The Annual Mandatory Spending Sequester Through FY2033

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SUMMARY

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The Annual Mandatory Spending Sequester Through FY2033

Since FY2013, the Office of Management and Budget (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, which are capped at 2% annually under current law.

The Budget Control Act of 2011 (BCA, P.L. 112-25) established the mandatory sequester as a fallback means of deficit reduction in the event Congress and the President did not enact legislation developed by the Joint Select Committee on Deficit Reduction. The mandatory sequester was originally set to occur under the BCA for the nine-year period of FY2013-FY2021 but has been extended by subsequent legislation on multiple occasions. Under current law, reductions to all nonexempt mandatory spending programs under the sequester are set to occur for each fiscal year through FY2032. For Medicare only, reductions are required to continue for the first part of FY2033.

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 by the BCA and subsequent laws. These provisions define the process for calculating and implementing reductions, general and special sequestration rules, and programs or accounts exempt from sequestration. Pursuant to these requirements—on the date of submission of the President's budget for the corresponding fiscal year—OMB is required to submit a report (a "sequestration report") to Congress determining reductions under the mandatory sequester. The President is then required to issue a sequestration order directing agencies to implement the reductions set forth in OMB's report.

Many mandatory programs and activities—comprising around three-quarters of total mandatory spending—are exempt from sequestration under current law. In addition, BBEDCA establishes certain general and special rules for sequestration that OMB is required to follow while implementing the mandatory sequester. These general and special rules define how the mandatory sequester is applied to certain accounts, programs, or categories of mandatory spending.

The mandatory sequester affects a wide range of programs and activities across the federal government. For FY2027, OMB estimates that roughly $1.54 trillion in budgetary resources available for 260 individual accounts or programs will be subject to reductions under the mandatory sequester. OMB estimates that reductions will total $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 for other nondefense accounts. OMB's reports to Congress on the mandatory sequester include information on each individual program or account for which the sequester applies, including the applicable sequestration percentage and estimated reduction amounts for each.

Reduction amounts reflected in OMB reports on the mandatory sequester represent estimates of the amounts that will be reduced over the period the sequester order is in effect. Actual amounts of budgetary resources permanently cancelled under the mandatory sequester for certain programs or accounts may differ from these estimates for various reasons. OMB is not required to, and generally does not, report actual amounts of total budgetary resources permanently cancelled under the mandatory sequester. Information on actual reductions to individual accounts through sequestration can be found in the President's budget *Appendix*, however.

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Introduction

Since FY2013, the Office of Management and Budget (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, which are capped at 2% annually under current law. In total, around one-quarter of all mandatory spending is subject to reductions under the mandatory sequester. This includes budgetary resources available to hundreds of individual accounts across dozens of federal departments and agencies. Current law exempts around three-quarters of mandatory spending from reductions under the mandatory sequester.

The Budget Control Act of 2011 (BCA, P.L. 112-25) established the mandatory sequester as a fallback means of deficit reduction in the event Congress and the President did not enact legislation developed by the Joint Select Committee on Deficit Reduction ("Joint Committee").[1] The mandatory sequester was originally set to occur under the BCA for the nine-year period of FY2013-FY2021 but has been extended by subsequent legislation on multiple occasions. Under current law, reductions to all nonexempt mandatory spending programs under the sequester are set to occur for each fiscal year through FY2032. For Medicare only, reductions are required to continue for the first part of FY2033.

OMB and the President carry out the mandatory sequester pursuant to several provisions in the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended by the BCA and subsequent laws. These provisions define the process for calculating and implementing reductions, general and special sequestration rules, and programs or accounts that are exempt from sequestration.

For FY2027, OMB estimates that roughly $1.54 trillion in budgetary resources available for 260 individual accounts or programs will be subject to reductions under the mandatory sequester. OMB estimates that reductions will total $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 for other nondefense accounts.[2]

This report provides an overview of the mandatory sequester from FY2013 through FY2033, including information on

- sequestration as a budget enforcement procedure;
- the BCA and the Joint Committee sequester from FY2013 through FY2021;
- extensions, amendments, and application from FY2022 through FY2033;
- programs and activities exempt from sequestration;
- general and special sequestration rules; and
- the size and scope of reductions under the mandatory sequester since FY2013.

[1] For more on the BCA, see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

[2] OMB, *OMB Report to Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027*, April 3, 2026, https://www.whitehouse.gov/wp-content/uploads/2026/04/FY_2027_BBEDCA_Sequestration.pdf.

The appendices include an example of sequestration calculations by OMB, a legislative history of extensions of and amendments to the mandatory sequester since the enactment of the BCA, and a list of programs and accounts exempt from sequestration.

Introduction to Key Terms

Budget authority: The authority for the federal government to spend money—provided through statutory provisions called *appropriations*—is known as *budget authority*.[3] Budget authority allows agencies to enter into financial *obligations* that are ultimately paid by the Department of Treasury (known as *outlays*). Congress often provides budget authority in the form of an appropriation making funds available for both obligation and expenditure. The definition of *budget authority* under current law also includes the authority to obligate and expend the proceeds of offsetting receipts and collections, borrowing authority, and contract authority.[4]

Budgetary resources: The term *budgetary resources* refers to the total amount of budget authority, regardless of source, available for an account or program. The budget authority available for a particular account or program in a given fiscal year may derive from a combination of several sources. These sources may include new budget authority, unobligated balances of budget authority from prior years that remain available for obligation and expenditure, direct spending authority, obligation limitations, and/or the authority to spend offsetting collections and receipts.[5]

Mandatory spending: *Mandatory* (or *direct*) spending consists of budget authority provided or effectively controlled through legislation other than appropriations acts (known collectively as "authorizing" legislation). This distinguishes mandatory spending from budget authority controlled through annual appropriations acts, known as *discretionary* spending.[6] Mandatory spending is generally not subject to the annual appropriations process and is instead controlled through authorizing laws that typically provide budget authority on either a permanent or multiyear basis. A large share of mandatory spending occurs as the result of programs known as *entitlements*. Entitlement programs (such as Medicare, Social Security, and Medicaid) require payments to persons, state or local governments, or other entities based on eligibility and benefit criteria specified in law. In recent years, spending on mandatory programs has made up roughly 60%-70% of total federal outlays.[7]

[3] For more on budget authority, see CRS In Focus IF12105, *Introduction to Budget Authority*, by James V. Saturno.

[4] Section 3(2) of the Budget Act (2 U.S.C. §622(2)) defines *budget authority* as

> The authority provided by Federal law to incur financial obligations, as follows:
>
> (i) provisions of law that make funds available for obligation and expenditure (other than borrowing authority), including the authority to obligate and expend the proceeds of offsetting receipts and collections;
>
> (ii) borrowing authority, which means authority granted to a Federal entity to borrow and obligate and expend the borrowed funds, including through the issuance of promissory notes or other monetary credits;
>
> (iii) contract authority, which means the making of funds available for obligation but not for expenditure; and
>
> (iv) offsetting receipts and collections as negative budget authority, and the reduction thereof as positive budget authority.

[5] Section 250(c)(6) of BBEDCA (2 U.S.C. §900(c)(6)) defines *budgetary resources* as "new budget authority, unobligated balances, direct spending authority, and obligation limitations." OMB's Circular A-11, *Preparation, Submission, and Execution of the Budget* (August 2025), states that the term also includes the authority to spend offsetting collections and receipts. For more on offsetting collections and receipts, see CRS Report R47292, *Congressional Rules and Practices Concerning User Fees and Other Nonrevenue Collections in the Federal Budget*, by James V. Saturno.

[6] For more, see CRS In Focus IF13124, *Distinguishing Between Discretionary and Mandatory Spending*, by Megan S. Lynch.

[7] OMB, FY2027 Budget Request, Historical Tables, Table 8.3, "Percentage Distribution of Outlays by Budget Enforcement Act Category: 1962-2031." This percentage share of mandatory spending does not include payments for net interest on the federal debt, which is also considered mandatory spending.

Sequestration as a Budget Enforcement Procedure

Sequestration refers to the automatic cancellation ("sequester") of previously enacted budgetary resources, which generally involves across-the-board reductions to the budgetary resources available for certain broad categories of accounts, programs, or activities.[8] The procedure was first established in 1985 to enforce deficit targets under BBEDCA (also known at the time as the Gramm-Rudman-Hollings Act) and has since been used periodically as a means of enforcing statutory budgetary targets related to the federal deficit, mandatory spending, and discretionary spending.[9]

Sequestration is generally intended to achieve certain budgetary targets by either (1) encouraging Congress to enact legislation that meets the target, (2) discouraging Congress from enacting legislation that violates the target, or (3) implementing across-the-board cuts through a sequester order to achieve the target. Historically, sequestration has been implemented as an incentive for Congress to take or not take certain actions with the assumption that across-the-board cuts through sequestration is less desirable than achieving a budgetary target through other means.[10]

OMB and the President are responsible for carrying out a sequester pursuant to various provisions of BBEDCA that define which spending is subject to a sequester, how reductions are to be calculated and implemented, and the timing of sequestration reports and orders. These include provisions establishing general and special rules for sequestration, as well as defining accounts or programs exempt from sequestration.

OMB's role in sequestration is to develop and submit a report (a "sequestration report") to Congress determining reductions, if any, required under a sequester. In such reports, OMB must determine

- the total amount of nonexempt budgetary resources subject to reductions (known as the "sequestrable base");
- the total reduction amount (if any); and
- if a reduction is required, the uniform percentage by which budgetary resources in nonexempt accounts must be reduced to achieve the total necessary reduction.

If OMB determines that a sequester is necessary, the President is required to issue a sequestration order directing agencies to the implement the reductions set forth in OMB's report.[11]

[8] For more on sequestration, see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

[9] Under current law, sequestration may be applied in three different contexts: (1) the "Joint Committee," "BBEDCA 251A," or "mandatory" sequester; (2) to enforce the Statutory Pay-As-You-Go Act of 2010 (Statutory PAYGO, Title I of P.L. 111-139, codified at 2 U.S.C. §§931-939); and (3) to enforce statutory limits on discretionary spending ("caps") for fiscal years in which they are in effect. For more on Statutory PAYGO, see CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*, by Bill Heniff Jr. For more on statutory limits on discretionary spending, see CRS Insight IN12168, *Discretionary Spending Caps in the Fiscal Responsibility Act of 2023*, by Grant A. Driessen and Megan S. Lynch.

[10] For example, one of the authors of BBEDCA stated, "It was never the objective of Gramm-Rudman to trigger the sequesters; the objective of Gramm-Rudman was to have the threat of the sequester force compromise and action." Oral and written testimony of the Hon. Phil Gramm before the Senate Finance Committee at the hearing on Budget Enforcement Mechanisms, May 4, 2011, http://finance.senate.gov/hearings/hearing/?id=f47f0466-5056-a032-526c-15196aea18d1.

[11] For example, see Executive Office of the President, "Sequestration Order for Fiscal Year 2027 Pursuant to Section 251A of the Balanced Budget and Emergency Deficit Control Act, as Amended," 91 *Federal Register* 18273, April 9, (continued...)

Notwithstanding special sequestration rules for certain programs, sequestration takes effect either as soon as practicable after the President's order (if the order is issued during the fiscal year in which the sequester is set to occur) or on the first day of the fiscal year the sequester is set to occur (if the order is issued before the start of the applicable fiscal year). BBEDCA requires sequestration to be applied equally to all programs, projects, and activities within affected accounts at the uniform percentage determined by OMB.[12] Budgetary resources reduced through sequestration are permanently cancelled for most programs or accounts, though in some cases they may become available again in future years.[13]

The BCA and the Joint Committee Sequester

The BCA was enacted in 2011 as the result of negotiations between President Obama and Congress to increase the debt limit.[14] The legislation authorized the President to increase the debt limit by up to $2.4 trillion and paired this increase with several components affecting the federal budget process that were intended to reduce the deficit by a comparable amount over the subsequent 10-year period. The two primary means of deficit reduction enacted in the BCA included

1. reinstating statutory limits on discretionary spending ("caps") for each of FY2012-FY2021—estimated at the time to reduce projected spending levels by a total of $917 billion over 10 years[15]; and
2. establishing the bipartisan, bicameral Joint Committee—tasked with producing a bill to further reduce the deficit by at least $1.5 trillion over 10 years.

As a fallback means of deficit reduction, the BCA also provided for automatic spending reductions that would be triggered in the event that a Joint Committee bill reducing the deficit by an amount greater than $1.2 trillion was not enacted by January 15, 2012. These reductions—designed to reduce federal spending by a total of $1.2 trillion over the nine-year period of FY2013-FY2021—were to be achieved by

- further reducing discretionary spending by lowering the statutory limits on discretionary spending for each fiscal year; and
- reducing mandatory spending through annual sequestration of all nonexempt mandatory spending.

As described below, these automatic reductions were intended to incentivize Congress and the President to enact a Joint Committee bill reducing the deficit under the premise that the enactment of such legislation would be preferable to achieving the required reductions through

2026, https://www.federalregister.gov/documents/2026/04/09/2026-06962/sequestration-order-for-fiscal-year-2027-pursuant-to-section-251a-of-the-balanced-budget-and.

[12] Section 256(k)(2) of BBEDCA (2 U.S.C. §906) establishes that "the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President's budget)."

[13] For more, see the sections of this report titled "Revolving, Trust, and Special Fund Accounts and Offsetting Collections" and "Pop Ups"

[14] For more on the debt limit, see CRS In Focus IF10292, *The Debt Limit*, by Grant A. Driessen.

[15] Congressional Budget Office (CBO), "CBO Analysis of August 1 Budget Control Act," August 1, 2011, https://www.cbo.gov/publication/41626?index=12357.

across-the-board cuts. OMB expressed this idea in its report to Congress on the Joint Committee sequester for FY2013:

> In August 2011, as part of the Budget Control Act of 2011 (BCA), bipartisan majorities in both the House of Representatives and the Senate voted for sequestration as a mechanism to compel Congress to act on deficit reduction….
>
> The Joint Committee sequestration is a blunt and indiscriminate instrument. It was never intended to be implemented and does not represent a responsible way for our Nation to achieve deficit reduction.[16]

Despite this, the Joint Committee did not report legislation, and a deficit reduction bill was not enacted. As a result, the automatic spending cuts took effect starting in March 2013. Over the period of FY2013-FY2021, Congress enacted legislation on multiple occasions to partially or fully mitigate the reductions to discretionary spending under this process. Such measures established amended discretionary caps that superseded the caps that would have otherwise resulted from the BCA's sequestration process.[17] Reductions to mandatory spending through sequestration occurred for each fiscal year from FY2013 to FY2021, however. Sequestration under the BCA was most often referred to as the "Joint Committee sequester" over this period because it was triggered when Congress and the President did not enact legislation developed by the Joint Committee.

The Joint Committee Sequester: FY2013-FY2021

The BCA established statutory requirements for OMB to calculate, and the President to order, the mandatory sequester for each fiscal year from FY2013 to FY2021. For FY2013, OMB was required to issue its sequestration report, and the President to issue a sequestration order, on March 1, 2013.[18] Joint Committee sequestration reports and orders for FY2014-FY2021 were required on the date of submission of the President's budget for the corresponding fiscal year.[19]

The sequestration process established by the BCA was intended to reduce both mandatory and discretionary spending by a total of $1.2 trillion over the nine-year period, split evenly between the defense and nondefense categories.[20] Under the BCA, the total spending reduction for each fiscal year was determined using the following calculation:[21]

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[16] OMB, *OMB Report to the Congress on the Joint Committee Sequestration for Fiscal Year 2013*, March 1, 2013.

[17] Measures amending discretionary caps over this period include the Bipartisan Budget Act of 2013 (BBA of 2013, P.L. 113-67); the Bipartisan Budget Act of 2015 (P.L. 114-74); the Bipartisan Budget Act of 2018 (P.L. 115-123); and the Bipartisan Budget Act of 2019 (P.L. 116-37).

[18] The BCA originally required the sequestration report and order for FY2013 to be issued on January 2, 2013, but the American Taxpayer Relief Act of 2012 (P.L. 112-240) changed this requirement to March 1, 2013.

[19] Title 2, Section 901a(6), of the *U.S. Code* required OMB to estimate reductions under the Joint Committee sequester in its sequestration preview report for each of FY2014-FY2021 and for the President to issue a sequestration order on the date such report was submitted. Pursuant to 2 U.S.C. §904, OMB's sequestration preview report is due on the date of the submission of the President's budget request to Congress. Title 31, Section 1105, requires the President to submit a budget request for the upcoming fiscal year no later than the first Monday in February, although no penalty exists for late submission.

[20] Title 2, Section 901a(2), defines the defense category as discretionary appropriations and mandatory ("direct") spending accounts within the national defense functional category of the federal budget (budget function 050). It defines the nondefense category as discretionary appropriations and mandatory spending accounts in all other functional categories of the federal budget. For more on the functional categories of the federal budget, see CRS Report 98-280, *Functional Categories of the Federal Budget*, by Bill Heniff Jr.

[21] Section 250A(1) of BBEDCA, codified at 2 U.S.C. §901a(1).

- Start with $1.2 trillion—the total amount of mandated savings over FY2013-FY2021.
- Subtract the amount of deficit reduction achieved by the enactment of a Joint Committee bill—because no such bill was enacted, no subtractions were made pursuant to this provision.
- Subtract 18%, or $216 billion, to account for debt service savings associated with the required deficit reduction.
- Divide the remaining $984 billion by nine to determine the total required reduction for each fiscal year—leaving an annual reduction of $109.3 billion for each fiscal year from FY2013 to FY2021.
- Divide the total reduction evenly between the defense and nondefense categories—leaving an annual reduction of $54.667 billion for each category from FY2013 to FY2021.[22]

Within the defense and nondefense categories, reductions for each fiscal year were required to be allocated between discretionary and mandatory spending based on their proportions of total spending in the category.[23]

Once OMB calculated the overall reduction in mandatory spending in each category, it was required to determine the uniform percentage by which nonexempt accounts or programs in the category would be reduced to achieve the required reduction. Calculating this percentage for the nondefense function required more steps than the defense function did due to special sequestration rules for certain nondefense programs. Most notably, pursuant to BBEDCA, OMB was required to limit reductions to Medicare and certain other health programs to 2% and apply a special rule for applying sequestration to student loans.[24] **Appendix A** provides an example of this calculation process for each category from OMB's Joint Committee sequestration report for FY2021.

Table 1 provides sequestration percentages, as well as the estimated dollar amount of reductions, calculated by OMB for the defense category, Medicare and certain other health programs, and other nondefense accounts using this process in its Joint Committee sequestration reports for each fiscal year from FY2013 to FY2021.

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[22] The American Taxpayer Relief Act of 2012 (P.L. 112-240) reduced the total required reduction for FY2013 by $24 billion, bringing the total reduction to $85.33 billion, or $42.67 billion in each category.

[23] Section 250(A)(3)-(4) of BBEDCA, codified at 2 U.S.C. §901a(3)-(4). Despite the enactment of legislation superseding reductions to discretionary caps over this period, OMB was still required to calculate such reductions as originally set forth in the BCA to arrive at the required reductions to mandatory spending for each year.

For example, the BBA of 2013 established new revised discretionary caps for FY2014 and FY2015, respectively, and specified that reductions to the caps under the Joint Committee sequester would not be implemented for these fiscal years. The BBA of 2013 required OMB to calculate required reductions to mandatory spending under the Joint Committee sequester for FY2014 and FY2015 "without regard to the amendment made to section 251(c) revising the discretionary spending limits for fiscal years 2014 and 2015."

[24] In the event the sequestration percentage for the nondefense category exceeded 2%, OMB was required to reduce Medicare by 2% and then increase the uniform percentage applied to all other nonexempt mandatory spending in the nondefense category as necessary to achieve the overall required reduction.

Table 1. OMB Joint Committee Sequestration Percentages and Reduction Estimates: FY2013-FY2021

Fiscal Year	Defense $ in Billions		Medicare and Certain Other Health Programs[a] $ in Billions		Other Nondefense[b] $ in Billions	
2013	7.9%	$0.052	2.0%	$11.374	5.1%	$5.380
2014	9.8%	$0.749	2.0%	$11.182	7.2%	$6.777
2015	9.5%	$0.702	2.0%	$11.223	7.3%	$5.945
2016	9.3%	$0.758	2.0%	$12.021	6.8%	$6.062
2017	9.1%	$0.728	2.0%	$12.676	6.9%	$5.254
2018	8.9%	$0.724	2.0%	$12.755	6.6%	$4.599
2019	8.7%	$0.809	2.0%	$13.958	6.2%	$4.990
2020	8.6%	$0.842	2.0%[c]	$15.310[c]	5.9%	$4.491
2021	8.3%	$0.924	2.0%[c]	$16.175[c]	5.7%	$4.564

Source: OMB reports to Congress on the "Joint Committee" reductions for FY2013-FY2021.

Notes: The dollar amount of reductions in each category listed in OMB's reports do not represent actual reduction amounts. Instead, they represent OMB's estimates at the time of the report's submission of the amount that will be reduced when sequestration percentages are applied over the course of the fiscal year. Actual amounts sequestered in each category for a given fiscal year may differ from the amounts listed in the table for several reasons. For more on these potential differences, see the section of this report titled "Estimated vs. Actual Reductions Under the Mandatory Sequester."

a. For more on other health programs subject to a 2% reduction under the mandatory sequester, see the section of this report titled "Other Health Programs."

b. Estimates of the reductions for "Other Nondefense" in this table do not include estimated outlay savings in the direct student loan program pursuant to the mandatory sequester. For more on how the mandatory sequester is applied to certain federal student loans, see the section of this report titled "Student Loans"

c. Sequestration percentages and reduction estimates for Medicare in OMB's reports on the mandatory sequester for FY2020 and FY2021 do not reflect periods for which Medicare was either exempted from sequestration or subject to lower sequestration percentages pursuant to legislation enacted during the COVID-19 pandemic. For more, see the section of this report titled "Suspension of and Adjustments to Medicare Reductions."

As required by BBEDCA, these percentages were applied uniformly across all nonexempt accounts or programs in each category.[25] OMB's reports on the mandatory sequester include information on each individual program or account for which the sequester applies. As shown in **Figure 1**, the reports specify the agency, bureau, function (defense or nondefense), and type of budgetary resource for each program or account, as well as the sequestration percentage being applied and estimates of its sequestrable budgetary resources and sequester amount.

[25] Section 901a(6)(A) of BBEDCA in part requires OMB to follow procedures specified in Section 935 of BBEDCA when implementing direct spending reductions under the mandatory sequester. Section 935 requires reductions to be applied at a uniform percentage to budgetary resources for nonexempt mandatory spending programs.

Figure 1. Application of Sequestration Percentages to Nonexempt Accounts

Excerpt from OMB's Report on the Joint Committee Sequester for FY2021

Direct Spending Sequestrable Budgetary Resources and Reductions by Budget Account -- FY 2021

(Amounts in millions)

Agency / Bureau / Account / Function / BEA Category / Budgetary Resource			Sequestrable BA Amount	Sequester Percentage	Sequester Amount
Department of Justice					
Legal Activities and U.S. Marshals					
011-05-0139 Victims Compensation Fund					
Nondefense	Mandatory	Administrative expenses in otherwise exempt resources	45	5.7	3
011-05-0311 Fees and Expenses of Witnesses					
Nondefense	Mandatory	Appropriation	270	5.7	15

Source: OMB, *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2021*, February 10, 2020, p. 17.

Extensions, Adjustments, and Application Through FY2033

Although the mandatory sequester was originally set to occur from FY2013 to FY2021, Congress has extended it through subsequent legislation on several occasions. As a result of these extensions, the mandatory sequester has continued in effect since FY2022 and is currently set to occur for each year through FY2032 for all nonexempt mandatory spending programs and through part of FY2033 for Medicare only. Congress has also enacted legislation making certain changes to the application of the sequester for some fiscal years, most often related to reductions to Medicare.

Most provisions extending or otherwise addressing the mandatory sequester have been estimated at the time of their consideration to reduce mandatory spending over a 10-year period. As a result, such provisions have often had the effect of fully or partially offsetting increases in discretionary caps, new spending, and/or increases in the deficit for the purpose of budgetary negotiations and/or enforcing certain congressional or statutory budgetary rules. **Appendix B** provides a history of legislative action on the mandatory sequester since 2013. Where available, it also includes information on Congressional Budget Office (CBO) estimates for such provisions.

Since FY2022, OMB has referred to the mandatory sequester as the "BBEDCA 251A" sequester—after the section of BBEDCA that requires it—rather than the "Joint Committee" sequester, as the original period established under the BCA has ended.

Extensions

The mandatory sequester has been extended through the enactment of legislation on 10 occasions since 2013:

1. The Bipartisan Budget Act of 2013 (BBA of 2013, P.L. 113-67) extended the sequester through FY2023 (including FY2022).
2. P.L. 113-82 extended the sequester through FY2024.
3. The Bipartisan Budget Act of 2015 (BBA of 2015, P.L. 114-74) extended the sequester through FY2025.

4. The Bipartisan Budget Act of 2018 (BBA of 2018, P.L. 115-123) extended the sequester through FY2027 (including FY2026).
5. The Bipartisan Budget Act of 2019 (BBA of 2019, P.L. 116-37) extended the sequester through FY2029 (including FY2028).
6. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act, P.L. 116-136) extended the sequester through FY2030.
7. The Infrastructure Investment and Jobs Act (P.L. 117-58) extended the sequester through FY2031.
8. The Consolidated Appropriations Act, 2023 (P.L. 117-328), extended reductions to Medicare under the sequester through FY2032.
9. The Further Consolidated Appropriations Act, 2024 (P.L. 118-47), extended defense and non-Medicare nondefense reductions under the sequester through FY2032.
10. The Consolidated Appropriations Act, 2026 (P.L. 119-75), extended reductions to Medicare under the sequester through part of FY2033.

Suspension of and Adjustments to Medicare Reductions

Several laws addressing the mandatory sequester have included provisions related specifically to the application of reductions to Medicare. Most notably, Congress took action on several occasions in 2020 and 2021, during the COVID-19 pandemic, to temporarily suspend or lower reductions to Medicare under the mandatory sequester. Specific actions include the enactment of the following laws:

- The CARES Act temporarily exempted Medicare from reductions under any sequestration order for the period of May 1, 2020, to December 31, 2020.
- The Consolidated Appropriations Act, 2021 (P.L. 116-260), extended the temporary exemption of Medicare to March 31, 2021.
- P.L. 117-7 extended the temporary exemption of Medicare to December 31, 2021.
- The Protecting Medicare and American Farmers from Sequester Cuts Act (P.L. 117-71) extended the temporary exemption of Medicare to March 31, 2022, and further provided that the sequestration percentage for Medicare would be 1% for the period of April 1, 2022, to June 30, 2022.

In total, Medicare was exempted from reductions under any sequestration order from May 1, 2020, through March 31, 2022. In addition, reductions to Medicare were limited to 1% for the period of April 1, 2022, through June 30, 2022. Medicare was subject to its usual 2% reduction limit beginning on July 1, 2022.

Various provisions enacted since 2013 have also adjusted Medicare sequestration percentages for certain future years.[26] Despite this, Congress routinely enacted subsequent legislation reverting

[26] For example, several provisions were enacted since 2024 adjusting Medicare sequestration percentages for FY2032, which was at the time of enactment the final year the mandatory sequester was required. Each of these provisions adjusted Medicare sequestration percentages for FY2032 to effectively extend the period for which 2% reductions would be applied during the FY2032 sequester order. Laws including such provisions include the Consolidated Appropriations Act, 2023 (P.L. 117-328); the National Defense Authorization Act for Fiscal Year 2024 (P.L. 118-31); the Consolidated Appropriations Act, 2024 (P.L. 118-42); the Full-Year Continuing Appropriations and Extensions (continued...)

the sequestration percentage back to the original 2% limit prior to the implementation of reductions for these years.[27] As a result—aside from the period for which reductions were suspended or reduced in 2020-2022—Medicare has been subject to 2% reductions under the mandatory sequester for each fiscal year since FY2013.

Application of the BBEDCA 251A Sequester Through FY2033

Current law specifies the sequestration percentages OMB has been or will be required to use in carrying out the mandatory sequester for each fiscal year from FY2022 to FY2033. This includes different required percentages for FY2022-FY2031, FY2032, and FY2033, respectively.

For FY2022-FY2031, current law requires OMB to use the same sequestration percentages for the defense and nondefense categories as was calculated in its Joint Committee sequestration report for FY2021 (as shown in **Appendix A**).[28] As a result, OMB has used, or will be required to use, the following sequestration percentages for FY2022-FY2031:

- 8.3% for the defense category
- 2% for Medicare and certain other health programs
- 5.7% for other nondefense accounts

For FY2032, current law requires OMB to use the following percentages:[29]

- 4% for the defense category
- 2% for Medicare and certain other health programs
- 2.8% for other nondefense accounts

For FY2033, current law requires OMB to use the following percentages for Medicare only:[30]

- 2% for the first five months the sequestration order is in effect and 0% for the remaining seven months

Table 2 provides sequestration percentages and estimated reductions for the defense category, Medicare and certain other health programs, and other nondefense accounts from OMB's BBEDCA 251A sequestration reports for each of FY2022-FY2027. It also includes sequestration percentages for each category for FY2028-FY2033 required under current law.

Act, 2025 (P.L. 119-4); the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37); and the Consolidated Appropriations Act, 2026 (P.L. 119-75). For more on these provisions, see the entries for each of these acts in **Appendix B**.

[27] For example, the BBA of 2019 extended the mandatory sequester through FY2029 and established that the sequestration percentage for Medicare for FY2029 would be 4% for the first six months the order was in effect and 0% for the second six months the order was in effect. Subsequently, the CARES Act, which extended the mandatory sequester through FY2030, reverted the sequestration percentage for Medicare for FY2029 back to the 2% limit.

[28] 2 U.S.C. §901a(6)(B).

[29] Section 901a(6)(D) establishes the FY2032 sequestration percentage for Medicare. Section 901a(6)(E) establishes the respective FY2032 sequestration percentages for the defense and nondefense categories.

[30] 2 U.S.C. §901a(6)(F).

Table 2. Mandatory Sequester Percentages and Reduction Estimates: FY2022-FY2033

Fiscal Year	Defense $ in Billions		Medicare and Certain Other Health Programs[a] $ in Billions		Other Nondefense[b] $ in Billions	
2022	8.3%	$1.099	2.0%[c]	$16.782[c]	5.7%	$6.309
2023	8.3%	$1.090	2.0%	$18.905	5.7%	$5.030
2024	8.3%	$1.956	2.0%	$19.044	5.7%	$6.534
2025	8.3%	$2.123	2.0%	$21.810	5.7%	$7.494
2026	8.3%	$2.369	2.0%	$24.574	5.7%	$8.244
2027	8.3%	$2.932	2.0%	$27.373	5.7%	$7.931
Percentages for FY2028-FY2033 Under Current Law						
2028	*8.3%*	—	*2.0%*	—	*5.7%*	—
2029	*8.3%*	—	*2.0%*	—	*5.7%*	—
2030	*8.3%*	—	*2.0%*	—	*5.7%*	—
2031	*8.3%*	—	*2.0%*	—	*5.7%*	—
2032	*4.0%*	—	*2.0%*	—	*2.8%*	—
2033	—	—	*2.0% for the first 5 months; 0% for the remaining 7 months*[d]	—	—	—

Source: Percentages and estimates for FY2022-FY2027 come from OMB's "BBEDCA 251A" sequestration reports for each fiscal year over this period. Percentages for FY2028-FY2033 come from 2 U.S.C. §901a(6).

Notes: The dollar amount of reductions in each category listed in OMB's reports do not represent actual reduction amounts. Instead, they represent OMB's estimates at the time of the report's submission of the amount that will be reduced when sequestration percentages are applied over the course of the fiscal year. Actual amounts sequestered in each category for a given fiscal year may differ from the amounts listed in the table for several reasons. For more on these potential differences, see the section of this report titled "Estimated vs. Actual Reductions Under the Mandatory Sequester."

a. For more on other health programs subject to a 2% reduction under the mandatory sequester, see the section of this report titled "Other Health Programs."

b. Estimates of the reductions for "Other Nondefense" in this table do not include estimated outlay savings in the direct student loan program pursuant to the mandatory sequester. For more on how the mandatory sequester is applied to certain federal student loans, see the section of this report titled "Student Loans."

c. Sequestration percentages and reduction estimates for Medicare in OMB's report on the mandatory sequester for FY2022 do not reflect periods for which Medicare was either exempted from sequestration or subject to lower sequestration percentages pursuant to legislation enacted during the COVID-19 pandemic. For more, see the section of this report titled "Suspension of and Adjustments to Medicare Reductions."

d. Under current law, reductions under the FY2033 mandatory sequester would apply only to Medicare. This reduction will not apply to certain other health programs subject to a 2% reduction under the mandatory sequester.

Programs and Activities Exempt from Sequestration

Many programs and activities are exempt from reductions under sequestration pursuant to Section 255 of BBEDCA (2 U.S.C. §905).[31] In total, around three-quarters of mandatory spending, including spending on net interest on the debt, is exempt from the mandatory sequester.[32] Programs and activities exempt from sequestration include

- Social Security benefits (under 42 U.S.C. §§401 et seq.) and tier I railroad retirement benefits (under 45 U.S.C. §231b-c);
- all programs administered by the Department of Veterans Affairs and special benefits for certain World War II veterans;
- net interest on the federal debt;
- refundable income tax credits and certain elective payments to taxpayers under Title 26, Section 48D, of the *U.S. Code*;
- unobligated balances of budget authority carried over from prior fiscal years in the nondefense category;[33]
- any military personnel account subject to an optional exemption from the President; and
- other programs and activities as listed in Section 255 of BBEDCA (2 U.S.C. §905).

Appendix C provides the full text of Section 255 of BBEDCA, as amended, which includes a list of programs and accounts exempt from sequestration.

General and Special Sequestration Rules

BBEDCA establishes certain general and special rules for sequestration that OMB is required to follow while implementing the mandatory sequester.

Medicare

Several special sequestration rules apply to Medicare.[34] Most notably, BBEDCA limits reductions to most Medicare spending under the mandatory sequester to no more than 2%.[35] Medicare spending subject to the 2% limit consists mostly of benefit payments under Medicare Parts A

[31] Section 901a(6)(A) requires OMB to follow the exemptions specified in Section 905 when carrying out the mandatory sequester.

[32] For example, the *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2025* estimated that total budgetary resources subject to the mandatory sequester for FY2025 would equal around $1.248 trillion. The FY2027 President's budget (OMB, FY2027 Budget Request, Historical Tables, Table 8.1 ["Outlays by Budget Enforcement Act Category: 1962-2031"]) states that actual total mandatory outlays (including net interest) for FY2025 equaled $5.136 trillion. This means that, according to OMB estimates, roughly 75% of total mandatory spending was exempt from the mandatory sequester in FY2025.

[33] Unobligated balances of budget authority carried over from prior fiscal years in the defense category are not exempt from sequestration. For more, see the section of this report titled "Defense Unobligated Balances."

[34] For more on the application of sequestration to Medicare, see CRS Report R45106, *Medicare and Budget Sequestration*, by Ryan J. Rosso.

[35] Section 256(d)(2) of BBEDCA (2 U.S.C. §906(d)(2)) establishes that uniform reductions to Medicare under sequestration generally shall not exceed 4%. However, Section 251A of BBEDCA (2 U.S.C. §901a) establishes that, for the mandatory sequester, such reductions shall instead not exceed 2%.

(Hospital Insurance), B (Supplementary Medical Insurance), C (Medicare Advantage), and D (Drug Coverage).[36] OMB estimates that total Medicare spending subject to 2% reductions will total $1.368 trillion in FY2027.[37]

BBEDCA also establishes a time frame for applying sequestration to Medicare benefit payments that distinguishes such reductions from other reductions under the mandatory sequester. Rather than beginning on the first day of the fiscal year, reductions to Medicare benefit payments under BBEDCA must be applied over the one-year period beginning on the first day of the first month following the President's sequestration order, to be applied as follows:

- For Medicare Parts A (Hospital Insurance) and B (Supplementary Medical Insurance), reductions are applied to individual payments for services furnished during the one-year period.[38]
- For Medicare Parts C (Medicare Advantage) and D (Drug Coverage), reductions are applied to monthly payments under such parts for the same one-year period.[39]

In the event a sequestration order is issued during the effective period of a prior order, reductions to Medicare benefit payments under the subsequent order will not take effect until the first month beginning after the end of the effective period of the prior order.[40] For example, the sequestration order for the FY2025 mandatory sequester was issued on March 11, 2024.[41] Because the effective period of the prior order (for FY2024) for reductions to Medicare was April 1, 2024, through March 31, 2025, reductions to Medicare benefit payments under the FY2025 mandatory sequester took effect April 1, 2025, and remained in effect through March 31, 2026.

The 2% limit on reductions to Medicare does not apply to mandatory administrative expenses for the program, which are subject to the same uniform percentage reductions as nonexempt mandatory spending in the nondefense category.[42] It also does not apply to certain parts of the Medicare program that BBEDCA exempts from sequestration, including Part D low-income subsidies, the Part D catastrophic subsidy, and qualified individual premiums.[43]

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[36] The 2% limit also applies to spending for the Medicare Integrity Program (MIP) within the Health Care Fraud and Abuse Control Program (HCFAC).

[37] OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027*, April 3, 2026. This total reflects all estimated budgetary resources in the "Medicare and certain other health programs" category for FY2027, minus estimated FY2027 sequestrable budgetary resources for certain other health programs subject to 2% reductions under the mandatory sequester. For more on these programs, see the section of this report titled "Other Health Programs."

[38] 2 U.S.C. §906(d)(1)(A). Section 906(d)(3)(A) establishes that, "in the case of inpatient services furnished for an individual, the services shall be considered to be furnished on the date of the individual's discharge from the inpatient facility."

[39] 2 U.S.C. §906(d)(1)(B).

[40] 2 U.S.C. §906(d)(4).

[41] The White House, "Sequestration Order for Fiscal Year 2025 Pursuant to Section 251A of the Balanced Budget and Emergency Deficit Control Act, as Amended," 89 *Federal Register* 18531, March 14, 2025, https://www.federalregister.gov/documents/2024/03/14/2024-05600/sequestration-order-for-fiscal-year-2025-pursuant-to-section-251a-of-the-balanced-budget-and.

[42] The 2% limit also does not apply to non-MIP spending within HCFAC. For more, see the section of this report titled "Federal Administrative Expenses."

[43] 2 U.S.C. §906(d)(7).

Student Loans

BBEDCA establishes a special sequestration rule for certain student loans made under the William D. Ford Federal Direct Loan program.[44] 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.

Under the Direct Loan program, the Secretary of Education charges borrowers of Direct Subsidized, Unsubsidized, and PLUS Loans an origination fee.[45] Current law specifies a 1% origination fee for both Direct Subsidized and Unsubsidized Loans and a 4% origination fee for PLUS Loans. Pursuant to this special rule, these origination fees have been increased by the same uniform sequestration percentage applied to the nondefense category under the mandatory sequester since 2013. For example, Direct Subsidized and Unsubsidized Loans made on or after October 1, 2020, have had an effective origination fee of 1.057%, and PLUS Loans made on or after that date have had an effective origination fee of 4.228%.[46] These effective fees reflect an increase of 5.7%, the uniform percentage applied to the nondefense category under each mandatory sequester since the order for FY2021.

In its report to Congress on the mandatory sequester for FY2027, OMB estimated that increasing student loan fees by the same uniform percentage as other nonexempt budgetary resources in the nondefense category (5.7%) will yield outlay savings of $51 million in the direct student loan program.[47]

Federal Administrative Expenses

In general, 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 program, project, activity, or account for which the administrative expenses were incurred.[48] For the purpose of the mandatory sequester, this special rule applies only to administrative expenses that are considered mandatory spending.

BBEDCA does not define *administrative expenses*. However, OMB states the following on administrative expenses in its FY2027 report to Congress on the mandatory sequester:

> For purposes of applying the BBEDCA 251A sequestration, "administrative expenses" for typical Government programs are defined as the object classes for personnel compensation, travel, transportation, communication, equipment, supplies, materials, and other services.

[44] Section 256(b) of BBEDCA (2 U.S.C. §906(b)). The Direct Loan program is authorized under Title IV, Part D of the Higher Education Act of 1965 (HEA), as amended. Section 256(b) of BBEDCA also references student loans made under the Federal Family Education Loan (FFEL) program (HEA, Title IV, Part B). Because student loans are no longer being made under the FFEL program, however, the special sequestration rule in Section 256(b) of BBEDCA applies only to loans made under the Direct Loan program.

For more on the Direct Loan program, see CRS In Focus IF12828, *Direct Loan Program Student Loans: Loan Types and Limits*, by Alexandra Hegji; and CRS Report R45931, *Federal Student Loans Made Through the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*, by Alexandra Hegji.

[45] CRS In Focus IF13147, *History of Federal Student Loan Origination Fees*, by Alexandra Hegji.

[46] See Federal Student Aid, "Interest Rates and Fees for Federal Student Loans," https://studentaid.gov/understand-aid/types/loans/interest-rates#fees.

[47] OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027*, pp. 4-5.

[48] 2 U.S.C. §906(h). Section 906(h)(4) establishes that this rule does not apply to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the National Credit Union Administration or its central liquidity facility, the Federal Retirement Thrift Investment Board, the Farm Credit Administration, or the Cost of War Toxic Exposures Fund.

> For Government programs engaging in commercial, business-like activities, administrative expenses constitute overhead costs that are necessary to run a business, and not expenses that are directly tied to the production and delivery of goods or services.[49]

In its report to Congress on the FY2027 mandatory sequester, OMB estimated that $4.51 billion in such administrative expenses across 48 accounts—all in the nondefense category—will be subject to the uniform 5.7% reduction for FY2027.[50]

Revolving, Trust, and Special Fund Accounts and Offsetting Collections

Budgetary resources sequestered from most accounts are permanently cancelled.[51] BBEDCA establishes a special rule for the treatment of budgetary resources in revolving, trust, and special fund accounts and offsetting collections reduced by sequestration, however.[52] Under this rule, budgetary resources sequestered in such accounts will not be available for obligation during the fiscal year in which a sequestration order is in effect but will become available for obligation in subsequent years to the extent otherwise provided in law.[53] This means generally that budgetary resources in these accounts reduced through sequestration for one fiscal year will become available for obligation in the next, making the reduction of budgetary resources only temporary.[54] In a 2016 report on the implementation of the mandatory sequester, the Government Accountability Office stated that OMB refers to mandatory budget authority sequestered in one fiscal year that becomes available to the agency again in a subsequent fiscal year as "pop ups."[55]

Other Health Programs

Section 256(e) of BBEDCA limits reductions to certain other health programs in addition to Medicare to no more than 2%.[56] Programs subject to the 2% limit include community health centers, migrant health centers, Indian health facilities, Indian health services, and veterans' medical care. Reductions to these accounts under the mandatory sequester are therefore capped at 2% in years where mandatory spending is estimated for these accounts.

OMB has estimated sequestrable mandatory budgetary resources for these programs in its sequestration reports for seven of the 15 years from FY2013 to FY2027 (FY2013, FY2014, FY2015, FY2017, FY2022, FY2023, and FY2027). In its report on the FY2027 mandatory sequester, OMB estimated that a total of $1.1 billion in mandatory budgetary resources for these programs will be subject to the 2% reduction. This includes an estimated $1.05 billion for community and migrant health centers and $50 million for Indian Health Services.[57] Applying the

[49] OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027,* pp. 3-4.

[50] CRS analysis of OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027.*

[51] Section 256(k)(1) of BBEDCA, codified at 2 U.S.C. §906(k)(1).

[52] Section 256(k)(6) of BBEDCA, codified at 2 U.S.C. §906(k)(6).

[53] 2 U.S.C. §906(k)(6).

[54] OMB guidance on sequestration states that budgetary resources temporarily reduced in these accounts under the mandatory sequester that are determined to become available in a subsequent fiscal year are not again subject to the mandatory sequester in subsequent years. OMB, Circular A-11, p. 350.

[55] Government Accountability Office, 2014 Sequestration: Opportunities Exist to Improve Transparency of Progress Toward Deficit Reduction Goals, GAO-16-263, April 2016, https://www.gao.gov/products/gao-16-263.

[56] 2 U.S.C. §906(e).

[57] OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027,* Appendix p. 5.

2% reduction to these budgetary resources yields a total estimated reduction of $22 million for these programs.

Defense Unobligated Balances

In defining exemptions to sequestration, BBEDCA states that—unlike in the nondefense category—unobligated balances of budget authority carried over from prior fiscal years in the defense category are subject to sequestration.[58] Consequently, in years where there are unobligated mandatory budgetary resources estimated in the defense category, such resources are subject to the same uniform sequestration percentage applied to the defense category under the mandatory sequester.

In its report to Congress on the mandatory sequester for FY2027, OMB estimated that a total of $317 million in unobligated balances of budget authority in the defense category across seven accounts will be subject to the 8.3% uniform reduction for the defense category.[59]

Size and Scope of Mandatory Spending Reductions

Despite the exemption of the majority of mandatory spending from sequestration, the mandatory sequester affects a wide range of programs and activities across the federal government. According to OMB estimates, the mandatory sequester for FY2027 will reduce the budgetary resources available to 260 individual accounts across 45 federal departments and agencies, including the legislative and judicial branches.[60] In total, OMB estimates that about $1.54 trillion in budgetary resources will be subject to reductions under the FY2027 mandatory sequester.

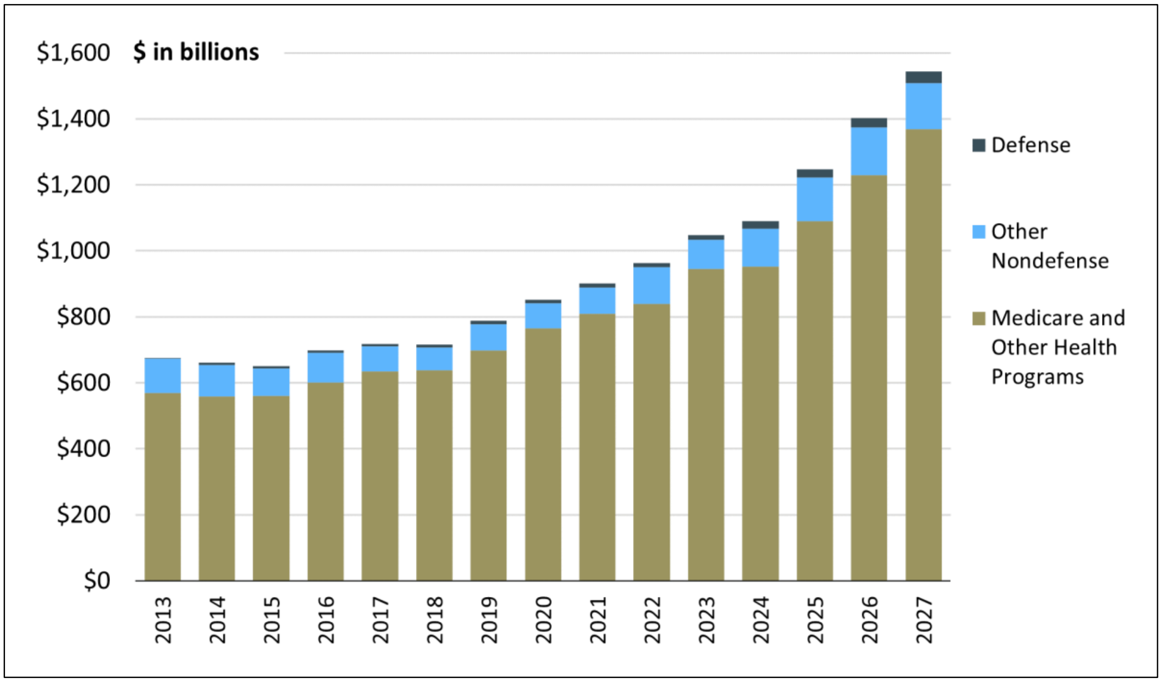
[58] Section 255(e) of BBEDCA, codified at 2 U.S.C. §905(e).

[59] These accounts include the Department of Defense—Military Programs, Operations and Maintenance, Miscellaneous Special Funds account; the Department of Defense—Military Programs, Operations and Maintenance, Support of Athletic Programs account; the Department of Defense—Military Programs, Military Construction, Natick Land Conveyance account; the Department of Defense—Military Programs, Revolving and Management Funds, National Defense Stockpile Transaction Fund account; the Department of Defense—Military Programs, Trust Funds, Other DOD Trust Funds account; the Department of Health and Human Services, Centers for Disease Control and Prevention, CDC-wide Activities and Program Support account; and the Department of Labor, Office of Workers' Compensation Programs, Administrative Expenses, Energy Employees Occupational Illness Compensation Fund.

[60] CRS analysis of OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027.*

Figure 2. Mandatory Sequester Estimated Sequestrable Base: FY2013-FY2027

Figure is interactive in HTML report version.



Source: OMB reports to Congress on the "Joint Committee" or "BBEDCA 251A" sequester for FY2013-FY2027.

Notes: The dollar amounts reflected in this figure represent OMB estimates of the sequestrable base for each category under the mandatory sequester for each of FY2013-FY2027, rounded to the nearest hundredth. Actual budgetary resources subject to the mandatory sequester for each fiscal year may differ from the amounts estimated by OMB at the time of the report's submission to Congress for several reasons. For more on these potential differences, see the section of this report titled "Estimated vs. Actual Reductions Under the Mandatory Sequester." Fiscal years marked with asterisks (*)—FY2020, FY2021, and FY2022—represent years for which Medicare was either exempt from sequestration or subject to lower reductions for all or part of the period for which the sequester order was in effect. For more, see the sections of this report titled "Suspension of and Adjustments to Medicare Reductions" and "Suspensions of and Reductions to Medicare Sequestration." Total sequestrable base levels shown in this figure may vary in some years from the total levels reflected in OMB's report due to rounding.

In terms of sequestrable budgetary resources, Medicare is by far the largest program subject to the mandatory sequester. Sequestrable budgetary resources for Medicare have made up an average of 87.6% of the total estimated sequestrable base for each year from FY2013 to FY2027.[61] For FY2027, OMB estimates that sequestrable budgetary resources for Medicare ($1.368 trillion) will make up 88.6% of the total sequestrable base ($1.543 trillion).

The remainder of the sequestrable base consists of other non-Medicare mandatory budgetary resources available in the nondefense and defense categories. For FY2027, these resources are estimated to total $175.56 billion across 256 individual accounts.[62] Of the 256 affected accounts, 241 are in the nondefense category and 15 are in the defense category.[63] Budgetary resources in the nondefense category make up $140.24 billion, or 79.9% of total estimated non-Medicare

[61] CRS analysis of OMB reports to Congress on the "Joint Committee" or "BBEDCA 251A" sequester for FY2013-FY2027.

[62] CRS analysis of OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027.*

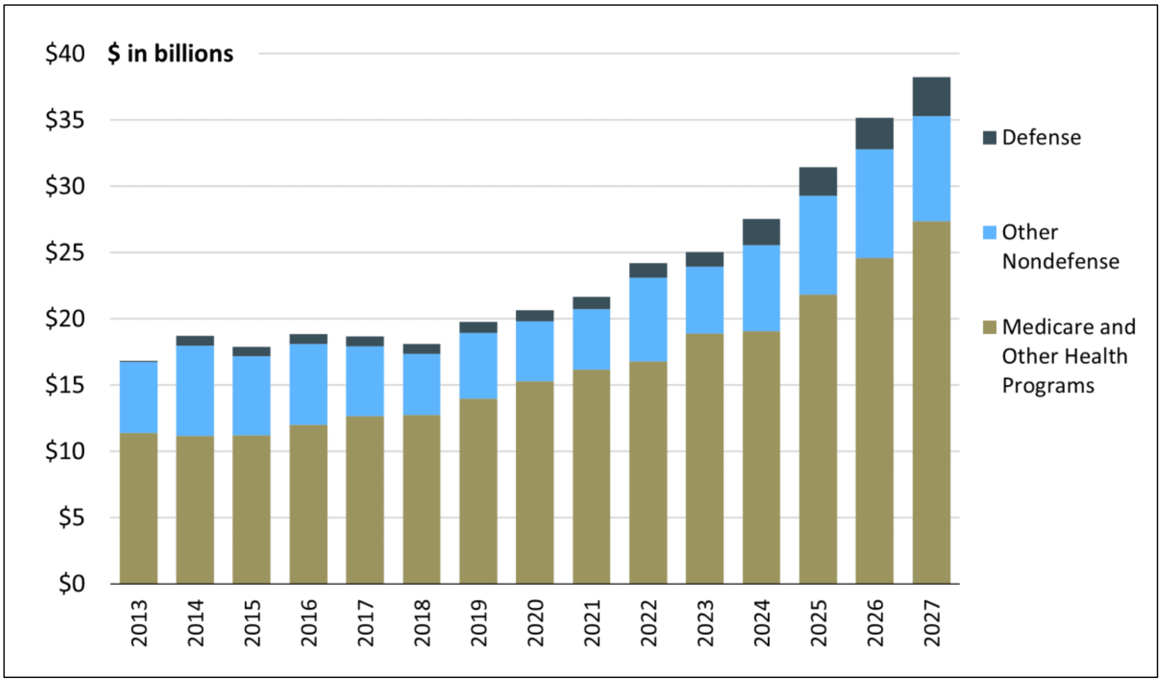
[63] Ibid.

sequestrable budgetary resources for FY2027, while budgetary resources in the defense category make up the other $35.32 billion, or 20.1%.[64]

Historically, the majority of the non-Medicare sequestrable base has consisted of budgetary resources in the nondefense category. This has been due in part to most budgetary resources in the defense category being discretionary spending and therefore unaffected by the mandatory sequester.[65] The portion of sequestrable mandatory spending in the defense category has increased in recent years,[66] however, and may continue to increase in future years to the extent that newly enacted mandatory spending in the defense category remains unobligated.

Figure 3. Mandatory Sequester Estimated Reductions: FY2013-FY2027

Figure is interactive in HTML report version.



Source: OMB reports to Congress on the "Joint Committee" or "BBEDCA 251A" sequester for FY2013-FY2027.

Notes: The dollar amounts reflected in this figure represent OMB estimates of reductions under the mandatory sequester for each of FY2013-FY2027, rounded to the nearest hundredth. Actual reductions for each fiscal year may differ from the amounts estimated by OMB at the time of the report's submission to Congress for several reasons. For more on these potential differences, see the section of this report titled "Estimated vs. Actual Reductions Under the Mandatory Sequester." Fiscal years marked with asterisks (*)—FY2020, FY2021, and FY2022—represent years for which Medicare was either exempt from sequestration or subject to lower reductions for all or part of the period for which the sequester order was in effect. For more, see the sections of this report titled "Suspension of and Adjustments to Medicare Reductions" and "Suspensions of and Reductions to Medicare Sequestration." Reduction estimates for "Other Nondefense" in this graph do not

64 Ibid.

65 For example, in its report to Congress on the FY2021 mandatory sequester, OMB estimated that sequestrable direct spending accounted for only 1.69% of total spending in the defense category. By comparison, OMB calculated that sequestrable direct spending accounted for 11.99% of total spending in the nondefense category. OMB, *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2021*, February 10, 2020.

66 For the first five mandatory sequesters—FY2013-FY2017—the defense category made up an average of 6.7% of the non-Medicare sequestrable base, whereas in the most recent five mandatory sequesters—FY2023-FY2027—it made up an average of 16.5%.

reflect estimated outlay savings in the direct student loan program pursuant to the mandatory sequester. Total reduction levels shown in this figure may vary in some years from the total levels reflected in OMB's report due to rounding.

Despite the 2% limit, reductions to Medicare make up the majority of total reductions under the mandatory sequester. Not including FY2020-FY2022—when Medicare was temporarily exempt from sequestration or subject to decreased reduction percentages for all or part of the fiscal year—reductions to Medicare made up an average of 68.12% of total estimated reductions under the mandatory sequester for all other years from FY2013 to FY2027.[67] Over the same period, estimated non-Medicare reductions in the nondefense category made up an average of 27.14% of total estimated reductions, and estimated reductions in the defense category made up an average of 4.74%.[68]

For FY2027, OMB estimates total reductions of $38.24 billion under the mandatory sequester—including $2.93 billion in the defense category (7.7% of the total), $27.37 billion to Medicare and certain other health programs (71.6% of the total), and $7.93 billion to other nondefense accounts (20.7% of the total).[69] OMB estimates non-Medicare reductions in the nondefense category—mostly subject to a 5.7% sequestration percentage[70]—to make up 73.1% of total non-Medicare reductions for FY2027 and for reductions in the defense category—subject to an 8.3% sequestration percentage—to make up the other 26.9%.[71]

Estimated vs. Actual Reductions Under the Mandatory Sequester

Reduction amounts reflected in OMB reports on the mandatory sequester represent estimates of the amounts that will be reduced over the period the sequester order is in effect. Actual amounts of budgetary resources permanently cancelled pursuant to each mandatory sequester may differ from these estimates for various reasons, some of which are covered in this section. OMB is not required to, and generally does not, publicly report actual amounts of total budgetary resources permanently cancelled under the mandatory sequester. Information on actual reductions to individual accounts through sequestration can be found in the President's budget *Appendix*, however.[72]

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[67] CRS analysis of OMB reports to Congress on the "Joint Committee" or "BBEDCA 251A" sequester for FY2013-FY2027.

[68] Ibid.

[69] CRS analysis of OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027.*

[70] Reductions to certain other health programs in this category are capped at 2%. For more, see the section of this report titled "Other Health Programs."

[71] CRS analysis of OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2027.*

[72] For example, OMB's report to Congress on the mandatory sequester for FY2024 estimated a reduction of $414 million in budgetary resources in the Farm Security and Rural Investment Programs account within the Natural Resources Conservation Service. OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2024*, March 13, 2023, p. 8.

In the *Appendix* of the FY2025 President's budget, the "Program and Financing Schedule" for the Farm Security and Rural Investment Programs account indicated an actual reduction of $414 million in budgetary resources in the account for FY2024 labeled "Appropriations and/or unobligated balance of appropriations permanently reduced." *Budget of the U.S. Government, Fiscal Year 2025, Appendix,* p. 117.

OMB Circular A-11 specifies that the label "Appropriations and/or unobligated balance of appropriations permanently reduced" in this context represents the "Amount of permanent rescissions, reductions, and cancellations of new appropriations and unobligated balances of appropriations."

Accounts or Programs with Indefinite Budget Authority

Certain programs or accounts affected by the mandatory sequester involve amounts of budgetary resources that can only be estimated at the time OMB submits its sequestration report to Congress. As a result, actual sequestrable budgetary resources, and thus actual reduction amounts, for such programs or accounts may differ from the estimates reflected in the report.

Such programs and accounts generally include those for which budgetary resources are determined by factors other than a specified amount of budget authority. For example, these include accounts or programs whose budgetary resources are determined by payments made pursuant to eligibility criteria or payment formulas established in law (such as Medicare) or receipts collected (such as judiciary filing fees). For these types of accounts or programs, sequestrable budgetary resources would be determined by the aggregate of payments made or fees collected, respectively, during the period the sequestration order is in effect.

OMB guidance states that it may direct agencies to achieve the actual required reduction for these programs or accounts by multiplying the sequestration percentage by the actual amount of sequestrable budgetary resources available to the account or program in the event that it varies from the estimate reflected in its report.[73]

"Pop Ups"

As previously mentioned, certain budgetary resources reduced through sequestration—sometimes referred to as "pop ups"—become available for obligation again in a subsequent fiscal year. These include certain budgetary resources in revolving, trust, and special fund accounts, as well as offsetting collections, reduced by sequestration. OMB sequestration reports do not indicate whether reductions to a given account will be permanent or temporary, nor do they provide estimates of the total amount of budgetary resources that may "pop up" in future years. As a result, budgetary resources permanently cancelled under the mandatory sequester for a given fiscal year may differ from the estimates reflected in OMB's reports, as such estimates also include temporary reductions. Information on "pop up" budgetary resources for individual accounts can be found in the President's budget *Appendix*, however.[74]

Suspensions of and Reductions to Medicare Sequestration

Due to the timing of their submission to Congress, OMB's reports on the mandatory sequester for FY2020, FY2021, and FY2022 did not account for the temporary exemption of Medicare from sequestration from May 1, 2020, through March 31, 2022, or the period for which reductions to

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[73] OMB Circular A-11, p. 352.

[74] For example, OMB's report to Congress on the mandatory sequester for FY2024 estimated a reduction of $1 million in budgetary resources in the Perishable Agricultural Commodities Act Fund, a special fund within the Agricultural Marketing Service. OMB, *OMB Report to the Congress on the BBEDCA 251A Sequestration for Fiscal Year 2024*, p. 8.

The *Appendix* of the FY2025 President's budget indicated that these resources were only temporarily made unavailable in FY2024 and subsequently became available in FY2025. Specifically, the "Program and Financing Schedule" for the Perishable Agricultural Commodities Act Fund included a $1 million reduction to budgetary resources in the account for FY2024 labeled "Appropriations and/or unobligated balance of appropriations temporarily reduced" and a $1 million increase in budgetary resources for FY2025 labeled "Appropriation (previously unavailable) (special or trust)." *Budget of the U.S. Government, Fiscal Year 2025, Appendix*, p. 84.

OMB Circular A-11 specifies that the label "Appropriations and/or unobligated balance of appropriations temporarily reduced" in this context represents amounts sequestered from revolving, special, and non-revolving trust funds and that the label "Appropriation (previously unavailable) (special or trust)" in this context represents amounts previously sequestered from special and non-revolving trust funds that become available for obligation in a subsequent year.

Medicare were limited to 1% (April 1, 2022 through June 30, 2022). Instead, each report reflects estimated reductions as if the 2% reduction were being applied for the entirety of each sequestration order. As a result, estimates for these years do not reflect actual reductions to Medicare that may have occurred.

Errors in the Baseline or Sequestration Report

OMB guidance on sequestration states that nonexempt accounts and programs are required to take the correct reduction even if the correct amount differs from the amount reflected in its sequestration report as a result of errors in either the report or the baseline used to estimate sequestrable budgetary resources.[75] As such, actual reductions under the mandatory sequester may differ from amounts estimated in OMB's sequestration report to the extent they were incorrect due to errors in the report or the baseline.

Accounts with Reductions of Less Than $500,000

Estimated reduction amounts in OMB's reports on the mandatory sequester are rounded to the nearest million. Reduction amounts for accounts with estimated reductions of less than $500,000 (i.e., cannot be rounded up to $1 million) are indicated with asterisks. Despite its reports rounding to the nearest million, OMB guidance on executing the mandatory sequester requires agencies to calculate the specific dollar reduction required by multiplying the dollar amount of sequestrable budgetary resources in each account by the required sequestration percentage and rounding to the nearest dollar.[76] In its guidance, OMB specifies that this calculation is still required to determine reduction amounts that do not appear in the report because they do not round to $1 million.

[75] OMB Circular A-11, p. 352. As required by BBEDCA, estimates of sequestrable budgetary resources included in OMB's report on the mandatory sequester are equal to the current law baseline amounts contained in the President's budget request submitted for that fiscal year.

[76] OMB Circular A-11, p. 351.

Appendix A. OMB Joint Committee Sequestration Calculations for FY2021

The following examples of Joint Committee sequestration calculations for the defense and nondefense categories come from the *OMB Report to the Congress on the Joint Committee Reductions for Fiscal Year 2021*.[77] **Figure A-1** and **Figure A-2** below show OMB's tables summarizing these calculations.

FY2021 was the final fiscal year for which OMB was required to use the calculation process for sequestration percentages originally set forth in the BCA. Starting in FY2022—and through FY2031 under current law—OMB has been required to use the sequestration percentages calculated in its FY2021 report for the purpose of carrying out the mandatory sequester.

Defense

Step 1. Pursuant to BBEDCA, the total required reduction for FY2021 in the defense category was $54.667 billion, allocated proportionately between discretionary appropriations and mandatory spending. The total sequestrable base for the defense category ($655.077 billion) was the sum of (1) the FY2021 discretionary spending limit for the defense category as originally enacted by the BCA ($644 billion) and (2) OMB's baseline estimates of sequestrable mandatory spending outlays in the defense function in FY2021 and FY2022 from mandatory spending sequestrable resources in FY2021 ($11.077 billion). Discretionary appropriations comprised 98.31% of sequestrable budgetary resources in the defense category for FY2021, while mandatory spending made up the remaining 1.69%.

Step 2. Allocating the total reduction ($54.667 billion) based on the ratio of discretionary appropriations (98.31%) and mandatory spending (1.62%) yields a required reduction of $53.743 billion to discretionary appropriations and a required reduction of $0.924 billion to mandatory spending.

Step 3. A reduction of $53.743 billion to the FY2021 revised discretionary spending limit for the defense category as originally enacted in the BCA ($644 billion) would have resulted in a new defense discretionary cap of $590.257 billion. The BBA of 2019 (P.L. 116-37) superseded this reduction by amending the FY2021 defense discretionary cap and cancelling the implementation of Joint Committee sequester reductions to the discretionary caps for FY2021, however.

Step 4. The uniform percentage reduction for nonexempt mandatory spending accounts was calculated by dividing the mandatory spending reduction amount ($0.924 billion) by the sequestrable base for mandatory spending in the defense function ($11.077 billion). This yielded an 8.3% sequestration for accounts with nonexempt mandatory spending in the defense category.

[77] OMB, *OMB Report to Congress on the Joint Committee Reductions for Fiscal Year 2021*, February 10, 2020, p. 3.

Figure A-1. OMB Summary of Defense Function Reductions for FY2021

Table 2. DEFENSE FUNCTION REDUCTION
(Dollars in billions)

	Discretionary	Direct Spending	Total
Calculation of Reduction:			
Step 1. Base for allocating reduction	644.000	11.077	655.077
Percentage allocation of reductions	98.31%	1.69%	
Step 2. Allocation of total reduction	53.743	0.924	54.667
Implementation of Reduction*:			
Step 3. Sequestration percentages calculation:			
Reduction amount		0.924	
Sequestrable base		11.077	
Sequestration percentage		8.3%	

* Pursuant to section 251A(13) of BBEDCA, no reduction to the FY 2021 discretionary spending limit is required.

Source: OMB, *OMB Report to Congress on the Joint Committee Reductions for Fiscal Year 2021*, February 10, 2020, p. 3.

Nondefense

Calculating reductions to mandatory spending in the nondefense function required more steps than the defense function did due to special sequestration rules related to certain nondefense programs. Specifically, BBEDCA limits reductions to Medicare and certain other health programs to no more than 2%. It also includes a special rule for applying sequestration to student loans. See the section of this report titled "General and Special Sequestration Rules" for more information on these special rules.

Step 1. OMB is required to calculate reductions to Medicare prior to reductions to other nonexempt mandatory spending programs in the nondefense category.[78] The total required reduction for FY2021 in the nondefense category was $54.667 billion, allocated proportionately between discretionary appropriations and mandatory spending. The portion of Medicare subject to the 2% limit on sequestration was estimated to have combined FY2021 and FY2022 outlays of $808.765 billion from FY2021 budgetary resources. A 2% reduction to these outlays yielded an estimated reduction to Medicare of $16.175 billion for FY2021. This left a reduction of $38.492 billion to be taken from discretionary appropriations and other mandatory spending in the nondefense category.

Step 2. The remaining reduction of $38.492 billion was required to be allocated proportionately between discretionary appropriations and mandatory spending in the nondefense category. The total remaining sequestrable base for the nondefense category ($670.358 billion) was the sum of (1) the FY2021 discretionary spending limit for the nondefense category as originally enacted in the BCA ($590 billion) and (2) OMB's baseline estimate of total sequestrable mandatory outlays

[78] Section 901a(6)(A) of BBEDCA requires OMB to follow the procedures established in Section 935 of BBEDCA when implementing the mandatory sequester. Section 935 requires OMB to determine outlay savings through sequestration in the following order: (1) the amount by which the sequestration in a crop year of crop support payments (pursuant to special rules outlined in Section 906(j)) reduces outlays in the budget year and the subsequent fiscal year, (2) the amount by which the sequestration of Medicare payments in the 12-month period following the sequestration order (pursuant to special rules outlined in Section 906(d)) reduces outlays in the budget year and the subsequent fiscal year, and (3) the amount by which sequestration in the budget year of the budgetary resources of other nonexempt mandatory programs reduces outlays in the budget year and subsequent fiscal year.

in the nondefense category in FY2021 and FY2022 from mandatory spending sequestrable resources in FY2021 minus the portion of Medicare subject to the 2% limit ($80.358 billion). Discretionary appropriations comprised 88.01% of the remaining sequestrable base in the nondefense category, while mandatory spending made up the remaining 11.99%.

Allocating the total remaining reduction ($38.492 billion) based on the ratio of discretionary appropriations (88.01%) and mandatory spending (11.99%) yielded a required reduction of $33.877 billion to discretionary appropriations and a required reduction of $4.615 billion to mandatory spending.

Step 4. A reduction of $38.492 billion to the FY2021 revised discretionary spending limit for the nondefense category as originally enacted in the BCA ($590 billion) would have resulted in a new nondefense discretionary cap of $551.508 billion. The BBA of 2019 superseded this reduction by amending the FY2021 nondefense discretionary cap and cancelling the implementation of Joint Committee sequester reductions to the discretionary caps for FY2021, however.

Step 5. The remaining reduction of $4.615 billion was achieved by simultaneously applying the same percentage in two ways: (1) as a uniform percentage reduction to the remaining budget accounts with sequestrable mandatory spending in the nondefense category and (2) increasing student loan fees by the same percentage.[79] OMB calculated this percentage by solving simultaneously for the percentage that would achieve the remaining required reduction when applied in both ways, which yielded 5.7%. This percentage yielded savings of $0.051 billion in the Direct Student Loan program and $4.564 billion from the remaining nondefense budget accounts with nonexempt mandatory spending.

[79] As required by Section 256(b) of BBEDCA, codified at 2 U.S.C. §906(b). For more, see the section of this report titled "Student Loans."

Figure A-2. OMB Summary of Nondefense Function Reductions for FY2021

Table 3. NONDEFENSE FUNCTION REDUCTION
(Dollars in billions)

	Discretionary	Direct Spending	Total
Calculation of Reduction:			
Step 1. Total reduction, excluding savings from Medicare 2% limit:			
Medicare base subject to 2% limit		808.765	
Total nondefense function reduction			54.667
Reduce Medicare by 2%			–16.175
Non-Medicare reduction amounts			38.492
Step 2. Allocate non-Medicare reduction:			
Total base for allocating reduction	590.000	889.123	1,479.123
Exclude Medicare (portion subject to 2% limit)		–808.765	–808.765
Non-Medicare base	590.000	80.358	670.358
Percentage allocation of non-Medicare base	88.01%	11.99%	
Non-Medicare reduction amounts	33.877	4.615	38.492
Percentage allocation of non-Medicare reduction	88.01%	11.99%	
Implementation of Reduction:			
Step 3. Sequestration percentages calculation:			
Remaining reduction amounts		4.615	
Savings from uniform percentage reduction:			
From 5.7% increase in student loan fee		0.051	
From remaining sequestrable budget accounts		4.564	
Sequestrable base for uniform percentage reduction		80.358	
Sequestration percentage		5.70%	
Summary of Reductions:			
2% sequestration of Medicare		16.175	
Student loan fee increase		0.051	
Uniform percentage reduction		4.564	
Total reduction		20.790	

* Pursuant to section 251A(11) of BBEDCA, no reduction to the FY 2021 discretionary spending limit is required.

Source: OMB, *OMB Report to Congress on the Joint Committee Reductions for Fiscal Year 2021*, February 10, 2020, p. 4.

Appendix B. Summary of Legislative Action on the Mandatory Sequester Since 2013

American Taxpayer Relief Act of 2012 (P.L. 112-240; enacted January 2, 2013)

The American Taxpayer Relief Act of 2012 made several changes to the mandatory sequester for FY2013. First, it reduced the total required amount of discretionary and mandatory spending reductions for FY2013 by $24 billion—from $109.33 billion as originally required under the BCA to $85.33 billion. Second, it postponed the sequester for FY2013 from January 2, 2013, to March 1, 2013.

BBA of 2013 (P.L. 113-67; enacted December 26, 2013)

The BBA of 2013 extended the mandatory sequester through FY2023. The act required that sequestration percentages for FY2022 and FY2023 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021. For Medicare, the act changed sequestration percentages for FY2023 from 2% to 2.9% for the first six months the order was in effect and 1.1% for the second six months. CBO estimated that the extension of these reductions for FY2022 and FY2023 would reduce mandatory outlays by a total of $28.04 billion over FY2014-FY2023.[80]

S. 25, 113th Congress (P.L. 113-82, enacted February 14, 2014)

This act extended the mandatory sequester through FY2024. The act established that sequestration percentages for FY2024 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021.

Protecting Access to Medicare Act of 2014 (P.L. 113-93; enacted April 1, 2014)

This act changed Medicare sequestration percentages for FY2024 from 2% to 4% for the first six months the order was in effect and 0% for the second six months. CBO estimated that this change would reduce mandatory outlays by $4.9 billion over FY2014-FY2024.[81]

BBA of 2015 (P.L. 114-74; enacted November 2, 2015)

The BBA of 2015 extended the mandatory sequester through FY2025. The act established that sequestration percentages for FY2025 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021. For Medicare, the act changed the sequestration percentages for FY2025 from 2% to 4% for the first six months the order was in effect and 0% for the second six months and reverted Medicare

[80] CBO, "Bipartisan Budget Act of 2013, as Posted on the Website of the House Committee on Rules on December 10, 2013," December 11, 2013, https://www.cbo.gov/sites/default/files/113th-congress-2013-2014/costestimate/bipartisan-budget-act-20130.pdf.

[81] CBO, "Congressional Budget Office Cost Estimate for Protecting Access to Medicare Act of 2014, as Posted on March 26, 2014," March 26, 2014, https://www.cbo.gov/publication/45217.

sequestration percentages back to 2% for FY2023 and FY2024. CBO estimated that these provisions would reduce mandatory outlays by a total of $14.05 billion over FY2016-FY2025.[82]

BBA of 2018 (P.L. 115-123; enacted February 9, 2018)

The BBA of 2018 extended the mandatory sequester through FY2027. The act established that sequestration percentages for FY2022-FY2027 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021. For Medicare, the act changed the sequestration percentages for FY2027 from 2% to 4% for the first six months the order is in effect and 0% for the second six months and reverted Medicare sequestration percentages back to 2% for FY2025. CBO estimated that these provisions would reduce mandatory outlays by a total of $35.46 billion over FY2018-FY2027.[83]

BBA of 2019 (P.L. 116-37; enacted August 2, 2019)

The BBA of 2019 extended the mandatory sequester through FY2029. The act established that sequestration percentages for FY2022-FY2029 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021. For Medicare, the act changed the sequestration percentages for FY2029 from 2% to 4% for the first six months the order is in effect and 0% for the second six months and reverted Medicare sequestration percentages back to 2% for FY2027. CBO estimated that these provisions would reduce mandatory outlays by a total of $38.94 billion over FY2019-FY2029.[84]

CARES Act (P.L. 116-136; enacted March 27, 2020)

The CARES Act temporarily exempted Medicare from reductions under any sequestration order for the period of May 1, 2020, to December 31, 2020. The act also extended the mandatory sequester through FY2030 and established that sequestration percentages for FY2022-FY2030 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021. For Medicare, the act changed the sequestration percentages for FY2030 from 2% to 4% for the first six months the order is in effect and 0% for the second six months and reverted Medicare sequestration percentages back to 2% for FY2029. CBO estimated that suspending the sequestration of Medicare would increase mandatory outlays by a total of $8 billion in FY2020 and FY2021 and that extending the sequester through FY2030 would decrease mandatory outlays by $26 billion in FY2029 and FY2030.[85] In total, CBO estimated that these provisions would decrease mandatory outlays by $19 billion over FY2020-FY2030.

[82] CBO, "Estimate of the Budgetary Effects of H.R. 1314, the Bipartisan Budget Act of 2015, as Reported by the House Committee on Rules on October 27, 2015," October 28, 2015, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/costestimate/hr1314.pdf.

[83] CBO, "CBO Estimate for Senate Amendment 1930, the Bipartisan Budget Act of 2018—Direct Spending and Revenue Provisions, Division C," February 8, 2018, https://www.cbo.gov/publication/53561.

[84] CBO, "CBO Estimate for the Bipartisan Budget Act of 2019, as Posted on July 22, 2019," July 23, 2019, https://www.cbo.gov/publication/55478.

[85] CBO, "H.R. 748, CARES Act, P.L. 116-136, as Enacted on March 27, 2020, as P.L. 116-136," April 16, 2020, https://www.cbo.gov/publication/56334.

Consolidated Appropriations Act, 2021 (P.L. 116-260; enacted December 27, 2020)

Division N (Additional Coronavirus Response and Relief) of the Consolidated Appropriations Act, 2021, extended the temporary exemption of Medicare from reductions under any sequestration order to March 31, 2021, from December 31, 2020.

H.R. 1868, 117th Congress (P.L. 117-7; enacted April 14, 2021)

This act extended the temporary exemption of Medicare from reductions under any sequestration order to December 31, 2021, from March 31, 2021. The act also changed Medicare sequestration percentages for FY2030 from 4% to 2% for the first five and a half months the order is in effect, from 0% to 4% for the second six months, and 0% for the remaining half month.

Infrastructure Investment and Jobs Act (P.L. 117-58; enacted November 15, 2021)

Division I (Other Matters) of the act extended the mandatory sequester through FY2031. The act established that sequestration percentages for FY2022-FY2031 for the defense and nondefense categories be the same as the percentages calculated in OMB's report on the mandatory sequester for FY2021. For Medicare, the act changed the sequestration percentages for FY2031 from 2% to 4% for the first six months the order is in effect and 0% for the second six months and reverted Medicare sequestration percentages back to 2% for FY2030. CBO estimated that these provisions would reduce mandatory outlays by a total of $8.73 billion over FY2021-FY2031.[86]

Protecting Medicare and American Farmers from Sequester Cuts Act (P.L. 117-71; enacted December 10, 2021)

This act extended the temporary exemption of Medicare from reductions under any sequestration order to March 31, 2022, from December 31, 2021. It also provided that the sequestration percentage for Medicare would be 1% for the period beginning on April 1, 2022, and ending on June 30, 2022. For FY2030, the act established that the sequestration percentage for Medicare payments will be 2.25% for the first six months the order is in effect and 3% for the second six months. CBO estimated that these provisions would increase mandatory outlays in FY2022 and FY2023 and decrease mandatory outlays in FY2030 and FY2031. In total, CBO estimated that these provisions would decrease mandatory outlays by $1.21 billion over FY2022-FY2031.[87]

Consolidated Appropriations Act, 2023 (P.L. 117-328; enacted December 29, 2022)

Division FF (Health and Human Services) of the Consolidated Appropriations Act, 2023, included several provisions related to the mandatory sequester. The act changed the required date on which the President issues sequestration orders for FY2022-FY2031 from the date on which

[86] CBO, "Senate Amendment 2137 to H.R. 3684, the Infrastructure Investment and Jobs Act, as Proposed on August 1, 2021," August 9, 2021, https://www.cbo.gov/publication/57406.

[87] CBO, "Estimated Budgetary Effect of the House Amendment to S. 610, the Protecting Medicare and American Farmers from Sequester Cuts Act, as Posted on the Website of the House Committee on Rules on December 7, 2021 (Rules Committee Print 117-22)," December 7, 2021, https://www.cbo.gov/publication/57675.

OMB issues its sequestration preview report to the date on which the President submits the President's budget request to Congress. Second, the act reverted sequestration percentages for Medicare payments for FY2030 and FY2031 back to a limit of 2%. Third, it extended reductions to Medicare under the mandatory sequester through FY2032. The act established that the sequestration percentage for Medicare payments for FY2032 will be 2% for the first six months the order is in effect and 0% for the second six months. CBO estimated that these provisions would decrease mandatory outlays by a total of $3.30 billion over FY2023-FY2032.[88]

National Defense Authorization Act for Fiscal Year 2024 (P.L. 118-31; enacted December 22, 2023)

Division A (Department of Defense Authorizations) of the act changed the sequestration percentage for Medicare for FY2032 to 2% for the first seven months the order is in effect (from the first six months) and 0% for the last five months (from the second six months).

Consolidated Appropriations Act, 2024 (P.L. 118-42; enacted March 9, 2024)

Division G (Other Matters) of the Consolidated Appropriations Act, 2024, changed the sequestration percentage for Medicare for FY2032 to 2% for the first eight months the order is in effect (from the first seven months) and 0% for the last four months (from last five months). CBO estimated that this provision would decrease mandatory outlays by a total of $2.46 billion over FY2024-FY2033.[89]

Further Consolidated Appropriations Act, 2024 (P.L. 118-47; enacted March 23, 2024)

Division G (Other Matters) of the Further Consolidated Appropriations Act, 2024, extended reductions to the defense and nondefense categories under the mandatory sequester through FY2032. The act established that the FY2032 sequestration percentage for the defense category would be 4% and the sequestration percentage for the nondefense category would be 2.8%. CBO estimated that these provisions would reduce mandatory outlays by a total of $848 million over FY2024-FY2033.[90]

Full-Year Continuing Appropriations and Extensions Act, 2025 (P.L. 119-4; enacted March 15, 2025)

Division B (Health) of this act changed the FY2032 sequestration percentage for Medicare to 2% for the first 10 months the order is in effect (from the first eight months) and 0% for the last two

[88] CBO, "CBO Estimate for Divisions O Through MM of H.R. 2617, the Consolidated Appropriations Act, 2023, Enacted as P.L. 117-328 on December 29, 2022," January 12, 2023, https://www.cbo.gov/publication/58901.

[89] CBO, "Consolidated Appropriations Act, 2024, as Posted on the Document Repository of the House of Representatives on March 3, 2024," March 5, 2024, https://www.cbo.gov/publication/60058.

[90] CBO, "Further Consolidated Appropriations Act, 2024, as Posted on the Document Repository of the House of Representatives on March 21, 2024," March 21, 2024, https://www.cbo.gov/publication/60129.

months (from last four months). CBO estimated that this provision would decrease mandatory outlays by a total of $4.45 billion over FY2025-FY2034.[91]

Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026 (P.L. 119-37; enacted November 12, 2025)

Division F (Health Extenders) of this act changed the FY2032 sequestration percentage for Medicare to 2% for the first 11 months the order is in effect (from the first 10 months) and 0% for the last month (from last two months). CBO estimated that this provision would decrease mandatory outlays by a total of $2.13 billion over FY2026-FY2035.[92]

Consolidated Appropriations Act, 2026 (P.L. 119-75; enacted February 3, 2026)

Division J (Health Care Extenders) of this act changed the FY2032 sequestration percentage for Medicare to 2% for the full 12-month period the order is in effect (from 2% for the first 11 months and 0% for the final month). The act also extended reductions to Medicare under the mandatory sequester through FY2033. The act established that the sequestration percentage for Medicare payments for FY2033 will be 2% for the first five months the order is in effect and 0% for the remaining seven months. CBO estimated that this provision would decrease mandatory outlays by $12.95 billion over FY2026-FY2035.[93]

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[91] CBO, "H.R. 1968, Full-Year Continuing Appropriations and Extensions Act, 2025, as Posted on the Website of the House Committee on Rules, March 8, 2025," March 11, 2025, https://www.cbo.gov/publication/61248.

[92] CBO, "Senate Amendment 3937 to H.R. 5371, the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026, as Posted on the Senate Amendment Tracking System on November 10, 2025," November 10, 2025, https://www.cbo.gov/publication/61747.

[93] CBO, "H.R. 7148, Consolidated Appropriations Act, 2026, as Posted on the website of the House Committee on Rules on January 20, 2026," January 21, 2026, https://www.cbo.gov/publication/62029.

Appendix C. Section 255 of BBEDCA, Codified as Amended at 2 U.S.C. §905

§905. Exempt programs and activities

(a) Social security benefits and tier I railroad retirement benefits

Benefits payable under the old-age, survivors, and disability insurance program established under title II of the Social Security Act (42 U.S.C. 401 et seq.), and benefits payable under sections 231b and 231c of title 45, shall be exempt from reduction under any order issued under this subchapter.

(b) Veterans programs

The following programs shall be exempt from reduction under any order issued under this subchapter:

All programs administered by the Department of Veterans Affairs.

Special benefits for certain World War II veterans (28–0401–0–1–701).

(c) Net interest

No reduction of payments for net interest (all of major functional category 900) shall be made under any order issued under this subchapter.

(d) Refundable income tax credits and certain elective payments

(1) Refundable income tax credits

Payments to individuals made pursuant to provisions of title 26 establishing refundable tax credits shall be exempt from reduction under any order issued under this subchapter.

(2) Certain elective payments

Payments made to taxpayers pursuant to elections under subsection (d) of section 48D of title 26, or amounts treated as payments which are made by taxpayers under paragraph (1) of such subsection, shall be exempt from reduction under any order issued under this subchapter.

(e) Non-defense unobligated balances

Unobligated balances of budget authority carried over from prior fiscal years, except balances in the defense category, shall be exempt from reduction under any order issued under this subchapter.

(f) Optional exemption of military personnel

(1) In general

The President may, with respect to any military personnel account, exempt that account from sequestration or provide for a lower uniform percentage reduction than would otherwise apply.

(2) Limitation

The President may not use the authority provided by paragraph (1) unless the President notifies the Congress of the manner in which such authority will be exercised on or before the date specified in section 904(a) of this title for the budget year.

(g) Other programs and activities

(1)(A) The following budget accounts and activities shall be exempt from reduction under any order issued under this subchapter:

Activities resulting from private donations, bequests, or voluntary contributions to the Government.

Activities financed by voluntary payments to the Government for goods or services to be provided for such payments.

Administration of Territories, Northern Mariana Islands Covenant grants (14–0412–0–1–808).

Advances to the Unemployment Trust Fund and Other Funds (16–0327–0–1–600).

Black Lung Disability Trust Fund Refinancing (16–0329–0–1–601).

Bonneville Power Administration Fund and borrowing authority established pursuant to section 13 of Public Law 93–454 (1974), as amended [16 U.S.C. 838k] (89–4045–0–3–271).

Claims, Judgments, and Relief Acts (20–1895–0–1–808).

Compact of Free Association (14–0415–0–1–808).

Compensation of the President (11–0209–01–1–802).

Comptroller of the Currency, Assessment Funds (20–8413–0–8–373).

Continuing Fund, Southeastern Power Administration (89–5653–0–2–271).

Continuing Fund, Southwestern Power Administration (89–5649–0–2–271).

Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Fund.

Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Defense Fund.

Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America International Technology Security and Innovation Fund.

Creating Helpful Incentives to Produce Semiconductors (CHIPS) for America Workforce and Education Fund

Dual Benefits Payments Account (60–0111–0–1–601).

Emergency Fund, Western Area Power Administration (89–5069–0–2–271).

Exchange Stabilization Fund (20–4444–0–3–155).

Farm Credit Administration Operating Expenses Fund (78–4131–0–3–351).

Farm Credit System Insurance Corporation, Farm Credit Insurance Fund (78–4171–0–3–351).

Federal Deposit Insurance Corporation, Deposit Insurance Fund (51–4596–0–4–373).

Federal Deposit Insurance Corporation, FSLIC Resolution Fund (51–4065–0–3–373).

Federal Deposit Insurance Corporation, Noninterest Bearing Transaction Account Guarantee (51–4458–0–3–373).

Federal Deposit Insurance Corporation, Senior Unsecured Debt Guarantee (51–4457–0–3–373).

Federal Home Loan Mortgage Corporation (Freddie Mac).

Federal Housing Finance Agency, Administrative Expenses (95–5532–0–2–371).

Federal National Mortgage Corporation (Fannie Mae).

Federal Payment to the District of Columbia Judicial Retirement and Survivors Annuity Fund (20–1713–0–1–752).

Federal Payment to the District of Columbia Pension Fund (20–1714–0–1–601).

Federal Payments to the Railroad Retirement Accounts (60–0113–0–1–601).

Federal Reserve Bank Reimbursement Fund (20–1884–0–1–803).

Financial Agent Services (20–1802–0–1–803).

Foreign Military Sales Trust Fund (11–8242–0–7–155).

Hazardous Waste Management, Conservation Reserve Program (12–4336–0–3–999).

Host Nation Support Fund for Relocation (97–8337–0–7–051).

Internal Revenue Collections for Puerto Rico (20–5737–0–2–806).

Intragovernmental funds, including those from which the outlays are derived primarily from resources paid in from other government accounts, except to the extent such funds are augmented by direct appropriations for the fiscal year during which an order is in effect.

Medical Facilities Guarantee and Loan Fund (75–9931–0–3–551).

National Credit Union Administration, Central Liquidity Facility (25–4470–0–3–373).

National Credit Union Administration, Corporate Credit Union Share Guarantee Program (25–4476–0–3–376).

National Credit Union Administration, Credit Union Homeowners Affordability Relief Program (25–4473–0–3–371).

National Credit Union Administration, Credit Union Share Insurance Fund (25–4468–0–3–373).

National Credit Union Administration, Credit Union System Investment Program (25–4474–0–3–376).

National Credit Union Administration, Operating fund (25–4056–0–3–373).

National Credit Union Administration, Share Insurance Fund Corporate Debt Guarantee Program (25–4469–0–3–376).

National Credit Union Administration, U.S. Central Federal Credit Union Capital Program (25–4475–0–3–376).

Office of Thrift Supervision (20–4108–0–3–373).

Panama Canal Commission Compensation Fund (16–5155–0–2–602).

Payment of Vietnam and USS Pueblo prisoner-of-war claims within the Salaries and Expenses, Foreign Claims Settlement account (15–0100–0–1–153).

Payment to Civil Service Retirement and Disability Fund (24–0200–0–1–805).

Payment to Department of Defense Medicare-Eligible Retiree Health Care Fund (97–0850–0–1–054).

Payment to Judiciary Trust Funds (10–0941–0–1–752).

Payment to Military Retirement Fund (97–0040–0–1–054).

Payment to the Foreign Service Retirement and Disability Fund (19–0540–0–1–153).

Payments to Copyright Owners (03–5175–0–2–376).

Payments to Health Care Trust Funds (75–0580–0–1–571).

Payment to Radiation Exposure Compensation Trust Fund (15–0333–0–1–054).

Payments to Social Security Trust Funds (28–0404–0–1–651).

Payments to the United States Territories, Fiscal Assistance (14–0418–0–1–806).

Payments to trust funds from excise taxes or other receipts properly creditable to such trust funds.

Payments to widows and heirs of deceased Members of Congress (00–0215–0–1–801).

Postal Service Fund (18–4020–0–3–372).

Public Wireless Supply Chain Innovation Fund.

Radiation Exposure Compensation Trust Fund (15–8116–0–1–054).

Reimbursement to Federal Reserve Banks (20–0562–0–1–803).

Salaries of Article III judges.

Soldiers and Airmen's Home, payment of claims (84–8930–0–7–705).

Tennessee Valley Authority Fund, except nonpower programs and activities (64–4110–0–3–999).

Tribal and Indian trust accounts within the Department of the Interior which fund prior legal obligations of the Government or which are established pursuant to Acts of Congress regarding Federal management of tribal real property or other fiduciary responsibilities, including but not limited to Tribal Special Fund (14–5265–0–2–452), Tribal Trust Fund (14–8030–0–7–452), White Earth Settlement (14–2204–0–1–452), and Indian Water Rights and Habitat Acquisition (14–5505–0–2–303).

United Mine Workers of America 1992 Benefit Plan (95–8260–0–7–551).

United Mine Workers of America 1993 Benefit Plan (95–8535–0–7–551).

United Mine Workers of America Combined Benefit Fund (95–8295–0–7–551).

United States Enrichment Corporation Fund (95–4054–0–3–271).

Universal Service Fund (27–5183–0–2–376).

Vaccine Injury Compensation (75–0320–0–1–551).

Vaccine Injury Compensation Program Trust Fund (20–8175–0–7–551).

(B) The following Federal retirement and disability accounts and activities shall be exempt from reduction under any order issued under this subchapter:

Black Lung Disability Trust Fund (20–8144–0–7–601).

Central Intelligence Agency Retirement and Disability System Fund (56–3400–0–1–054).

Civil Service Retirement and Disability Fund (24–8135–0–7–602).

Comptrollers general retirement system (05–0107–0–1–801).

Contributions to U.S. Park Police annuity benefits, Other Permanent Appropriations (14–9924–0–2–303).

Court of Appeals for Veterans Claims Retirement Fund (95–8290–0–7–705).

Department of Defense Medicare-Eligible Retiree Health Care Fund (97–5472–0–2–551).

District of Columbia Federal Pension Fund (20–5511–0–2–601).

District of Columbia Judicial Retirement and Survivors Annuity Fund (20–8212–0–7–602).

Energy Employees Occupational Illness Compensation Fund (16–1523–0–1–053).

Foreign National Employees Separation Pay (97–8165–0–7–051).

Foreign Service National Defined Contributions Retirement Fund (19–5497–0–2–602).

Foreign Service National Separation Liability Trust Fund (19–8340–0–7–602).

Foreign Service Retirement and Disability Fund (19–8186–0–7–602).

Government Payment for Annuitants, Employees Health Benefits (24–0206–0–1–551).

Government Payment for Annuitants, Employee Life Insurance (24–0500–0–1–602).

Judicial Officers' Retirement Fund (10–8122–0–7–602).

Judicial Survivors' Annuities Fund (10–8110–0–7–602).

Military Retirement Fund (97–8097–0–7–602).

National Railroad Retirement Investment Trust (60–8118–0–7–601).

National Oceanic and Atmospheric Administration retirement (13–1450–0–1–306).

Pensions for former Presidents (47–0105–0–1–802).

Postal Service Retiree Health Benefits Fund (24–5391–0–2–551).

Public Safety Officer Benefits (15–0403–0–1–754).

Rail Industry Pension Fund (60–8011–0–7–601).

Retired Pay, Coast Guard (70–0602–0–1–403).

Retirement Pay and Medical Benefits for Commissioned Officers, Public Health Service (75–0379–0–1–551).

September 11th Victim Compensation Fund (15–0340–0–1–754).

Special Benefits for Disabled Coal Miners (16–0169–0–1–601).

Special Benefits, Federal Employees' Compensation Act (16–1521–0–1–600).

Special Workers Compensation Expenses (16–9971–0–7–601).

Tax Court Judges Survivors Annuity Fund (23–8115–0–7–602).

United States Court of Federal Claims Judges' Retirement Fund (10–8124–0–7–602).

United States Secret Service, DC Annuity (70–0400–0–1–751).

Victims Compensation Fund established under section 410 of the Air Transportation Safety and System Stabilization Act (49 U.S.C. 40101 note).

United States Victims of State Sponsored Terrorism Fund.

Voluntary Separation Incentive Fund (97–8335–0–7–051).

World Trade Center Health Program Fund (75–0946–0–1–551).

(2) Prior legal obligations of the Government in the following budget accounts and activities shall be exempt from any order issued under this subchapter:

Biomass Energy Development (20–0114–0–1–271).

Check Forgery Insurance Fund (20–4109–0–3–803).

Credit liquidating accounts.

Credit reestimates.

Employees Life Insurance Fund (24–8424–0–8–602).

Federal Aviation Insurance Revolving Fund (69–4120–0–3–402).

Federal Crop Insurance Corporation Fund (12–4085–0–3–351).

Federal Emergency Management Agency, National Flood Insurance Fund (58–4236–0–3–453).

Geothermal resources development fund (89–0206–0–1–271).

Low-Rent Public Housing-Loans and Other Expenses (86–4098–0–3–604).

Maritime Administration, War Risk Insurance Revolving Fund (69–4302–0–3–403).

Natural Resource Damage Assessment Fund (14–1618–0–1–302).

United States International Development Finance Corporation.

Pension Benefit Guaranty Corporation Fund (16–4204–0–3–601).

San Joaquin Restoration Fund (14–5537–0–2–301).

Servicemembers' Group Life Insurance Fund (36–4009–0–3–701).

Terrorism Insurance Program (20–0123–0–1–376).

(h) Low-income programs

The following programs shall be exempt from reduction under any order issued under this subchapter:

Academic Competitiveness/Smart Grant Program (91–0205–0–1–502).

Child Care Entitlement to States (75–1550–0–1–609).

Child Enrollment Contingency Fund (75–5551–0–2–551).

Child Nutrition Programs (with the exception of special milk programs) (12–3539–0–1–605).

Children's Health Insurance Fund (75–0515–0–1–551).

Commodity Supplemental Food Program (12–3507–0–1–605).

Contingency Fund (75–1522–0–1–609).

Family Support Programs (75–1501–0–1–609).

Federal Pell Grants under section 1070a of title 20.

Grants to States for Medicaid (75–0512–0–1–551).

Payments for Foster Care and Permanency (75–1545–0–1–609).

Supplemental Nutrition Assistance Program (12–3505–0–1–605).

Supplemental Security Income Program (28–0406–0–1–609).

Temporary Assistance for Needy Families (75–1552–0–1–609).

(i) Economic recovery programs

The following programs shall be exempt from reduction under any order issued under this subchapter:

GSE Preferred Stock Purchase Agreements (20–0125–0–1–371).

Office of Financial Stability (20–0128–0–1–376).

Special Inspector General for the Troubled Asset Relief Program (20–0133–0–1–376).

(j) Split treatment programs

Each of the following programs shall be exempt from any order under this subchapter to the extent that the budgetary resources of such programs are subject to obligation limitations in appropriations bills:

Federal-Aid Highways (69–8083–0–7–401).

Highway Traffic Safety Grants (69–8020–0–7–401).

Operations and Research NHTSA and National Driver Register (69–8016–0–7–401).

Motor Carrier Safety Operations and Programs (69–8159–0–7–401).

Motor Carrier Safety Grants (69–8158–0–7–401).

Formula and Bus Grants (69–8350–0–7–401).

Grants-In-Aid for Airports (69–8106–0–7–402).

(k) Identification of programs

For purposes of subsections (b), (g), and (h), each account is identified by the designated budget account identification code number set forth in the Budget of the United States Government 2010–Appendix, and an activity within an account is designated by the name of the activity and the identification code number of the account.

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