
OMB Sequestration Update Report to the President and Congress for Fiscal Year 2017



August 19, 2016

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GENERAL NOTES

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



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

THE DIRECTOR

August 19, 2016

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 2017*. 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 2016 and 2017, 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 2017 adjustment for disaster relief. OMB must issue a final sequestration report after the Congress adjourns.

To date, no 2017 appropriations bills have been enacted into law and, therefore, no changes are reflected to the current 2017 caps. If the 2017 discretionary caps remain unchanged, this report estimates that, if enacted, the actions by the House of Representatives would result in a sequestration of \$17 million in the defense category and a sequestration of \$775 million in the non-defense category. This report finds that the Senate is in compliance with both of the current 2017 spending limits. Finally, OMB estimates that present conference action on pending 2016 supplemental appropriations, if enacted, would not breach the current 2016 limits.

Sincerely,

Shaun Donovan
Director

Enclosure

Identical Letter Sent to The Honorable Joseph R. Biden
and The Honorable Paul D. Ryan

I. INTRODUCTION

The Budget Control Act of 2011 (BCA) 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. The failure of the Joint Select Committee on Deficit Reduction to propose, and the Congress to enact, deficit reduction legislation triggered steep reductions to discretionary spending for fiscal years 2013-2021 on top of the \$1 trillion in reductions below the discretionary baseline enacted in the BCA. Working together, the Congress and the President reached agreement to restore part of the scheduled reductions in 2016 and 2017 in the Bipartisan Budget Act of 2015 (2015 BBA) – just as had been done in the Bipartisan Budget Act of 2013 (2013 BBA) for 2014 and 2015. Each of these partial restorations of the discretionary spending limits were paid for by other provisions that reduced the deficit.

To date, the Congress has taken no action to address the reductions to the discretionary spending limits scheduled for 2018-2021, and the procedures instituted by the BCA remain in place for those years. The limits are enforced by a sequestration of non-exempt discretionary budget authority that is ordered at the end of the current session of the Congress if enacted appropriations exceed the limits. This report discusses the current status of the limits and Office of Management and Budget (OMB) scoring of actions taken to date by each chamber of the Congress on discretionary spending bills relative to those limits.

Section 254 of BBEDCA requires OMB to issue a sequestration update report on August 20th of each year. This report provides OMB's current estimates of the discretionary spending limits, including any

updates to the limits since OMB issued the 2017 preview report on February 9, 2016 with the President's 2017 Budget. This report also contains OMB's scoring of pending appropriations legislation against those limits as of August 15, 2016. OMB makes no adjustments to either of the 2016 or 2017 caps at this time because there have been no events since the 2017 preview report was issued that would trigger any cap adjustment. The report does, however, list anticipated adjustments to the 2016 and 2017 limits based on requested amounts in the Administration's pending supplemental for 2016 and the 2017 Budget.

As required, OMB's estimates are based on the economic and technical assumptions used in the President's 2017 Budget and cover the 12 annual appropriations bills for 2017 that have been reported, passed, or conferenced by the House or Senate. Pursuant to section 254(e) of BBEDCA, this report also contains OMB's calculation of the 2017 preview estimate of the adjustment for disaster relief funding.

If the discretionary limits for 2017 remain unchanged, OMB's estimates of House action to date for the 12 annual appropriations bills for 2017 show that a sequestration of approximately \$17 million would be required in discretionary programs in the defense (or revised security) category and that a sequestration of approximately \$775 million would be required in discretionary programs in the non-defense (or revised nonsecurity) category. OMB's current estimates of Senate action to date for both of the defense and non-defense categories are within the respective limits. These 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 estimates of pending appropriations legislation as of August 15, 2016, 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 2017 Budget, which was transmitted on February 9, 2016, and cover the 12 annual appropriations bills for 2017 that have been reported, passed, or conferenced by the House or Senate.

For 2012 and 2013, BBEDCA originally specified separate "security" and "nonsecurity" categories¹ for discretionary programs and then a single "discretionary" category for each year after 2013. These caps were subsequently revised pursuant to section 302 of the BCA as a result of the Joint Select Committee on Deficit Reduction's failure to propose, and the Congress's failure to enact, legislation to reduce the deficit by more than \$1.2 trillion by January 15, 2012. The revised security category was defined to

include only the discretionary programs in the national defense budget function (050) (the "defense" category), which mainly consists of the Department of Defense and significant portions of the budgets for the Department of Energy (including the National Nuclear Security Administration) and the Federal Bureau of Investigation. The revised nonsecurity category contains all discretionary programs not in the defense category—all non-050 budget functions (the "non-defense" category). Although the American Taxpayer Relief Act of 2012 (ATRA) reinstated the security and nonsecurity categories for 2013 at lower levels, the defense and non-defense categories have remained in place since 2014.

Section 251A of BBEDCA requires an annual reduction in the caps as part of the Joint Committee reductions. In OMB's 2016 preview report², the 2016 defense cap was reduced by \$53.9 billion and the non-defense cap was reduced by \$36.5 billion.³ Subsequently, the 2015 BBA restored \$25.0 billion each (\$50.0 billion in total) to the defense and non-defense categories for 2016. The 2016 BBA also replaced the Joint Committee reductions to the defense and non-defense caps that would have taken place for 2017 with smaller reductions of \$38.9 billion to the defense cap and \$22.5 billion to the non-defense cap. The 2015 BBA, however, did not revise the Joint Committee reductions after 2017. No further adjustments are made in this report. Absent further congressional action, section 251A of BBEDCA requires reductions to the current discretionary caps for 2018 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.

² OMB's Sequestration Preview Report for 2016 is available at: https://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/sequestration/2016_sequestration_preview_report_president.pdf

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

³ The 2016 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 ATRA:										
Security Category		+684.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Nonsecurity Category		+359.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Defense Category	N/A	-546.0	-4.0							
Non-Defense Category	N/A	-501.0	-4.0							
Joint Select Committee on Deficit Reduction Enforcement:										
Defense Category	N/A	N/A	-53.9		-53.9					
Non-Defense Category	N/A	N/A	-36.6		-36.5					
Adjustments pursuant to section 101(a) of the 2013 BBA:										
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 BBA:										
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					
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9					
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	+0.8					
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					
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	+7.1					
Adjustments pursuant to section 7 of Public Laws 113-76, 113-235, and 114-113:										
Defense Category	N/A	N/A	+0.2	+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	551.1	603.0	616.0	630.0	644.0
Non-Defense Category.....	N/A		504.8	514.9	543.0	518.5	553.0	566.0	578.0	590.0

N/A = Not Applicable

Table 2. DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2016	2017	2018	2019	2020	2021
<u>DEFENSE (OR “REVISED SECURITY”) CATEGORY</u>						
Preview Report Spending Limit	606,891	551,068	603,000	616,000	630,000	644,000
No changes						
Update Report Spending Limit	606,891	551,068	603,000	616,000	630,000	644,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>						
Overseas Contingency Operations/Global War on Terrorism		+58,800				
Anticipated Final Sequestration Report						
Spending Limit	606,891	609,868	603,000	616,000	630,000	644,000
<u>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</u>						
Preview Report Spending Limit	542,982	518,531	553,000	566,000	578,000	590,000
No changes						
Update Report Spending Limit	542,982	518,531	553,000	566,000	578,000	590,000
<i>Anticipated Adjustments for the Final Sequestration Report:</i>						
Emergency Requirements	+1,700	+190				
Emergency Requirements/Wildfire Suppression		+1,154				
Overseas Contingency Operations/Global War on Terrorism		+14,894				
CDRs and Redeterminations		+1,546	+1,462	+1,410	+1,309	+1,302
Health Care Fraud and Abuse Control		+414	+434	+454	+475	+496
Disaster Relief		+6,868				
Subtotal, Anticipated Adjustments for the Final Sequestration Report	+1,700	+25,066	+1,896	+1,864	+1,784	+1,798
Anticipated Final Sequestration Report Spending Limit	544,682	543,597	554,896	567,864	579,784	591,798
<u>TOTAL DISCRETIONARY SPENDING</u>						
Preview Report, Total Discretionary Spending	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000
Update Report, Total Discretionary Spending	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000
Anticipated Final Sequestration Report, Total Discretionary Spending ..	1,151,573	1,153,465	1,157,896	1,183,864	1,209,784	1,235,798

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 2016 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 2016 nor new appropriations for 2017 have been completed, so there are no adjustments made to the caps in this report.

Anticipated adjustments to discretionary limits.—Although there are no actual adjustments required at this time, Table 2 shows *anticipated* adjustments for both 2016 and 2017 equal to those proposed in the 2017 Budget, including the Administration’s supplemental proposal, which OMB assumes will be enacted in final appropriations legislation. 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 be-

ing either for emergency requirements or for OCO/GWOT activities on an account-by-account basis. The 2016 non-defense caps already include a combined \$785 million that was enacted as an emergency requirement with \$700 million provided for urgent wildland fire suppression activities in Public Law 114-53, the Continuing Appropriations Act, 2016 and \$85 million provided in Division K (State and Foreign Operations) of Public Law 114-113, the Consolidated Appropriations Act, 2016 (2016 CAA), for an increase in the United States Quota in the International Monetary Fund (IMF) combined with a permanent rescission from the United States participation in the New Arrangements to Borrow of the IMF. Currently, anticipated emergency adjustments are assumed for supplemental funds to respond to the outbreak of the Zika virus. On February 22, 2016, the Administration requested \$1.9 billion for these purposes with \$1.7 billion occurring in 2016 and an estimated \$0.2 billion occurring in 2017. All of the requested amounts are proposed as emergency requirements. The House and Senate each passed its own supplemental bill for Zika response and produced a conference bill, which is included in Divisions B and D of H.R. 2577, the Military Construction, Veterans Affairs, and related Agencies Appropriations Act, 2017 and Zika Response and Preparedness Act. OMB does not estimate that this conference bill, estimated at \$349 million overall with nearly \$1 billion in emergency appropriations with another -\$0.6 billion in non-emergency offsets, would breach the 2016 caps but a final 2016 supplemental bill has not yet been enacted. As such, the Administration's request is included as an anticipated adjustment on Table 2.

For 2017, the President's Budget includes a transfer of emergency balances to the Community Planning and Development account in the Department of Housing and Urban Development (HUD) and a repurposing of emergency balances in the Department of State for malaria control. In both cases, the Budget language includes the appropriate re-designation of the balances as an emergency requirement but these amounts do not affect net totals. In addition, the President's Budget has requested that a new cap adjustment for wildfire suppression be added to section 251(b)(2) of BBEDCA. The proposed wildfire suppression cap adjustment would require the ceiling

on the disaster relief cap adjustment to be reduced by the preceding fiscal year's wildfire suppression adjustment, so that there would be no increase in overall discretionary spending pursuant to this proposal. The 2017 Budget requests \$1,154 million for these purposes in 2017. Title V of the Senate-reported 2017 Interior and Environment appropriations bill includes the new cap adjustment. However, since the cap adjustment has not been enacted to date, the Senate bill is providing \$661 million for wildfire suppression as a one-time emergency requirement. The Administration is assuming the full amount requested for wildfire suppression will be provided as an emergency requirement and reflects this amount as an anticipated adjustment on Table 2.

The 2016 CAA provided a total of \$73,686 million (including rescissions) for OCO/GWOT activities for 2016, which is already reflected in the 2016 caps. The President's 2017 Budget abides by an agreement in the 2015 BBA by requesting a total of \$73,693 million for OCO/GWOT activities under BBEDCA for 2017 with \$58,798 million for defense programs and \$14,895 million for international programs.⁴ House action so far provides \$58,628 million in the Defense bill, \$172 million in the Military Construction and Veterans Affairs Conference bill, and \$14,896 million in the State and Foreign Operations bill for a total of \$73,696 million. Senate action so far allocates \$58,640 million in the Defense bill, \$163 million in the Homeland Security bill, \$172 million in the Military Construction and Veterans Affairs Conference bill, and \$14,896 million to the State and Foreign Operations bill for a total of \$73,871 million. Table 2 shows anticipated adjustments for OCO/GWOT activities equal to the levels requested in the President's Budget for 2017. The 2017 Budget also includes a placeholder estimate of about \$11.0 billion for OCO/GWOT funding for 2018 through 2021, which is in line with previous years' proposals to cap total OCO/GWOT budget authority from 2013 to 2021 at \$450 billion. 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.

⁴ The 2017 anticipated OCO/GWOT adjustments recorded on Table 2 are \$2 million higher for defense programs and \$1 million lower for international programs due to account-by-account rounding in whole millions.

Continuing Disability Reviews (CDRs) and Redeterminations.—Section 251(b)(2)(B) of BBEDCA authorizes cap adjustments for appropriations for CDRs and redeterminations. CDRs are periodic re-evaluations conducted to determine if recipients of Social Security disability insurance benefits and Supplemental Security Income (SSI) for persons with disabilities still qualify for benefits. Redeterminations are periodic reviews of non-medical factors of eligibility for the means-tested SSI program, such as income and resources, and generally result in a revision of the individual's benefit level. The maximum cap adjustment in each year is limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$273 million is provided for these purposes in the underlying appropriations bill before the adjustment.

The purpose of this adjustment is to ensure sufficient resources for the Social Security Administration to reduce improper payments, achieving tens of billions of dollars in deficit savings over the next 10 years. The adjustment for CDRs and redeterminations was fully funded in the appropriations process for both 2014 and 2015 and nearly fully funded in 2016, as the 2016 CAA provided \$1,153 million as a cap adjustment --\$30 million more than provided in 2015 but \$13 million below the allowable adjustment included in BBEDCA. The 2015 BBA provided a net increase of \$484 million to the authorized BBEDCA levels over the 2017 through 2021 period for CDRs and redeterminations with \$237 million of that increase provided for 2017. The 2015 BBA also expanded the uses of cap adjustment funds to include cooperative disability investigation units and special attorneys for fraud prosecutions. Accordingly, the 2017 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1,546 million through discretionary appropriations in 2017. The \$1,546 million adjustment is displayed in 2017 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 increased funding in the 2015 BBA, if fully provided in the appropriations process, is estimated to eliminate SSA's backlog of CDRs by the end of 2019.

The House has provided the 2016 level of funding for these activities in its reported version of the 2017

Labor, Health and Human Services, Education, and Related Agencies (LHHS) bill while the Senate has provided full funding of the cap adjustment at \$1,546 million in its reported version of the 2017 LHHS bill. Consistent with the Request, Table 2 reflects the full, authorized amount for CDRs and redeterminations as an anticipated adjustment for 2017 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 and strengthen the Health Care Fraud Prevention and Enforcement Action Team initiative. The maximum HCFAC cap adjustment in each year is limited to the levels of budget authority specified in BBEDCA, provided that a base level of \$311 million for these purposes is provided in the underlying appropriations bill before the adjustment. The 2016 CAA provided the base \$311 million level and a cap adjustment level of \$370 million—\$9 million more than was provided in 2015, but \$25 million below the maximum cap adjustment permitted by BBEDCA. The 2017 Budget fully funds the base amount for this program and includes the full cap adjustment of \$414 million permitted by BBEDCA for 2017 and for each year thereafter.

For HCFAC, the House provides the same \$370 million enacted in 2016 in its reported version of the 2017 LHHS bill while the Senate has provided for full funding of the cap adjustment at \$414 million in its reported version of 2017 LHHS bill. Consistent with the Request, Table 2 reflects the full authorized amount for HCFAC as an anticipated adjustment for 2017 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 2017. That estimate is currently \$8,566 million (see section III of this report).

**Table 3. STATUS OF 2016
DISCRETIONARY APPROPRIATIONS**
(In millions of dollars)

	Budget Authority
<u>Defense Category</u>	
Adjusted discretionary spending limits	606,891
Total enacted appropriations	606,890
<u>Spending over (+)/under (–) limits</u>	<u>–1</u>
<u>Non-Defense Category</u>	
Adjusted discretionary spending limits	542,982
Total enacted appropriations	542,982
<u>Spending over (+)/under (–) limits</u>	<u>....</u>
<u>Total Discretionary Spending—All Categories</u>	
Adjusted discretionary spending limits	1,149,873
Total enacted appropriations	1,149,872
<u>Spending over (+)/under (–) limits</u>	<u>–1</u>

N/A = Not Applicable

The 2016 CAA provided a total of \$7,143 million designated for disaster relief with \$6,713 million provided to the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund (DRF); \$130 million provided to the Department of Agriculture's (USDA's) Emergency Forest Restoration Program, Emergency Conservation Program, and Watershed and Flood Prevention Operations accounts; and \$300 million provided for HUD's Community Development Fund account. This amount is \$6,982 million below the maximum allowable adjustment of \$14,125 million for 2016.

The 2017 Budget requested \$6,868 million in two accounts to be designated for disaster relief by the Congress in 2017: \$6,709 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 2017; and \$159 million in the Small Business Administration's Disaster Loans Program Account for administrative expenses related to Presidentially-declared major disasters. For these two programs, the Budget requests funding for both known needs based on expected costs of prior declared disasters and the typical average expenditures in these programs. This request is consistent with the past practice of requesting and funding these programs through regular appropriations bills. Also

consistent with past practice, the 2017 request level does not seek to pre-fund anticipated needs in other programs arising from potential future disasters, nor does the Budget seek funding for potential catastrophic needs. As additional information about the need to fund prior or future disasters becomes available, additional requests, in the form of either 2016 supplemental appropriations or amendments to the 2017 Budget, will be transmitted.

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 2017 Budget did not explicitly request any disaster relief funding in any year after 2017. Therefore, Table 2 reflects an anticipated adjustment for the final report for 2017 only, and there is no anticipated adjustment in any of the outyears. At present, the Senate has fully funded the 2017 request while the House has provided only the adjustment for FEMA.

Status of 2016 discretionary appropriations.—Table 3 summarizes the status of enacted 2016 discretionary appropriations, relative to the discretionary caps for 2016. The caps include all adjustments made in OMB's 2016 final sequestration report. Using the same economic and technical assumptions underlying the 2016 Budget, OMB's estimates of enacted budget authority for both categories for 2016 remain within the specified spending levels.

Table 4. STATUS OF 2017 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	5,117 C
Defense	516,979 F	515,812 C
Energy and Water Development	19,044 C	20,032 F
Financial Services and General Government	33 F	33 C
Homeland Security	1,803 C	1,877 C
Military Construction and Veterans Affairs	7,725 CN	7,725 CN
Transportation and Housing and Urban Development	300 C	275 F
Subtotal, Defense Base Discretionary	551,085	550,871
Defense Anticipated Adjustments: ¹		
Defense (OCO/GWOT)	58,627	58,627
Military Construction and Veterans Affairs (OCO/GWOT)	173	173
Subtotal, Defense Anticipated Adjustments	58,800	58,800
Total, Defense Discretionary	609,885	609,671
Estimated Final Sequestration Report Defense Category Limit	609,868	609,868
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	+17	-197
<u>NON-DEFENSE CATEGORY</u>		
Non-Defense Base Appropriations:		
Agriculture and Rural Development	21,314 C	21,258 C
Commerce, Justice, Science, and Related Agencies	50,900 C	51,270 C
Defense	137 F	138 C
Energy and Water Development	18,378 C	17,484 F
Financial Services and General Government	21,701 F	22,359 C
Homeland Security	39,251 C	39,345 C
Interior and Environment	32,083 F	32,026 C
Labor, HHS, and Education	163,201 C	162,000 C
Legislative Branch	4,441 F ²	4,415 C ²
Military Construction and Veterans Affairs	74,598 CN	74,598 CN
State and Foreign Operations	37,060 C	37,070 C
Transportation and Housing and Urban Development	56,242 C	54,536 F
Subtotal, Non-Defense Base Discretionary	519,306	516,499
Non-Defense Anticipated Adjustments: ¹		
Financial Services and General Government (Disaster Relief)	159	159
Homeland Security (Disaster Relief)	6,709	6,709
Interior and Environment (Emergency/Wildfire Suppression)	1,154	1,154
Labor, HHS, and Education (Program Integrity)	1,960	1,960
State and Foreign Operations (OCO/GWOT)	14,894	14,894
Emergency Supplemental	190	190
Subtotal, Non-Defense Anticipated Adjustments	25,066	25,066
Total, Non-Defense Discretionary	544,372	541,565
Estimated Final Sequestration Report Non-Defense Category Limit	543,597	543,597
CONGRESSIONAL ACTION OVER(+)/UNDER(-) LIMIT	+775	-2,032

Table 4. STATUS OF 2017 APPROPRIATIONS ACTION—Continued

(Discretionary budget authority in millions of dollars)

	House	Senate
	BA	BA
TOTAL DISCRETIONARY SPENDING		
Total, Discretionary	1,154,257	1,151,236
Estimated Final Sequestration Report Total Category Limits	1,153,465	1,153,465
CONGRESSIONAL ACTION OVER(+)/UNDER(–) LIMITS	+792	–2,229

Key: C = Bill reported out by committee; F = Bill passed by House or by Senate; CN = Conference Report

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 2017 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 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.

However, should appropriations be enacted before the end of 2016 that lead to a 2016 category breach, then in its 2017 final sequestration report, OMB would adjust the 2017 limit for that category downward by the amount of the breach, pursuant to section 251(a)(5) of BBEDCA.

Status of 2017 discretionary appropriations.—Table 4 presents preliminary OMB scoring of the latest House and Senate action for the 12 annual appropriations bills. Based on these levels, the House bills are estimated to be over both the defense and non-defense caps by \$17 million and \$775 million, respectively. At the same time, OMB estimates show that the Senate would not breach either cap.

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, passed, or conferenced House or Senate bill.
- Table 4 also includes a separate section by bill that adds OMB's assumptions for the *anticipated* adjustments from Table 2 to the caps for emergency requirements (including wildfire suppres-

sion), OCO/GWOT, CDR's and redeterminations, HCFAC, and disaster relief funding. As noted previously, the level on Table 2 is used even if the House or Senate bill provides an alternate level so that any differences are for base scoring, which is effectively what determines if sequestration takes place.

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 2016 through 2021. CBO uses the discretionary limits from OMB's 2017 sequestration preview report as a starting point for adjustments in its sequestration update report. CBO's estimates for 2016 and 2017 are the same as OMB's estimates for both categories. For 2018 through 2021, CBO begins with the same levels as OMB for the defense and non-defense limits. However, CBO includes approximate adjustments to the 2018-2021 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)

	2016	2017	2018	2019	2020	2021
CBO Update Report Limit	606,891	551,068	549,039	562,041	576,044	590,047
OMB Update Report Limit	606,891	551,068	603,000	616,000	630,000	644,000
<u>Difference +/-</u>	<u>.....</u>	<u>.....</u>	<u>+53,961</u>	<u>+53,959</u>	<u>+53,956</u>	<u>+53,953</u>
CBO Update Report Limit	542,982	518,531	515,393	529,376	542,420	554,634
OMB Update Report Limit	542,982	518,531	553,000	566,000	578,000	590,000
<u>Difference +/-</u>	<u>.....</u>	<u>.....</u>	<u>+37,607</u>	<u>+36,624</u>	<u>+35,580</u>	<u>+35,366</u>
CBO Update Report,						
Total Discretionary	1,149,873	1,069,599	1,064,432	1,091,417	1,118,464	1,144,681
OMB Update Report,						
Total Discretionary	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000
<u>Difference +/-</u>	<u>.....</u>	<u>.....</u>	<u>+91,568</u>	<u>+90,583</u>	<u>+89,536</u>	<u>+89,319</u>

III. PREVIEW ESTIMATE OF THE DISASTER FUNDING ADJUSTMENT FOR FISCAL YEAR 2017

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 2017. The first part of the calculation of the ceiling in 2017 is outlined in Table 6. The total budget authority appropriated for disaster relief over the 2007 through 2016 period is \$79.5 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 2017 is therefore \$6,968 million. For 2007 through 2015, there were no changes to the data included in the *OMB Sequestration Update Report to the President and Congress for Fiscal Year 2016*.⁵

The second part of the calculation requires the determination of the amount of carryover from the prior year. In the prior year (2016), the allowable adjustment was \$14,125 million, and, as noted previously, the Congress provided a total of only \$7,143 million for FEMA’s DRF program, a number of accounts in USDA, and HUD’s Community Development Fund. To date, the level of appropriations enacted in 2016 that has been designated for disaster relief is \$6,982 million below the 2016 ceiling. However, pursuant to section 251(b)(2)(D)(i)(II) of BBEDCA, any unused carryover

⁵ For a full account of OMB’s analysis and methodology, see “OMB Report on Disaster Relief Funding,” available at: https://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/disaster_relief_report_sept2011.pdf.

Table 6. SUMMARY OF AVERAGE FUNDING PROVIDED FOR DISASTER RELIEF FOR 2007 THROUGH 2016

(Discretionary budget authority in millions of dollars)

Year	Budget Authority
2007	5,446
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	7,143

2007–2016	
Total Budget Authority	79,541
Low (2011)	2,473
High (2008)	21,323
Average (dropping high/low)	6,968

from 2015 (\$5,384 million) cannot carry forward into the calculation of the 2017 preview estimate. As a result, the \$6,982 million level is reduced by the 2015 carryover of \$5,384 million which leaves \$1,598 million as the underage that carries forward into the calculation of the 2017 preview adjustment. Therefore, pursuant to the formula in sections 251(b)(2)(D)(i) (I) and (II) of the BBEDCA, the ceiling for the disaster relief adjustment in 2017 will be \$8,566 million. That amount is equal to \$6,968 million (the average

for 2016) plus \$1,598 million (the difference between the enacted amount and the allowable adjustment as calculated for the prior year). If supplemental appropriations are enacted before the end of 2016 that are designated for disaster relief, the ceiling for 2017 will change. It is important to note that no actual adjustment to the caps will occur unless the Congress enacts appropriations that it specifically designates as being for disaster relief pursuant to BBEDCA.