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FEDERAL UPDATE: SEQUESTRATION

The Bipartisan Budget Act of 2013: Sequester Relief for Federal Fiscal Years 2014 and 2015

The Bipartisan Budget Act of 2013,ⁱ signed by President Barack Obama on December 26, 2013, increases the spending caps on discretionary funding for federal fiscal years (FFY) 2014 and 2015. Prior spending caps were set by the Budget Control Act of 2011,ⁱⁱ which included automatic across-the-board spending cuts—known as sequestration—on many federal programs.

Spending cuts under the federal sequestration were almost equally divided between defense and non-defense programs, but the new Bipartisan Budget Act (BBA) eases the sequester in both of these program areas by increasing FFY 2014 discretionary spending caps for defense from the current-law amount of \$498 billion to \$521 billion (a 4.5 percent increase), and for non-defense from the current-law amount of \$469 billion to \$492 billion (a 4.8 percent increase). The BBA also provides new discretionary spending caps for defense and non-defense programs for FFY 2015. However, the BBA does not change these caps for FFYs 2016–2021; it maintains the lower caps set by the Budget Control Act sequester through FFY 2021.

The BBA does not specify funding levels for individual programs. Instead, Congress needs to pass a final FFY 2014 appropriations package that specifies program funding within the overall new caps. Therefore, individual programs can receive increased or decreased funding, remain at the same level, or even be eliminated. Congress anticipates finishing the FFY 2014 appropriations bills before the current continuing resolution expires on January 15, 2014. The president signed the current continuing resolution on October 17, 2013, ending the federal government shutdown and temporarily funding the government at sequestration levels for three months.

The BBA maintains the sequestration called for in the Budget Control Act for nonexempt mandatory programs, and extends this sequestration for an additional two years, through FFY 2023. Programs received a 7.2 percent cut from their FFY 2014 spending levels, effective October 1, 2013. The nonexempt mandatory programs still subject to sequestration range from those affecting grants for natural resources and restoration programs to certain education and social services programs.ⁱⁱⁱ Medicaid is exempt from the sequester; however, several smaller programs included in the Affordable Care Act are still subject to sequestration.^{iv}

The BBA provides a short-term extension for various health programs, including the Qualified Individual program and Transitional Medical Assistance, but the extension does not apply to other programs, such as the 2008 Farm Bill (which expired on September 30, 2013), Emergency Unemployment Compensation (which expired on December 31, 2013), and Temporary Assistance for Needy Families and related programs (which expire on January 15, 2014).^v

While the BBA provides sequestration relief for both defense and non-defense discretionary spending in FFYs 2014 and 2015, Congress must still pass appropriations bills for the remainder of FFY 2014.

ⁱ House Joint Resolution 59.

ⁱⁱ Public Law 112–25.

ⁱⁱⁱ “Programs tracked by FFIS subject to cuts include: National Forest Service Payments–Secure Rural Schools, Senior Farmers’ Market Nutrition Program, Special Milk, Specialty Crop Block Grant, College Access Challenge Grants, Vocational Rehabilitation State Grants, Abandoned Mine Land Reclamation Fund Payments, Bureau of Land Management–Payment in Lieu of Taxes, Fish Restoration, Hunter Safety, Wildlife Restoration, Mineral Leasing Payments, Boating Safety, Customs Service Permanent Appropriation, Crime Victims Fund–Assistance, Crime Victims Fund–Compensation, Abstinence Education Program, Personal Responsibility Education Program, Social Services Block Grant, Promoting Safe and Stable Families, Build America Bond subsidy payments, and highway funding outside of the obligation limitation.” “FAQs: The Bipartisan Budget Act,” Budget Brief 13–19, Federal Funds Information for States (FFIS), December 18, 2013, www.ffis.org.

^{iv} Affordable Care Act-related programs subject to the sequester include the Maternal, Infant, and Early Childhood Home Visitation Grant Program; Pre-Existing Condition Insurance Program; Money Follows the Person Rebalancing Demonstration; and several others. “Health Care Reform and the BCA Sequester,” Issue Brief 13–07, Federal Funds Information for States (FFIS), March 13, 2013, www.ffis.org.

^v It is anticipated that a Congressional conference committee may soon reach an agreement reauthorizing the Farm Bill for five years.

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