



The FY2027 Mandatory Spending Sequester

April 27, 2026

On April 3, 2026, the Office of Management and Budget (OMB) submitted its [report](#) on the FY2027 [mandatory sequester](#) to Congress. On the same day, President Trump issued a [sequestration order](#) directing agencies to implement the reductions estimated in OMB’s report.

OMB estimates that a total of \$1.54 trillion in mandatory budgetary resources across 260 individual accounts will be subject to reductions under the FY2027 mandatory sequester. This includes \$35.32 billion in mandatory budgetary resources in the defense category, \$1.37 trillion for Medicare and certain other health programs, and \$139.14 billion for other nondefense accounts.

Current law requires OMB to determine required reductions for FY2027 by applying the following sequestration percentages to nonexempt accounts in each category:

- 8.3% for defense;
- 2% for Medicare and certain other health programs; and
- 5.7% for other nondefense accounts.

Applying these percentages for FY2027, OMB estimates reductions totaling \$38.24 billion—including reductions of \$2.93 billion in the defense category, \$27.37 billion for Medicare and certain other health programs, and \$7.93 billion to other nondefense accounts.

Most reductions under the FY2027 mandatory sequester will begin on October 1, 2026. For Medicare, reductions will begin on April 1, 2027.

Table I. FY2027 Estimated Sequestrable Resources and Reductions by Category

(in billions of dollars)

Spending Category	Percentage Reduction	Estimated Sequestrable Resources	Estimated Reduction
Defense	8.3%	\$35.320	\$2.932
Medicare and certain other health programs	2.0%	\$1,368.659	\$27.373

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Spending Category	Percentage Reduction	Estimated Sequestrable Resources	Estimated Reduction
Other nondefense	5.7%	\$139.140	\$7.931
Total	—	\$1,543.119	\$38.236

Source: OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027*, April 3, 2026, p. 4.

The [Appendix](#) of OMB’s report details estimated reductions required for each nonexempt budget account. These reductions are required to be applied equally to all programs, projects, and activities within affected accounts.

In his letter accompanying the report, OMB Director Russell T. Vought states that budgetary resources provided in P.L. 119-21—the 2025 reconciliation law—will be “largely unaffected” by the sequester.

Defense

OMB estimates that \$35.32 billion in budgetary resources across 15 individual accounts in the defense category will be subject to a uniform reduction of 8.3% under the FY2027 mandatory sequester. Most budgetary resources subject to sequestration in the defense category are estimated to come from the Department of Defense’s (DOD’s) Concurrent Receipt Accrual Payments to the Military Retirement Fund account (\$34.41 billion), but also included are budgetary resources from 10 other DOD accounts, two Department of Health and Human Services accounts, and two Department of Labor accounts.

Under current law, unobligated balances of budget authority carried over from prior fiscal years in the defense category are subject to reductions under the mandatory sequester. For FY2027, OMB estimates that a total of \$317 million in such budgetary resources across seven accounts will be subject to the 8.3% uniform reduction.

Medicare and Certain Other Health Programs

Reductions to Medicare and certain other health programs under the mandatory sequester are capped at 2%. OMB estimates that a total of \$1.37 trillion in budgetary resources will be subject to 2% reductions under the FY2027 mandatory sequester.

Medicare spending subject to the 2% limit—estimated to be \$1.368 trillion in FY2027—consists mostly of benefit payments under Parts A-D of the program. The remaining budgetary resources in this category come from other health programs for which reductions are limited to 2% under current law. This includes an estimated \$1.05 billion for community and migrant health centers and \$50 million for Indian Health Services.

Other Nondefense

OMB estimates that \$139.14 billion in budgetary resources across 239 individual accounts in the nondefense category will be subject to a uniform reduction of 5.7% under the FY2027 mandatory sequester. Estimated reductions in this category include accounts across 44 individual departments and agencies, including the legislative and judicial branches.

Administrative expenses incurred by the federal government are subject to the uniform percentage reductions for the defense or nondefense categories regardless of any exemption or special rule that otherwise applies to the account or program for which the administrative expenses were incurred. OMB

estimates that \$4.51 billion in such administrative expenses across 48 accounts in the nondefense category will be subject to the uniform 5.7% reduction for FY2027.

Student Loans

A special sequestration rule applies to certain student loans made under the William D. Ford Federal Direct Loan program. Under this rule, sequestration is applied by increasing origination fees for such loans originated during the period the sequestration order is in effect by the same uniform percentage applied to the nondefense category.

For FY2027, OMB estimates that increasing these student loan fees by 5.7% will yield savings of \$51 million in the direct student loan program.

What is the Mandatory Sequester?

Since FY2013, OMB has been required to calculate, and the President to order, annual across-the-board reductions (“[sequestration](#)”) to certain mandatory spending accounts and programs. This process—often referred to as either the “Joint Committee,” “BBEDCA 251A,” or “mandatory” sequester—requires annual reductions at a uniform percentage of budgetary resources available to certain mandatory spending programs or accounts in the defense and nondefense categories. Reductions in the nondefense category include reductions to [Medicare](#) and certain other health programs, which are capped at 2% annually under current law.

OMB and the President carry out the mandatory sequester pursuant to several provisions of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended. Many mandatory programs and activities—comprising around three-quarters of total mandatory spending—are exempt from sequestration. In addition, general and special sequestration rules define how the mandatory sequester is applied to certain accounts, programs, or categories of mandatory spending.

OMB is required to submit a report to Congress determining reductions under the mandatory sequester on the date of submission of the President’s budget. These reports are required to estimate

1. total budgetary resources in each category subject to reductions under the sequester;
2. the percentage reduction to be applied to nonexempt accounts in each category; and
3. estimated reductions for each individual nonexempt account.

The President is then required to issue a sequestration order directing agencies to implement the reductions set forth in OMB’s report.

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