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# **OMB Sequestration Update Report to the President and Congress for Fiscal Year 2015**

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August 20, 2014



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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

THE DIRECTOR

August 20, 2014

The President  
The White House  
Washington, DC 20500

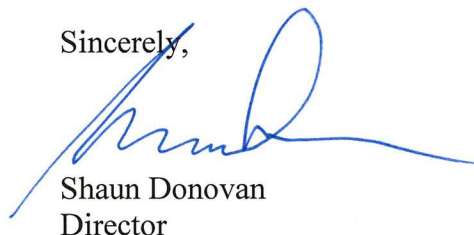
Dear Mr. President:

Enclosed please find the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2015*. 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 both 2014 and 2015, 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 2015 adjustment for disaster relief. OMB must issue a final sequestration report after the Congress adjourns.

To date, emergency supplemental appropriations have been enacted for 2014, which necessitates an adjustment to the 2014 defense cap. However, no 2015 appropriations bills have been enacted into law and, therefore, no changes are reflected to the current 2015 caps. If the 2015 discretionary caps remain unchanged, this report estimates that, if enacted, the actions by the Senate would result in a sequestration of \$34 million in the defense category. This report also finds that, if enacted, actions by the House of Representatives for both the defense and non-defense categories and actions by the Senate for the non-defense category are in compliance with the current 2015 spending limits. Finally, OMB estimates that present House and Senate action on pending 2014 supplemental appropriations, if enacted, would not breach the current 2014 limits.

Sincerely,



Shaun Donovan  
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 limits on discretionary budget authority for 2012 through 2021. The 2013 and 2014 limits were reduced by P.L. 112-240, the American Taxpayer Relief Act of 2012 (ATRA), and the 2014 and 2015 limits were revised by P.L. 113-67, the Bipartisan Budget Act of 2013 (BBA). The limits are enforced by a sequestration of non-exempt discretionary budget authority that is ordered at the end of the current session of the Congress if enacted appropriations exceed the limits. This report discusses the current status of the limits and Office of Management and Budget (OMB) scoring of actions taken to date by each chamber of the Congress on discretionary spending bills relative to those limits.

Section 254 of BBEDCA requires 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 15, 2014. Currently, OMB adjusts the current year (2014) defense cap upwards by \$225 million for the emergency requirement enacted in P.L. 113-145, the Emergency Supplemental Appropriations Resolution, 2014. However, OMB makes no adjustments to the budget year (2015) caps

at this time because there have been no events since the preview report was issued that would trigger any cap adjustment.

As required, OMB's estimates are based on the economic and technical assumptions used in the President's 2015 Budget, which was transmitted on March 4, 2014, and cover the 12 annual appropriations bills for 2015 that have been released, reported, or passed by the House or Senate. Pursuant to section 254(e) of BBEDCA, this report also contains OMB's calculation of the 2015 preview estimate of the adjustment for disaster relief funding.

If the discretionary limits for 2015 remain unchanged, OMB's estimates of the Senate action to date for the 12 annual appropriations bills show that a sequestration of approximately \$34 million in discretionary programs in the defense (or revised security) category would be required. OMB estimates that current House action for the defense category and current House and Senate action for the non-defense category are within the 2015 limits. These estimates are summarized in Table 4 of this report. Further, OMB estimates that present House and Senate action on pending 2014 supplemental appropriations do not breach the current 2014 limits.





## II. DISCRETIONARY SEQUESTRATION UPDATE REPORT

OMB is required to provide regular reports regarding 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 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 15, 2014, 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. 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, OMB's estimates are based on the economic and technical assumptions used in the President's 2015 Budget, which was transmitted on March 4, 2014, and cover the 12 annual appropriations bills for 2015 that have been released, reported, or passed by the House or 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 originally specified separate "security" and "nonsecurity" categories<sup>1</sup> for discretionary programs and then a single "discretionary" category for each year after 2013. These caps were subsequently revised pursuant to section 302 of the BCA as a result of the Joint Select Committee on Deficit Reduction's failure to propose, and the Congress's failure to enact, legislation to reduce the deficit by more than \$1.2 trillion by January 15, 2012. The revised security category was defined to include only the discretionary programs in the national defense budget function (050) (the "defense" category), which mainly consists of the Department of Defense and significant portions of agency budgets

<sup>1</sup> For more information on the structure of the original security and nonsecurity categories, see any of OMB's sequestration reports to the President and Congress for fiscal years 2012 through 2014, which are available at: [http://www.whitehouse.gov/omb/legislative\\_reports/sequestration](http://www.whitehouse.gov/omb/legislative_reports/sequestration).

for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The revised nonsecurity category contains all discretionary programs not in the defense category—essentially all non-050 budget functions (the "non-defense" category). Although the ATRA reinstated the security and nonsecurity categories for 2013 at lower levels, the defense and non-defense categories remain in place for 2014 through 2021.

In OMB's 2014 preview report<sup>2</sup>, the 2014 limits were reduced pursuant to section 251A of BBEDCA to incorporate the portion of the Joint Committee reductions allocated to discretionary spending. The defense cap was reduced by \$53.9 billion, and the non-defense cap was reduced by \$36.6 billion.<sup>3</sup> The BBA restored \$22.4 billion each (\$44.8 billion in total) to the defense and non-defense categories for 2014. The BBA also replaced the Joint Committee reductions to the defense and non-defense caps that would have taken place for 2015 with smaller reductions of \$44.7 billion to the defense cap and \$27.6 billion to the non-defense cap. No further adjustments are made in this report. Absent further congressional action, section 251A of BBEDCA requires reductions to the current discretionary caps for 2016 through 2021. The precise amount of those reductions is not known at this time and will depend on the relative size of sequestrable mandatory outlays in the baseline in future Budgets. Since these reductions are unknown and are not required to be made at this time, they are not reflected in the limits shown in this report.

The BBA took an important first step towards replacing the damaging Joint Committee reductions with sensible long-term reforms. However, the 2015 level set by the BBA and the cap reductions that are scheduled to take place starting in 2016 do not provide sufficient resources for national security, domestic investments, and the core Government func-

<sup>2</sup> OMB's Sequestration Preview Report for 2014 is available 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>3</sup> The 2014 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.

**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	.....	.....	.....	.....	.....	.....	.....
Joint Select Committee on Deficit Reduction Enforcement:										
Defense Category .....	N/A	N/A	-53.9	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category .....	N/A	N/A	-36.6	.....	.....	.....	.....	.....	.....	.....
Adjustments pursuant to section 101(a) of the BBA:										
Defense Category .....	N/A	N/A	+22.4	-44.7	.....	.....	.....	.....	.....	.....
Non-Defense Category .....	N/A	N/A	+22.4	-27.6	.....	.....	.....	.....	.....	.....
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	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category .....	N/A	N/A	+6.5	.....	.....	.....	.....	.....	.....	.....
Emergency Requirements:										
Security Category .....	.....	+7.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	+34.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category .....	N/A	N/A	+0.2	.....	.....	.....	.....	.....	.....	.....
Program Integrity:										
Nonsecurity Category .....	+0.5	+0.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category .....	N/A	N/A	+0.9	.....	.....	.....	.....	.....	.....	.....
Disaster Relief :										
Security Category .....	+6.4	+11.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	+4.1	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category .....	N/A	N/A	+5.6	.....	.....	.....	.....	.....	.....	.....
Adjustments pursuant to section 7 of the Consolidated Appropriations Act, 2014:										
Defense Category .....	N/A	N/A	+0.2	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category .....	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....
<b>Revised Limits Included in the OMB Sequestration Update Report:</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	.....	606.3	521.3	577.0	590.0	603.0	616.0	630.0	644.0
Non-Defense Category .....	N/A	.....	504.8	492.4	530.0	541.0	553.0	566.0	578.0	590.0

N/A = Not Applicable

tions that are required to ensure that the Nation is achieving its full potential in a growing economy. The President’s 2015 Budget builds on the progress made with the enactment of the BBA by including several proposals to revise the discretionary caps, including a separate, fully paid for Opportunity, Growth, and Security Initiative, which provides nearly \$28 billion

each for the defense and non-defense categories. These additional discretionary resources in 2015 would help spur economic growth, promote opportunity for all, and strengthen national security by providing critical investments in infrastructure, education, and innovation. The Budget further proposes, after 2016, to restore discretionary spending to a path that would

**Table 2. DISCRETIONARY SPENDING LIMITS**

(Discretionary budget authority in millions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021
<b>DEFENSE (OR “REVISED SECURITY”) CATEGORY</b>								
Preview Report Spending Limit .....	606,065	521,272	577,000	590,000	603,000	616,000	630,000	644,000
Adjustments for the Update Report:								
Emergency Requirements .....	+225	.....	.....	.....	.....	.....	.....	.....
Update Report Spending Limit .....	606,290	521,272	577,000	590,000	603,000	616,000	630,000	644,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>								
<i>Overseas Contingency Operations / Global War on Terrorism</i> .....	.....	+58,574	.....	.....	.....	.....	.....	.....
Anticipated Final Sequestration Report Spending Limit .....	606,290	579,846	577,000	590,000	603,000	616,000	630,000	644,000
<b>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</b>								
Preview Report Spending Limit .....	504,841	492,356	530,000	541,000	553,000	566,000	578,000	590,000
Adjustments for the Update Report:								
No Adjustments								
Update Report Spending Limit .....	504,841	492,356	530,000	541,000	553,000	566,000	578,000	590,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>								
<i>Emergency Requirements</i> .....	+4,346	+1,194	.....	.....	.....	.....	.....	.....
<i>Overseas Contingency Operations / Global War on Terrorism</i> .....	.....	+7,265	.....	.....	.....	.....	.....	.....
<i>CDRs and Redeterminations</i> .....	.....	+1,123	.....	.....	.....	.....	.....	.....
<i>Health Care Fraud and Abuse Control</i> .....	.....	+361	.....	.....	.....	.....	.....	.....
<i>Disaster Relief</i> .....	.....	+6,593	.....	.....	.....	.....	.....	.....
<i>Subtotal, Anticipated Adjustments for the Final Sequestration Report</i> .....	+4,346	+16,536	.....	.....	.....	.....	.....	.....
Anticipated Final Sequestration Report Spending Limit .....	509,187	508,892	530,000	541,000	553,000	566,000	578,000	590,000
<b>TOTAL DISCRETIONARY SPENDING</b>								
Preview Report, Total Discretionary Spending .....	1,110,906	1,013,628	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Update Report, Total Discretionary Spending .....	1,111,131	1,013,628	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 .....	1,115,477	1,088,738	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000

continue to support economic growth, opportunity, and safety and security. These investments would be paid for with a combination of reforms to mandatory spending programs and the closure of targeted tax loopholes proposed in the Budget.<sup>4</sup>

OMB is required by law to report on the current discretionary limits in this report. The following discussion focuses on new 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.**—Table 2 shows the effect of adjustments pursuant to section 251(b) of BBEDCA on 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 Emergency Supplemental Appropriations Resolution, 2014 (P.L. 113-145) has been enacted in 2014 subsequent to issuance of OMB’s preview report. That Act provides \$225 million in budget authority, which was designated by the Congress and the President as an emergency requirement; therefore, the defense cap is increased by this amount pursuant to section 251(b)(2)(A)(i) of BBEDCA. This adjustment is displayed on Table 2. At present, no appropriations for 2015 have been completed, so there are no adjustments made to the budget year caps in this report.

**Anticipated adjustments to discretionary limits.**—In addition to actual adjustments required at

<sup>4</sup> The 2015 Budget also includes: a proposed change in concepts and definitions that would reclassify as mandatory certain surface transportation programs that are currently funded from the General Fund; 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; and a new adjustment for wildfire suppression operations at the Departments of Agriculture and the Interior. These proposals are summarized in the Budget Process chapter of the *Analytical Perspectives* volume of the President’s 2015 Budget and in 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 11 of the *Analytical Perspectives*, available at: <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/concepts.pdf>.

this time, Table 2 shows anticipated adjustments for 2015 equal to those proposed in the 2015 Budget that OMB assumes will be enacted, either in whole or in part, in the final 2015 appropriations bills. Table 2 also shows an anticipated adjustment for emergency requirements in 2014 that are consistent with the Administration’s recent emergency supplemental request. The actual adjustments will be determined at the end of this session by the Congress and will be reflected in OMB’s final sequestration report. 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 that the President subsequently designates, as being either emergency requirements or for OCO/GWOT activities on an account-by-account basis. For 2014, an anticipated adjustment of \$4,346 million is shown on Table 2 to reflect the Administration’s emergency supplemental request that was transmitted on July 8, 2014, to address the increase in child and adult migration from Central America in the Rio Grande Valley Areas of the Southwest Border and for 2014 wildfire suppression activities. Both the House and the Senate have considered related supplemental legislation: the House passed H.R. 5230, the Secure the Southwest Border Act of 2014, on August 1, 2014, which provides non-emergency appropriations of \$0.7 billion that are fully offset, while the Senate considered its own \$2.6 billion emergency supplemental (S.2648).

For 2015, the Administration has not requested any funding as an emergency requirement, but it has requested that a new cap adjustment for wildfire suppression be added to section 251(b)(2) of BBEDCA. The wildfire suppression proposal further specified that the ceiling on the disaster relief cap adjustment would be reduced by the preceding fiscal year’s wildfire suppression adjustment, so that there would be no increase in overall discretionary spending pursuant to this proposal. The Budget included \$1,194 million for these purposes in 2015. The emergency supplemental request of July 8, 2014, included the Administration’s proposed revisions to section 251(b)(2) of BBEDCA, which the Senate had also included in its emergency supplemental bill (S.2648) and in its draft Interior and

Environment appropriations bill (released on August 1, 2014). However, since the adjustment has not been enacted to date, the Senate bill is providing the 2015 request as a one-time emergency requirement; therefore, the Administration is also assuming this amount as an anticipated adjustment.

The Consolidated Appropriations Act, 2014 (P.L. 113-76), provided a total of \$91,937 million (including rescissions) for OCO/GWOT activities for 2014, which is already reflected in the 2014 cap. The President's 2015 Budget, using a placeholder for Department of Defense funding, requested a total of \$85,357 million for OCO/GWOT activities under BBEDCA for 2015, but this amount was reduced to \$65,839 million in a budget amendment package transmitted to the Congress on June 26, 2014. The amended request included \$58,528 million in funding for programs in the Defense appropriations bill, \$46 million in the Military Construction and Veterans Affairs appropriations bill, and \$7,265 million in the State and Foreign Operations appropriations bill. House action so far has provided \$79,445 million in the Defense bill and \$5,912 million in the State and Foreign Operations bill—both of which were drafted before the Administration transmitted its budget amendment. Senate action so far allocates \$59,720 million in the Defense bill (which includes \$46 million for Military Construction and \$1,353 million for International programs), \$213 million in the Homeland Security bill, and \$8,625 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 2015. The Budget, as amended, includes a placeholder estimate of about \$33,200 million for OCO/GWOT funding for 2016 through 2021, which reflects the Administration's proposal to cap total OCO/GWOT budget authority from 2013 to 2021 at \$450 billion. However, that adjustment is not included in the current law caps because no specific policy decisions or assumptions regarding OCO/GWOT spending in any particular year, including the share of defense versus non-defense funding, have been made to date.

*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 re-evaluations 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 purpose of this adjustment is 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 10 years. The 2014 Consolidated Appropriations Act (P.L. 113-76) provided \$924 million as a cap adjustment, which was made in OMB's 2014 final sequestration report. Since the adjustment for CDRs and redeterminations was fully funded in 2014 and may again be funded in 2015, the 2015 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1,123 million through discretionary appropriations. The \$1,123 million adjustment is displayed as an anticipated adjustment to the non-defense category in Table 2. However, 2014 is the first year since the caps were reinstated that the Congress appropriated the full authorized adjustment for CDRs and redeterminations. The failure to provide the full level of adjustment authorized by BBEDCA prior to 2014 and the delays in annual appropriations for these activities make it difficult for the agency to execute its budget plans and achieve targeted results in each year. Therefore, to better ensure these resources continue to be provided in the future and to maximize potential savings, the Budget proposes to provide dedicated mandatory funding for these activities starting in 2016. If mandatory funding is provided, the Budget proposes to eliminate the discretionary cap adjustment beginning in 2016 and to reduce the discretionary caps by the base funding for these activities.

The Senate has provided full funding of the cap adjustment at \$1,123 million in its subcommittee draft of the 2015 Labor, Health and Human Services, Education, and Related Agencies (LHHS) 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 2015. However, no adjustments are shown in Table 2 subsequent to 2015 because it is assumed that the Budget proposal to replace the cap adjustments with mandatory funding will 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 and strengthen the Health Care Fraud Prevention and 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 Appropriations Act (P.L. 113-76) provided only \$294 million of base funding, OMB’s 2014 final sequestration report did not include an adjustment to the caps for HCFAC. That legislation marked the third year in a row that the cap adjustment authorized by BBEDCA was not 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 2014 final sequestration report and 2015 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 2014. The 2015 Budget proposes to repeal the discretionary cap adjustment for HCFAC and provide dedicated mandatory funding beginning in 2015. For 2015, the Budget seeks the 2014 enacted base appropriation of \$294 million and proposes an additional \$25 million through discretionary appropriations, but would not provide discretionary funding after 2015 if the mandatory proposal is adopted.

For HCFAC, the Senate has provided for full funding of the cap adjustment at \$361 million in its subcommittee draft of the 2015 LHHS 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 2015. However, as with CDRs and redeterminations, no adjustments are shown in Table 2 subsequent to 2015 because it is assumed that

the Budget proposal to replace the cap adjustments with mandatory funding will be enacted.

*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 2015. That estimate is currently \$18,430 million (see section III of this report).

The 2014 Consolidated Appropriations Act (P.L. 113-76) provided \$5,626 million designated for disaster relief to the Federal Emergency Management Agency’s (FEMA’s) Disaster Relief Fund (DRF). This amount is \$6,517 million below the maximum allowable adjustment of \$12,143 million for 2014.

The 2015 Budget requested \$6,593 million in two accounts to be designated for disaster relief by the Congress in 2015: \$6,438 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 be obligated in 2015; and \$155 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 request is consistent with the past practice of requesting and funding these programs through regular appropriations bills. Also consistent with past practice, the 2015 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. As additional information about the need to fund prior or future disasters becomes available, additional requests, in the form of either 2014 supplemental appropriations or amendments to the 2015 Budget, will be transmitted.

**Table 3. STATUS OF 2014 DISCRETIONARY APPROPRIATIONS**

(In millions of dollars)

	BA	Outlays
<b>Defense Category</b>		
Adjusted discretionary spending limits .....	606,290	N/A
Previously enacted appropriations .....	606,065	583,879
<i>New enacted appropriations in P.L. 113-145</i> .....	+225	+225
Total enacted appropriations .....	606,290	584,104
Spending over (+)/under (-) limits .....		N/A
<b>Non-Defense Category</b>		
Adjusted discretionary spending limits .....	504,841	N/A
Total enacted appropriations .....	502,833	611,910
Spending over (+)/under (-) limits .....	-2,008	N/A
<b>Total Discretionary Spending—All Categories</b>		
Adjusted discretionary spending limits .....	1,111,131	N/A
Total enacted appropriations .....	1,109,123	1,195,789
Spending over (+)/under (-) limits .....	-2,008	N/A

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 2015 Budget did not explicitly request any disaster relief funding in any year

after 2015. Therefore, Table 2 reflects an anticipated adjustment for the final report for 2015 only, and there is no anticipated adjustment in any of the outyears. At present, the Senate has fully funded the 2015 request while the House has provided only the adjustment for

**Table 4. STATUS OF 2015 APPROPRIATIONS ACTION**

(Discretionary budget authority in millions of dollars)

	House		Senate	
	BA		BA	
<b>DEFENSE CATEGORY</b>				
Defense Base Appropriations:				
Commerce, Justice, Science, and Related Agencies .....	5,070	F	5,031	C
Defense .....	490,739	F	489,445	C
Energy and Water Development .....	17,149	F	18,423	A
Financial Services and General Government .....	27	C	31	A
Homeland Security .....	1,551	C	1,629	C
Military Construction and Veterans Affairs .....	6,559	F	6,561	C
Transportation and Housing and Urban Development .....	166	F	186	C
Subtotal, Defense Base Discretionary .....	521,261		521,306	
Defense Anticipated Adjustments: <sup>1</sup>				
Defense (OCO/GWOT) .....	58,574		58,574	
Total, Defense Discretionary .....	579,835		579,880	
Estimated Final Sequestration Report Defense Category Limit .....	579,846		579,846	
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT .....	-11		+34	

**TABLE 4. STATUS OF 2015 APPROPRIATIONS ACTION—Continued**

(Discretionary budget authority in millions of dollars)

	House		Senate	
	BA		BA	
<b>NON-DEFENSE CATEGORY</b>				
Non-Defense Base Appropriations:				
Agriculture and Rural Development.....	20,633	C	20,460	C
Commerce, Justice, Science, and Related Agencies.....	47,092	F	47,135	C
Defense .....	162	F	162	C
Energy and Water Development .....	16,831	F	15,785	A
Financial Services and General Government.....	20,102	F	22,487	A
Homeland Security .....	37,583	C	37,291	C
Interior and Environment .....	30,213	C	29,450	A
Labor, HHS, and Education .....	155,702	A	156,773	A
Legislative Branch .....	4,286	F <sup>2</sup>	4,300	C <sup>2</sup>
Military Construction and Veterans Affairs .....	64,941	F	65,188	C
State and Foreign Operations .....	42,580	C	39,560	C
Transportation and Housing and Urban Development .....	47,599	F	50,012	C
Subtotal, Non-Defense Base Discretionary .....	487,724		488,603	
Non-Defense Anticipated Adjustments: <sup>1</sup>				
Financial Services and General Government (Disaster Relief).....	155		155	
Homeland Security (Disaster Relief) .....	6,438		6,438	
Interior and Environment (Emergency/Wildfire Suppression) .....	1,194		1,194	
Labor, HHS, and Education (Program Integrity) .....	1,484		1,484	
State and Foreign Operations (OCO/GWOT) .....	7,265		7,265	
Subtotal, Non-Defense Anticipated Adjustments .....	16,536		16,536	
Total, Non-Defense Discretionary .....	504,260		505,139	
Estimated Final Sequestration Report Non-Defense Category				
Limit.....	508,892		508,892	
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT.....	-4,632		-3,753	
<b>TOTAL DISCRETIONARY SPENDING</b>				
Total, Discretionary .....	1,084,095		1,085,019	
Estimated Final Sequestration Report Total Category Limits .....	1,088,738		1,088,738	
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS .....	-4,643		-3,719	

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 Emergency Requirements, Overseas Contingency Operations/Global War on Terrorism, SSA CDR's and redeterminations, HCFAC, and disaster relief. The 2015 Budget adjustments are included here since there is variation among the adjustments supported by the Administration, the House, and the Senate. This presentation is meant to provide a comparison that best illustrates potential breaches of the estimated final sequestration report limits.

<sup>2</sup> Holding to tradition, the respective House-passed Legislative Branch bill does not include items from the Senate 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.

FEMA. Additionally, the Senate provided additional adjustments totaling \$100 million for the Emergency Forest Restoration Program and for the Watershed and Flood Prevention Operations account in the Department of Agriculture, but these amounts are not reflected as anticipated adjustments on Table 2.

**Status of 2014 discretionary appropriations.**— Table 3 summarizes the status of enacted 2014 discretionary appropriations, relative to the discretionary caps for 2014. The caps include all adjustments made in OMB's 2014 final sequestration report and, as noted previously, include an adjustment for emer-



agency requirements enacted in P.L. 113-145 for the Government of Israel to purchase the Iron Dome defense system to counter short-range rocket threats. Using the same economic and technical assumptions underlying the 2014 Budget, OMB’s estimates of enacted budget authority for both categories for 2014, including amounts enacted in P.L. 113-76, remain within the specified spending levels. In addition, supplemental legislation pending in both the House and Senate would not trigger a breach of the 2014 caps based on their current funding levels and designations. However, should appropriations be enacted before the end of 2014 that lead to a category breach, then in its 2015 final sequestration report, OMB would adjust the 2015 limit for that category downward by the amount of the breach, pursuant to section 251(a)(5) of BBEDCA.

**Status of 2015 discretionary appropriations.**— Table 4 presents 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, the House bills would not breach either the defense or non-defense cap while the Senate bills would not breach the non-defense cap. OMB estimates that the Senate levels would breach the cap for defense by \$34 million.

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 emergency requirements (including wildfire suppression), 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 is effectively what determines if sequestration takes place.
- Since the House Appropriations Committee has not released its LHHS appropriations bill, it is assumed to be funded at the 302(b) allocation.
- The Senate Appropriations Committee released its subcommittee marks for Energy and Water Development, Financial Services and General Government, and LHHS, and its subcommittee draft bill for Interior, Environment, and Related Agencies in late July and early August. At the time this report was prepared, OMB had not finalized its scoring for these bills. Therefore, they are assumed to be funded at their 302(b) allocations.

**Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS**

(Discretionary budget authority in millions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021
<b>DEFENSE (OR REVISED SECURITY) CATEGORY</b>								
CBO Update Report Limit .....	606,290	521,272	523,024	536,025	549,032	562,041	576,050	590,059
OMB Update Report Limit .....	606,290	521,272	577,000	590,000	603,000	616,000	630,000	644,000
Difference +/- .....	.....	.....	+53,976	+53,975	+53,968	+53,959	+53,950	+53,941
<b>NON-DEFENSE (OR REVISED NONSECURITY) CATEGORY</b>								
CBO Update Report Limit .....	504,841	492,356	492,296	503,532	515,481	529,482	542,767	555,049
OMB Update Report Limit .....	504,841	492,356	530,000	541,000	553,000	566,000	578,000	590,000
Difference +/- .....	.....	.....	+37,704	+37,468	+37,519	+36,518	+35,233	+34,951
<b>TOTAL, DISCRETIONARY SPENDING</b>								
CBO Update Report, Total Discretionary .....	1,111,131	1,013,628	1,015,320	1,039,557	1,064,513	1,091,523	1,118,817	1,145,108
OMB Update Report, Total Discretionary .....	1,111,131	1,013,628	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
Difference +/- .....	.....	.....	+91,680	+91,443	+91,487	+90,477	+89,183	+88,892

***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 2014 through 2021. CBO uses the discretionary limits from OMB’s sequestration preview report as a starting point for adjustments in its sequestration update report. CBO’s estimates for 2014 and 2015 are the same as OMB’s estimates for both categories. For 2016 through

2021, CBO begins with the same levels as OMB for the defense and non-defense limits. However, CBO includes approximate adjustments to the 2016-2021 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 because the amounts will be affected by future reestimates of mandatory spending.

### III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2015

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 sections 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 2015. The calculation of the ceiling in 2015 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2005 through 2014 period is \$134.9 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 2015 is therefore \$11,913 million. For 2005 through 2013, there were no changes to the data

included in the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2014*.

In the prior year (2014), the allowable adjustment was \$12,143 million, and the Congress provided only \$5,626 million for FEMA’s DRF program. To date, the Congress has enacted a total of \$5,626 million in 2014 that has been designated for disaster relief, which is \$6,517 million below the 2014 ceiling. Therefore, pursuant to the formula in sections 251(b)(2)(D)(i)(I) and (II) of the BBEDCA, the ceiling for the disaster relief adjustment in 2015 will be \$18,430 million. That amount is equal to \$11,913 million (the average for 2014) plus \$6,517 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 2014 that are designated for disaster relief, the ceiling for 2015 will change. 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.

**Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2005 THROUGH 2014**

(Discretionary budget authority in millions of dollars)

Year	Budget Authority
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
2014	5,626

2005–2014	
Total Budget Authority	134,889
Low (2011)	2,473
High (2005)	37,115
Average (dropping high/low)	11,913