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# OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2015

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March 10, 2014



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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

March 10, 2014

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

Enclosed please find the *OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2015*. 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 2015, 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 2015 Budget.

Sincerely,

A handwritten signature in cursive script that reads "Sylvia M. Burwell".

Sylvia M. Burwell  
Director

Enclosure

Identical Letter Sent to The Honorable Joseph R. Biden, Jr.  
and The Honorable John A. Boehner



## I. INTRODUCTION

The Budget Control Act of 2011 (BCA), *P.L. 112-25*, amended the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA) by reinstating limits on discretionary budget authority, which expired after 2002. The 2013 and 2014 limits were revised further by the American Taxpayer Relief Act of 2012 (ATRA), *P.L. 112-240*. The 2014 and 2015 limits were then revised by the Bipartisan Budget Act of 2013 (BBA), *P.L. 113-67*.

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 2015, 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 113th Congress based on current law. No adjustments to the budget year (2015) caps are included in this report since those limits were set in BBA, and there have been no further events that would trigger a cap adjustment subsequent to BBA's enactment. This report also describes the President's proposals to raise the 2015 caps as part of the Opportunity, Growth, and Security Initiative, replace most of the cap reductions scheduled to take place in 2016 through 2021, and extend the caps through 2024.

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 2015 adjustment for disaster funding. OMB will issue a final sequestration report for 2015 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 for implementing 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 contain, 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, as amended by BCA, ATRA, and BBA, 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 discretionary budget authority and outlays 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.

Section 251 of BBEDCA originally specified for 2012 and 2013 separate “security” and “nonsecurity” categories<sup>1</sup> 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 BCA revised these caps because the Joint Select Committee on Deficit Reduction 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 did reinstate the security and nonsecurity categories for 2013 at lower levels, the defense and non-defense categories were put in place for 2014 through 2021, replacing the overall discretionary category for those years.

In OMB’s Sequestration Preview Report for 2014<sup>2</sup> the 2014 caps were reduced pursuant to section 251A of BBEDCA as part of the Joint Committee reductions. The defense cap was reduced by \$53.9 billion and the non-defense cap was reduced by \$36.6 billion. BBA, however, restored \$22.4 billion each (\$44.8 billion in total) to the defense and non-defense categories for 2014. BBA also cancelled the Joint Committee reductions to the defense and non-defense caps that would have taken place for 2015 and instead reduced the defense cap by \$44.7 billion and the non-defense cap by \$27.6 billion from the original BCA levels. In the absence of further congressional action, section 251A of BBEDCA requires reductions to the revised discretionary caps for 2016 through 2021 similar to those that occurred to the 2014 caps in OMB’s Sequestration Preview Report for 2014. The precise amount of those reductions is not known at this time. The amount depends in part on the relative size of sequestrable mandatory outlays in the baseline for those Budgets, and the cap adjustments are required to be made when OMB issues its Joint Committee sequestration reports for each of those years. Therefore, those future cap reductions are not reflected in the revised limits used in this report.

<sup>1</sup> For more information on the structure of the original security and nonsecurity 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](http://www.whitehouse.gov/omb/legislative_reports/sequestration).

<sup>2</sup> See “OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2014 and OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2014 (Corrected Version)” on OMB’s website for more information: [http://www.whitehouse.gov/omb/legislative\\_reports/sequestration](http://www.whitehouse.gov/omb/legislative_reports/sequestration).

Table 1 summarizes the history of changes that have occurred to the discretionary caps since their reinstatement and subsequent redefinition in BCA, ATRA, and BBA. Table 1 also summarizes the changes to these limits proposed in the 2015 Budget, which are discussed in more detail in the proposed and anticipated adjustments section below.

**Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2015 BUDGET**  
(Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>Original limits set in Title I of the Budget Control Act of 2011:</b>													
Security Category.....	684.0	686.0	N/A	N/A	N/A	N/A							
Nonsecurity Category.....	359.0	361.0	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
Redefinition of limits pursuant to section 251A of BBEDCA:													
Security Category.....		-686.0	N/A	N/A	N/A	N/A							
Nonsecurity Category.....		-361.0	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
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
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
Adjustments to limits pursuant to section 901(d) of ATRA:													
Security Category.....		+684.0	N/A	N/A	N/A	N/A							
Nonsecurity Category.....		+359.0	N/A	N/A	N/A	N/A							
Defense Category.....	N/A	-546.0	-4.0								N/A	N/A	N/A
Non-Defense Category.....	N/A	-501.0	-4.0								N/A	N/A	N/A
Joint Select Committee on Deficit Reduction Enforcement:													
Defense Category.....	N/A	N/A	-53.9								N/A	N/A	N/A
Non-Defense Category.....	N/A	N/A	-36.6								N/A	N/A	N/A
Adjustments pursuant to section 101(a) of BBA:													
Defense Category.....	N/A	N/A	+22.4	-44.7							N/A	N/A	N/A
Non-Defense Category.....	N/A	N/A	+22.4	-27.6							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							
Defense Category.....	N/A	N/A	+85.4								N/A	N/A	N/A
Non-Defense Category.....	N/A	N/A	+6.5								N/A	N/A	N/A
Emergency Requirements:													
Security Category.....		+7.0	N/A	N/A	N/A	N/A							
Nonsecurity Category.....		+34.6	N/A	N/A	N/A	N/A							
Program Integrity:													
Nonsecurity Category.....	+0.5	+0.5	N/A	N/A	N/A	N/A							
Non-Defense Category.....	N/A	N/A	+0.9								N/A	N/A	N/A
Disaster Relief :													
Security Category.....	+6.4	+11.8	N/A	N/A	N/A	N/A							
Nonsecurity Category.....	+4.1		N/A	N/A	N/A	N/A							
Non-Defense Category.....	N/A	N/A	+5.6								N/A	N/A	N/A
Adjustments pursuant to section 7 of the Consolidated Appropriations Act, 2014:													
Defense Category.....	N/A	N/A	+0.2								N/A	N/A	N/A
Non-Defense Category.....	N/A	N/A									N/A	N/A	N/A
<b>Revised Limits Included in the OMB Preview Report:</b>													
Security Category.....	816.9	801.5	N/A	N/A	N/A	N/A							
Nonsecurity Category.....	363.5	394.1	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
Defense Category.....	N/A	N/A	606.1	521.3	577.0	590.0	603.0	616.0	630.0	644.0	N/A	N/A	N/A
Non-Defense Category.....	N/A	N/A	504.8	492.4	530.0	541.0	553.0	566.0	578.0	590.0	N/A	N/A	N/A

**Table 1. OVERVIEW OF CHANGES TO DISCRETIONARY SPENDING LIMITS AND THE PRESIDENT'S PROPOSED LIMITS IN THE 2015 BUDGET—Continued**  
(Discretionary budget authority in billions of dollars)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>President's Proposed Changes to Discretionary Limits in the 2015 Budget:</b>													
<b>New Budget Proposals:</b>													
2015 Opportunity, Growth, and Security Initiative:													
Defense Category.....	N/A	N/A	.....	+27.7	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category.....	N/A	N/A	.....	+27.6	.....	.....	.....	.....	.....	.....	.....	.....	.....
Revise and extend limits to 2024:													
Defense Category.....	N/A	N/A	.....	.....	-16.0	-21.0	-25.0	-30.0	-35.0	-40.0	+614.0	+629.0	+646.0
Non-Defense Category.....	N/A	N/A	.....	.....	.....	-4.0	-8.0	-12.0	-16.0	-20.0	+580.0	+595.0	+612.0
Reclassification of Surface Transportation accounts:													
Non-Defense Category.....	N/A	N/A	.....	-4.3	-4.4	-4.5	-4.6	-4.6	-4.7	-4.8	-4.9	-5.0	-5.1
Reductions of base program integrity funding for shift to mandatory:													
Non-Defense Category.....	N/A	N/A	.....	.....	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
New program integrity adjustments for IRS and UI:													
Non-Defense Category.....	N/A	N/A	.....	+0.5	+0.9	+1.3	+1.6	+2.0	+2.1	+2.2	+2.2	+2.3	+2.4
New wildfire suppression adjustments for Agriculture and Interior:													
Non-Defense Category.....	N/A	N/A	.....	+1.2	+1.2	+1.2	+1.3	+1.3	+1.3	+1.4	+1.4	+1.4	+1.5
<b>Anticipated adjustments pursuant to section 251(b)(2) of BBEDCA:</b>													
OCO/GWOT:													
Defense Category.....	N/A	N/A	.....	+79.4	.....	.....	.....	.....	.....	.....	.....	.....	.....
Non-Defense Category.....	N/A	N/A	.....	+5.9	+29.9	+29.9	+29.9	+29.9	+29.9	+29.9	.....	.....	.....
Program Integrity:													
Non-Defense Category.....	N/A	N/A	.....	+1.1	.....	.....	.....	.....	.....	.....	.....	.....	.....
Disaster Relief:													
Non-Defense Category.....	N/A	N/A	.....	+6.6	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>President's proposed limits in the 2015 Budget:</b>													
Security Category.....	816.9	801.5	N/A	N/A	N/A								
Nonsecurity Category.....	363.5	394.1	N/A	N/A	N/A								
Discretionary Category.....	N/A	N/A	N/A										
Defense Category.....	N/A	N/A	606.1	628.4	561.0	569.0	578.0	586.0	595.0	604.0	614.0	629.0	646.0
Non-Defense Category.....	N/A	N/A	504.8	531.0	557.1	564.4	572.7	582.1	590.1	598.1	578.1	593.1	610.1

N/A = Not Applicable

**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 2015 discretionary spending limits. However, BBA cancelled these reductions and set revised caps for 2015—\$521.2 billion for the defense category and \$492.4 billion for the non-defense category. OMB set the 2015 caps to these levels in its Final Sequestration Report for 2014 and they remain as the 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 Budgets, the

**Table 2. PREVIEW REPORT DISCRETIONARY SPENDING LIMITS UNDER CURRENT LAW**  
(Discretionary budget authority in millions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021
<b><u>DEFENSE (OR "REVISED SECURITY") CATEGORY</u></b>								
Final Sequestration Report Spending Limit.....	606,065	521,272	577,000	590,000	603,000	616,000	630,000	644,000
No changes								
Preview Report Spending Limit.....	606,065	521,272	577,000	590,000	603,000	616,000	630,000	644,000
<b><u>NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY</u></b>								
Final Sequestration Report Spending Limit.....	504,841	492,356	530,000	541,000	553,000	566,000	578,000	590,000
No changes								
Preview Report Spending Limit.....	504,841	492,356	530,000	541,000	553,000	566,000	578,000	590,000
<b><u>TOTAL DISCRETIONARY SPENDING</u></b>								
2014 Budget Preview Report,								
Total Discretionary Spending.....	967,473	1,086,000	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
2014 Final Sequestration Report,								
Total Discretionary Spending.....	1,110,906	1,013,628	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000
2015 Preview Report,								
Total Discretionary Spending.....	1,110,906	1,013,628	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000

N/A = Not Applicable

discretionary defense and non-defense limits for 2016 through 2021 remain unadjusted at this point.

***Proposed and Anticipated Adjustments to Discretionary Limits***

BBA took an important first step towards replacing the damaging Joint Committee sequestration cuts with sensible long-term reforms, including a number of reforms proposed in the President’s 2014 Budget. However, the 2015 level set by BBA and the cap reductions that are scheduled to take place starting in 2016 do not 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 2015 Budget builds on the progress made with the enactment of BBA by including several proposals to revise

the discretionary caps, which are all reflected in Table 3. The Administration recognizes the importance of the two-year agreement reached by the Congress, and accordingly, the Budget proposes a detailed, account-level request that adheres to the 2015 defense and non-defense levels set in BBA. The Budget also includes a separate, fully paid for Opportunity, Growth, and Security Initiative, which provides \$28 billion each for the defense and non-defense categories. These additional discretionary resources in 2015 will help spur economic progress, promote opportunity, and strengthen national security by providing critical investments in infrastructure, education, and innovation.

The Budget further proposes after 2016 to restore discretionary spending to a path that would continue to support economic growth, opportunity, and safety and security. These investments will be paid for with a combination

**Table 3. PROPOSED CHANGES TO THE DISCRETIONARY SPENDING LIMITS**  
(Discretionary budget authority in millions of dollars)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>DEFENSE (OR "REVISED SECURITY") CATEGORY</b>											
Preview Report Spending Limit.....	606,065	521,272	577,000	590,000	603,000	616,000	630,000	644,000	N/A	N/A	N/A
2015 Opportunity, Growth and Security Initiative.....		+27,728									
Revise 2017-2021 caps and extend caps to 2024.....			-16,000	-21,000	-25,000	-30,000	-35,000	-40,000	+614,000	+629,000	+646,000
Anticipated adjustments pursuant to Section 251(b)(2)(A) of BBEDCA for OCO/GWOT.....		+79,445									
Proposed Spending Limit.....	606,065	628,445	561,000	569,000	578,000	586,000	595,000	604,000	614,000	629,000	646,000
<b>NON-DEFENSE (OR "REVISED NONSECURITY") CATEGORY</b>											
Preview Report Spending Limit.....	504,841	492,356	530,000	541,000	553,000	566,000	578,000	590,000	N/A	N/A	N/A
2015 Opportunity, Growth and Security Initiative.....		+27,644									
Revise 2017-2021 caps and extend caps to 2024.....				-4,000	-8,000	-12,000	-16,000	-20,000	+580,000	+595,000	+612,000
Proposed change in concepts and definitions for reclassification of general fund Transportation rail accounts.....		-4,287	-4,371	-4,461	-4,551	-4,645	-4,743	-4,840	-4,939	-5,041	-5,144
Proposed reduction of base program integrity funding for CDRs and Redeterminations and HCFAC for shift to mandatory.....			-567	-567	-567	-567	-567	-567	-567	-567	-567
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.....		+5,912	+29,946	+29,946	+29,946	+29,946	+29,946	+29,946			
Anticipated adjustments pursuant to Section 251(b)(2)(C) of BBEDCA for CDRs and Redeterminations.....		+1,123									
Anticipated adjustments pursuant to Section 251(b)(2)(D) of BBEDCA for Disaster Relief.....		+6,593									
Proposed adjustments for Internal Revenue Service Program Integrity.....		+480	+857	+1,222	+1,604	+1,997	+2,066	+2,116	+2,179	+2,243	+2,310
Proposed adjustments for Unemployment Insurance Program Integrity.....		+25	+30	+35	+40	+45	+50	+55	+60	+65	+70
Proposed adjustments Agriculture and Interior Wildfire Suppression.....		+1,194	+1,217	+1,244	+1,270	+1,299	+1,328	+1,357	+1,390	+1,425	+1,461
Subtotal, Anticipated Non-Defense Adjustments.....		+15,327	+32,050	+32,447	+32,860	+33,287	+33,390	+33,474	+3,629	+3,733	+3,841
Proposed Spending Limit.....	504,841	531,040	557,112	564,419	572,742	582,075	590,080	598,067	578,123	593,125	610,130
<b>TOTAL DISCRETIONARY SPENDING</b>											
Final 2014 Sequestration Report, Total Discretionary Spending.....	1,110,906	1,013,628	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000	N/A	N/A	N/A
Preview Report, Total Discretionary Spending.....	1,110,906	1,013,628	1,107,000	1,131,000	1,156,000	1,182,000	1,208,000	1,234,000	N/A	N/A	N/A
2015 Budget Proposed, Total Discretionary Spending.....	1,110,906	1,159,485	1,118,112	1,133,419	1,150,742	1,168,075	1,185,080	1,202,067	1,192,123	1,222,125	1,256,130

N/A = Not Applicable

of reforms to mandatory spending programs and targeted tax loophole closers included in the Budget. In addition to cancelling the 2015 mandatory sequestration order and replacing the automatic mandatory reductions required in future years, the 2015 Budget adjusts upward the 2016 through 2021 defense and non-defense caps from where they otherwise would be under Joint Committee enforcement. 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 that nevertheless puts discretionary spending on a path to fall to its lowest level as share of the economy in more than 50 years. The Budget provides comparable increases to the defense and non-defense caps, and extends both caps to 2024.

The President's Budget also includes proposed changes in concepts and definitions that would reclassify as mandatory certain surface transportation accounts that are currently funded from the General Fund as part of its reauthorization proposal. These changes are also included on Table 3 and are discussed more fully in the "Budgetary Treatment of Surface Transportation Infrastructure Funding" section of the Budget Process chapter in the *Analytical Perspectives* volume of the President's 2015 Budget.

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. The Budget also proposes to shift funding for two of these purposes from discretionary to mandatory and to repeal the authority to make the associated cap adjustments. These anticipated adjustments, shown in Table 3, include the following:

### ***Enacted Adjustments Pursuant to BBEDCA***

*Emergency Appropriations and Overseas Contingency Operations/Global War on Terrorism (OCO/GWOT).*—These adjustments are authorized by section 251(b)(2)(A) of BBEDCA and include funding for amounts that 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 2014, no amounts were enacted as emergency requirements and the President's Budget does not propose any emergency funding for 2015. Appropriations for 2014 for the Defense, Homeland Security, and State and Foreign Operations subcommittees, all included in the Consolidated Appropriations Act (*P.L. 113-76*), provided a total of \$91,937 million (including rescissions) for OCO/GWOT purposes for 2014 and this adjustment was made in OMB's Final Sequestration Report for 2014. For 2015, the President's Budget proposes to continue its 2014 Budget policy of placing a cumulative

ceiling on the OCO/GWOT cap adjustment of \$450 billion from 2013 to 2021. The President's Budget currently includes \$85,357 million for OCO/GWOT activities for 2015, of which \$5,912 million is for international programs. However, at the time the budget was printed, the Department of Defense (DOD) had not made final decisions about an enduring presence in Afghanistan after calendar year 2014. Once DOD's OCO/GWOT needs for 2015 are determined, a budget amendment package will be transmitted. For now, a placeholder for DOD that is equal to the Budget request for 2014 of \$79,445 million is assumed in its place. The Budget also includes a cap adjustment of \$29.9 billion for OCO/GWOT activities for each year in 2016 through 2021. The 2016-2021 levels reflect a placeholder of annual amounts for a total funding level for OCO/GWOT activities but do not reflect specific policy decisions as to how the funds will ultimately be allocated across those years. The budget amendment package for DOD will note if any changes to this assumption are necessary based on the final 2015 request. The DOD OCO/GWOT amounts are allocated to the defense category on 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 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 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 SSA to reduce improper payments and achieve savings in mandatory spending totaling tens of billions of dollars over the next ten years, and additional savings in the outyears. The 2014 Consolidated Appropriations Act (*P.L. 113-76*) provided \$924 million as a cap adjustment—which marked the first time since the caps were reinstated for 2012 that the full amount permitted under BBEDCA

was provided for CDRs and redeterminations—and this adjustment was made in OMB’s Final Sequestration Report for 2014. Since the adjustment for CDRs and redeterminations was fully funded in 2014 and therefore may again be funded in 2015, the 2015 Budget provides both the base funding level of \$273 million and the cap adjustment level specified in BBEDCA of \$1,123 million through discretionary appropriations. The \$1,123 million adjustment is displayed as an anticipated adjustment to the non-defense category in Table 3. However, the failure to provide the full level of adjustment authorized by BBEDCA prior to 2014 and the delays in annual appropriations for these activities make it difficult for the agency to execute its budget plans and achieve targeted results in each year. Therefore, in order to better ensure these resources are provided in the future and to maximize potential savings, the Budget proposes to provide dedicated mandatory funding for these activities starting in 2016. If mandatory funding is provided, the Budget proposes to eliminate the discretionary cap adjustment beginning in 2016 and to reduce the discretionary caps by the base funding for these activities. 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 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 underlying appropriations bill before the adjustment. Because the 2014 Consolidated Appropriations Act (*P.L. 113–76*) provided only \$294 million of base funding, an amount sufficient only to maintain activities at roughly their 2013 level and less than the necessary base level specified in BBEDCA, OMB’s Final Sequestration Report for 2014 did

not include an adjustment for this funding. This marked the third year in a row that the cap adjustment authorized by BBEDCA has not been provided, in whole or in part, for this program, which has led to an underfunding of efforts to reduce improper payments in the Medicare and Medicaid programs. As noted in OMB’s 2014 Final Sequestration Report, the Congress will forgo approximately \$450 million in deficit savings by not fully funding the base appropriation and providing the full cap adjustment authorized for 2014. As with SSA, the Budget proposes to repeal the discretionary cap adjustment for HCFAC, but starting in 2015, and provide dedicated mandatory funding for these activities beginning in that fiscal year. The Budget continues to seek a 2015 base appropriation of \$294 million through discretionary appropriations, but after 2015 no discretionary funding would be provided for these activities and the discretionary non-defense caps are reduced accordingly. 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 2015 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 2014 adjustment, OMB determined a preview estimate of \$12,143 million and the Congress provided \$5,626 million for the Federal Emergency Management Agency’s (FEMA’s) Disaster Relief

Fund (DRF) account in the 2014 Consolidated Appropriations Act (*P.L. 113–76*). OMB’s Final Sequestration Report for 2014 allocated this adjustment to the non-defense category. The amount provided for 2014 is \$6,517 million below the allowable adjustment. If no further appropriations are provided for disaster relief in 2014, OMB will add \$6,517 million to its preview estimate for disaster funding for 2015 in its 2014 August Sequestration Update Report. The 2015 Budget requests \$6,593 million in funding in two accounts to be designated for disaster relief by the Congress: \$6,438 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 2015, and \$155 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 2015 Budget for a full description of this adjustment and the Administration’s 2015 Request.

### ***New Cap Adjustment Proposals***

*Program Integrity.*—In addition to the adjustments discussed above, the 2015 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 \$480 million for IRS and TTB and \$25 million for Labor

in 2015 and are included in Table 3 as proposed adjustments to the non-defense limits in all years. 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 2015 Budget.

*Wildfire Suppression Operations.*—The 2015 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 the Interior. The proposal allows for a maximum permissible adjustment of \$1.4 billion in 2015 that increases to \$2.7 billion by 2021. 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 1 percent of fires that cause 30 percent of costs. The permissible adjustment is a ceiling, not a target. Moreover, it 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 only \$1.2 billion be funded by the wildfire suppression operations cap adjustment in 2015 (\$954 million in Agriculture and \$240 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 2016 through 2024, the cap adjustment levels are a placeholder 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 2015 Budget.