

**GAO**

Report to the President and the  
Congress

---

February 1992

# BUDGET ISSUES

## Compliance Report Required by the Budget Enforcement Act of 1990



---

---



United States  
General Accounting Office  
Washington, D.C. 20548

145918

Comptroller General  
of the United States

B-221498

February 14, 1992

The President  
The President of the Senate  
The Speaker of the House of Representatives

As required by the Budget Enforcement Act of 1990, which amended the Balanced Budget and Emergency Deficit Control Act of 1985, we hereby submit our compliance report covering reports and presidential orders issued during the session of the Congress ending January 3, 1992. Under Section 254(i) of the 1990 act, the Comptroller General must (1) certify that each order the President issues and each report the Office of Management and Budget (OMB) and the Congressional Budget Office (CBO) issue under section 254 complies with the requirements of the act or (2) indicate the respects in which it does not.

In our opinion, the CBO and OMB reports substantially complied with the act except for OMB's Within-Session Sequester Report and the President's order implementing it. We believe the OMB within-session sequestration was unnecessary. In its Within-Session Sequester Report for fiscal year 1991, OMB incorrectly reported that budget authority for domestic discretionary spending exceeded the limit for that category by \$2.4 million and incorrectly called for a sequester of 0.0013 percent to eliminate the breach. The statutory spending limit for 1991 domestic discretionary budget authority was \$182,891 million. OMB estimated that enacted 1991 domestic discretionary budget authority totaled \$182,893.4 million, thereby breaching the cap. The sequestration also reduced 1991 outlays by \$1.4 million.

The sequestration would have been avoided if OMB had not included in its estimate \$26 million contained in the Dire Emergency Supplemental Appropriations Act, Fiscal Year 1991 (Public Law 102-27), for the Department of Housing and Urban Development (HUD) and the Library of Congress. Provisions in the Emergency Supplemental Act exempted previously obligated funds appropriated to HUD and the Library of Congress from the account closing provisions of the Defense Authorization Act, Fiscal Year 1991 (Public Law 101-510).

---

Section 1405(b)(6) of that act required the cancellation of any obligated balances of expired appropriations that had been in "M" accounts<sup>1</sup> for more than 5 years as of March 6, 1991, except in certain limited circumstances.

The Emergency Supplemental Act provisions extended the life of previously obligated HUD and Library of Congress funds "until expended for the purposes for which originally obligated." OMB considered these budgetary resources to be a reappropriation and scored them as new budget authority.

As we stated in our correspondence to the Chairman, House Committee on Appropriations (B-243744, April 24, 1991), the Congress enacted these provisions to preserve obligated balances so that previously funded grant projects and contracts could be completed and the supporting obligations liquidated. The purpose was not to extend the period of availability of unobligated budget authority to incur new obligations, which would properly be considered a reappropriation and scored as new budget authority. Accordingly, we disagreed with OMB's scoring of these amounts as new budget authority for HUD and the Library of Congress.

Counting the \$26 million as new budget authority barely led to a breach of the domestic discretionary spending limit. OMB calculated that a sequester of 0.0013 percent was necessary to eliminate the breach. Such a precise sequestration was unprecedented; previous OMB sequestration reports calculated reductions of sequestrable budgetary resources only to tenths of a percent. For example, OMB stated in its earlier Final Sequestration Report for fiscal year 1991 (November 9, 1990) that the 1.9 percent "mini-sequester" of international discretionary spending "does not achieve the full \$395 million reduction because of rounding." If OMB had used the same rounding logic as in previous sequestration reports, it would not have called for a within-session sequestration.

Further, as a matter of policy, very small sequestrations seem to be of limited value. Although the earlier rounding methodology of calculating sequestration to tenths of a percent is not specified in the act, in our view, it would be reasonable for all parties involved in the budget process to agree to use it.

---

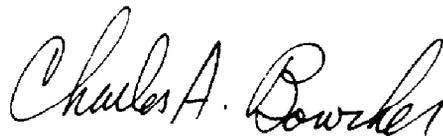
<sup>1</sup>An "M" account was a successor account into which obligated balances under an appropriation were transferred (merged) at the end of the second full fiscal year following expiration. The Defense Authorization Act, Fiscal Year 1991, required the closing of "M" accounts. Prior to that act, "M" accounts remained available indefinitely for the payment of obligations and liabilities charged or chargeable to various year appropriation accounts.

We also found several instances in which either OMB or CBO, or both, were not in compliance with the act. These relatively minor cases are described in appendix I. Appendix I also discusses (1) some areas of the act which were interpreted differently by OMB and CBO, (2) other implementation issues, and (3) some matters for congressional consideration for making technical corrections to the act to clarify certain areas and allow more precise implementation.

To accomplish the objective of determining compliance with the Budget Enforcement Act, we reviewed OMB's and CBO's reports issued under the act to determine if they reflected all the technical requirements specified in the act. We interviewed cognizant OMB and CBO officials to obtain explanations for differences between reports. Background information on the various reports required by the act and details concerning our objectives, scope, and methodology are contained in appendix II.

Copies of this report will be provided to the Director of the Office of Management and Budget, the Director of the Congressional Budget Office, and Members of Congress. Copies will also be made available to other interested parties on request.

This report was prepared under the direction of James L. Kirkman, Director, Budget Issues, who may be reached on (202) 275-9573, if you or your staffs have any questions. Major contributors to this report are listed in appendix III.



Charles A. Bowsher  
Comptroller General  
of the United States

# Compliance, Interpretation, and Implementation Issues

---

## OMB and CBO Compliance With the Act

OMB and CBO were in substantial compliance with the Budget Enforcement Act, except for OMB's Within-Session Sequester Report and the President's order implementing it. However, we found several other instances, discussed below, in which either OMB or CBO, or both, were not in compliance with the act.

---

## Annualizing a Continuing Appropriation to Calculate Baselines Is Reasonable, but Incorrect

Section 251(a)(7) of the Budget Enforcement Act requires OMB and CBO to estimate discretionary new budget authority and outlays under any new discretionary appropriation. In estimating the amount of new budget authority and outlays available under the Fiscal Year 1992, Further Continuing Appropriations (Public Law 102-145), both OMB and CBO used an annualized amount. Use of an annualized amount is consistent with section 251(a)(4) which specifies how to calculate a discretionary sequestration. It requires OMB to subtract, if necessary, the dollar sequestration calculated for an account from the "annualized amount" available by law in that account.

However, section 253(f)(1) requires OMB and CBO to assume, when determining the amount of any excess deficit at the end of the session, that accounts be at the level in the baseline. To calculate the baseline, section 257(c)(1) requires OMB and CBO to use, not an annualized amount for a continuing resolution, but the amount available in the "current year,"<sup>1</sup> which in this case was fiscal year 1991, adjusted for inflation.

In their Final Sequestration Reports, both OMB and CBO annualized the appropriations contained in the fiscal year 1992 Further Continuing Appropriations for foreign operations to calculate the baseline under section 257. By annualizing the 1992 continuing resolution, OMB and CBO reported a lower deficit amount than would have been reported if they had calculated the baseline as required by section 257(c)(1).

OMB's and CBO's use of the annualized amount in the baseline, while incorrect, was reasonable. The problem is that inflating current-year budgetary resources to calculate the discretionary baseline (as required by section 257(c)(1)) could have resulted in a deficit sequestration, while using annualized appropriations to estimate the baseline avoided the need for such a sequestration. As long as discretionary spending limits and the pay-as-you-go requirement for direct spending are met, the maximum deficit amount should not be exceeded through fiscal year 1993. This is

---

<sup>1</sup>With respect to a budget year, the current year is the fiscal year that immediately precedes that budget year. The budget year, with respect to a session of the Congress, is the fiscal year that starts on October 1 of the calendar year in which that session begins.

true because, in the President's budget, OMB must fully adjust the maximum deficit amount to take account of all changes in economic and technical assumptions and must use the same economic and technical assumptions in calculating the estimated deficit at the end of the session.

OMB and CBO decided it was reasonable and within the spirit of the law to use annualized appropriations to estimate the discretionary baseline, thereby avoiding a potential deficit sequestration. Also, using current-year budgetary resources adjusted for inflation to estimate the baseline did not seem reasonable since fiscal year 1991 (the then-current year) international discretionary appropriations contained a higher than normal level of budgetary resources.

This situation raises questions concerning the implementation of the act as specified in section 257(c)(1). Based on our understanding of the act, deficit sequestrations for fiscal years 1991 through 1993 were not anticipated because the operation of the other enforcement provisions and requirements of the act made such sequestrations unlikely. Accordingly, certain technical corrections could be made to obviate the possibility, under the circumstances described above, of deficit sequestrations resulting from the scoring of continuing resolutions.

---

### **Reports on Discretionary Appropriations Did Not Include All Outlays From Previously Enacted Emergency Legislation**

OMB and CBO reports on discretionary appropriation bills are to include estimates of the amounts of new budget authority and outlays provided by the legislation. They are also to include any new budget authority and outlays that result from previously enacted legislation. This latter requirement would apply, for example, to outlays resulting from supplemental appropriations enacted in prior years. For the Discretionary Sequestration Reports in the OMB and CBO Final Sequestration Reports, the bill estimates in each category<sup>2</sup> would be totaled and compared with each category's spending limit to determine whether a sequestration is needed.

The OMB and CBO reports on 1992 discretionary appropriation bills did not include outlays resulting from the emergency provisions of the 1991 supplemental appropriation acts (Public Laws 102-27, 28, and 55). However, CBO included these outlays in the totals for individual bills reported in its Final Sequestration Report. Similarly, OMB included them in its Final Report but, unlike CBO, did not include them with each individual

---

<sup>2</sup>For fiscal years 1991, 1992, and 1993, a category is any of the following subsets of discretionary appropriations: defense, international, or domestic. For fiscal years 1994 and 1995, a category is all discretionary appropriations.

bill but rather added them, in total, to each category of discretionary spending.

While there would not have been any sequestration even if these amounts had been reported in OMB and CBO individual bill estimates, the effect of this method of reporting is an understatement of outlays in individual bill estimates. It also complicates the tracking of individual bill estimates to ensure they are accurately presented in the Final Reports.

---

### Data Omissions in OMB's and CBO's Sequestration Reports

In analyzing the six OMB and CBO Sequestration Reports and OMB's Within-Session Sequester Report, we found several instances in which the reports did not include specific data required by the act.

Estimated New Budget Authority and Outlays: The act requires the OMB and CBO discretionary sequestration reports to include the estimated new budget authority and outlays for each category and the breach,<sup>3</sup> if any, in each category for the current year and the budget year. CBO's Final Sequestration Report does not include these data for the current year. According to an official at CBO, this was an oversight.

Pay-as-You-Go Sequestration: In the event of a pay-as-you-go sequestration, the act requires the OMB and CBO reports to contain estimates of the effects on outlays of the sequestration in each outyear through 1995 for direct spending programs. CBO's Final Sequestration Report, which calls for such a sequestration, does not contain these estimates nor explain why they are not included. A CBO official stated that for fiscal years 1994 and 1995, outlays were not affected; therefore, the report did not include these years. OMB's Final Sequestration Report does not call for a sequestration.

Discretionary Spending Limits: The act requires the Within-Session Sequestration Reports to contain estimates of the applicable discretionary spending limits for each category for the current year and each subsequent year through 1995. The OMB Within-Session Sequester Report includes these data for 1991 only. An OMB official told us that the outyear data were simply omitted. The official agreed that the law requires these data for subsequent years as well as the current year and stated that, in the future, reports will contain these data for all years. CBO did not issue a Within-Session Sequestration Report.

---

<sup>3</sup>A breach is the amount (if any) by which new budget authority or outlays for a fiscal year (within a category of discretionary appropriations) is above that category's discretionary spending limit for new budget authority or outlays.

---

**OMB's Final Sequestration  
Report Contained Some  
Errors**

We noted some errors in Table 3, Status of 1992 Appropriations, contained in OMB's Final Sequestration Report. These errors are minor and did not affect the outcome of the process.

Under the heading of Defense Appropriations, the outlay number reported for Operation Desert Shield/Desert Storm did not include \$238 million from prior Desert Shield/Desert Storm appropriations. An OMB official told us that this was inadvertent. If the table was correct, it would show that enacted appropriations exceeded the adjusted defense spending limit by \$80 million, rather than being \$158 million below the limit, as the table now shows. No sequestration is required since the excess is within the unused \$2.5 billion outlay allowance permitted by the act.

Other errors exist under the heading of International Appropriations. The individual bill estimates do not total to the amounts shown for Total International. In fact, the amount shown for Total International (with emergencies) is the correct amount for Total International (without emergencies). If the table were correct, it would show that enacted appropriations are \$382 million below the spending limit instead of \$462 million below, as it now shows.

---

**OMB and CBO  
Interpreted Certain  
Areas of the Act  
Differently**

The Budget Enforcement Act is very detailed and, in most cases, highly specific about the processes and procedures required for calculating and enforcing sequestration, if necessary. Nonetheless, like most legislation, OMB and CBO were required to interpret the act in certain instances, and implement it accordingly. Two such instances are discussed below. The first issue involves what is meant by a "change in concept." The second issue concerns spending limit adjustments and scoring of reappropriations for Desert Shield/Desert Storm. These types of problems can be expected when implementing highly complex and detailed legislation. We continue to believe that such formula-based budgeting is not the best way to allocate federal resources. However, if that budgeting approach must be used, clarifying certain areas of the act could allow more precise implementation.

---

**Inconsistent OMB  
Adjustment of  
Discretionary Spending  
Limits for a Change in  
Concept**

OMB adjusted the discretionary budget authority and outlay spending limits to account for a change in calculating the baseline for certain social insurance administrative expenses. Section 257(c)(3) of the act requires the baseline for budgetary resources for the administrative expenses of the Federal Hospital Insurance Trust Fund, the Supplementary Medical

Insurance Trust Fund, the Unemployment Trust Fund and the railroad retirement account to be adjusted by the percentage change in the relevant beneficiary populations.

OMB states that the baseline estimating change for the social insurance administrative expenses specified in the act was a change in concept which therefore required adjustments to be made to the discretionary spending limits under section 251(b) of the act. Budget experts, including CBO, which did not make similar adjustments to the spending limits, stated that the baseline estimating change was not conceptual in nature since it did not change how legislation is scored or affect accounting procedures. However, the act does not specify what constitutes a change in concept or definition, which would justify adjustments to discretionary spending limits.

OMB's treatment of the baseline estimating change for social insurance administrative expenses raised the limits and thereby created room for additional discretionary spending under the limits. Such an adjustment was inconsistent with how OMB treated other baseline changes under section 257(c). For example, it did not adjust the spending limits for the baseline change specified by section 257(c)(4) for federal employee pay adjustments.

---

### **OMB and CBO Handled Reappropriations of Expired Budget Authority Differently**

The act specifies that discretionary spending limits should be adjusted for a number of reasons, including for emergency appropriations and for Operation Desert Shield/Desert Storm. The act is unclear with regard to spending limit adjustments due to scoring of reappropriations. It does not specify what to do in the event that budget authority expires but the spending limits have already been adjusted and outlays have been scored for it. Such an event occurred, and OMB and CBO developed reasonable, but different, ways of dealing with it.

In April 1991, the Congress appropriated \$42.6 billion for the incremental cost of Desert Shield/Desert Storm. At the end of fiscal year 1991, \$8.1 billion of fiscal year 1991 appropriations had not been obligated and thus expired. The Congress subsequently reappropriated \$6.3 billion of the expired amount for use in fiscal year 1992.

OMB and CBO correctly adjusted the 1992 defense outlay spending limits to account for the 1992 outlay effects of the original appropriation. However, when \$8.1 billion expired and the Congress reappropriated \$6.3 billion of

it, OMB adjusted the 1992 defense outlay spending limit for the whole amount of the outlays from the reappropriated budget authority. Its estimate of outlays for the fiscal year 1992 appropriation in its Final Sequestration Report includes the outlays originally estimated to result in 1992 from the full \$42.6 billion appropriated in 1991 as well as those associated with the \$6.3 billion reappropriation. Thus, OMB increased the 1992 spending limits twice for the amount of the reappropriation—first, when originally appropriated for 1991, and again when reappropriated for 1992. It correspondingly counted the associated outlays twice. OMB believes that the act does not allow rescoring prior year appropriations in the Final Sequestration Report. Once an appropriation has expired, there is no real distinction between a reappropriation and a new appropriation. Had the Congress enacted a new appropriation, which would have had exactly the same effect on the agency's budget authority as making a reappropriation, OMB's scoring would have been the same.

CBO, on the other hand, adjusted the 1992 outlay spending limits and scored 1992 outlays from the reappropriation only for those outlays above and beyond those already attributed to the original appropriation. Since CBO's approach reflects a logical scoring of the outlays, it is not unreasonable.

---

## **Other Implementation Issues**

---

### **Reasons for Differences in OMB and CBO Estimates of Unemployment Legislation**

CBO estimated that pay-as-you-go legislation enacted in the session of the Congress ending on January 3, 1992, increased the net deficit for 1992 by \$758 million, requiring a sequestration. OMB, on the other hand, estimated pay-as-you-go savings totaling \$1.095 billion. This scoring difference of \$1.853 billion resulted primarily from different cost estimates of three provisions in the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164) and the unemployment provisions in Public Law 102-182. These laws contained provisions regarding Guaranteed Student Loan (GSL) program debt collections, Internal Revenue Service (IRS) nontax debt collections, individual tax revenues, and emergency unemployment compensation.

CBO estimated that GSL debt collections, IRS nontax debt collections, and individual tax revenues contained in Public Law 102-164 would decrease

the deficit by \$3.715 billion, while OMB estimated these same provisions would decrease the deficit by \$5.197 billion. CBO estimated the emergency unemployment compensation amendment attached to Public Law 102-182 would cost \$505 million in 1992, or \$400 million more than OMB's estimate.

GSL Debt Collections: CBO estimated little savings due to the GSL provisions of Public Law 102-164 (only \$15 million in 1992), which includes the wage garnishment of loan defaulters. Its scoring was based on the assumption that states would not be able to garnish significantly more wages under this provision than they already are able to garnish through the judicial process. Essentially, CBO treated this provision as merely changing the wage garnishment process from a judicial one to an administrative one for many states, with no real savings effect.

OMB assumed greater savings (\$562 million in 1992) partly because the GSL provision in Public Law 102-164 allows for the garnishment of wages of any loan defaulter, instead of just federal employees who are in default as was previously allowed. An OMB official maintains that CBO surveyed states that were having little success in garnishing wages through the courts and therefore underestimated potential savings resulting from this provision.

IRS Nontax Debt Collection: CBO and OMB also had different assumptions about the effectiveness of garnishing tax refunds of GSL defaulters, the primary savings instrument in the IRS nontax debt collection provision in Public Law 102-164. Different technical assumptions led to different savings estimates because of the large loan base to which they were applied. Also, OMB and CBO used different interest rates to discount future collections based on different estimates of the average maturity of Guaranteed Student Loans. CBO estimated this provision would save \$1.1 billion in 1992; OMB estimated savings of \$1.535 billion.

Individual Tax Revenues: OMB, which used estimates prepared by the Department of the Treasury, scored \$500 million more in tax revenues resulting from enactment of Public Law 102-164 than did CBO, which used estimates prepared by the Joint Committee on Taxation. The variance can be attributed to different economic assumptions, different growth forecasts, data limitations, and the inherent difficulty of estimating the behavioral effect of a change in tax rules. For example, the tax revenue provision in Public Law 102-164 eliminates a "safe harbor" for upper-income taxpayers, making them susceptible to a penalty for underestimating their tax liability. The key consideration is whether the penalty is sufficient—or sufficiently well understood—to cause affected

taxpayers to increase estimated tax payments. Considering the large tax base and the uncertain effect of the provision on taxpayer behavior, it is not surprising that the Department of the Treasury and the Joint Committee on Taxation produced different estimates. A complicating factor is the forecast of the economic rebound following the 1991-92 recession, which also would have an impact on estimated tax payments.

**Emergency Unemployment Compensation:** CBO and OMB also used different assumptions about the number of unemployed workers who have exhausted benefits, and future unemployment and benefit exhaustion rates, to estimate emergency unemployment compensation benefits contained in Public Law 102-182. CBO used actual and projected state data to estimate eligibility and resulting costs of \$505 million. OMB's assumptions led to a cost estimate that was about \$400 million less than CBO's.

---

### **Correcting Acknowledged OMB Estimating Errors**

The act requires OMB to use the economic and technical assumptions in the most recent Budget of the United States Government for all reports required by the act. This was done so that these two factors would not affect any reestimates, thus limiting the ability to manipulate data by changing assumptions. However, in several instances, OMB either departed from the technical assumptions in the Budget or otherwise arbitrarily altered scoring to correct acknowledged errors it made in its original estimates in the Budget, rather than simply correcting the original estimates. In a process as complicated as this one, a few such errors are inevitable. In the cases of which we are aware, the OMB efforts to correct such errors seem sensible. However, it would be clearer if OMB corrected original estimates rather than making offsetting adjustments to achieve the same effect. The existing law does not address how such corrections should be accomplished.

---

### **Treatment of Social Security Administrative Expenses**

OMB and CBO disagree about the treatment of Social Security administrative expenses under the act. These expenses, paid from the Social Security trust funds, are controlled through obligation limitations in annual appropriation acts. OMB has determined that the act's definition of the domestic discretionary spending category requires outlays for Social Security administrative expenses to be included in that category. CBO interprets the act to mean that outlays for Social Security administrative expenses as well as benefit payments should be excluded from Gramm-Rudman-Hollings calculations, including determinations of

compliance with the discretionary spending limits established by the Budget Enforcement Act.

As we stated in our September 26, 1991, testimony on the Social Security Protection Act of 1991, we think the Budget Enforcement Act is unclear about whether Social Security administrative expenses should be included in the discretionary category and it could support either CBO's or OMB's interpretation.

As a general principle, we think that summary presentations of federal financial transactions should be comprehensive, reflecting all federal activities and their effect on the economy. The Congress has made it clear, however, that Social Security receipts and benefit payments are to be off-budget. Nevertheless, we think it would be reasonable to keep Social Security administrative expenses on-budget and included in Budget Enforcement Act calculations, even if the receipts and benefit payments are excluded. There are no significant differences between these administrative expenses and administrative expenses of other federal programs. We do not favor excluding Social Security administrative expenses from the discretionary spending category.

OMB also adjusted the baseline to account for a change in the way it calculated Social Security administrative expenses. Section 257(c)(3) of the Budget Enforcement Act requires OMB to adjust the baseline for four specified accounts by the percentage change in the relevant beneficiary populations. OMB officials told us that they recalculated the baseline for changes in Social Security administrative expenses because, although not listed in section 257(c)(3), Social Security trust funds operate like the funds specified in the act.

---

## Conclusions

Our tests gave us reasonable assurance that the OMB and CBO reports issued under the act substantially complied with the requirements of the act, except for OMB's Within-Session Sequester Report and the President's order implementing it. In its Within-Session Sequester Report, OMB incorrectly recorded the preservation of obligated balances as new budget authority, thereby causing an unnecessary within-session sequestration. Also, OMB and CBO, in a reasonable approach, avoided a potential deficit sequestration by annualizing a continuing resolution to estimate the baseline, contrary to the treatment specified in section 257(c)(1) of the act.

The Budget Enforcement Act, while generally very detailed and highly specific, nonetheless, like most legislation, requires OMB and CBO to make interpretations in order to implement it in certain areas. Two examples involved defining a “change in concept” and making spending limit adjustments when scoring reappropriations. These and other gray areas discussed in the report could be clarified.

---

## **Matters for Congressional Consideration**

The Congress should consider certain technical corrections to the Budget Enforcement Act. These include

- eliminating the possibility of a deficit sequestration resulting from the scoring of continuing resolutions under the circumstances described above,
- defining what constitutes a “change in concept,”
- addressing the issue of spending limit adjustments due to the scoring of reappropriations,
- clarifying how errors in OMB’s original budget estimates are to be corrected, and
- addressing how Social Security administrative expenses should be calculated for purposes of the baseline.

# Background and Objectives, Scope, and Methodology

## Background

The Budget Enforcement Act of 1990 (Title XIII of the Omnibus Budget Reconciliation Act of 1990, Public Law 101-508) amended the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman-Hollings). The most significant change to the deficit reduction process was the establishment of three major budgetary points of control—dollar limits on discretionary spending, a pay-as-you-go<sup>1</sup> requirement for direct spending<sup>2</sup> and receipts legislation, and adjustable maximum deficit targets. Discretionary spending is divided into three categories—defense, domestic, and international—for fiscal years 1991 through 1993, and is considered to be one category in fiscal years 1994 and 1995. The act established the following reporting requirements and dates for OMB, CBO, and GAO.

Date	Report
5 days before President's budget is submitted	CBO Sequestration Preview
Accompanying President's budget submission	OMB Sequestration Preview
August 15	CBO Sequestration Update
August 20	OMB Sequestration Update
10 days after end of session	CBO Final Sequestration
15 days after end of session	OMB Final Sequestration
30 days later	GAO Compliance

Each of the Preview, Update, and Final Sequestration reports are to include (1) a discretionary sequestration report, (2) a pay-as-you-go sequestration report, and (3) a deficit sequestration report. These reports correspond to the three major points of control established by the act. If OMB determines that a sequestration is required in its Final Sequestration Report, the President must issue an order implementing it.

In addition, as soon as practicable after the Congress completes action on any appropriation involving discretionary spending, CBO is required to report to OMB the estimated amount of new budget authority and outlays provided by the legislation. Five days after an appropriation is enacted, OMB must report its estimates for these amounts, using the same economic and technical assumptions underlying the most recent budget submission. It must also include the CBO estimates and explain any differences between

<sup>1</sup>Under the Budget Enforcement Act, the pay-as-you-go provision requires that any new legislation that increases direct spending or decreases receipts be deficit neutral (that is, not increase the deficit).

<sup>2</sup>Direct spending means budget authority provided by law other than in appropriations acts, entitlement authority, and the food stamp program.

the two sets of estimates. Both OMB and CBO have similar requirements to report their estimates for any direct spending or receipts legislation.

Also, if an appropriation for a fiscal year in progress, enacted after the Congress adjourns to end a session for that budget year and before July 1 of that fiscal year, causes any of the spending limits for the year in progress to be exceeded, CBO and OMB must issue Within-Session Sequestration Reports 10 and 15 days, respectively, after its enactment. On the same day as the OMB report, the President must issue an order implementing any sequestrations set forth in the OMB report.

On April 25, 1991, OMB issued a Within-Session Sequester Report requiring a sequester of domestic discretionary budget authority, and the President issued an order implementing it. CBO did not issue a Within-Session Sequestration Report.

OMB determines in its Final Sequestration Report whether any end of session sequestration is required. The report was issued January 13, 1992, and did not call for a sequestration, while CBO's Final Sequestration Report, issued January 6, 1992, indicated the need for a pay-as-you-go sequestration. The primary difference between OMB and CBO estimates of direct spending and receipts legislation relates to their estimates of the cost of the Emergency Unemployment Compensation Act of 1991 (Public Law 102-164) and the unemployment provisions of Public Law 102-182. Neither OMB's nor CBO's scoring of this legislation was unreasonable; the differences are explained in detail in appendix I.

---

## **Objectives, Scope, and Methodology**

The primary objective of our review was to determine whether the OMB and CBO reports and the President's order implementing the within-session sequestration complied with the requirements of the act. A second objective was to identify and evaluate other issues, not necessarily compliance issues, which we believed would be of interest to the Congress. To accomplish these objectives, we reviewed the OMB and CBO Preview, Update, and Final Sequestration reports and OMB's Within-Session Sequester Report to determine if they reflected all the technical requirements specified in the act, such as (1) estimates of the discretionary spending limits, (2) explanations of any adjustments to the limits, (3) estimates of the amount of net deficit increase or decrease, (4) estimates of the maximum deficit amount, and (5) the sequestration percentages necessary to achieve the required reduction in the event of a sequestration. We also reviewed the President's order implementing the

---

**Appendix II  
Background and Objectives, Scope, and  
Methodology**

---

within-session sequestration to ensure that it complied with requirements of the act.

We reviewed the OMB and CBO reports on the 12 regular appropriations acts, the 4 supplemental appropriations acts, the continuing resolution for foreign operations, and the 37 pay-as-you-go reports on direct spending and receipts legislation. We compared each OMB and CBO report and obtained explanations for differences in total bill estimates of \$100 million or greater (for the appropriation and pay-as-you-go reports) and for differences in the discretionary spending limits of \$500 million or greater (for the Preview, Update, and Final Sequestration Reports).

During the course of our work, we interviewed cognizant OMB and CBO officials. Our work was conducted in Washington, D.C. from December 1991, through February 1992.

---

# Major Contributors to This Report

---

**Accounting and  
Financial  
Management Division,  
Washington, D.C.**

Christine E. Bonham, Assistant Director  
Trina V. Lewis, Evaluator-in-Charge  
Tracy M. Coleman, Accountant  
Bryan P. Grote, Evaluator

---

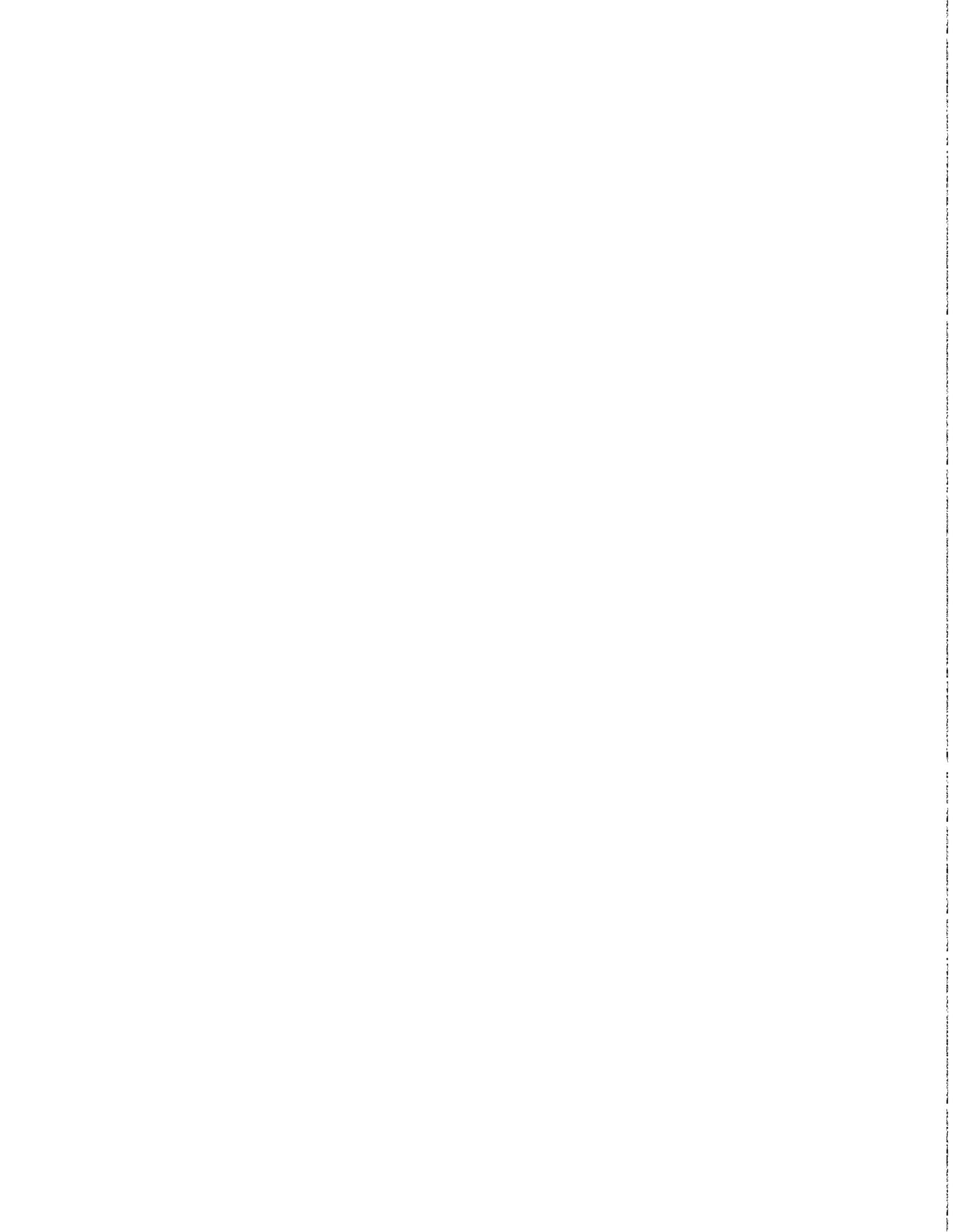
**National Security and  
International Affairs  
Division, Washington,  
D.C.**

Steven H. Sternlieb, Assistant Director  
Russell R. Reiter, Senior Evaluator

---

**Office of the General  
Counsel**

Bertram Berlin, Assistant General Counsel  
Mark C. Speight, Attorney-Adviser



---

---

### **Ordering Information**

**The first copy of each GAO report is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.**

**U.S. General Accounting Office  
P.O. Box 6015  
Gaithersburg, MD 20877**

**Orders may also be placed by calling (202) 275-6241.**

---

**United States  
General Accounting Office  
Washington, D.C. 20548**

**Official Business  
Penalty for Private Use \$300**

**First-Class Mail  
Postage & Fees Paid  
GAO  
Permit No. G100**

---