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



February 9, 2016

TABLE OF CONTENTS

PAGE

Transmittal Letter

I.	Introduction.....	1
II.	Discretionary Sequestration Preview Report	3

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

February 9, 2016

The Honorable Paul D. Ryan
Speaker of the
House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

Enclosed please find the *OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2017*. It has been prepared pursuant to section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended.

As required by law, the Preview Report, the first of the three required sequestration reports for 2017, sets forth estimates for the current year and each subsequent year through 2021 of the applicable discretionary spending limits for each category. This includes any adjustments based on current law 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 2017 Budget.

Sincerely,

A handwritten signature in blue ink, appearing to read "Shaun Donovan". The signature is fluid and cursive, with a long horizontal stroke at the end.

Shaun Donovan
Director

Enclosure

Identical Letter Sent to The President and
The Honorable Joseph R. Biden, Jr.

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 2013 and 2014 limits were revised by the American Taxpayer Relief Act of 2012 (ATRA) and the 2014 and 2015 limits were further revised by the Bipartisan Budget Act of 2013 (2013 BBA). The 2016 and 2017 limits were revised by section 101(a) of Public Law 114-74, the Bipartisan Budget Act of 2015 (2015 BBA).

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 2017, provides the status of the discretionary limits for the current year and each year thereafter through 2021 as of the end of the first session of the 114th Congress based on current law. No adjustments to the budget year (2017) caps are included in this report since those limits were set in the 2015 BBA, and no additional legislation has been enacted that would require an adjustment to those caps. Additionally, since no legislation has been enacted that replaces the Joint Committee reductions to the caps for discretionary programs beyond 2017, under current law these reductions to the discretionary caps will return in 2018.

This report describes the President's proposals to replace most of the discretionary cap reductions scheduled to take place in 2018 through 2021 while extending the discretionary caps through 2026.

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 2017 adjustment for disaster funding. OMB will issue a final sequestration report for 2017 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 has been 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 most recent President's 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 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 originally specified for 2012 and 2013 separate “security” and “nonsecurity” categories¹ for discretionary programs and then a single category for all discretionary spending referred to as the “discretionary” category for each year after 2013. Section 302 of the BCA revised these caps because the Congress failed 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 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 was defined to consist of all discretionary programs not in the revised security category—essentially all non-defense (non-050) budget functions (the “non-defense” category). Although ATRA reinstated the security and nonsecurity categories for 2013 at lower levels, the defense and non-defense categories were left in place for 2014 through 2021 and were reflected in the 2013 BBA.

Section 251A of BBEDCA requires an annual reduction in the caps as part of the Joint Committee reductions. In OMB’s Sequestration Preview Report for 2016², the 2016 defense cap was reduced by \$53.9 billion and the non-defense cap was reduced by \$36.5 billion. The 2015 BBA restored \$25.0 billion each (\$50.0 billion in total) to the defense and non-defense categories for 2016. The 2015 BBA also cancelled the Joint Committee reductions to the defense and non-defense caps that would have taken place for 2017 and instead reduced the defense cap by \$38.9 billion and the non-defense cap by \$22.5 billion from the original BCA levels. The 2015 BBA, however, did not cancel Joint Committee reductions after 2017 and, in the absence of any further congressional action, section 251A of BBEDCA will require reductions to the discretionary caps for 2018 through 2021. Any reductions in 2018 through 2021 will be made 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 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 subsequent redefinition in the BCA, the ATRA, the 2013 BBA, and the 2015 BBA. Table 1 also summarizes the changes to these limits proposed in the 2017 Budget, which are discussed in more detail in the proposed changes and anticipated adjustments sections below.

¹ For more information on the structure of the original security and non-security categories, see any of OMB’s sequestration reports to the President and Congress for fiscal years 2012 through 2014 on OMB’s website: http://www.whitehouse.gov/omb/legislative_reports/sequestration.

² See “OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2016” and “OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2016” on OMB’s website for more information: http://www.whitehouse.gov/omb/legislative_reports/sequestration.

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2017 BUDGET

(Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
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							
Nonsecurity Category	359.0	361.0	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
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							
Nonsecurity Category	-361.0	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
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
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
Adjustments to limits pursuant to section 901(d) of ATRA:															
Security Category	+684.0	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							
Defense Category	N/A	-546.0	-4.0	.....	.....	.....	.....	.....	.....	.....	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
Joint Select Committee on Deficit Reduction Enforcement:															
Defense Category	N/A	N/A	-53.9	.....	-53.9	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	-36.6	.....	-36.5	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A
Adjustments pursuant to section 101(a) of 2013 BBA:															
Defense Category	N/A	N/A	+22.4	-44.7	.....	.....	.....	.....	.....	.....	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
Adjustments pursuant to section 101(a) of 2015 BBA:															
Defense Category	N/A	N/A	N/A	N/A	+25.0	-38.9	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	N/A	N/A	+25.0	-22.5	.....	.....	.....	.....	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
Defense Category	N/A	N/A	+85.4	+64.5	+58.8	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	+6.5	+9.3	+14.9	.....	.....	.....	.....	.....	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							
Nonsecurity Category	+34.6	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
Non-Defense Category	N/A	N/A	.....	+5.3	+0.8	.....	.....	.....	.....	.....	N/A	N/A	N/A	N/A	N/A
Program Integrity:															
Nonsecurity Category	+0.5	+0.5	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2017 BUDGET—Continued

(Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Non-Defense Category	N/A	N/A	+0.9	+1.5	+1.5	.....	.....	.....	.....	.....	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								
Nonsecurity Category	+4.1	N/A	N/A	N/A	N/A	N/A								
Non-Defense Category	N/A	N/A	+5.6	+5.7	+7.1	N/A	N/A	N/A	N/A	N/A
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	.....	.....	.....	.....	.....	.....	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
Revised Limits Included in the OMB Preview Report:															
Security Category	816.9	801.5	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								
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
Defense Category	N/A	N/A	606.3	585.9	606.9	551.1	603.0	616.0	630.0	644.0	N/A	N/A	N/A	N/A	N/A
Non-Defense Category	N/A	N/A	504.8	514.1	543.0	518.5	553.0	566.0	578.0	590.0	N/A	N/A	N/A	N/A	N/A
President's Proposed Changes to Discretionary Limits in the 2017 Budget:															
New Budget Proposals:															
Revise and extend limits to 2026:															
Defense Category	N/A	N/A	.....	.....	.....	.....	-18.5	-23.4	-31.3	-29.7	+624.0	+636.0	+648.0	+661.0	+674.0
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	-1.5	-5.4	-12.3	-9.7	+590.0	+602.0	+614.0	+627.0	+640.0
Reclassification of Surface Transportation accounts:															
Non-Defense Category	N/A	N/A	.....	.....	.....	-4.4	-4.5	-4.6	-4.7	-4.8	-4.9	-5.0	-5.1	-5.2	-5.3
Reduction of base Labor program integrity funding:															
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2
Reclassification of Contract Support Costs:															
Non-Defense Category	N/A	N/A	.....	.....	.....	.....	-1.1	-1.1	-1.1	-1.2	-1.2	-1.2	-1.2	-1.3	-1.3
New program integrity adjustments for Labor UI and IRS:															
Non-Defense Category	N/A	N/A	.....	.....	.....	+0.5	+0.9	+1.3	+1.7	+2.0	+2.1	+2.2	+2.2	+2.2	+2.2
New wildfire suppression adjustments for Agriculture and Interior:															
Non-Defense Category	N/A	N/A	.....	.....	.....	+1.2	+1.2	+1.2	+1.2	+1.2	+1.3	+1.3	+1.3	+1.4	+1.4
Anticipated adjustments pursuant to section 251(b)(2) of BBEDCA:															
OCO/GWOT:															
Defense Category	N/A	N/A	.....	.....	.....	+58.8	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category	N/A	N/A	.....	.....	.....	+14.9	+11.0	+11.0	+11.0	+11.0	.....	.....	.....	.....	.....
Program Integrity:															
Non-Defense Category	N/A	N/A	.....	.....	.....	+2.0	+1.9	+1.9	+1.8	+1.8	+1.9	+1.9	+2.0	+2.1	+2.1

Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2017 BUDGET—Continued
 (Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Disaster Relief:															
Non-Defense Category	N/A	N/A	.....	.....	.....	+6.9	.....	.....	.....	.....	.....	.....	.....	.....	.....
President's proposed limits in the 2017 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
Defense Category	N/A	N/A	606.3	585.9	606.9	609.9	584.5	592.6	598.7	614.3	624.0	636.0	648.0	661.0	674.0
Non-Defense Category	N/A	N/A	504.8	514.1	543.0	539.6	560.7	570.1	575.4	590.2	589.1	601.0	613.0	626.0	639.0

N/A = Not Applicable

Table 2. PREVIEW REPORT DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW

(Discretionary budget authority in millions of dollars)

	2016	2017	2018	2019	2020	2021
<u>DEFENSE (OR “REVISED SECURITY”) CATEGORY</u>						
2016 Final Sequestration Report Spending Limit	606,891	551,068	603,000	616,000	630,000	644,000
No changes						
<u>2017 Preview Report Spending Limit</u>	<u>606,891</u>	<u>551,068</u>	<u>603,000</u>	<u>616,000</u>	<u>630,000</u>	<u>644,000</u>
<u>NON-DEFENSE (OR “REVISED NONSECURITY”) CATEGORY</u>						
2016 Final Sequestration Report Spending Limit	542,982	518,531	553,000	566,000	578,000	590,000
No changes						
<u>2017 Preview Report Spending Limit</u>	<u>542,982</u>	<u>518,531</u>	<u>553,000</u>	<u>566,000</u>	<u>578,000</u>	<u>590,000</u>
<u>TOTAL DISCRETIONARY SPENDING</u>						
2016 Budget Preview Report, Total Discretionary Spending	1,016,582	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
2016 Final Sequestration Report, Discretionary Spending	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000
2017 Budget Preview Report, Total Discretionary Spending	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000

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 would have been required to the 2017 discretionary spending limits. However, the 2015 BBA cancelled these reductions and set revised caps for 2017 with \$551.1 billion for the defense category and \$518.5 billion for the non-defense category. OMB set the 2017 caps to these levels in its Final Sequestration Report for 2016 and they remain as the respective current law caps in Table 2. OMB will be required to implement reductions to the discretionary caps when it issues preview reports for future years unless legislation is enacted to cancel the Joint Committee reductions.

However, as discussed above, since those reductions are not required at this time and will need to be recalculated based on the estimates of direct spending programs in future President’s Budgets, the discretionary defense and non-defense limits for 2018 through 2021 remain unadjusted at this point.

Proposed Changes to the Discretionary Limits

In October 2015, the President worked with congressional leaders from both parties to secure another two-year budget agreement: the 2015 BBA. Like its predecessor (the 2013 BBA), this agreement represented continued progress in moving away from manufactured crises and austerity budgeting by replacing a portion of harmful Joint Committee reductions with a smarter mix of revenues and spending reforms, including a number of reforms proposed in previous President’s Budgets, and investing equally in the economy and national security. However, not fully replacing the cap reductions in 2017 has its consequences, including hindering the ability to make

needed investments in research and development. In addition, the return of Joint Committee reductions in 2018 will further threaten the ability to provide sufficient resources for national security, domestic investments, and core Government functions that are required to ensure the Nation is achieving its full potential in a growing economy. The President's 2017 Budget confronts these challenges and builds on the progress made with the recent budget agreements by including several proposals to revise the discretionary caps, which are all reflected in Table 3.

The President's 2017 Budget adheres to the defense and non-defense spending limits enacted in the 2015 BBA. After 2017, the Budget once again proposes to replace the Joint Committee reductions with balanced deficit reduction and restore discretionary spending to levels that would continue to support economic growth, opportunity, and safety and security. These additional discretionary resources will be offset by cutting inefficient spending and closing tax loopholes. In addition to cancelling the 2017 mandatory sequestration order and replacing the automatic mandatory reductions required in future years, the 2017 Budget adjusts upward the 2018 through 2021 defense and non-defense caps from where they otherwise would be under Joint Committee reductions. The outyear cap increases—which are shown as reductions to the preview report spending limits since, as described above, those limits have yet to be reduced pursuant to section 251A of BBEDCA—will provide modest growth for discretionary investments. The Budget provides comparable increases to the defense and non-defense caps, and extends both caps to 2026. Ending the Joint Committee reductions will allow investments to go forward that will strengthen the economy and drive growth and opportunity by improving the education and skills of the U.S. workforce, accelerating scientific discovery, and creating jobs through pro-work, pro-family initiatives. Ending these reductions is also necessary to address critical national security priorities and fund our national defense in a fiscally responsible manner.

The President's Budget also includes proposed changes in concepts and definitions that would reclassify as mandatory, as part of a clean transportation plan authorization proposal, certain surface transportation accounts that are currently funded as discretionary from the General Fund. This reclassifica-

tion is set to begin at the start of 2017. In addition, the Budget proposes to reclassify as mandatory three more programs beginning in 2018. These reclassifications include Contract Support Costs in the Bureau of Indian Affairs and the Indian Health Service as well as unemployment insurance and reemployment services in the Department of Labor. These proposed changes are included on Table 3 and are discussed more fully in the "Budgetary Treatment of Surface Transportation Infrastructure Funding," "Contract Support Costs," and "Program Integrity Funding" sections of the Budget Process chapter in the *Analytical Perspectives* volume of the President's 2017 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. In 2016, a combined \$785 million was enacted as emergency requirements 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. As required by the 2016 CAA, OMB estimates for the IMF provisions were made on a present value basis with an adjustment for market risk. In 2017, the President's Budget includes a transfer of emergency balances to the Community Planning and Development account in

Table 3. PROPOSED CHANGES TO THE DISCRETIONARY SPENDING LIMITS

(Discretionary budget authority in millions of dollars)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
DEFENSE (OR "REVISED SECURITY") CATEGORY											
2017 Preview Report Spending Limit	606,891	551,068	603,000	616,000	630,000	644,000	N/A	N/A	N/A	N/A	N/A
Revise 2018–2021 caps and extend to 2026			-18,531	-23,385	-31,327	-29,739	+624,000	+636,000	+648,000	+661,000	+674,000
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT											
Proposed Spending Limit	606,891	609,868	584,469	592,615	598,673	614,261	624,000	636,000	648,000	661,000	674,000
NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY											
2017 Preview Report Spending Limit	542,982	518,531	553,000	566,000	578,000	590,000	N/A	N/A	N/A	N/A	N/A
Revise 2018–2021 caps and extend to 2026			-1,531	-5,385	-12,327	-9,739	+590,000	+602,000	+614,000	+627,000	+640,000
Proposed change in concepts and definitions for reclassification of general fund Surface Transportation accounts		-4,401	-4,481	-4,574	-4,669	-4,765	-4,862	-4,963	-5,063	-5,168	-5,275
Proposed change in concepts and definitions for reclassification of Labor UI program integrity				-154	-157	-160	-163	-166	-170	-173	-177
Proposed change in concepts and definitions for reclassification of contract support costs			-1,097	-1,120	-1,141	-1,164	-1,188	-1,211	-1,236	-1,260	-1,286
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 of BBEDCA for OCO/GWOT			+14,894	+10,988	+10,987	+10,987					
Anticipated adjustments pursuant to Section 251(b)(2)(B) of BBEDCA for OCO/GWOT of BBEDCA for CDRs and Redeterminations		+1,546	+1,462	+1,410	+1,309	+1,302	+1,341	+1,382	+1,423	+1,466	+1,509
Anticipated adjustments pursuant to Section 251(b)(2)(C) of BBEDCA for OCO/GWOT of BBEDCA for HCFAC		+414	+434	+454	+475	+496	+518	+541	+565	+590	+616
Anticipated adjustments pursuant to Section 251(b)(2)(D) of BBEDCA for Disaster Relief		+6,868									
Proposed adjustments for Internal Revenue Service Program Integrity		+514	+938	+1,300	+1,667	+2,042	+2,141	+2,160	+2,185	+2,211	+2,237
Proposed adjustments for Unemployment Insurance Program Integrity		+35									
Proposed adjustments for Agriculture and Interior Wildfire Suppression		+1,154	+1,177	+1,201	+1,225	+1,249	+1,274	+1,300	+1,325	+1,352	+1,380
Subtotal, Anticipated Non-Defense Adjustments		+25,425	+14,999	+15,352	+15,663	+16,076	+5,274	+5,383	+5,498	+5,619	+5,742
Proposed Spending Limit	542,982	539,555	560,736	570,116	575,366	590,245	589,058	601,039	613,026	626,014	639,001
TOTAL DISCRETIONARY SPENDING											
Final 2016 Sequestration Report, Total Discretionary Spending	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000	N/A	N/A	N/A	N/A	N/A
2017 Preview Report, Total Discretionary Spending	1,149,873	1,069,599	1,156,000	1,182,000	1,208,000	1,234,000	N/A	N/A	N/A	N/A	N/A
2017 Budget Proposed, Total Discretionary Spending	1,149,873	1,149,423	1,145,205	1,162,731	1,174,039	1,204,506	1,213,058	1,237,039	1,261,026	1,287,014	1,313,001

N/A = Not Applicable

the Department of Housing and Urban Development and a repurposing of emergency balances in the Department of State for malaria control. In both cases, the Budget language includes the appropriate redesignation of the balances as an emergency requirement. However, the Budget does not propose any net new emergency funding for 2017.

Appropriations for 2016 for the Defense, Homeland Security, and State and Foreign Operations subcommittees, provided a total of \$73,686 million (including rescissions) for OCO/GWOT purposes for 2016. This adjustment was made in OMB's Final Sequestration Report for 2016. For 2017, the President's Budget abides by the agreement in the 2015 BBA by providing a total of \$73,693 million for OCO/GWOT activities with \$58,798 million for defense programs and \$14,895 million for international programs³. The Budget also displays a cap adjustment of nearly \$11.0 billion for OCO/GWOT activities for each year in 2018 through 2021. The placeholder amounts continue to reflect a total OCO budget authority cap from 2013 to 2021 of \$450 billion, in line with previous years' policy, but do not reflect any specific decisions or assumptions about OCO funding in any particular year. The DOD OCO/GWOT amounts are allocated to the defense category in Table 3, while the international and outyear placeholder amounts are allocated to the non-defense category.

Continuing Disability Reviews (CDRs) and Redeterminations.—Section 251(b)(2)(B) of BBEDCA authorizes an adjustment of the caps by the amounts appropriated for CDRs and redeterminations in the Social Security Administration (SSA). 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 2016 CAA provided \$1,153 million as a cap adjustment—\$30 million more than was provided

in 2015, but \$13 million below the allowable adjustment specified for 2016 in BBEDCA. This adjustment was made in OMB's Final Sequestration Report for 2016. The adjustment for CDRs and redeterminations was fully funded in the appropriations process for both 2014 and 2015 and nearly fully funded in 2016. In addition, 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. This increase to the authorized levels is meant to expand the use of funds to include Cooperative Disability Investigations, as well as 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 3 with cap adjustments aligned with the authorized levels in BBEDCA included for each year thereafter. 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 Budget continues the cap adjustment for SSA program integrity through 2026, in order to avoid developing a backlog of reviews during the budget window. 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 2017 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. 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 2016 CAA, the base \$311 million level and the cap adjustment level of \$370 million were provided—\$9 million more than was provided in 2015, but \$25 million below the maximum allowable adjustment permitted by BBEDCA. OMB's Final Sequestration Report for 2016 included the adjustment of \$370 million for this funding. The 2017

³ The 2017 OCO/GWOT amounts recorded on Table 3 are \$2 million higher for defense programs and \$1 million lower for international programs due to account-by-account rounding in whole millions.

Budget fully funds the base amount for this program and includes the full cap adjustment of \$414 million permitted by BBEDCA for 2017 with cap adjustments aligned with BBEDCA shown 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 2017 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 2016 adjustment, OMB determined a preview estimate of \$14,125 million. In the 2016 CAA, the Congress provided total appropriations of \$7,143 million, with \$6,713 million for the Federal Emergency Management Agency’s (FEMA’s) Disaster Relief Fund (DRF) account; \$130 million for the Department of Agriculture’s Emergency Forest Restoration Program, Emergency Conservation Program, and Watershed and Flood Prevention Operations accounts; and \$300 million for the Department of Housing and Urban Development’s Community Development Fund. OMB’s Final Sequestration Report for 2016 allocated these combined adjustments to the non-defense category. The amounts provided for 2016 are \$6,982 million below the allowable adjustment. However, pursuant to section 251(b)(2)(D)(i)(II) of BBEDCA, any unused carryover from 2015 (\$5,384 million) cannot carry forward into the calculation of the 2017 preview estimate. As a result, only \$1,598 million of this total underage will carry forward into the calculation of the 2017 preview adjustment in OMB’s August 2016 Sequestration Update Report for Fiscal Year 2017 if no further appropriations are provided in 2016 that

are designated for disaster relief. The 2017 Budget requests \$6,868 million in funding in two accounts to be designated for disaster relief by the Congress: \$6,709 million in FEMA’s DRF to cover the costs of Presidentially-declared major disasters, including identified costs for previously declared catastrophic events and the predictable annual cost of non-catastrophic events expected to obligate in 2017, and \$159 million in the Small Business Administration’s Disaster Loans Program Account for administrative expenses. Both of these amounts are shown on Table 3 as an anticipated cap adjustment 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 2017 Budget for a full description of this adjustment and the Administration’s 2017 request.

New Cap Adjustment Proposals

Program Integrity.—In addition to the adjustments discussed above, the 2017 Budget proposes to amend section 251(b)(2) of BBEDCA by adding two new discretionary cap adjustments related to program integrity efforts. These new adjustments are for tax enforcement, including tax compliance to address the Federal tax gap, via the Internal Revenue Service’s (IRS) Enforcement and Operations Support accounts and the Alcohol and Tobacco Tax and Trade Bureau (TTB), and for in-person reemployment and eligibility assessments, unemployment insurance improper payment reviews, and reemployment services by the Department of Labor. The adjustments would be permitted if the underlying appropriations bill provides a base level of funding for these activities. These new adjustments total \$514 million for IRS and TTB and \$35 million for Labor in 2017 and are included in Table 3 as proposed adjustments to the non-defense limits in all years. As noted above, the base for the Labor program is proposed to be reclassified as mandatory starting in 2018, therefore, this cap adjustment is for 2017 only. For more information on these new adjustments, see the “Program Integrity Funding” section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2017 Budget.

Wildfire Suppression Operations.—The 2017 Budget also proposes to amend section 251(b)(2) of BBEDCA by adding a new discretionary cap adjustment for

wildfire suppression operations at the Departments of Agriculture and of the Interior. The proposal allows for a maximum permissible adjustment of \$1.4 billion in 2017 that increases to \$2.7 billion by 2023 and remains at that level thereafter. The adjustment is permitted if the underlying appropriations bill provides a base funding level equal to 70 percent of the average costs for wildfire suppression operations over the previous 10 years to ensure that the cap adjustment is only used for the most severe fire activity, since it is one percent of fires that cause 30 percent of costs. The permissible adjustment is a ceiling, not a target. Moreover, the adjustment would not increase overall discretionary spending because the existing disaster relief cap adjustment ceiling would be reduced by the amount provided for wildfire suppression operations under the cap adjustment for the preceding fiscal year. At this time, the Administration is requesting that only \$1.2 billion be funded by the wildfire suppression operations cap adjustment in 2016 (\$864 million in Agriculture and \$290 million in Interior), which is shown as a proposed adjustment to the non-defense limits in all years. If the cap adjustment is enacted, additional requests might be transmitted at a later time, as additional information about the severity of the fire season becomes known. For 2018 through 2026, the cap adjustment levels are placeholders that increase at the policy growth rates in the President's Budget. Those amounts will be refined in subsequent Budgets, as data on the average costs for

wildfire suppression are updated annually. For more information on this new adjustment, see the "Proposed Adjustment to the Discretionary Spending Limits for Wildfire Suppression Operations at the Departments of Agriculture and the Interior" section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2017 Budget.

Decennial Census.—This proposal would amend section 251(b)(2) of BBEDCA to allow for an adjustment to discretionary spending limits for the cyclical increase in decennial census operations. The adjustment is designed to provide the Census Bureau with funding certainty so that investments in cost-saving technology can be made with confidence, which would lower the life cycle cost of the 2020 Census and future decennial censuses while avoiding either a large emergency appropriation for a predictable funding need in 2020 or unnecessary trade-offs with other discretionary programs as Census funding needs squeeze out other discretionary spending. The 2018 through 2026 caps currently do not reflect this proposal, therefore, there is no adjustment displayed on Table 3. More information on this proposal can be found in the "Proposed Adjustment to the Discretionary Spending Limits for Decennial Census at the Department of Commerce" section of the Budget Process chapter of the *Analytical Perspectives* volume of the 2017 Budget.