

# SEQUESTRATION 101

CONFUSION ABOUNDS ABOUT SEQUESTRATION, AND UNDERSTANDABLY SO. IT'S ONE OF THE MOST WONKY, ARCANE, AND "INSIDE BASEBALL" BUDGETARY CONCEPTS AROUND. THIS PRIMER IS MEANT TO HELP YOU UNDERSTAND WHAT IT IS—AND WHAT IT ISN'T—AND WHAT IT ALL MEANS FOR DEFENSE AND NONDEFENSE PROGRAMS.

## Sequestration = #EpicFail

The Budget Control Act of 2011 (P.L. 112-25) established caps on discretionary spending over 10 years, resulting in \$1 trillion in cuts spread across defense and nondefense discretionary (NDD) programs such as veterans affairs, public health, science, education, infrastructure, housing, natural resources, social services, and public safety. The law also directed a congressional Joint Select Committee on Deficit Reduction to identify an additional \$1.2 trillion in budgetary savings over ten years.

The failure of the bipartisan "Super Committee" to come to an agreement on a balanced, deficit reduction plan triggered "sequestration" in 2013, resulting in another \$1 trillion in cuts, evenly divided between defense and nondefense programs, over nine years.

- **Sequestration is not an "across-the-board cut."** The only year in which sequestration was truly applied across the board to all "programs, projects, and activities" was 2013—the first year it was effective. Between 2014 and 2021, sequestration simply *lowers the funding caps* set in the Budget Control Act in advance of the annual appropriations process.
- **Bipartisan budget deals *did not* end sequestration.** The Bipartisan Budget Act 2015 (and of 2013 before it) did not end sequestration; it merely provided partial and temporary relief in 2016 and 2017. Sequestration returns in full in 2018—unless Congress acts to replace it.

## It's All About The Base(line)

Numbers are always relative, so mind the starting point when trying to understand both the magnitude of budget cuts, and their impact on programs and the people who rely on them.

The Budget Control Act established two separate spending caps, one on defense and one on nondefense spending. While the underlying caps were slated to grow roughly at the rate of inflation, sequestration has reduced those caps and has taken away most of the year-to-year increases since 2014. As a result, with sequestration fully in place in 2018, the defense cap would be \$2.0 billion below 2017 and the nondefense discretionary \$2.9 billion below (see table).

TABLE: DISCRETIONARY CAPS AFTER SEQUESTRATION (\$ IN BILLIONS)

	2016*	2017*	2018**	Change 2017 to 2018
Defense Discretionary	548.1	551.1	549.0	<b>-2.0</b>
Nondefense Discretionary	518.5	518.5	515.7	<b>-2.9</b>

\*Reflects relief provided in the Bipartisan Budget Act of 2015

\*\*Assumes full sequestration

## The Levels Are Too Low

- **Spending today is much less than in 2010.** The small increases allowed under sequestration are coming on top of five previous years of tight limits on spending. Adjusting only for general inflation, with sequestration fully in place in 2018 **defense appropriations would be 13.3 percent below 2010 and nondefense appropriations would be 15.8 percent below.**
- **Spending today is at all time lows.** On a historical basis, spending on defense and nondefense programs is already very low relative to our nation's economy or GDP. In fact, in 2018 these discretionary programs are on track to be at their lowest level in decades—just 6.0 percent of GDP. Non-defense discretionary spending will be below its lowest level in 2018 and is projected to fall further over the next ten years (see graph).
- **Spending today is squeezed by other factors.** In addition to general inflation, there's the impact of population growth and growth in “must-pay” programs such as veterans' health benefits, where costs increase every year and crowd out funding available for other important government functions.

***The bottom line: the discretionary funding levels are just too low to strengthen our national security abroad and economic security at home.***

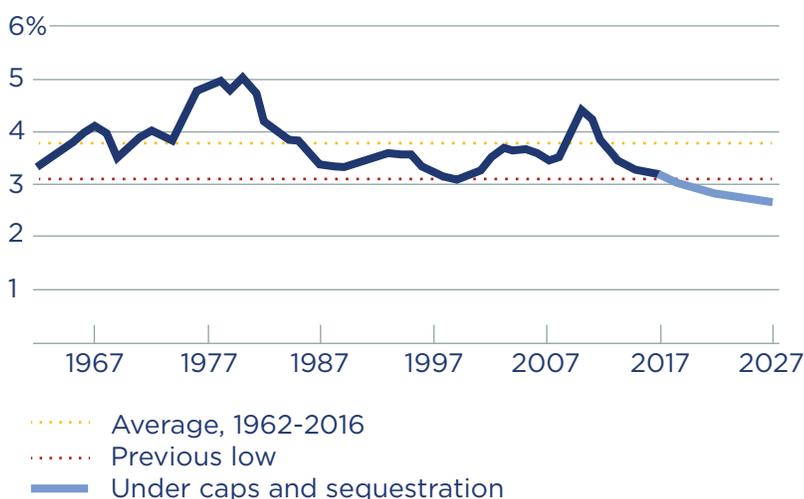
### So what can policymakers do about it?

The Coalition for Health Funding joins 2,000 national, state, and local organizations in urging lawmakers to replace sequestration in 2018 and beyond with a bipartisan, balanced approach to deficit reduction.

And because both the Budget Control Act and the Bipartisan Budget Acts recognized that defense and nondefense programs contribute equally to the American way of life and that each deserves equal relief from sequestration, lawmakers should adhere to this “parity principle” in any sequestration relief package.

GRAPH: NON-DEFENSE DISCRETIONARY SPENDING FALLING TO HISTORIC LOWS

Spending as percent of gross domestic product



Note: Data available only back to 1962. Sequestration refers to budget cuts required under the 2011 Budget Control Act, and includes modifications made in the Bipartisan Budget Acts of 2013 and 2015.

Source: CBPP based on Office of Management and Budget and Congressional Budget Office data