# GAO Highlights

Highlights of GAO-16-263, a report to the Chairman, Committee on the Budget, House of Representatives

April 2016

# 2014 SEQUESTRATION

## Opportunities Exist to Improve Transparency of Progress Toward Deficit Reduction Goals

## Why GAO Did This Study

In fiscal year 2014, federal agencies implemented the second consecutive year of sequestration reductions to mandatory spending, which are scheduled through fiscal year 2025.

GAO was asked to review the implementation of sequestration on mandatory accounts and any related effects. This report examines 1) the designation of mandatory accounts government-wide under the President's sequestration order for fiscal year 2014, 2) how selected agencies implemented sequestration and any effects they reported on programs or services, and 3) how continued sequestration of mandatory spending relates to the achievement of deficit reduction goals.

GAO analyzed fiscal year 2014 budget data on sequestration; selected a nongeneralizable sample of 6 accounts from USDA, HHS, Treasury, and DOT based on the amount of sequestrable budget authority, budget function, and account type; reviewed documentation on sequestration; interviewed budget officials; and reviewed legislation.

## What GAO Recommends

GAO recommends that OMB identify and publicly report the total amount of (1) temporarily sequestered budget authority that becomes available in subsequent fiscal years and (2) actual budget authority sequestered government-wide each year. OMB agreed with the first recommendation but disagreed with the second, citing implementation burden. GAO believes such information would enhance the transparency of achieving federal deficit reduction goals as discussed in the report.

View GAO-16-263. For more information, contact Michelle Sager, (202) 512-6806, sagerm@gao.gov.

## What GAO Found

GAO found that in fiscal year 2014, total mandatory budget authority government-wide was approximately $2.9 trillion spread across roughly 443 accounts. The Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA), as amended, required the Office of Management and Budget (OMB) to apply a range of sequestration rates to non-exempt mandatory spending. This resulted in estimated reductions of $19.4 billion in fiscal year 2014, which was less than one percent of mandatory budget authority. Exemptions and special rules in BBEDCA led some areas of government to be reduced more than others. For example, 90 percent or more of mandatory budget authority for the administration of justice and transportation was subject to reduction. Veterans benefits and services were exempt. About two-thirds of the 67 federal agencies with mandatory budget authority implemented sequestration procedures in 2014. The largest drivers of mandatory spending growth—Social Security and health care—are statutorily exempt from sequestration under BBEDCA, with the exception of Medicare and certain health programs which are subject to a special rate.

Agency officials responsible for managing the selected accounts in GAO's review at the Departments of Agriculture (USDA), Health and Human Services (HHS), the Treasury (Treasury), and Transportation (DOT) reported varied administrative and programmatic effects. While they said 2014 sequestration procedures were similar to the prior year, implementation involved additional administrative activities to ensure that reductions were applied correctly and to accommodate the changes in cash flows for programs and services. In certain cases, selected officials said sequestration added uncertainty when planning and executing their budgets. They also said that the required reductions affected program beneficiaries in different ways including smaller direct payments, reduced services, delayed payments, and reduced tax credits.

The processes established by BBEDCA were designed to reduce the deficit over 10 years by at least an additional $1.2 trillion. However, the subsequent availability of temporarily sequestered budget authority in certain accounts—referred to as "pop ups"—provide savings in the year they are sequestered but do not represent lasting savings. OMB staff said they do not tally the total amount of funds that "pop up," nor are they required to do so. However, doing so would provide additional transparency to Congress about the total amount of funds agencies have available in a given year.

In addition, actual sequestered amounts for certain types of mandatory spending cannot be determined until the end of the fiscal year due to the variable nature of indefinite budget authority—budget authority for an unspecified or indeterminable amount at the time of enactment. OMB staff said they do not aggregate government-wide data on the actual amounts sequestered nor are they required to do so under BBEDCA. However, tabulating actual amounts after the close of the fiscal year would provide a clearer picture of the amount of funds that were permanently canceled, thereby representing the true savings generated from mandatory spending reductions each year. Moreover, compiling such data could improve transparency and serve as a benchmark to evaluate the progress made each year toward the required overall savings of $1.2 trillion.