



BUDGET DIGEST – Week of Sept. 28th

Explaining the Effect of Sequester on Discretionary Spending

With the end of fiscal year 2015 occurring this week, confusion persists as to whether discretionary programs face an imminent sequester once fiscal year 2016 begins.

Will there be a sequester when the new fiscal year begins on Oct. 1st? No, because a sequester on discretionary programs can *only* be ordered if appropriations exceed the spending caps set within the Budget Control Act of 2011. If a sequester is ordered, the law requires the order to be issued 15 days after Congress adjourns its session. The continuing resolution [CR] being considered would expire on December 11th before the House is scheduled to adjourn its session. A future sequester would, therefore, depend on new discretionary funding levels enacted after the CR expires.

Won't the sequester cause discretionary spending reductions in FY 2016?

Many people confuse “the sequester” with automatic spending cuts that were triggered by the inaction of the Joint Select Committee on Deficit Reduction or “Super Committee” to find \$1.2 trillion in 10-year deficit reduction as required by the Budget Control Act [BCA]. While the automatic spending reduction did result in a sequester in 2013, for each year thereafter, the automatic reductions for discretionary programs are implemented by *lowering* the spending caps in the BCA (see table on right), not through an additional sequester.

Original vs. Revised Budget Control Act Spending Caps (Budget Authority in Billions)		2016
Original Spending Caps		1,107
Defense		577
Non-Defense		530
Effect of Super Committee Inaction		-90
Defense		-54
Non-Defense		-37
Revised Spending Caps		1,017
Defense		523
Non-Defense		493

What is the difference between a sequester and spending cap? A sequester requires the Administration to execute across-the-board spending reductions in all non-exempt accounts with little flexibility to protect vital programs by reallocating cuts to lesser priorities. A spending cap is significantly different because it allows Congress to set priorities and fund programs at whatever level it chooses, so long as the total resources provided does not exceed the spending caps.