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



August 18, 2017

TABLE OF CONTENTS

Page

Transmittal Letter	iii
I. Introduction.....	1
II. Discretionary Sequestration Update Report.....	3
III. Preview Estimate of the Disaster Funding Adjustment for Fiscal Year 2018.....	11

LIST OF TABLES

Page

Table 1. Overview of Changes to Discretionary Spending Limits	4
Table 2. Discretionary Spending Limits.....	5
Table 3. Status of 2017 Discretionary Appropriations	7
Table 4. Status of 2018 Appropriations Action	8
Table 5. Comparison of OMB and CBO Discretionary Spending Limits.....	10
Table 6. Summary of Average Funding Provided for Disaster Relief for 2008 Through 2017	11

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.



THE DIRECTOR

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

August 18, 2017

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 2018*. 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.

This report updates information contained in the OMB preview report regarding enforcement of the discretionary spending caps for both 2017 and 2018, including information about the discretionary spending limits for defense and non-defense programs, the status of OMB scoring of the latest action by the House of Representatives and Senate 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 2018 adjustment for disaster relief. OMB must issue a final sequestration report after the Congress adjourns.

To date, no 2017 supplemental or 2018 appropriations bills have been enacted into law and, therefore, no changes are reflected to the current 2017 or 2018 caps. If the 2018 discretionary caps remain unchanged, this report estimates that, if enacted, the actions to date by the House of Representatives would result in a sequestration of \$72.4 billion in the defense category. The report also finds that action or funding guidance in the Senate, if enacted, would result in a sequestration of \$2.0 billion in the defense category and a sequestration of \$3.8 billion in the non-defense category under the current 2018 spending limits.

While this report estimates that congressional action to date would trigger a sequestration, this does not reflect Administration policy. This Administration strongly supports restoring America's investment in defense. To ensure that our military is not rebuilt on the backs of future generations of Americans, however, the Administration strongly supports fiscally responsible reductions to spending elsewhere in the Federal Budget, as outlined in the FY 2018 Budget request.

Sincerely,

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 limits on discretionary budget authority for 2012 through 2021. 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, including any updates to the limits since OMB issued the 2018 preview report on May 23, 2017 with the President's 2018 Budget. This report also contains OMB's scoring estimates of pending appropriations legislation against those limits as of August 15, 2017. OMB makes no adjustments to either of the 2017 or 2018 caps at this time because there have been no events since the 2018 preview report was issued that would trigger any cap adjustment. The report does, however, list anticipated adjustments to the 2018 limits based on requested amounts in the Administration's 2018 Budget.

As required, OMB's estimates are based on the economic and technical assumptions used in the President's 2018 Budget and cover the 12 annual ap-

propriations bills for 2018 that have been reported or passed by the House or Senate. Pursuant to section 254(e) of BBEDCA, this report also contains OMB's calculation of the 2018 preview estimate of the adjustment for disaster relief funding.

If the discretionary limits for 2018 remain unchanged, OMB's estimates of House action to date for the 12 annual appropriations bills for 2018 show that a sequestration of approximately \$72,436 million would be required in discretionary programs in the defense (or revised security) category, while no sequestration would be required for programs in the non-defense (or revised non-security) category. For the Senate, at the time this report is being released, OMB has detailed scoring estimates for only 6 of the 12 appropriations bills; therefore, OMB uses Senate "guidance" estimates for the remaining, unreleased bills. Under these assumptions, OMB's estimate of current Senate amounts would lead to a sequestration of approximately \$2,012 million in the defense category and a sequestration of approximately \$3,793 million in the non-defense category. These preliminary estimates are summarized in Table 4 of this report.

II. DISCRETIONARY SEQUESTRATION UPDATE REPORT

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 but does not require that the Congress appropriate the full amount available under the discretionary limits. OMB is required to provide regular reports regarding the status of 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 discretionary new budget authority. BBEDCA also requires OMB to issue reports three times during the year on the overall status of the discretionary caps, including this August update report. This update report provides OMB's mid-year assessment, reflecting current scoring estimates of pending appropriations legislation as of August 15, 2017, and discusses the sequestration of discretionary programs that would occur if the actions taken to date by each chamber of the Congress on discretionary spending bills were to become law. 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 by law, OMB's estimates are based on the economic and technical assumptions used in the President's 2018 Budget, which was transmitted on May 23, 2017, and cover the 12 annual appropriations bills for 2018 that have been reported or passed by the House or Senate.

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 non-security 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 an annual reduction in the caps as part of the Joint Committee reductions. In OMB's 2018 preview report², the 2018 defense cap was reduced by \$53,943 million, and the non-defense cap was reduced by \$37,251 million.³ These adjustments set the 2018 limits at \$549,057 million for defense and \$515,749 million for non-defense, respectively, and these limits remain in place at this time. No further adjustments are made in this report. Absent further congressional action, section 251A of BBEDCA will require reductions to the current discretionary caps for 2019 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.

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 2017 through 2021. Section 251(b) (1) allows adjustments for changes in 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, no supplemental appropriations for 2017 nor new appropriations for 2018 have been completed, so there are no adjustments made to the caps in this report.

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.

² OMB's Sequestration Preview Report for 2018 is available at: <https://www.whitehouse.gov/omb/public-releases/sequestrationreports>.

³ The 2018 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
Original limits set in Title I of the Budget Control Act of 2011:										
Security Category	684.0	686.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category	359.0	361.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Discretionary Category	N/A	N/A	1,066.0	1,086.0	1,107.0	1,131.0	1,156.0	1,182.0	1,208.0	1,234.0
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 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
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	.....	-53.9	.....	-53.9	.....	.....	.....
Non-Defense Category	N/A	N/A	-36.6	.....	-36.5	.....	-37.3	.....	.....	.....
Adjustments pursuant to section 101(a) of the 2013 Bipartisan Budget Act (Public Law 113-67):										
Defense Category	N/A	N/A	+22.4	-44.7	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	+22.4	-27.6	.....	.....	.....	.....	.....	.....
Adjustments pursuant to section 101(a) of the 2015 Bipartisan Budget Act (Public Law 114-74):										
Defense Category	N/A	N/A	N/A	N/A	+25.0	-38.9	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	N/A	N/A	+25.0	-22.5	.....	.....	.....	.....
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	+64.4	+58.8	+82.9	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	+20.8	.....	.....	.....	.....
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	+0.1	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	+5.3	+1.7	+4.1	.....	.....	.....	.....
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	+1.5	+1.5	+2.0	.....	.....	.....	.....
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	+6.5	+7.6	+8.1	.....	.....	.....	.....
Technical adjustments for scoring differences with CBO that are permitted under 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	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	+0.2	.....	.....	.....	.....	.....
Revised Limits Included in the OMB Sequestration Update Report:										
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	585.9	606.9	634.0	549.1	616.0	630.0	644.0
Non-Defense Category	N/A	.....	504.8	514.9	544.4	553.6	515.7	566.0	578.0	590.0

N/A = Not Applicable

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

	2017	2018	2019	2020	2021
DEFENSE (OR “REVISED SECURITY”) CATEGORY					
Preview Report Spending Limit	634,005	549,057	616,000	630,000	644,000
No changes					
Update Report Spending Limit	634,005	549,057	616,000	630,000	644,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>					
Overseas Contingency Operations/Global War on Terrorism ...	.....	+64,573	.....	.....	.....
Anticipated Final Sequestration Report Spending Limit	634,005	613,630	616,000	630,000	644,000
NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY					
Preview Report Spending Limit	553,553	515,749	566,000	578,000	590,000
No changes					
Update Report Spending Limit	553,553	515,749	566,000	578,000	590,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>					
Overseas Contingency Operations/Global War on Terrorism ...	.....	+12,018	.....	.....	.....
SSA Dedicated Program Integrity .....	.....	+1,462	+1,410	+1,309	+1,302
Health Care Fraud and Abuse Control .....	.....	+434	+454	+475	+496
Disaster Relief .....	.....	+6,793	.....	.....	.....
<i>Subtotal, Anticipated Adjustments for the Final Sequestration Report</i> .....	.....	+20,707	+1,864	+1,784	+1,798
Anticipated Final Sequestration Report Spending Limit	553,553	536,456	567,864	579,784	591,798
Preview Report, Total Discretionary Spending	1,187,558	1,064,806	1,182,000	1,208,000	1,234,000
Update Report, Total Discretionary Spending	1,187,558	1,064,806	1,182,000	1,208,000	1,234,000
Anticipated Final Sequestration Report, Total Discretionary Spending	1,187,558	1,150,086	1,183,864	1,209,784	1,235,798

Anticipated adjustments to discretionary limits.—Although there are no actual adjustments required at this time, Table 2 shows *anticipated* adjustments for 2018 equal to those proposed in the 2018 Budget. The actual adjustments will be determined at the end of this session of Congress and will be reflected in OMB’s final sequestration report. The section 251(b)(2) anticipated adjustments include:

Emergency Requirement and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT) Appropriations.—These adjustments are permitted by section 251(b)(2)(A) of BBEDCA and include funding that the Congress so designates in law, and that the President subsequently designates, as being either for emergency requirements or for OCO/GWOT activities on an account-by-account basis. The 2017 non-defense cap already includes a combined \$4,148 million adjust-

ment that 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”).

For 2018, the President’s Budget does not propose any net new emergency funding for 2018. However, the 2018 Budget does propose 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 proposed cancellations are not re-designated in the Budget as emergency; therefore, the Budget does not

show any savings being achieved under the caps, nor does the Budget adjust the caps for these cancellations. The current House-reported State and Foreign Operations appropriations bill includes a \$1,090 million rescission from the Advanced Technology Vehicles Manufacturing Loan Program. If this rescission were enacted in a final appropriations bill, consistent with the treatment in the 2018 Budget, OMB would not provide scoring credit under the caps or adjust the caps for this provision.

For OCO/GWOT activities, the CAA of 2017 provided a total of \$103,717 million (including rescissions) for 2017, which is already reflected in the 2017 caps. The President's 2018 Budget requests a total of \$76,591 million for OCO/GWOT activities under BBEDCA for 2018 with \$64,573 million for defense programs and \$12,018 million for international programs. House action so far provides \$73,930 million in the Defense bill, \$638 million in the Military Construction and Veterans Affairs bill, and \$12,020 million in the State and Foreign Operations bill for a total of \$86,588 million. Senate action or guidance allocates the same amount of OCO funding enacted in 2017, but with a slightly different disbursement with \$82,131 million for the Defense bill, \$163 million for in the Homeland Security bill, \$638 million for the Military Construction and Veterans Affairs bill, and \$20,785 million for the State and Foreign Operations bill, for a total of \$103,717 million. Table 2 shows anticipated adjustments for OCO/GWOT activities equal to the levels requested in the President's Budget for 2018. The 2018 Budget also includes a notional out-year allowance for OCO/GWOT activities, with separate streams for defense and non-defense funding for each year through 2027. However, those amounts are not included as anticipated adjustments to the current law caps because no specific policy decisions or assumptions regarding outyear OCO/GWOT spending in any particular year have been made to date.

Social Security Dedicated Program Integrity Activities.—Section 251(b)(2)(B) of BBEDCA authorizes cap adjustments for Social Security Administration (SSA) appropriations primarily for Continuing Disability Reviews (CDRs) and redeterminations. CDRs are periodic reevaluations conducted to determine if recipients of Social Security disability insurance benefits and Supplemental Security Income (SSI)

for persons with disabilities 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 limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$273 million is provided for these purposes in the underlying appropriations bill before the adjustment. The intent of this adjustment is to ensure sufficient resources for the Social Security Administration to reduce improper payments, achieving tens of billions of dollars in deficit savings over the next 10 years, and additional savings in the outyears.

The CAA of 2017 fully funded the \$273 million base and provided \$1,546 million as a cap adjustment – the maximum allowable adjustment specified for 2017 in BBEDCA. This amount is already included in the 2017 non-defense cap. 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 2, with cap adjustments aligned with the authorized levels in BBEDCA included for each year through 2021.

The House has provided the full cap adjustment level of \$1,462 million for these activities in its reported version of the 2018 Labor, Health and Human Services, Education, and Related Agencies (LHHS) bill. The Senate has not yet released its LHHS bill, nor has its released guidance levels specified an amount for this adjustment. Consistent with the 2018 Budget, Table 2 reflects the full, authorized amount for CDRs and redeterminations as an anticipated adjustment for 2018 and for each year thereafter.

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, support the Health Care Fraud Prevention and Enforcement Action Team initiative,

and reduce the Medicaid improper payment rates. 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. The CAA of 2017 provided the base \$311 million level and the maximum cap adjustment level of \$414 million. 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 and for each year thereafter.

For HCFAC, the House provides the full cap adjustment level of \$434 million in its reported version of the 2018 LHHS bill. The Senate has not yet released its LHHS bill, nor has its released guidance levels specified an amount for this adjustment. Consistent with the 2018 Budget, Table 2 reflects the full authorized amount for HCFAC as an anticipated adjustment for 2018 and for each year thereafter.

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 2018. That estimate is currently \$7,366 million (see section III of this report).

For 2017, the Congress provided a total of \$8,129 billion in division C of the Continuing Appropriations Act, 2017 (Public Law 114-223) and the CAA of 2017. This amount included \$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. This combined amount is equal to the maximum allowable adjustment set for 2017.

The 2018 Budget requests \$6,793 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 2018. The Budget requests funding for both known needs based on expected costs of prior declared disasters and the typical average expenditures in this program. This request is consistent with the past practice of requesting and funding this program through regular appropriations bills. Also consistent with past practice, the 2018 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. If necessary, the Administration may transmit a request for additional funding to fund prior or future disasters, in the form of either 2017 supplemental appropriations or amendments to the 2018 Budget.

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 2018 Budget does not explicitly request any disaster relief funding in any year after 2018 and instead reflects a placeholder amount equal to the 2018 request level. Table 2 reflects the 2018 request. The table does not include the outyear placeholder amounts as anticipated cap adjustments to the non-defense category because it does not reflect a specific policy decision. At present, the House has fully funded the 2018 request, while the Senate has not yet released a Homeland Security bill, nor has its released guidance levels specified an amount for this adjustment.

Table 3. STATUS OF 2017 DISCRETIONARY APPROPRIATIONS

(Discretionary budget authority in millions of dollars)

	Budget Authority
<u>Defense Category</u>	
Adjusted discretionary spending limits	634,005
Total enacted appropriations	634,005
Spending over (+)/under (-) limits .....	.....
<u>Non-Defense Category</u>	
Adjusted discretionary spending limits	553,553
Total enacted appropriations	552,000
Spending over (+)/under (-) limits	-1,553
<u>Total Discretionary Spending—All Categories</u>	
Adjusted discretionary spending limits	1,187,558
Total enacted appropriations	1,186,005
Spending over (+)/under (-) limits	-1,553

Table 4. STATUS OF 2018 APPROPRIATIONS ACTION

(Discretionary budget authority in millions of dollars)

	House	Senate
	BA	BA
<u>DEFENSE CATEGORY</u>		
Defense Base Appropriations:		
Commerce, Justice, Science, and Related Agencies	5,201 C	5,266 C
Defense	584,041 F	512,985 G
Energy and Water Development	20,456 F	21,000 C
Financial Services and General Government	31 C	31 G
Homeland Security	1,878 C	1,950 G
Military Construction and Veterans Affairs	9,586 F	9,537 C
Transportation and Housing and Urban Development	300 C	300 C
Subtotal, Defense Base Discretionary	621,493	551,069
Defense Anticipated Adjustments: ¹		
Defense (OCO/GWOT)	63,934	63,934
Military Construction and Veterans Affairs (OCO/GWOT)	639	639
Subtotal, Defense Anticipated Adjustments	64,573	64,573
Total, Defense Discretionary	686,066	615,642
Estimated Final Sequestration Report Defense Category Limit	613,630	613,630
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	+72,436	+2,012
<u>NON-DEFENSE CATEGORY</u>		
Non-Defense Base Appropriations:		
Agriculture and Rural Development	19,975 C	20,496 C
Commerce, Justice, Science, and Related Agencies	49,292 C	48,658 C
Defense	131 F	132 G
Energy and Water Development	17,330 F	17,610 C
Financial Services and General Government	20,309 C	20,845 G
Homeland Security	42,561 C/F ²	42,100 G
Interior and Environment	31,450 C	32,030 G
Labor, HHS, and Education	157,244 C	164,066 G
Legislative Branch	4,593 F ³	4,546 C ³
Military Construction and Veterans Affairs	78,580 F	78,675 C
State and Foreign Operations	36,049 C	30,410 G
Transportation and Housing and Urban Development	56,436 C	59,974 C
Subtotal, Non-Defense Base Discretionary	513,950	519,542
Non-Defense Anticipated Adjustments: ¹		
Homeland Security (Disaster Relief)	6,793	6,793
Labor, HHS, and Education (Program Integrity)	1,896	1,896
State and Foreign Operations (OCO/GWOT)	12,018	12,018
Subtotal, Non-Defense Anticipated Adjustments	20,707	20,707
Total, Non-Defense Discretionary	534,657	540,249
Estimated Final Sequestration Report Non-Defense Category Limit	536,456	536,456
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS	-1,799	+3,793
<u>TOTAL DISCRETIONARY SPENDING</u>		
Total, Discretionary	1,220,723	1,155,891
Estimated Final Sequestration Report Total Category Limits	1,150,086	1,150,086
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMITS	+70,637	+5,805

Table 4. STATUS OF 2018 APPROPRIATIONS ACTION—Continued
(Discretionary budget authority in millions of dollars)

	House	Senate
	BA	BA
Memorandum - Appropriations Counted Outside of Discretionary Caps:		
<i>21st Century CURES Appropriations:</i> ⁴		
Agriculture and Rural Development	60 C	60 C
Labor, HHS, and Education	996 C	TBD
<i>Non-BBEDCA Emergency Appropriations:</i> ⁵		
State and Foreign Operations	-1,090 C	.....

Key: C = Bill reported out by committee; F = Bill passed by House or by Senate; G = Guidance level (Senate only)

TBD = To Be Determined

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

¹ The anticipated adjustments are pursuant to section 251(b)(2) of BBEDCA for Emergency Requirements, Overseas Contingency Operations/Global War on Terrorism, SSA CDR's and redeterminations, HCFAC, and disaster relief. The requested adjustments in the 2018 Budget 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.

² The House Appropriations Committee reported H.R. 3355, the Homeland Security Appropriations Bill, 2018 on July 18, 2017. However, Division E of H.R. 3219, the Make America Secure Appropriations Act, 2018, which was passed by the House on July 27, 2017 included a non-defense portion of the Homeland Security bill for border security. The estimates in this table assume Division E is not meant to be in addition to the overall appropriations provided in the Committee-reported bill; therefore, the scoring estimates reflect only the Committee-reported bill in total.

³ Holding to tradition, the respective House-passed and Senate-reported Legislative Branch bills do not include items from the other chamber since both the House and Senate moved their own bills before the other passed its own bill off the floor. For a more comparable bill total, OMB adds the Senate items from the Senate-reported bill to its House scoring and adds the House items from the House-passed bill to its Senate scoring.

⁴ The 21st Century CURES Act permitted funds to be appropriated for certain activities and not counted towards the discretionary caps so long as the appropriations were specifically provided for the authorized purposes. These amounts are displayed outside the discretionary totals for this reason.

⁵ These funding amounts were originally designated as emergency requirements but pursuant to a concurrent resolution on the Budget and not pursuant to section 251(b)(2)(A) of BBEDCA. As a result, the caps cannot be adjusted for these amounts nor can these amounts be counted under the base cap levels; therefore, these amounts are presented outside of the totals.

Status of 2017 discretionary appropriations.— Table 3 summarizes the status of enacted 2017 discretionary appropriations, relative to the discretionary caps for 2017. The caps include all adjustments made in OMB's 2017 final sequestration report. Using the same economic and technical assumptions underlying the 2017 Budget, OMB's estimates of enacted budget authority for both categories for 2017 remain within the specified spending levels. However, if appropriations enacted before the end of 2017 lead to a 2017 category breach, then in its 2018 final sequestration report, OMB would adjust the 2018 limit for that category downward by the amount of the breach, pursuant to section 251(a)(5) of BBEDCA.

Status of 2018 discretionary appropriations.— Table 4 presents preliminary OMB scoring of the latest

House and Senate action for the 12 annual appropriations bills, where available. Based on these levels, the House bills are estimated to be over the defense cap by \$72,436 million but in compliance with the non-defense cap. For the Senate, OMB estimates that action or guidance levels are over the defense cap by \$2,012 million and over the non-defense cap by \$3,793 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 reported or passed House or Senate bill. OMB continues to review this legislation, so these estimates remain preliminary and subject to change.

- For the Senate, only 6 of the 12 appropriations bills have been released so far; therefore, OMB uses the Senate subcommittee “guidance” levels that were considered by the Senate Appropriations Committee on July 20 to assess the status of Senate compliance with the current caps.
- Table 4 includes a separate section by bill that adds OMB’s assumptions for the *anticipated* adjustments from Table 2 to the caps for emergency requirements, OCO/GWOT, Social Security dedicated program integrity activities, HCFAC, and disaster relief funding. As noted previously, the requested 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.

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 2017 through 2021. CBO uses the discretionary limits from OMB’s 2018 sequestration preview report as a starting point for adjustments in its sequestration update report. CBO’s estimates for 2017 and 2018 are the same as OMB’s estimates for both categories. For 2019 through 2021, CBO begins with the same levels as OMB for the defense and non-defense limits. However, CBO includes approximate adjustments to the 2019-2021 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.

Table 5. COMPARISON OF OMB AND CBO DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2017	2018	2019	2020	2021
DEFENSE (OR “REVISED SECURITY”) CATEGORY					
CBO Update Report Limit	634,005	549,057	562,025	576,027	590,032
OMB Update Report Limit	634,005	549,057	616,000	630,000	644,000
Difference +/- .....	.....	.....	+53,975	+53,973	+53,968
NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY					
CBO Update Report Limit	553,553	515,749	529,144	542,292	554,584
OMB Update Report Limit	553,553	515,749	566,000	578,000	590,000
Difference +/- .....	.....	.....	+36,856	+35,708	+35,416
CBO Update Report, Total Discretionary	1,187,558	1,064,806	1,091,169	1,118,319	1,144,616
OMB Update Report, Total Discretionary	1,187,558	1,064,806	1,182,000	1,208,000	1,234,000
Difference +/- .....	.....	.....	+90,831	+89,681	+89,384

III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2018

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 (or funding ceiling) of the adjustment for disaster funding for the upcoming year, in this case 2018. The first part of the calculation of the ceiling in 2018 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2008 through 2017 period is \$82.7 billion. The low value dropped was for 2011 (\$2.5 billion), and the high value dropped was for 2008 (\$21.3 billion).

The average for 2018 is therefore \$7,366 million. For 2008 through 2016, the only change to the data included in the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2017* was an update to the 2016 enacted level for a \$500 million supplemental appropriation.

The second part of the calculation requires the determination of the amount of carryover from the prior year. In the prior year (2017), the allowable adjustment was \$8,129 million, and, as noted previously, the Congress provided a total of \$8,129 million for FEMA’s DRF program and HUD’s Community Development Fund. Since the Congress provided the full amount of the allowable adjustment for 2017, there is no unused carryover to apply to average pursuant to section 251(b)(2)(D)(i)(II) of BBEDCA and the ceiling for the disaster relief adjustment in 2018 will be \$7,366 million. It is important to note that no actual adjustment to the caps will occur unless the Congress enacts appropriations that it specifically designates as being for disaster relief pursuant to BBEDCA.

**Table 6. SUMMARY OF AVERAGE
FUNDING PROVIDED FOR DISASTER
RELIEF FOR 2008 THROUGH 2017**

(Discretionary budget authority in millions of dollars)

Year	Budget Authority
2008	21,323
2009	2,743
2010	6,026
2011	2,473
2012	10,453
2013	11,779
2014	5,626
2015	6,529
2016	7,643
2017	8,129

2008–2017	
Total Budget Authority	82,723
Low (2011)	2,473
High (2008)	21,323
Average (dropping high/low)	7,366

