
OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2018



May 23, 2017

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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

May 23, 2017

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 2018*. It has been prepared pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA).

As required by statute, the Preview Report, the first of the three required sequestration reports for 2018, 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 2018* 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 2018 Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Mulvaney", written over a horizontal line.

Mick Mulvaney
Director

Enclosure

Identical Letter Sent to The Honorable Michael R. Pence
and The Honorable Paul D. Ryan

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. 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 2018, provides the status of the discretionary limits for the current year and for each year thereafter through 2021 as of the date of the President's 2018 Budget submission.

Section 251A of BBEDCA requires an adjustment to the budget year (2018) caps in this report based on the calculations included in the OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2018. Additionally, since no legislation has been enacted that replaces the Joint Committee reductions to the caps for discretionary programs beyond 2018, under current law these reductions to the discretionary caps continue in 2019 and beyond. As part of its commitment to fiscal restraint, the Administration supports the overall level in 2018 for base discretionary funding after the Joint Committee reductions are taken into account. However, the Administration believes that resources need to be rebalanced to ensure our national security needs are met. This report describes the President's proposals to replace the defense reductions with comparable reductions in non-defense spending while setting new

caps through 2027 that will enhance our security and rebalance the non-defense mission to focus on core Government functions. This report takes into account final appropriations and the adjusted caps for 2017 included in the OMB's Final Sequestration Report for 2017. This is in contrast to other 2018 Budget materials that were finalized before the Consolidated Appropriations Act, 2017 (Public Law 115-31) was enacted.

OMB will issue a sequestration update report in August that will provide a mid-year status update on the limits and enacted appropriations, as well as a preview estimate of the 2018 adjustment for disaster funding. OMB will issue a final sequestration report for 2018 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, the final report 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 enacted discretionary appropriations and the calculations in each sequestration report, including this preview report, are made using the same economic and technical assumptions underlying the President's 2018 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 excess.

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).

Section 251A of BBEDCA requires reductions at this time to the current 2018 caps as part of Joint Committee enforcement. These reductions are described in the current law adjustments section below,

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 the previous Administration at the following archive site: https://obamawhitehouse.archives.gov/omb/legislative_reports/sequestration.

but only adjustments for 2018 are made at this time. Unless there is a change to current law, similar reductions will be required for 2019 through 2021 when OMB issues its Joint Committee and sequestration preview reports for each of those years. 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 proposed in the 2018 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). Pursuant to section 251A of BBEDCA, reductions are required to the 2018 discretionary spending limits. The *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2018* discusses the calculations that determine the amount of cap reductions required to meet the Joint Committee deficit reduction requirement for 2018. Based on the estimates in that report, the defense cap is reduced by \$53,943 million and the non-defense cap is reduced by \$37,251 million. These adjustments are made to the respective current law caps in Table 2. These adjustments revise the cap for defense in 2018 from \$603,000 million to \$549,057 million and revise the cap for non-defense from \$553,000 million to \$515,749 million. OMB will be required to implement reductions to the discretionary caps when it issues preview reports for future years unless legislation is enacted

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2018 BUDGET

(Net budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
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							
Nonsecurity Category	359.0	361.0	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
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							
Nonsecurity Category	-361.0	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
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
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
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							
Nonsecurity Category	+359.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A							
Defense Category	N/A	-546.0	-4.0	.....	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	-501.0	-4.0	.....	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Joint Select Committee on Deficit Reduction Enforcement:																
Defense Category	N/A	N/A	-53.9	.....	-53.9	.....	-53.9	.....	.....	.....	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	.....	.....	.....	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
Non-Defense Category	N/A	N/A	+22.4	-27.6	.....	.....	.....	.....	.....	.....	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	N/A	+25.0	-38.9	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	N/A	+25.0	-22.5	.....	.....	.....	.....	.....	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
Defense Category	N/A	N/A	+85.4	+64.4	+58.8	+82.9	.....	.....	.....	.....	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	.....	.....	.....	.....	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							
Nonsecurity Category	+34.6	N/A	N/A	N/A	N/A	N/A	N/A	N/A							
Defense Category	N/A	N/A	+0.2	+0.1	.....	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	+5.3	+1.7	+4.1	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2018 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
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
Non-Defense Category	N/A	N/A	+0.9	+1.5	+1.5	+2.0	.....	.....	.....	.....	.....	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
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
Non-Defense Category	N/A	N/A	+5.6	+6.5	+7.6	+8.1	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Adjustments pursuant to section 7 of Public Laws 113-76, 113-235, 114-113, and 115-31:																
Defense Category	N/A	N/A	+0.2	+0.0	.....	+0.0	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	.....	.....	.....	.....	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
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
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
Defense Category	N/A	N/A	606.3	585.9	606.9	634.0	549.1	616.0	630.0	644.0	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	553.6	515.7	566.0	578.0	590.0	N/A	N/A	N/A	N/A	N/A	N/A
President's Proposed Changes to Discretionary Limits in the 2018 Budget:																
New Budget Proposals:																
Revise and extend limits to 2027:																
Defense Category	N/A	N/A	.....	.....	.....	.....	+53.9	.....	-1.0	-2.0	+655.0	+669.0	+683.0	+697.0	+712.0	+727.0
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	-53.7	-113.0	-134.0	-155.0	+426.0	+417.0	+409.0	+401.0	+393.0	+385.0
Privatization of Air Traffic Control:																
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	.....	-10.4	-10.4	-10.4	-10.4	-10.4	-10.4	-10.4
Federal Civilian Employee Retirement Reform:																
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	.....	.....	-6.7	-7.2	-7.8	-8.3	-8.3	-8.0	-7.7	-7.3
Anticipated adjustments pursuant to section 251(b)(2) of BBEDCA:																
OCO/GWOT:																
Defense Category	N/A	N/A	.....	.....	.....	.....	+64.6	+52.0	+39.0	+24.0	+10.0	+10.0	+10.0	+10.0	+10.0	+10.0
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+12.0	+8.0	+4.0	+2.0	+2.0	+2.0	+2.0	+2.0	+2.0	+2.0
Program Integrity:																
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+1.9	+1.9	+1.8	+1.8	+1.9	+1.9	+2.0	+2.1	+2.2	+2.2
Disaster Relief:																
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	+6.8	+6.8	+6.8	+6.8	+6.8	+6.8	+6.8	+6.8	+6.8	+6.8

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2018 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
President's proposed limits in the 2018 Budget:																
Security Category	816.9	801.5	N/A													
Nonsecurity Category	363.5	394.1	N/A													
Discretionary Category .....	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	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	667.6	668.0	668.0	666.0	665.0	679.0	693.0	707.0	722.0	737.0
Non-Defense Category	N/A	N/A	504.8	514.9	544.4	553.6	482.7	463.0	449.3	427.4	418.0	408.7	401.1	393.5	385.9	378.3

N/A = Not Applicable

Table 2. PREVIEW REPORT DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW

(Net budget authority in millions of dollars)

	2017	2018	2019	2020	2021
<u>DEFENSE (OR “REVISED SECURITY”) CATEGORY</u>					
Final Sequestration Report Spending Limit	634,005	603,000	616,000	630,000	644,000
Joint Committee Enforcement Reductions pursuant to section 251A of BBEDCA:					
Defense Cap Reduction for 2018 .....	.....	-53,943	.....	.....	.....
Preview Report Spending Limit	634,005	549,057	616,000	630,000	644,000
<u>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</u>					
Final Sequestration Report Spending Limit	553,553	553,000	566,000	578,000	590,000
Joint Committee Enforcement Reductions pursuant to section 251A of BBEDCA:					
Non-Defense Cap Reduction for 2018 .....	.....	-37,251	.....	.....	.....
Preview Report Spending Limit	553,553	515,749	566,000	578,000	590,000
<u>TOTAL DISCRETIONARY FUNDING</u>					
2017 Final Sequestration Report,					
Total Discretionary Spending	1,187,558	1,156,000	1,182,000	1,208,000	1,234,000
2018 Budget Preview Report,					
Total Discretionary Spending	1,187,558	1,064,806	1,182,000	1,208,000	1,234,000

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 future President’s Budgets, the defense and non-defense limits for 2019 through 2021 remain unadjusted at this point.

Proposed Changes to the Discretionary Limits

The President’s 2018 Budget adheres to a total discretionary level of \$1,065 billion in 2018 but seeks to right-size 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 a comparable amount. This shift in policy will enhance our national security and put America first by providing critical investments for rebuilding our military while making the difficult choices necessary to scale back the non-defense mission by focusing on the core Government responsibili-

ties of protecting our border and enhancing law enforcement. After 2018, the Budget proposes new caps through 2027 that would effectively remove discretionary programs from the Joint Committee equation but maintain a fiscally responsible path. The defense cap is increased by 2.1 percent a year, but this increase reflects inflated 2018 levels and not a policy judgment. The Administration will determine 2019 - 2027 defense funding levels in the 2019 Budget, in accordance with the National Security Strategy, National Defense Strategy, and Nuclear Posture Review that are currently under development. For non-defense, the cap is reduced by 2 percent per year (the “2 penny plan”). Meeting these levels will require discipline and fiscal prudence, but the 2018 Budget has made a down payment on these policies and has demonstrated how transformational changes in Government funding can be made responsibly. The proposed changes to the base caps are shown on Table 3. For 2018 through 2021, the changes are shown as deltas from the current law caps.

Table 3. PROPOSED CHANGES TO THE DISCRETIONARY SPENDING LIMITS

(Net budget authority in millions of dollars)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
DEFENSE (OR "REVISED SECURITY") CATEGORY										
Preview Report Spending Limit	549,057	616,000	630,000	644,000	N/A	N/A	N/A	N/A	N/A	N/A
Revise 2018–2021 caps and extend to 2027	+53,943	.....	-1,000	-2,000	+655,000	+669,000	+683,000	+697,000	+712,000	+727,000
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT	+64,573	+52,000	+39,000	+24,000	+10,000	+10,000	+10,000	+10,000	+10,000	+10,000
Proposed Spending Limit	667,573	668,000	668,000	666,000	665,000	679,000	693,000	707,000	722,000	737,000
NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY										
Preview Report Spending Limit	515,749	566,000	578,000	590,000	N/A	N/A	N/A	N/A	N/A	N/A
Revise 2018–2021 caps and extend to 2027	-53,749	-113,000	-134,000	-155,000	+426,000	+417,000	+409,000	+401,000	+393,000	+385,000
Air Traffic Control Privatization .....	.....	.....	.....	-10,407	-10,407	-10,407	-10,407	-10,407	-10,407	-10,407
Employer Share of Federal Civilian Employee Retirement .....	.....	-6,657	-7,230	-7,826	-8,265	-8,624	-8,290	-7,966	-7,650	-7,341
Anticipated and Proposed Non-Defense Adjustments for the Final Sequestration Report:										
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT	+12,018	+8,000	+4,000	+2,000	+2,000	+2,000	+2,000	+2,000	+2,000	+2,000
Anticipated adjustments pursuant to Section 251(b)(2)(B) of BBEDCA for Social Security Dedicated Program Integrity	+1,462	+1,410	+1,309	+1,302	+1,350	+1,400	+1,452	+1,506	+1,561	+1,619
Anticipated adjustments pursuant to Section 251(b)(2)(C) of BBEDCA for HCFAC	+434	+454	+475	+496	+514	+533	+553	+574	+595	+617
Anticipated adjustments pursuant to Section 251(b)(2)(D) of BBEDCA for Disaster Relief ..	+6,793	+6,793	+6,793	+6,793	+6,793	+6,793	+6,793	+6,793	+6,793	+6,793
Subtotal, Anticipated Non-Defense Adjustments	+20,707	+16,657	+12,577	+10,591	+10,657	+10,726	+10,798	+10,873	+10,949	+11,029
Proposed Spending Limit	482,707	463,000	449,347	427,358	417,985	408,695	401,101	393,500	385,892	378,281
TOTAL DISCRETIONARY SPENDING										
Final 2017 Sequestration Report,										
Total Discretionary Spending	1,156,000	1,182,000	1,208,000	1,234,000	N/A	N/A	N/A	N/A	N/A	N/A
Preview Report,										
Total Discretionary Spending	1,064,806	1,182,000	1,208,000	1,234,000	N/A	N/A	N/A	N/A	N/A	N/A
2018 Budget Proposed,										
Total Discretionary Spending	1,150,280	1,131,000	1,117,347	1,093,358	1,082,985	1,087,695	1,094,101	1,100,500	1,107,892	1,115,281

N/A = Not Applicable

The Budget further proposes that the non-defense caps be reduced to account for policy proposals to privatize air traffic control programs and to reduce Federal agencies' contributions to the retirement plans of civilian employees. These cap reductions would prevent the savings achieved by these reforms 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. The reduction for air traffic control privatization is not scheduled to begin until 2021, while the Federal employee cost share reduction would begin in 2019. These proposed changes are included on Table 3. For more information on these proposals 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 2018 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 and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) Appropriations.—These adjustments are authorized by section 251(b)(2)(A) of BBEDCA and include funding for amounts that the Congress designates in law and the President subsequently so designates as being either an emergency requirement or for OCO/GWOT activities on an account-by-account basis. As described in OMB's Final Sequestration Report for 2017, a combined \$4,148 million was enacted as emergency requirements in either the Continuing Appropriations Act, 2017 (division C of Public Law 114-223, as amended by division A of Public Law 114-254 and further amended by Public Law 115-30) or the Consolidated Appropriations Act, 2017 (Public Law 115-31) (the "CAA of 2017"). An adjustment was

made to the non-defense cap for this amount in OMB's Final Sequestration Report for 2017. The President's Budget does not propose any new emergency funding for 2018. However, the 2018 Budget proposes to eliminate the Title 17 Innovative Technology Loan Guarantee Program and the Advanced Technology Vehicles Manufacturing Loan Program in the Department of Energy. This proposal includes a permanent cancellation of most of the remaining balances of emergency funding, which were never 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.

Appropriations for 2017 for the Defense, Homeland Security, Military Construction and Veterans Affairs, and State and Foreign Operations subcommittees, provided a total of \$103,717 million (including rescissions) for OCO/GWOT purposes for 2017. This adjustment was made in OMB's Final Sequestration Report for 2017. For 2018, the President's Budget provides a total of \$76,591 million for OCO/GWOT activities with \$64,573 million for defense programs and \$12,018 million for international programs. The Budget also includes an outyear allowance for OCO/GWOT activities with separate streams for defense and non-defense funding for each year through 2027. The outyear amounts for OCO/GWOT reflect notional placeholders consistent with a potential transition of certain OCO costs into the base budget while continuing to fund contingency operations. The placeholder amounts do not reflect specific decisions or assumptions about OCO funding in any particular year. The 2018 DOD OCO/GWOT amounts are allocated to the defense category in Table 3, while the 2018 international and outyear non-defense placeholder amounts are allocated to the non-defense category.

Social Security Dedicated Program Integrity.—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 CAA of 2017 provided \$1,546 million as a cap adjustment—the maximum allowable adjustment specified for 2017 in BBEDCA. This adjustment was made in OMB's Final Sequestration Report for 2017. The 2018 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1,462 million through discretionary appropriations in 2018. The \$1,462 million adjustment is displayed in 2018 as an anticipated adjustment to the non-defense category in Table 3 with cap adjustments aligned with the authorized levels in BBEDCA included for each year through 2021 followed by amounts that grow with current services inflation for each year thereafter. The "Program Integrity Funding" discussion in the President's Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2018 Budget provides a complete description of this and other program integrity efforts along with OMB's methodology in determining their effectiveness.

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. In the CAA of 2017, the base \$311 million level and the cap adjustment level of \$414 million were provided—the maximum allowable adjustment permitted by

BBEDCA. OMB's Final Sequestration Report for 2017 included the adjustment of \$414 million for this funding. The 2018 Budget fully funds the base amount for this program and includes the full cap adjustment of \$434 million permitted by BBEDCA for 2018 with cap adjustments aligned with BBEDCA shown for each year through 2021 followed by amounts that grow with current services inflation for each year thereafter. The "Program Integrity Funding" discussion in the President's Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2018 Budget provides a complete description of this and other program integrity efforts and OMB's methodology in determining their effectiveness.

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)). BBEDCA sets a limit for the adjustment equal to the total of the average funding provided for disaster relief over the previous 10 years (excluding the highest and lowest years), plus any portion of the allowable adjustment (funding ceiling) for the previous year that was not appropriated (excluding the portion of the previous year's ceiling that was itself due to any unused amount from the year before). For the 2017 adjustment, OMB determined an initial preview estimate of \$8,566 million that was later revised to \$8,129 million in OMB's Final Sequestration Report for 2017 due to supplemental appropriations enacted in 2016. In division C of the Continuing Appropriations Act, 2017 (Public Law 114-223) and the CAA of 2017, the Congress provided total appropriations of \$8,129 million, with \$6,713 million for the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund (DRF) account and \$1,416 million for the Department of Housing and Urban Development's Community Development Fund. OMB's Final Sequestration Report for 2017 allocated these combined adjustments to the non-defense category. The amounts provided for 2017 equal the allowable adjustment; therefore, pursuant to section 251(b)(2)(D)(i)(II) of BBEDCA, OMB currently does not include any carryover amounts in its calculation of the preview estimate of the 2018 al-

lowable allowance, which OMB currently estimates at \$7,366 million. OMB's estimate will be revised, as necessary, in its August 2017 Sequestration Update Report for Fiscal Year 2018.

The 2018 Budget requests \$6,793 million for 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 2018. This request does not pre-fund anticipated needs arising out of disasters that have yet to occur, nor does it fund potential catastrophic needs. If more information becomes available about the need to fund prior or future disasters, additional requests, in the form of either 2017 supplemental appropriations requests or amendments to the Budget with appropriate emergency or disaster relief designations, may be transmitted.

After 2018, the Budget includes a placeholder for disaster relief that is equal to the current 2018 request. This level does not reflect a specific request, but is a placeholder for an amount that will be subsequently decided on an annual basis during the normal budget development process. The Administration does not have adequate information about future needs at this time. The 2018 request and outyear placeholder amounts are shown on Table 3 as anticipated cap adjustments to the non-defense category. See "Disaster Relief Funding" in the President's Budget Reform Proposals section of the Budget Process chapter in the *Analytical Perspectives* volume of the 2018 Budget for a more full description of this adjustment and the Administration's 2018 request. This chapter also includes a discussion of the Administration's interest in working with the Congress on options to address the declining allowable adjustment for the disaster relief cap adjustment.

