AGENCY OPERATIONS

Agencies Must Continue to Comply with Fiscal Laws Despite the Possibility of Sequestration

What GAO Found

The Budget Control Act of 2011, amending the Balanced Budget and Emergency Deficit Control Act of 1985, establishes limits on discretionary spending for fiscal years 2012 through 2021. In addition, the Act specifies additional limits on discretionary spending and automatic reductions in direct spending because legislation was not enacted that would reduce projected deficits by at least $1.2 trillion by the end of fiscal year 2021. Among other things, the Budget Control Act requires the Office of Management and Budget (OMB) to calculate, and the President to order, a sequestration of discretionary and direct spending on January 2, 2013, to achieve reductions for that fiscal year.

Despite the possible impact of any sequestration, agencies must continue to comply with the requirements of the Antideficiency Act and the Impoundment Control Act. The Budget Control Act does not waive the application of these two important fiscal laws, both of which underscore Congress’ constitutional power of the purse. These two laws act in concert: the Antideficiency Act prohibits agencies from spending in excess or in advance of available appropriations or apportionments, while the Impoundment Control Act bars agencies from refusing to obligate the amounts that Congress has appropriated. Agencies must carry out their appropriations in accordance with both the Antideficiency Act and the Impoundment Control Act regardless of the possibility of spending reductions beginning in the second quarter of fiscal year 2013.

The Budget Control Act provides that sequestration for fiscal year 2013 will reduce each nonexempt account by a uniform percentage necessary to achieve the calculated reduction for that fiscal year. OMB is required to implement sequestration such that the same percentage reduction applies across all programs, projects, and activities within a budget account. Programs, projects, and activities are to be identified with reference to the relevant appropriation act or accompanying report for the relevant fiscal year or, for accounts not included in appropriation acts, with reference to the President’s budget. Under this framework, each budget account must be analyzed separately to determine its component programs, projects, and activities, and such a determination may require reference to the original appropriation act, to accompanying reports, or to the President’s budget. In that regard, GAO’s definition of “program, project, or activity” in the Budget Glossary may be useful to this analysis.

The Budget Control Act vests in OMB the authority to implement sequestration. The execution and impact of any spending reductions will depend on the legal interpretations and actions taken by OMB. To date, OMB has not issued any guidance to agencies on preparing for implementation of the Budget Control Act or how it would construe “program, project, and activity.”