

insights

TYPES NOT MAPPED YET May 17, 2019 | TTR not mapped yet | Christopher T. Murray

Sequestration

A long-term budget control provision that triggers automatic across-the-board cuts to domestic and military spending.

Big Spender

Under fire from a newly-empowered Republican House majority and up against a **debt cliff**, President Obama signed the [Budget Control Act of 2011](#). This law created the Joint Select Committee on Deficit Reduction, also called the “[Supercommittee](#),” to address the growing federal deficit and debt. Co-chaired by Senator Murray (D-WA) and former Representative Hensarling (R-TX), the Supercommittee was tasked with finding at least \$1.5 trillion in savings over the subsequent 10 years.

To place additional pressure on Congress to come to an agreement, the law instituted sequestration, which is an automatic trigger of \$1.2 trillion in mandatory, across-the-board spending cuts for both domestic and military programs over the next 10 years if the Supercommittee did not reach a deal. Medicaid and Social Security are exempt from sequestration, though Medicare benefits and payments to providers are fair game.

The First Cut Is The Deepest

Ultimately, the Supercommittee failed to come to an agreement, and sequestration went into effect in March 2013. The Budget Control Act and sequestration remain [in effect](#) today. But in order to avoid the draconian cuts required by sequestration, Congress repeatedly came to temporary agreements to delay it.

Though the 2011 budget crisis thrust sequestration into the spotlight, the concept is not new. Sequestration was first proposed in 1985 by the [Gramm-Rudman-Hollings Act](#). However, the Supreme Court later ruled components of that law unconstitutional, so Congress modified it in 1987. After that iteration of sequestration failed to reduce budget deficits, Congress replaced it with **PAYGO** rules in 1990, which require any legislation that has a net cost to also have a revenue offset. House Democrats recently reinstated PAYGO when they took back the majority earlier this year.

Let The Good Times Roll

The most recent law that placed the sequester in abeyance did so for federal fiscal years 2018 and 2019, which end on September 30 of this year. Under [current law](#) and in the absence of a bipartisan agreement, sequestration [will return](#) beginning October 1 for fiscal year 2020. Without a budget agreement to once again avoid sequestration, a 9% cut in domestic spending (\$52 billion) and an 11% cut in military spending (\$70 billion) will go into effect for 2020. This [uncertainty](#) hinders Congress from drafting spending bills because appropriators do not know how much money they have to spend, further muddying this already-chaotic budget and spending cycle.

And as if sequestration wasn't complicated enough, another problem looms. At almost the exact same time sequestration cuts could go into effect - October 1 - the U.S. Treasury will run out of its ability to take “[extraordinary measures](#)” to keep overall federal debt below the current debt ceiling. Not only must Congress come to a deal to avoid the sequester, it also must figure out how to manage the debt ceiling to avoid a default.



authorsTest

christopher

Christopher T. Murray