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



March 18, 2019

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GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.



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

March 18, 2019

The President
The White House
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2020*. It has been prepared pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA).

As required by law, the Preview Report, the first of the three required sequestration reports for 2020, sets forth estimates for the current year and each subsequent year through 2021 of the applicable discretionary spending limits for each category. This includes adjustments that are calculated in the *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2020* and adjustments due to changes in concepts and definitions. The report also provides a summary of the proposed and anticipated changes to the discretionary spending limits contained in the 2020 Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Vought", with a stylized flourish at the end.

Russell T. Vought
Acting Director

Enclosure

Identical Letter Sent to The Honorable Michael R. Pence
and The Honorable Nancy Pelosi

I. INTRODUCTION

The Budget Control Act of 2011 (BCA; Public Law 112-25) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), which had expired in 2002, by reinstating BBEDCA's limits on discretionary budget authority for 2012 through 2021. Since enactment of the BCA, these spending limits have been revised a number of times, with the most recent changes occurring in the form of two-year budget agreements. The 2014 and 2015 limits were revised by the Bipartisan Budget Act of 2013 (BBA of 2013; Public Law 113-67). The 2016 and 2017 limits were revised by the Bipartisan Budget Act of 2015 (BBA of 2015; Public Law 114-74). Most recently, the 2018 and 2019 limits were revised by the Bipartisan Budget Act of 2018 (BBA of 2018; Public Law 115-123).

Section 254 of BBEDCA requires OMB to issue a sequestration preview report with the President's Budget submission. This preview report, the first of the three required sequestration reports for 2020, provides the status of the discretionary limits for the current year (2019), the budget year (2020), and for 2021 as of the date of the President's 2020 Budget submission. The estimates in this report of the 2019 caps remain unchanged from the levels included in OMB's final sequestration report for 2019, which was released on March 4, 2019. For the 2020 caps, section 251A of BBEDCA requires an adjustment in this report based on the calculations included in the *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2020*. Since no legislation has been enacted that replaces the Joint Committee reductions to the caps for discretionary programs beyond 2019, under current law these reductions to the discretionary caps continue in 2020 and 2021. As part of its commitment to fiscal restraint, the Administration does not favor a new cap deal for changing the 2020 and 2021 caps. Instead, the 2020 Budget remains within the base discretionary caps in 2020 for both defense and non-defense after taking into account the Joint Committee reductions. In 2021, the Budget funds defense programs at the esti-

mated BBEDCA cap while beginning an annual two percent (or "2-penny") decrease to non-defense programs. Additional national defense requirements in 2020 and 2021 are met by requesting those funds as Overseas Contingency Operations and as emergency requirements. This report describes the President's goal to fully resource its national security needs while paying for those increases over time with reductions in non-defense spending with proposals for new caps in 2022 through 2029 that would enhance America's security while rebalancing the non-defense mission to focus on core Government functions.

This report takes into account final appropriations and the adjusted caps for 2019 included in the OMB's final sequestration report for 2019. This is in contrast to other 2020 Budget materials that were largely finalized before the Consolidated Appropriations Act, 2019 (Public Law 116-6) was enacted. The next update to the caps is anticipated in August when OMB will issue a sequestration update report that will provide a mid-year status update on the limits and enacted appropriations, if any, as well as a preview estimate of the 2020 adjustment for disaster relief funding. OMB will issue a final sequestration report for 2020 after the end of this congressional session that will contain final estimates of enacted appropriations and any adjustments to the discretionary limits. If it is determined that a cap is breached, that final report for 2020 will also include a Presidential Order to implement a sequestration of non-exempt discretionary accounts within that category to eliminate the breach. As required by BBEDCA, OMB's estimates of discretionary appropriations for 2020 and the calculations in each 2020 sequestration report, including this preview report, are made using the same economic and technical assumptions underlying the President's 2020 Budget. In addition, each of these reports will include, where appropriate, comparisons between OMB's estimates and estimates from the Congressional Budget Office and an explanation of any differences between those estimates.

II. DISCRETIONARY SEQUESTRATION PREVIEW REPORT

Discretionary programs are funded annually through the appropriations process. BBEDCA limits—or caps—budget authority available for discretionary programs each year through 2021 but does not require that the Congress appropriate the full amount available under the discretionary limits. Throughout each session of the Congress, OMB is required to monitor compliance with the discretionary spending limits. Within seven working days of enactment of an appropriations bill, OMB reports its estimates of the total new discretionary budget authority provided by the legislation. If the bill provides additional appropriations for the current year, OMB also determines at that time whether the additional budget authority would cause total discretionary appropriations to exceed the relevant cap for that year. OMB makes the same determination for the budget year at the end of each session of the Congress. Appropriations that OMB estimates to exceed the budget authority caps trigger an across-the-board reduction (or sequestration) to eliminate the excess spending. However, if the caps for the current year are breached late in the fiscal year (after June 30), the caps for the following budget year are reduced by the amount of the breach.

Section 251 of BBEDCA specifies two categories for discretionary funding.¹ The revised security category includes only the discretionary programs in the defense budget function 050 (the “defense” category), which mainly consists of the Department of Defense and significant portions of agency budgets for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The revised nonsecurity category consists of all discretionary programs not in the revised security category—essentially all non-defense (or non-050) budget functions (the “non-defense” category).

At this time, no adjustments are made to the current year 2019 caps and they presently stand at \$716.0 billion for defense and \$620.6 billion for non-defense –

the same levels included in OMB’s final sequestration report for 2019 that was released on March 4, 2019. For 2020, section 251A of BBEDCA requires reductions at this time to the current 2020 caps as part of Joint Committee enforcement. These reductions are described in the current law adjustments section below, but only adjustments for 2020 are made at this time. Unless there is a change to current law, similar reductions will be required for 2021 when OMB issues its Joint Committee and sequestration preview reports for that year. The precise amount of those reductions is unknown at this time, as it depends in part on the relative size of sequestrable mandatory outlays in the baseline for each of those Budgets. Therefore, those future cap reductions are not reflected in the revised limits used in this report.

Table 1 summarizes the history of changes that have occurred to the discretionary caps since their reinstatement and summarizes the changes to these limits included in the 2020 Budget, which are discussed in more detail in the proposed changes and anticipated adjustments sections below.

Current Law Adjustments to Discretionary Limits

BBEDCA permits certain adjustments to the discretionary limits. Section 251(b)(1) allows for adjustments due to changes in concepts and definitions in this report, after consultation with the Congressional Budget Office and the congressional Budget Committees. Section 251(b)(2) also authorizes certain adjustments after the enactment of appropriations. At this time, OMB includes no change to the caps for concepts and definitions or adjustments pursuant to section 251(b)(2). The *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2020* discusses the calculations that determine the amount of cap reductions required to meet the Joint Committee deficit reduction requirement for 2020. Based on the estimates in that report, the defense cap is reduced by \$53.8 billion and the non-defense cap is reduced by \$34.8 billion. These adjustments are made to the respective current law caps in Table 2. These adjustments revise the cap for defense in 2020 from \$630.0 billion to \$576.2 billion and revise the cap for non-de-

¹ For more information on the structure of the BBEDCA spending caps and how they have changed over time, see Table 1 of this report or consult any of the OMB’s sequestration reports to the President and Congress during this Administration on OMB’s website: <https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>. Sequestration reports that were prepared under the previous Administration are available at the following archive site: https://obamawhitehouse.archives.gov/omb/legislative_reports/sequestration.

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2020 BUDGET

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
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	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	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category	N/A	N/A	1,066.0	1,086.0	1,107.0	1,131.0	1,156.0	1,182.0	1,208.0	1,234.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Redefinition of limits pursuant to section 251A of BBEDCA:																		
Security Category .....	.....	.....	-686.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	.....	-361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category	N/A	N/A	-1,066.0	-1,086.0	-1,107.0	-1,131.0	-1,156.0	-1,182.0	-1,208.0	-1,234.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	+546.0	+556.0	+566.0	+577.0	+590.0	+603.0	+616.0	+630.0	+644.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	+501.0	+510.0	+520.0	+530.0	+541.0	+553.0	+566.0	+578.0	+590.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments to limits pursuant to section 901(d) of American Taxpayer Relief Act (Public Law 112-240):																		
Security Category .....	.....	.....	+684.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	.....	+359.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	-546.0	-4.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	-501.0	-4.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Joint Select Committee on Deficit Reduction Enforcement:																		
Defense Category	N/A	N/A	-53.9	.....	-53.9	.....	-53.9	-53.9	-53.8	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	-36.6	.....	-36.5	.....	-37.3	-35.7	-34.8	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments pursuant to section 101(a) of 2013 Bipartisan Budget Act (Public Law 113-67)																		
Defense Category	N/A	N/A	+22.4	-44.7	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+22.4	-27.6	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments pursuant to section 101(a) of 2015 Bipartisan Budget Act (Public Law 114-74):																		
Defense Category	N/A	N/A	.....	.....	+25.0	-38.9	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	+25.0	-22.5	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments pursuant to section 30101(a) of Title I in Division C of the 2018 Bipartisan Budget Act (Public Law 115-123):																		
Defense Category	N/A	N/A	.....	.....	.....	.....	+79.9	+84.9	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+63.3	+66.7	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Enacted adjustments pursuant to section 251(b)(2) of BBEDCA:																		
OCO/GWOT:																		
Security Category .....	.....	+126.5	+98.7	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	+85.4	+64.4	+58.8	+82.9	+66.1	+69.0	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	+20.8	+12.0	+8.0	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Emergency Requirements:																		
Security Category .....	.....	.....	+7.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category .....	.....	.....	+34.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	+0.2	+0.1	.....	.....	+5.9	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2020 BUDGET—Continued

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Non-Defense Category	N/A	N/A	.....	+5.3	+1.7	+19.4	+103.8	+1.7	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Program Integrity:																		
Nonsecurity Category	+0.5	+0.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+0.9	+1.5	+1.5	+2.0	+1.9	+1.9	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Relief:																		
Security Category	+6.4	+11.8	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	+4.1	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+5.6	+6.5	+7.6	+8.1	+7.4	+12.0	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Technical adjustments for scoring differences with CBO: ¹																		
Defense Category	N/A	N/A	+0.2	+0.0	.....	+0.0	+0.0	+0.0	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	+0.6	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Revised Limits Included in the OMB Preview Report:																		
Security Category	816.9	801.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	363.5	394.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	700.9	716.0	576.2	644.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	568.8	704.6	620.6	543.2	590.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

President's Proposed Changes to Discretionary Limits in the 2020 Budget:

New Budget Proposals and Assumptions:

Estimated Joint Committee Reductions in 2021:

Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

New Limits for 2022 through 2029:

Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Federal Civilian Employee Retirement Reform:																		
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

Anticipated adjustments pursuant to section 251(b)(2) of BBEDCA:

OCO/GWOT:

Defense Category	N/A	N/A
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Emergency Requirements:

Defense Category	N/A	N/A
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Program Integrity:

Non-Defense Category	N/A	N/A
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Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE LIMITS PROPOSED IN THE 2020 BUDGET—Continued

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
Disaster Relief:																		
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+19.4	+7.4	+7.4	+7.4	+7.4	+7.4	+7.4	+7.4	+7.4	+7.4
Wildfire Suppression:																		
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+2.3	+2.3	+2.3	+2.3	+2.3	+2.3	+2.3	+2.3	+2.3	+2.3
Proposed adjustments to section 251(b)(2) of BBEDCA:																		
Program Integrity:																		
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	+0.4	+0.7	+1.1	+1.4	+1.8	+1.9	+1.9	+1.9	+1.9	+1.9
President's proposed limits in the 2020 Budget:																		
Security Category	816.9	801.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	363.5	394.1	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	700.9	716.0	750.0	746.0	760.0	778.0	784.0	752.0	768.0	784.0	800.0	817.0
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	568.8	704.6	620.6	567.1	568.4	526.1	515.4	505.1	494.8	484.4	474.8	466.2	457.6

N/A = Not Applicable

¹These adjustments are permitted under section 7 of Public Laws 113-76, 113-235, 114-113, and 115-31, section 748 of division E of Public Law 115-141, and section 747 of division D of Public Law 116-6.

Table 2. PREVIEW REPORT DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW

(Net budget authority in millions of dollars)

	2019	2020	2021
<u>DEFENSE (OR “REVISED SECURITY”) CATEGORY</u>			
2019 Final Sequestration Report Spending Limit	716,004	630,000	644,000
Joint Committee Enforcement Reductions pursuant to section 251A of BBEDCA:			
Defense Cap Reduction for 2020 .....	.....	-53,825	.....
Preview Report Spending Limit	716,004	576,175	644,000
<u>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</u>			
2019 Final Sequestration Report Spending Limit	620,576	578,000	590,000
Joint Committee Enforcement Reductions pursuant to section 251A of BBEDCA:			
Non-Defense Cap Reduction for 2020 .....	.....	-34,807	.....
Preview Report Spending Limit	620,576	543,193	590,000
<u>TOTAL DISCRETIONARY FUNDING</u>			
2019 Final Sequestration Update Report,			
Total Discretionary Spending	1,336,580	1,208,000	1,234,000
2020 Budget Preview Report,			
Total Discretionary Spending	1,336,580	1,119,368	1,234,000

fense from \$578.0 billion to \$543.2 billion. OMB will be required to implement reductions to the 2021 discretionary caps when it issues its preview report for the 2021 Budget unless legislation is enacted to cancel the Joint Committee reductions. However, as discussed above, since those reductions are not required at this time and will need to be recalculated based on the estimates of direct spending programs in the 2021 President’s Budget, the defense and non-defense limits for 2021 officially remain unadjusted at this point.

Proposed Changes to the Discretionary Limits

The President’s 2018 and 2019 Budgets sought to rightsize Federal spending priorities by removing the Joint Committee reductions for the defense category and paying for the increase by reducing the category for non-defense programs by about the same amount. The BBA of 2018, which was enacted shortly before release of the 2019 Budget, provided substantial increases for both defense and non-defense. As a result, the Administration transmitted the *Addendum to the President’s FY19 Budget to Account for the Bipartisan*

*Budget Act of 2018*² (the “Addendum”). The Addendum fully funded vital national security needs by budgeting up to the \$647.0 billion defense cap but it also demonstrated fiscal restraint by budgeting for only \$540.0 billion of the \$597.0 billion non-defense cap level in the agreement. The proposals in the Addendum responsibly utilized the extra room for non-defense by eliminating long-used gimmicks to circumvent the caps.

The 2020 Budget follows a similar roadmap to the Administration’s previous budget proposals by ensuring national security needs are fully funded while restraining lower-priority spending. The Budget adheres to the current law discretionary caps of \$576.2 billion for defense and \$543.2 billion for non-defense in 2020. In 2021, the Administration proposes no change to the existing defense and non-defense caps but would fund defense programs at the estimated BBEDCA cap while beginning an annual two percent (or “2-penny”) decrease to non-defense programs,

² The Addendum was released with the 2019 Budget on February 12, 2018 and is available on the OMB website: <https://www.whitehouse.gov/omb/budget/>. The detailed amendments to the 2019 Budget to reflect the Addendum and other changes or corrections were transmitted to the Congress on April 13, 2018. The amendments are also available on the OMB website: <https://www.whitehouse.gov/omb/supplementals-amendments-and-releases/>.

which effectively means that non-defense in the 2020 Budget falls below the estimated 2021 cap by \$24.1 billion. However, in order to fully resource national defense requirements, funding above the 2020 and 2021 caps will be necessary. The Budget proposes additional Overseas Contingency Operations and emergency requirement funding to accomplish this, as discussed in the next section. After 2021, the 2020 Budget proposes defense caps through 2029 that resource national defense requirements while NDD caps are proposed that would continue the 2-penny decrease for each year.

This shift in policy will enhance America's national security and continue putting America first by maintaining critical investments for the U.S. military while making the difficult choices necessary to scale back the non-defense mission. The 2020 Budget does so by focusing on the core Government responsibilities of protecting America's border, caring for U.S. veterans, and enhancing law enforcement. Meeting these levels will require discipline and fiscal prudence, but the 2020 Budget demonstrates how these transformational changes in Government funding can be made responsibly. The caps for 2020 and 2021 along with the proposed extension of the base caps in 2022 and beyond are shown on Table 3.

The Budget further proposes to reduce its requested non-defense caps in 2022 and beyond to account for a policy proposal to reduce Federal agencies' contributions to the retirement plans of civilian employees. Consistent with current policy, there is no reduction to the non-defense cap in 2021 for this reform but the 2020 Budget effectively spends \$6.4 billion less in 2021 to account for it (which brings the combined spending in the 2020 Budget to \$30.6 billion below the estimated non-defense cap in 2021). Reducing the caps in 2022 and beyond will prevent the savings achieved by this reform from being redirected to augment existing non-defense programs. Reforms to the retirement plans of Federal civilian employees would also yield savings in the defense category, but no defense cap reduction is included because those savings would be redirected to critical national security investments within the category. This proposed change is also included on Table 3. For more information on this proposal and the Administration's discretionary

cap policy, please see the Budget Enforcement and Budget Presentation section of the Budget Process chapter in the *Analytical Perspectives* volume of the President's 2020 Budget.

Anticipated Current Law Adjustments Pursuant to BBEDCA

Section 251(b)(2) of BBEDCA allows for adjustment of the discretionary caps, provided that certain conditions are met and/or specific designations are provided. Several proposals included in the Budget, if enacted, would trigger these adjustments to the discretionary caps. These *anticipated* adjustments, shown in Table 3, include the following:

Emergency Requirement Appropriations.—These adjustments are authorized by section 251(b)(2)(A)(i) of BBEDCA and include funding for amounts that the Congress designates in law and the President subsequently so designates as being an emergency requirement on an account-by-account basis. In OMB's final sequestration report for 2019, a total adjustment of \$1.7 billion was made to the non-defense cap in 2019 for an emergency requirement provided in the Supplemental Appropriations for Disaster Relief Act, 2018 (division I of the FAA Reauthorization Act of 2018; Public Law 115-254). This appropriation was for the Department of Housing and Urban Development to support disaster recovery efforts.

For 2020, the Budget proposes emergency requirements totaling \$9.2 billion for the Department of Defense. This request is provided to address border security and hurricane recovery needs and is shown as an anticipated adjustment to the defense cap on Table 3. The Budget also permits in section 7055 of the Department of State and Other International Programs chapter a repurposing of emergency funds that were previously enacted for Ebola response and preparedness in 2015. However, this amount is not a net addition in new funding, so no adjustment to the caps is displayed. The Budget does not include any other funding designated as a BBEDCA emergency requirement for 2020 or beyond. However, the 2020 Budget does propose to eliminate the Title 17 Innovative Technology Loan Guarantee Program and the Advanced Technology Vehicles Manufacturing

Table 3. PROPOSED CHANGES TO THE DISCRETIONARY SPENDING LIMITS

(Net budget authority in millions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<u>DEFENSE (OR "REVISED SECURITY") CATEGORY</u>										
Preview Report Spending Limit	576,175	644,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Estimated defense Joint Committee reduction for 2021		-53,814								
Proposed defense caps for 2022 through 2029			+740,000	+758,000	+774,000	+742,000	+758,000	+774,000	+790,000	+807,000
Anticipated Defense Adjustments:										
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT	+164,625	+155,814	+20,000	+20,000	+10,000	+10,000	+10,000	+10,000	+10,000	+10,000
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for Emergency Requirements	+9,200									
Subtotal, Anticipated Defense Adjustments	+173,825	+155,814	+20,000	+20,000	+10,000	+10,000	+10,000	+10,000	+10,000	+10,000
Proposed Spending Limit	750,000	746,000	760,000	778,000	784,000	752,000	768,000	784,000	800,000	817,000
<u>NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY</u>										
Preview Report Spending Limit	543,193	590,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Estimated non-defense Joint Committee reduction for 2021		-33,867								
Proposed non-defense caps for 2022 through 2029			+521,000	+511,000	+501,000	+491,000	+481,000	+471,000	+462,000	+453,000
Employer Share of Federal Civilian Employee Retirement ¹		[-6,441]	-7,668	-8,909	-9,816	-10,400	-10,873	-10,646	-10,346	-10,046
Anticipated and Proposed Non-Defense Adjustments:										
Anticipated adjustments pursuant to Section 251(b)(2)(B) of BBEDCA for Social Security Dedicated Program Integrity	+1,309	+1,302	+1,351	+1,403	+1,456	+1,511	+1,569	+1,629	+1,690	+1,754
Anticipated adjustments pursuant to Section 251(b)(2)(C) of BBEDCA for HCFAC	+475	+496	+515	+534	+555	+576	+598	+620	+644	+668
Anticipated adjustments pursuant to Section 251(b)(2)(D) of BBEDCA for Disaster Relief	+19,423	+7,392	+7,392	+7,392	+7,392	+7,392	+7,392	+7,392	+7,392	+7,392
Anticipated adjustments pursuant to Section 251(b)(2)(E) of BBEDCA for RESEA	+58	+83	+133	+258	+433	+533	+608	+633	+646	+659
Anticipated adjustments pursuant to Section 251(b)(2)(F) of BBEDCA for Wildfire Suppression	+2,250	+2,250	+2,250	+2,250	+2,250	+2,250	+2,250	+2,250	+2,250	+2,250
Proposed adjustment to Section 251(b)(2) of BBEDCA for IRS Program Integrity	+362	+749	+1,097	+1,448	+1,802	+1,895	+1,896	+1,905	+1,914	+1,924
Subtotal, Anticipated and Proposed Non-Defense Adjustments	+23,877	+12,272	+12,738	+13,285	+13,888	+14,157	+14,313	+14,429	+14,536	+14,647
Proposed Spending Limit	567,070	568,405	526,070	515,376	505,072	494,757	484,440	474,783	466,190	457,601

Table 3. PROPOSED CHANGES TO THE DISCRETIONARY SPENDING LIMITS—Continued

(Net budget authority in millions of dollars)

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029
<i>MEMORANDUM, Funding below or not counted towards Non-Defense Spending Limit:</i>										
2020 Budget funding below estimated 2021 non-defense cap ¹		-24,133								
2021 Employer Share of Federal Civilian Employee Retirement ¹		-6,441								
21st Century Cures Appropriations ²		+567	+546	+1,135	+457	+182	+226			
Non-BBEDCA Emergency Cancellations ³		-4,863								
<i>Subtotal, Funding below or not counted towards limits</i>		-4,296	+546	+1,135	+457	+182	+226			
<i>MEMORANDUM: Proposed 2020 Budget Non-Defense Funding</i>										
	562,774	538,305	526,616	516,511	505,529	494,939	484,666	474,783	466,190	457,601
TOTAL DISCRETIONARY SPENDING										
2019 Final Sequestration Report,										
Total Discretionary Spending	1,208,000	1,234,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Preview Report,										
Total Discretionary Spending	1,119,368	1,234,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
2020 Budget Proposed,										
Total Discretionary Spending	1,317,070	1,314,405	1,286,070	1,293,376	1,289,072	1,246,757	1,252,440	1,258,783	1,266,190	1,274,601
N/A = Not Applicable										

¹ The 2020 Budget does not propose to amend the estimated BBEDCA caps in 2021 but funds non-defense programs approximately at \$31 billion below the estimated cap as part of the Administration's efforts to rebalance the non-defense mission and implement the two-penny plan and the Federal employee cost share reduction. The amounts by which 2020 Budget levels are below the 2021 non-defense level are included in the memorandum section to illustrate that the non-defense cap is not reduced but acknowledge the amount by which 2020 Budget funding will fall below the non-defense cap.

² The 21st Century Cures Act permitted funds to be appropriated each year and not counted towards the discretionary caps so long as the appropriations were specifically provided for the authorized purposes. These amounts are displayed outside of the non-defense discretionary limits for this reason and the levels included reflect authorized levels.

³ The 2020 Budget includes permanent cancellations of balances of emergency funding in the Departments of Energy and Housing and Urban Development that were not designated pursuant to BBEDCA. These cancellations are not being re-designated as emergency; therefore, no savings are being achieved under the caps nor will the caps be adjusted for these cancellations.

Loan Program in the Department of Energy. These proposals include a permanent cancellation of all of the remaining balances of emergency funding, which were never designated pursuant to BBEDCA. The Budget also proposes permanent cancellations in the Department of Housing and Urban Development's Tenant-based and Project-based Rental Assistance accounts as part of an accounting cleanup. These cancellations are not re-designated as emergency; therefore, no savings are being achieved under the caps nor will the caps be adjusted for these cancellations.

Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT). These adjustments are authorized by section 251(b)(2)(A)(ii) of BBEDCA and include funding for amounts that the Congress designates in law and the President subsequently so designates as being for OCO/GWOT activities on an account-by-account basis. In OMB's final sequestration report for 2019, a total adjustment for OCO/GWOT appropriations of \$77.0 billion was made with \$69.0 billion provided for defense programs and \$8.0 billion provided for international programs. For 2020, as noted previously, the President's Budget fully funds national defense requirements and that leads to a request for a significant increase in OCO/GWOT funding due to limited resources under the current law discretionary caps for 2020 and 2021. As a result, the 2020 Budget provides for OCO/GWOT activities a total of \$164.6 billion in 2020 and \$155.8 billion in 2021. These amounts fund direct war costs, enduring in-theater support, and certain base budget requirements. After 2021, which is the final year of the discretionary caps in current law, outyear OCO amounts for 2022 and 2023 would be \$20.0 billion in each year and \$10.0 billion in 2024, consistent with the outyear OCO amounts included in OMB's 2019 Mid-Session Review. For 2025 through 2029, the OCO/GWOT amounts reflect a notional \$10.0 billion placeholder that is consistent with a potential transition of certain OCO costs into the base budget while continuing to fund contingency operations. The placeholder amounts for 2025 through 2029 do not reflect specific decisions or assumptions about OCO funding in any particular year. All of the OCO/GWOT amounts in the 2020 Budget are for the Department of Defense and they are allocated as anticipated adjustments to the defense category in Table 3.

Social Security Dedicated Program Integrity Activities.—Section 251(b)(2)(B) of BBEDCA authorizes an adjustment of the caps by the amounts appropriated for Continuing Disability Reviews (CDRs) and redeterminations in the Social Security Administration (SSA). CDRs are periodic reevaluations conducted to determine if recipients of Social Security Disability Insurance benefits and Supplemental Security Income (SSI) for persons with disabilities still qualify for benefits. Redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources, for the means-tested SSI program and generally result in a revision of the individual's benefit level. SSA may also use cap adjustment funds for work CDRs, cooperative disability investigation units, and special attorneys for fraud prosecutions. The maximum cap adjustment in each year is specified in BBEDCA and becomes available only if a base level, before the adjustment, of \$273 million is provided for these purposes in the appropriations bill. The intent of this adjustment is to ensure sufficient resources for SSA to reduce improper payments and achieve savings in mandatory spending totaling tens of billions of dollars over the next 10 years, and additional savings in the outyears.

The 2019 Labor, HHS, and Education Appropriations Act (division B of Public Law 115-245) (the "2019 LHHS Act") provided the base appropriation of \$273 million and the full \$1.4 billion cap adjustment appropriation authorized for 2019 under BBEDCA. This amount was included as an adjustment to the non-defense category in OMB's final sequestration report for 2019. The 2020 Budget provides both the base funding level of \$273 million and the maximum cap adjustment level of \$1.3 billion specified in BBEDCA through discretionary appropriations in 2020. The \$1.3 billion adjustment is displayed in 2020 as an anticipated adjustment to the non-defense category in Table 3 along with an adjustment at the authorized level in BBEDCA for 2021 followed by amounts that grow with current services inflation for each year thereafter. The "Discretionary Funding for Program Integrity Cap Adjustments" discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2020 Budget provides a complete description of this and other program integrity efforts along with OMB's methodology in determining their effectiveness. A new Payment Integrity chapter in

Analytical Perspectives also includes a comprehensive discussion of this and other program integrity proposals.

Health Care Fraud and Abuse Control (HCFAC).—Section 251(b)(2)(C) of BBEDCA authorizes adjustment of the caps by amounts appropriated for HCFAC activities, which include efforts to reduce the Medicare improper payment rate, support the Health Care Fraud Prevention and Enforcement Action Team initiative, and reduce Medicaid improper payment rates. The maximum HCFAC cap adjustment in each year is specified in BBEDCA and becomes available only if a base level of \$311 million for these purposes is provided in the appropriations bill before the adjustment. The 2019 LHHS Act provided the base appropriation of \$311 million and the full \$454 million cap adjustment appropriation authorized for 2019 under BBEDCA. This amount was included as an adjustment to the non-defense category in OMB’s final sequestration report for 2019. The 2020 Budget fully funds the base amount for this program and includes the full cap adjustment of \$475 million permitted by BBEDCA for 2020. The \$475 million adjustment is displayed in 2020 as an anticipated adjustment to the non-defense category in Table 3 along with an adjustment at the authorized level in BBEDCA for 2021 followed by amounts that grow with current services inflation for each year thereafter. The “Discretionary Funding for Program Integrity Cap Adjustments” discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2020 Budget provides a complete description of this and other program integrity efforts along with OMB’s methodology in determining their effectiveness. A new Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.

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)). Prior to enactment of the Consolidated Appropriations Act of 2018 (Public Law 115-141), BBEDCA set a limit (or “funding ceiling”) for the adjustment that was deter-

mined through a formula that added the total average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years) plus any portion of the ceiling for the previous year that was not appropriated (or “carryover”). If the carryover from one year was not used in the subsequent year, it would not carry forward for a second year. This led to a precipitous decline in the funding ceiling as higher disaster funding years began to fall out of the 10-year average formula.

Division O of Public Law 115-141 amended BBEDCA to stabilize the disaster formula by redefining the calculation beginning in fiscal year 2019. Under the new calculation, the funding ceiling is determined by adding three pieces: 1) the same 10-year average as calculated under the previous formula; 2) a portion of discretionary amounts appropriated to address Stafford Act disasters that were designated as emergency requirements pursuant to BBEDCA; and 3) the cumulative net carryover from 2018 and all subsequent fiscal years. On April 23, 2018, OMB released the *OMB Report on Disaster Relief Funding to the Committees on Appropriations and the Budget of the U.S. House of Representatives and the Senate, 2018*³, which specified the methodology and criteria OMB is using for estimating the emergency appropriations for Stafford Act disasters that will apply in the new formula under step 2.

Section 254(e) of BBEDCA requires OMB to include in its August update report a preview estimate of the adjustment for disaster funding for the upcoming fiscal year. As required by law, OMB included in its *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2019*⁴ (released on August 20, 2018) a calculation of the new disaster relief ceiling that took into account the new formula and applied the methodology for estimating emergency requirements that were provided for Stafford Act disasters. The update report calculated a preview estimate of nearly \$15.0 billion for the ceiling in 2019. The Congress provided an appropriation of \$12.0 billion for 2019 for disaster relief activities for the Federal Emergency Management Agency’s Disaster Relief

³ The report is available on the OMB website: <https://www.whitehouse.gov/omb/legislative/omb-reports/>

⁴ The report is available on the OMB website: <https://www.whitehouse.gov/omb/legislative/sequestration-reports-orders/>.

Fund (DRF) in the 2019 Department of Homeland Security Appropriations Act (division A of Public Law 116-6) and this amount was added to the 2019 non-defense cap in OMB's final sequestration report for 2019.

The amount enacted for disaster relief in 2019 is currently almost \$3.0 billion below the preview ceiling estimate of \$15.0 billion. Under the new formula, this carryover will be applied to the 2020 ceiling if no further 2019 appropriations are enacted as disaster relief beforehand. The 2020 ceiling is currently estimated to be nearly \$17.3 billion based on the following three components: the 10-year average including enacted 2019 appropriations (\$7.9 billion); 5 percent of Stafford Act emergencies since 2012 (\$6.4 billion)⁵; and carryover from the previous year (\$3.0 billion). Any revisions necessary to account for further changes in 2019 appropriations levels will be included in the 2020 sequestration update report, which is expected to be released in August of 2019.

The 2020 Budget requests \$19.4 billion in funding in FEMA's DRF to cover the costs of Presidentially-declared major disasters, including identified costs for previously declared catastrophic events and the predictable annual cost of non-catastrophic events expected to obligate in 2020. The Administration's request addresses the significant and unprecedented recovery needs of the recent hurricanes and wildfires that have devastated our Nation. Consistent with past practice, the 2020 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.

This request was developed before enactment of final 2019 appropriations and was, therefore, built off of the 2019 Budget request. In addition, the disaster relief ceiling in the 2020 Budget was estimated using assumptions based on the annualized appropriations in the Continuing Appropriations Act, 2019 (division C of Public Law 115-245, as amended) ("the 2019 CR"), which was included in the 2020 Budget's estimate of current year funding levels. Combined, these assumptions supported the \$19.4 billion request. However,

⁵ This estimate of Stafford Act emergencies includes amounts calculated in OMB's 2019 Sequestration Update Report plus an additional amount for the emergency requirement enacted in the Supplemental Appropriations for Disaster Relief Act, 2018 (division I of the FAA Reauthorization Act of 2018; Public Law 115-254).

enacted funding in Public Law 116-6 provided an estimated \$5.3 billion in additional funding than had been anticipated during 2020 Budget development. Furthermore, 2020 Budget assumptions under the 2019 CR assumed a disaster relief ceiling of more than \$21.4 billion would be available in 2020, which is \$4.1 billion higher than the current estimate of the 2020 ceiling based on enacted 2019 appropriations. In light of these developments, the Administration believes the estimated need for 2020 is now \$14.1 billion. For now, the Budget estimate remains unchanged from the \$19.4 billion request but the Administration is considering possible amendments to the request to accommodate the changes in assumptions stemming from enacted 2019 appropriations.

If more information becomes available about the need to fund prior or future disasters, additional requests, in the form of either 2019 supplemental appropriation requests or further amendments to the Budget with appropriate emergency or disaster relief designations, may be transmitted. After 2020, the Budget includes a placeholder for disaster relief that is equal to the 10-year average (\$7.4 billion) of disaster relief that was estimated under 2020 Budget assumptions. This level does not reflect a specific request but a placeholder amount that will be decided on an annual basis during the normal budget development process since the Administration does not have adequate information about known or estimated needs that would be necessary to state the total amount that will be requested in future years. The current 2020 request and outyear placeholder amounts are shown on Table 3 as anticipated cap adjustments to the non-defense category. The "Disaster Relief Funding" section in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2020 Budget also provides a thorough description of this cap adjustment. However, all estimates in the Budget Process chapter are based on the 2019 CR baseline assumptions.

Reemployment Services and Eligibility Assessments.— Section 30206(c) of title II of the BBA of 2018 created a new cap adjustment for program integrity efforts under section 251(b)(2)(E) of BBEDCA for Reemployment Services and Eligibility Assessments (RESEA). Similar to the SSA dedicated program integrity and HCFAC cap adjustments, an adjustment

is permitted up to a maximum amount specified in BBEDCA if the underlying appropriations bill first provides a base level of \$117 million for these activities. The RESEA adjustment was first available in 2019 and the 2019 LHHS Act provided the base level of \$117 million and \$33 million as a cap adjustment for these purposes—the maximum allowable adjustment specified for 2019 in BBEDCA. This adjustment was allocated to the non-defense category in OMB’s final sequestration report for 2019. The 2020 Budget fully funds the base amount for this program and includes the full cap adjustments permitted by BBEDCA of \$58 million for 2020 and \$83 million for 2021. After 2021, the levels for the cap adjustment reflect those specified for congressional procedures through 2027 with current services inflation then applied in 2028 and 2029. The “Discretionary Funding for Program Integrity Cap Adjustments” discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2020 Budget provides a more complete description of this and other program integrity efforts. A new Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.

Wildfire Suppression Operations.— Division O of Public Law 115-141, the Stephen Sepp Wildfire Suppression Funding and Forest Management Activities Act, created a new adjustment under section 251(b)(2)(F) of BBEDCA for wildfire suppression activities. BBEDCA permits this adjustment up to a maximum amount specified in the law if the underlying appropriations bill first funds a base level for these activities. The base level is defined as the average costs over ten years for wildfire suppression operations that was requested in the President’s 2015 Budget for USDA Forest Service and for the Department of the Interior (DOI). These amounts have been determined to be \$1,011 million for the Department of Agriculture’s Forest Service and \$384

million for the Department of the Interior (DOI). The 2020 Budget requests these base amounts for wildfire suppression and seeks the full \$2,250 million adjustment authorized in BBEDCA for 2020 with \$1,950 million included for Forest Service and \$300 million included for DOI. Providing the full level authorized in 2020 will ensure that adequate resources are available to fight wildland fires, protect communities, and safeguard human life during the most severe wildland fire season. For 2021 through 2029, the cap adjustment levels are placeholders at the 2020 request level. Those amounts will be refined in subsequent Budgets, as data on costs for wildfire suppression operations are updated annually. For more information on this new adjustment, see the “Wildfire Suppression Operations at the Departments of Agriculture and the Interior” section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2020 Budget.

New Cap Adjustment Proposals

Program Integrity.—The 2020 Budget proposes to amend section 251(b)(2) of BBEDCA to add a new discretionary cap adjustment related to program integrity efforts. This new adjustment is for tax administration activities in the Internal Revenue Service’s (IRS) Enforcement and Operations Support accounts. The adjustment would be permitted if the underlying appropriations bill provides a base level of funding for these activities. The new adjustment totals \$362 million for IRS and is included in Table 3 as a proposed adjustment to the non-defense limit in 2020 and in all years thereafter. The “Discretionary Funding for Program Integrity Cap Adjustments” discussion in the Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2020 Budget provides a more complete description of this and other program integrity efforts. A new Payment Integrity chapter in *Analytical Perspectives* also includes a comprehensive discussion of this and other program integrity proposals.