels for 2014 agreed

to in ATRA by bipartisan majorities in the House and Senate.

As required, OMB's estimates are based on the economic and technical assumptions used in the President's 2014 Budget, which was transmitted on April 10, 2013, and cover the 12 annual appropriations bills for 2014 that have been released, reported, or passed by the House and Senate. Pursuant to section 254(e) of BBEDCA, this report also contains OMB's calculation of the 2014 preview estimate of the adjustment for disaster relief funding.

Unless the discretionary limits are raised to the levels agreed to in the BCA, as amended by ATRA, OMB's estimates of the House action for the 12 annual appropriations bills show that a sequestration of approximately \$47.9 billion in discretionary programs in the defense (or revised security) category would be required. Similarly, OMB's estimates of appropriations action by the Senate indicate that a sequestration of approximately \$54.1 billion in discretionary programs in the defense category and \$34.3 billion in discretionary programs in the non-defense (or revised nonsecurity) category would be required. These estimates are summarized in Table 4 of this report.





## II. DISCRETIONARY SEQUESTRATION UPDATE REPORT

OMB is required to provide regular reports regarding the discretionary spending limits as 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 budget authority and associated outlays. BBEDCA also requires OMB to issue reports three times during the year on the overall status of discretionary legislation, including an August update report. This update report provides OMB's mid-year assessment, reflecting OMB's current estimates of pending appropriations legislation as of August 16, 2013 and discusses the sequestration of discretionary programs that would occur under the actions taken to date by each chamber of the Congress on discretionary spending bills. As required, OMB's estimates are based on the economic and technical assumptions used in the President's 2014 Budget, which was transmitted on April 10, 2013, and cover the 12 annual appropriations bills for 2014 that have been released, reported, or passed by the House and Senate.

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. For 2012 and 2013, BBEDCA specified separate "security" and "nonsecurity" categories for discretionary programs, with separate caps for each category. 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.

Section 302 of the BCA provided for revisions to the caps if legislation proposed by the Joint Select Committee on Deficit Reduction to reduce

the deficit by more than \$1.2 trillion was not enacted by January 15, 2012. Because no such legislation was proposed or enacted, the caps were revised in OMB's final sequestration report for 2012, issued on January 18, 2012. As a result of these revisions, there are now separate caps for defense and non-defense spending for 2014 and subsequent years. The defense (or revised security) category includes only the discretionary programs in the national defense budget function (050), which mainly consists of the Department of Defense and significant portions of agency budgets for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The non-defense (or revised nonsecurity) category contains all discretionary programs not in the defense category—essentially all non-defense (or non-050) budget functions. The caps were further amended by section 901(d) of ATRA for 2013 and 2014.

In OMB's sequestration preview report for 2014<sup>1</sup>, the 2014 limits were reduced pursuant to section 251A of BBEDCA as part of the Joint Committee reductions. The defense cap was reduced by \$53.9 billion and the non-defense cap was reduced by \$36.6 billion.<sup>2</sup> These adjusted limits remain unchanged in this report. In the absence of further congressional action, there will also be reductions to the revised discretionary caps for 2015 through 2021. Such changes to the caps for 2015 through 2021 are not required at this time; therefore, 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 intended to force the Congress to reach agreement on a

---

<sup>1</sup> OMB's Sequestration Preview Report for 2014 can be found on OMB's website at: [http://www.whitehouse.gov/sites/default/files/omb/assets/legislative\\_reports/fy14\\_preview\\_and\\_joint\\_committee\\_reductions\\_reports\\_05202013.pdf](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/fy14_preview_and_joint_committee_reductions_reports_05202013.pdf).

<sup>2</sup> The 2014 Joint Committee reductions for discretionary programs are enforced through cap reductions. This is distinct from the 2013 reductions which were enforced through a sequestration of non-exempt discretionary funds that was ordered on March 1, 2013.

bipartisan and balanced deficit reduction package. Economists estimate that the reductions implemented on March 1, 2013 are harming the economy and costing hundreds of thousands of jobs. The Administration included proposals in the President's 2014 Budget that would achieve savings in excess of the targets set forth in the BCA, restore the funding canceled by the March 1 sequestration, and restore the caps to the levels agreed to in ATRA.<sup>3</sup> The Administration

continues to urge the Congress to act on such a legislative package.

<sup>3</sup> The 2014 Budget also included a proposed change in concepts and definitions that would reclassify as mandatory certain transportation rail 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, the Alcohol and Tobacco Tax and Trade Bureau, and the Department of Labor's unemployment insurance programs. These proposals are all summarized in the Budget Process chapter of the *Analytical Perspectives* volume of the President's 2014 Budget and the preview report. Although an agreement has not yet been reached with the Congress, the Administration remains committed to working with the Congress on a bipartisan basis to enact these proposals. See Chapter 13 of the *Analytical Perspectives* at the following link on OMB's website: <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2014/assets/concepts.pdf>.

**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
<b>Original limits set in Title I of the Budget Control Act of 2011:</b>										
Security Category.....	684.0	686.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....	359.0	361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category.....	N/A	N/A	1,066.0	1,086.0	1,107.0	1,131.0	1,156.0	1,182.0	1,208.0	1,234.0
Redefinition of limits pursuant to section 251A of BBEDCA:										
Security Category.....		-686.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....		-361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category.....	N/A	N/A	-1,066.0	-1,086.0	-1,107.0	-1,131.0	-1,156.0	-1,182.0	-1,208.0	-1,234.0
Defense Category.....	N/A	+546.0	+556.0	+566.0	+577.0	+590.0	+603.0	+616.0	+630.0	+644.0
Non-Defense Category.....	N/A	+501.0	+510.0	+520.0	+530.0	+541.0	+553.0	+566.0	+578.0	+590.0
Adjustments pursuant to section 901(d) of the ATRA:										
Security Category.....		+684.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....		+359.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category.....	N/A	-546.0	-4.0							
Non-Defense Category.....	N/A	-501.0	-4.0							
Enacted adjustments pursuant to section 251(b)(2) of BBEDCA:										
OCO/GWOT:										
Security Category.....	+126.5	+98.7								
Emergency Requirements:										
Security Category.....		+7.0								
Nonsecurity Category.....		+34.6								
Program Integrity:										
Nonsecurity Category.....	+0.5	+0.5								
Disaster Relief :										
Security Category.....	+6.4	+11.8								
Nonsecurity Category.....	+4.1									
Joint Select Committee on Deficit Reduction Enforcement:										
Defense Category.....	N/A		-53.9							
Non-Defense Category.....	N/A		-36.6							
<b>Revised Limits Included in the OMB Preview and Update Reports:</b>										
Security Category.....	816.9	801.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category.....	363.5	394.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category.....	N/A		498.1	566.0	577.0	590.0	603.0	616.0	630.0	644.0
Non-Defense Category.....	N/A		469.4	520.0	530.0	541.0	553.0	566.0	578.0	590.0

N/A = Not Applicable

The Administration supports replacing the current discretionary caps and setting an appropriate level of spending in 2014 to enable critical investments in education, infrastructure, innovation, and national security that support America's continued economic recovery and best positions Americans and our economy to compete in the future. However, OMB is required by law to report on the current discretionary limits. Appropriations that OMB estimates would exceed the current caps would trigger an across-the-board reduction (or sequestration) pursuant to section 251 of BBEDCA to eliminate the breach. 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 BBEDCA affect the discretionary limits for each year from 2014 through 2021. Section 251(b)(1) allows adjustments for concepts and definitions to be made in the preview report, which is transmitted with the President's Budget, and section 251(b)(2) authorizes certain adjustments after the enactment of appropriations. At present, only the Reducing Flight Delays Act of 2013 (*P.L. 113-9*), which had outlay impacts that do not count against the caps, has been enacted in 2013 subsequent to issuance of OMB's preview report and no appropriations for 2014 have been completed, so there are no adjustments to be made in this report. However, Table 2 shows *anticipated* adjustments for 2014 equal to those proposed in the 2014 Budget that OMB assumes will be enacted, either in whole or in part, in the final 2014 appropriations bills. The actual adjustments will be determined at the end of this session of Congress and will be reflected in OMB's final sequestration report. No anticipated adjustments are currently shown for emergency requirements. The section 251(b)(2) anticipated adjustments include:

*Emergency Appropriations and Overseas Contingency Operations / Global War on Terrorism (OCO/GWOT).*—These adjustments are permitted by section 251(b)(2)(A) and include funding that the Congress so designates in law and the

President subsequently designates as being either an emergency requirement or for OCO/GWOT activities on an account-by-account basis. In 2013, \$41,669 million was designated as an emergency requirement in response to Hurricane Sandy in the Disaster Relief Appropriations Act, 2013 (*P.L. 113-2*). To date, the Congress has not enacted any further emergency spending for 2013. For 2014, the Administration has not requested any funding as an emergency requirement so Table 2 does not include an anticipated adjustment. However, both the House Appropriations Subcommittee on Interior and Environment's FY 2014 appropriations bill and the Senate Appropriations Subcommittee's draft of the 2014 Interior and Environment appropriations bill designate a portion of funds for wildfire suppression as emergency requirements.

For OCO/GWOT activities, the Consolidated and Further Continuing Appropriations Act, 2013 (*P.L. 113-6*) provided a total of \$98,682 million for these purposes for 2013, which is already reflected in the 2013 cap. The President's 2014 Budget, using a placeholder for Department of Defense funding, originally requested a total of \$92,289 million for OCO/GWOT activities under BBEDCA for 2014, but this was revised downward to \$83,252 million through a *budget amendment package* transmitted to the Congress on May 17, 2013. The amended request included \$79,445 million in funding for programs in the Defense appropriations bill and \$3,807 million in the State and Foreign Operations bill. House action so far has provided \$79,740 million in the Defense bill and \$6,522 million in the State and Foreign Operations bill. Senate action so far allocates \$77,794 million in the Defense bill, \$227 million in the Homeland Security bill, and \$6,517 million to the State and Foreign Operations bill. Table 2 shows anticipated adjustments for OCO/GWOT activities equal to the amended levels requested in the President's Budget for 2014. The Budget, as amended, includes a placeholder estimate of about \$38,295 million for OCO/GWOT funding for 2015 through 2021, 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

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>SECURITY CATEGORY</b>									
Preview Report Spending Limit.....	801,503	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.....	801,503	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.....	801,503	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>NONSECURITY CATEGORY</b>									
Preview Report Spending Limit.....	394,110	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.....	394,110	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.....	394,110	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>DISCRETIONARY CATEGORY</b>									
Preview Report Spending Limit.....	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
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
<b>DEFENSE (OR "REVISED SECURITY") CATEGORY</b>									
Preview Report Spending Limit.....	N/A	498,082	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	498,082	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	79,445	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anticipated Final Sequestration Report Spending Limit.....	N/A	577,527	566,000	577,000	590,000	603,000	616,000	630,000	644,000
<b>NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY</b>									
Preview Report Spending Limit.....	N/A	469,391	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	469,391	520,000	530,000	541,000	553,000	566,000	578,000	590,000
Anticipated Adjustments for the Final Sequestration Report: Overseas Contingency Operations/Global War on Terrorism.....	N/A	+3,807	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CDRs and Redeterminations.....	N/A	+924	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Health Care Fraud and Abuse Control.....	N/A	+329	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Relief.....	N/A	+5,785	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Subtotal, Anticipated Adjustments for the Final Sequestration Report.....	N/A	+10,845	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Anticipated Final Sequestration Report Spending Limit.....	N/A	480,236	520,000	530,000	541,000	553,000	566,000	578,000	590,000
<b>TOTAL DISCRETIONARY SPENDING</b>									
Preview Report, Total Discretionary Spending.....	1,195,613	967,473	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.....	1,195,613	967,473	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.....	1,195,613	1,057,763	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000

N/A = Not Applicable



in the current law caps as 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 BBEDCA authorizes cap adjustments for appropriations 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 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 was to ensure sufficient resources for the Social Security Administration to reduce improper payments and achieve tens of billions of dollars in deficit savings over the next ten years. However, the Consolidated and Further Continuing Appropriations Act provided just \$483 million for the cap adjustment -- \$268 million below the permitted adjustment under BBEDCA. The failure to provide the full level of adjustment authorized by BBEDCA and the uncertainty of annual appropriations for these activities means less savings will be realized. As noted in OMB's 2013 final sequestration report and 2014 preview report, the Congress will forgo approximately \$1.9 billion in net deficit savings by not providing the full amount of the cap adjustment authorized for 2013. In order to better ensure these resources are provided, the 2014 Budget proposed instead to provide dedicated mandatory funding for these activities beginning in 2013. If mandatory funding is provided, the Budget proposes to eliminate the discretionary cap adjustment beginning in 2014 and to reduce

the discretionary caps by the base funding for these activities beginning in 2015.

The Senate has provided for full funding of the cap adjustment at \$924 million in its markup of the 2014 Labor, HHS, and Education bill, while the House has not yet released its subcommittee mark. In order to best reflect the appropriations bills that have moved to date, Table 2 reflects the full authorized amount for CDRs and redeterminations as an anticipated adjustment for 2014. However, no adjustments are shown in Table 2 subsequent to 2014 because it is assumed that the Budget proposal to replace the cap adjustments with mandatory funding will ultimately be enacted.

*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 by 50 percent and strengthen the Health Care Fraud Prevention & Enforcement Action Team initiative. 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. Because the Consolidated and Further Continuing Appropriations Act provided only \$309 million of base funding, OMB's 2013 final sequestration report did not include an adjustment to the caps for HCFAC. This is the second consecutive year that the cap adjustment authorized by BBEDCA has not been provided for this program, which has led to an underfunding of efforts to reduce improper payments in the Medicare and Medicaid programs. As noted in OMB's 2013 final sequestration report and 2014 preview report, the Congress will forgo approximately \$450 million in deficit savings by not fully funding the base appropriation and providing the full cap adjustment authorized for 2013. As with CDRs and redeterminations, the 2014 Budget proposes to repeal the discretionary cap adjustment for HCFAC and provide dedicated mandatory funding for these activities beginning in 2013. The Budget continues to seek the 2014

base appropriation of \$311 million through discretionary appropriations, but to provide no discretionary funding after 2014 if the proposal is adopted.

For HCFAC, the Senate has provided for full funding of the cap adjustment at \$329 million in its markup of the 2014 Labor, HHS, and Education bill, while the House has not yet released its subcommittee mark. Table 2 therefore reflects the full authorized amount for HCFAC as an anticipated adjustment for 2014. However, as with CDRs and redeterminations, no adjustments are shown in Table 2 subsequent to 2014 because it is assumed that the Budget proposal to replace the cap adjustments with mandatory funding will ultimately be enacted.

*Adjustments for 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. Section 254(e) of BBEDCA requires OMB to include in this report a preview estimate of the adjustment for disaster funding for 2014. That estimate, which is currently \$12,143 million, can be found in section III of this report.

The Congress enacted a total of \$11,779 million in 2013 designated for disaster relief. This constituted the entire allowable adjustment under OMB's 2013 preview estimate, and the entire amount was provided for the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund (DRF). These appropriations were provided through one \$5,379 million appropriation in the 2013 Disaster Relief Appropriations Act in response to Hurricane Sandy and another \$6,400 million appropriation in the 2013 Consolidated and Further Continuing Appropriations Act.

The 2014 Budget requested \$5,785 million in funding in two accounts to be designated for disaster relief by the Congress in 2014: \$5,626 million in FEMA's DRF to cover the costs of Presidentially-declared major disasters, including identified costs for previously declared catastrophic events (defined by FEMA as events with

expected costs totaling more than \$500 million) and the predictable annual cost of non-catastrophic events expected to obligate in 2014, and \$159 million in the Small Business Administration's Disaster Loans Program Account for administrative expenses related to Presidentially-declared major disasters. For these two programs, 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 through regular appropriations bills. Also consistent with past practice, the 2014 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. In addition, for the DRF, the request does not include further funding for Hurricane Sandy, because the funding tail could not yet be determined at the time of allocation. If such funding is needed, it will be addressed in the 2015 Budget. As additional information about the need to fund prior or future disasters becomes available, additional requests, in the form of either 2013 supplemental appropriations (designated as emergency funding pursuant to BBEDCA) or amendments to the 2014 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 designate funding as for disaster relief in any year after the budget year. Therefore, Table 2 reflects an anticipated adjustment for the final report equal to the 2014 request for 2014 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 2013 discretionary appropriations.*—Table 3 summarizes the status of enacted 2013 discretionary appropriations, relative to the discretionary caps for 2013. The caps include all

**Table 3. STATUS OF 2013 DISCRETIONARY APPROPRIATIONS**  
(in millions of dollars)

	BA	Outlays
<b>Security Category</b>		
Adjusted discretionary spending limits.....	801,503	N/A
Total enacted appropriations.....	801,500	856,238
Spending over (+)/under (-) limits.....	-3	N/A
<b>Nonsecurity Category</b>		
Adjusted discretionary spending limits.....	394,110	N/A
Total enacted appropriations.....	394,109	465,544
Spending over (+)/under (-) limits.....	-1	N/A
<b>Total Discretionary Spending—All Categories</b>		
Adjusted discretionary spending limits.....	1,195,613	N/A
Total enacted appropriations.....	1,195,609	1,321,782
Spending over (+)/under (-) limits.....	-4	N/A

adjustments made in OMB’s 2013 final sequestration report and, as noted above, there have been no further supplemental appropriations enacted in 2013 that would impact the cap levels. Continuing to use the same economic and technical assumptions underlying the 2013 Budget, the scoring estimates for enacted budget authority for both categories for 2013 remain within the specified spending levels.

**Status of 2014 discretionary appropriations.**—Table 4 presents 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 the Joint Committee reductions are not replaced, or spending is not reduced, OMB estimates that the House will breach the defense category cap by approximately \$47.9 billion while the Senate will breach the caps for both the defense and non-defense categories by \$54.1 billion and \$34.3 billion, respectively. Enacting appropriations at the House levels in the defense category and/or at the Senate levels in either the defense or non-defense categories would trigger a 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 non-defense appropriations are below the limit.

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 released, reported, or passed House or Senate bill, except where noted.
- 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 funding. The level on Table 2 is used even if the House or Senate bill provides an alternate level so that any differences are for base scoring, which will eventually determine if sequestration takes place.

**Table 4. STATUS OF 2014 APPROPRIATIONS ACTION**  
(Discretionary budget authority in millions of dollars)

	House BA	Senate BA
<b>DEFENSE CATEGORY</b>		
Defense Base Appropriations:		
Commerce, Justice, Science, and Related Agencies.....	4,879 C	5,045 C
Defense.....	512,490 F	516,598 C
Energy and Water Development.....	16,847 F	18,013 C
Financial Services and General Government.....	27 C	27 C
Homeland Security.....	1,575 F	1,626 C
Military Construction and Veterans Affairs.....	9,956 F	10,690 C
Transportation and Housing and Urban Development.....	174 C	186 C
Subtotal, Defense Base Discretionary.....	545,948	552,185
Defense Anticipated Adjustments: <sup>1</sup>		
Defense (OCO/GWOT).....	79,445	79,445
Total, Defense Discretionary.....	625,393	631,630
Estimated Final Sequestration Report Defense Category Limit.....	577,527	577,527
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT.....	+47,866	+54,103
<b>NON-DEFENSE CATEGORY</b>		
Non-Defense Base Appropriations:		
Agriculture and Rural Development.....	19,501 C	20,828 C
Commerce, Justice, Science, and Related Agencies.....	42,610 C	47,318 C
Defense.....	15 F	15 C
Energy and Water Development.....	13,514 F	16,693 C
Financial Services and General Government.....	16,940 C	23,003 C
Homeland Security.....	37,405 F	37,464 C
Interior and Environment.....	24,273 S	30,088 P
Labor, HHS, and Education.....	121,797 A	164,356 C
Legislative Branch..... <sup>2</sup>	4,176 C	4,286 C <sup>2</sup>
Military Construction and Veterans Affairs.....	63,364 F	63,676 C
State and Foreign Operations.....	34,504 C	43,925 C
Transportation and Housing and Urban Development.....	42,514 C	52,039 C
Subtotal, Non-Defense Base Discretionary.....	420,613	503,691
Non-Defense Anticipated Adjustments: <sup>1</sup>		
Financial Services and General Government (Disaster Relief).....	159	159
Homeland Security (Disaster Relief).....	5,626	5,626
Labor, HHS, and Education (Program Integrity).....	1,253	1,253
State and Foreign Operations (OCO/GWOT).....	3,807	3,807
Subtotal, Non-Defense Anticipated Adjustments.....	10,845	10,845
Total, Non-Defense Discretionary.....	431,458	514,536
Estimated Final Sequestration Report Non-Defense Category Limit.....	480,236	480,236
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT.....	-48,778	+34,300
<b>TOTAL DISCRETIONARY SPENDING</b>		
Total, Discretionary.....	1,056,851	1,146,166
Estimated Final Sequestration Report Total Category Limits.....	1,057,763	1,057,763
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS.....	-912	+88,403

Key: P = Bill posted but not reported out by Subcommittee or Committee; S = Bill reported out by Subcommittee; 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.

<sup>1</sup> The *anticipated* adjustments are pursuant to section 251(b)(2) of BBEDCA, as amended, for Overseas Contingency Operations/Global War on Terrorism, SSA CDR's and redeterminations, HCFAC, and disaster relief. The 2014 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.

<sup>2</sup> Holding to tradition, the respective House- and Senate-reported Legislative Branch bills do not include items from the other chamber until that chamber passes its own bill off the floor. For a more comparable bill total, OMB adds the Senate items from the Senate-reported bill to its House scoring and adds House items from the House-reported bill to its Senate scoring.



- Since the House Appropriations Committee has not released its Labor, HHS, and Education appropriation bill, it is assumed to be funded at the 302(b) allocation.

**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 discretionary spending limits. Table 5 compares OMB and CBO limits for 2013 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 2013 and 2014, CBO’s estimate is the same as OMB’s estimate for all categories. For 2015 through 2021, CBO begins with the same levels as OMB for the defense and non-defense limits. However, CBO includes approximate adjustments to the 2015–2021 limits to account for the Joint Committee reductions pursuant to section 251A of BBEDCA. OMB does not include these reductions to the revised limits because they are not required at this time and the amounts will be affected by future reestimates of mandatory spending.

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

	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>SECURITY CATEGORY</b>									
CBO Update Report Limit.....	801,503	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
OMB Update Report Limit.....	801,503	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
<b>NONSECURITY CATEGORY</b>									
CBO Update Report Limit.....	394,110	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
OMB Update Report Limit.....	394,110	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
<b>DEFENSE (OR REVISED SECURITY) CATEGORY</b>									
CBO Update Report Limit.....	N/A	498,082	512,046	523,051	536,060	549,072	562,086	576,098	590,110
OMB Update Report Limit.....	N/A	498,082	566,000	577,000	590,000	603,000	616,000	630,000	644,000
Difference +/-.....	N/A	.....	+53,954	+53,949	+53,940	+53,928	+53,914	+53,902	+53,890
<b>NON-DEFENSE (OR REVISED NONSECURITY) CATEGORY</b>									
CBO Update Report Limit.....	N/A	469,391	483,130	493,278	504,288	516,657	530,612	543,971	556,647
OMB Update Report Limit.....	N/A	469,391	520,000	530,000	541,000	553,000	566,000	578,000	590,000
Difference +/-.....	N/A	.....	+36,870	+36,722	+36,712	+36,343	+35,388	+34,029	+33,353
<b>TOTAL DISCRETIONARY SPENDING</b>									
CBO Update Report, Total Discretionary.....	1,195,613	967,473	995,176	1,016,329	1,040,349	1,065,729	1,092,698	1,120,069	1,146,757
OMB Update Report, Total Discretionary.....	1,195,613	967,473	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Difference +/-.....	.....	.....	+90,824	+90,671	+90,651	+90,271	+89,302	+87,931	+87,243

N/A = Not Applicable



### III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2014

Section 251(b)(2)(D)(i) of BBEDCA states that the adjustment for disaster relief in each year shall be the total of “appropriations for discretionary accounts that the 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). The ceiling for each 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].”

Section 254(e) of BBEDCA requires this report to include a preview estimate of the adjustment for disaster funding for the upcoming year, in this case 2014. The calculation of the ceiling in 2014 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2004 through 2013 period is \$136.7 billion. The low value dropped was for 2011 (\$2.5 billion), and the high value dropped was for 2005

(\$37.1 billion). The average for 2014 is therefore \$12,143 million. For 2004 through 2012, there were no changes to the data included in the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2013*.<sup>4</sup>

In the prior year (2013) the allowable adjustment was \$11,779 million and the Congress provided the full amount for FEMA’s DRF program. Since there is no difference between the enacted amount and the allowable adjustment for 2013, pursuant to the formula in section 251(b)(2)(D)(i) of BBEDCA the ceiling for the disaster relief adjustment in 2014 remains at \$12,143 million. It is important to note that no actual adjustment to the caps will occur unless the Congress enacts appropriations that it specifically designates as being for disaster relief pursuant to BBEDCA.

<sup>4</sup> 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](http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/disaster_relief_report_sept2011.pdf).

**Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2004 THROUGH 2013**

(Discretionary budget authority in millions of dollars)

Year	Budget Authority
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
2013	\$11,779

2004–2013	
Total Budget Authority	\$136,735
Low (2011)	\$2,473
High (2005)	\$37,115
Average (dropping high/low)	\$12,143