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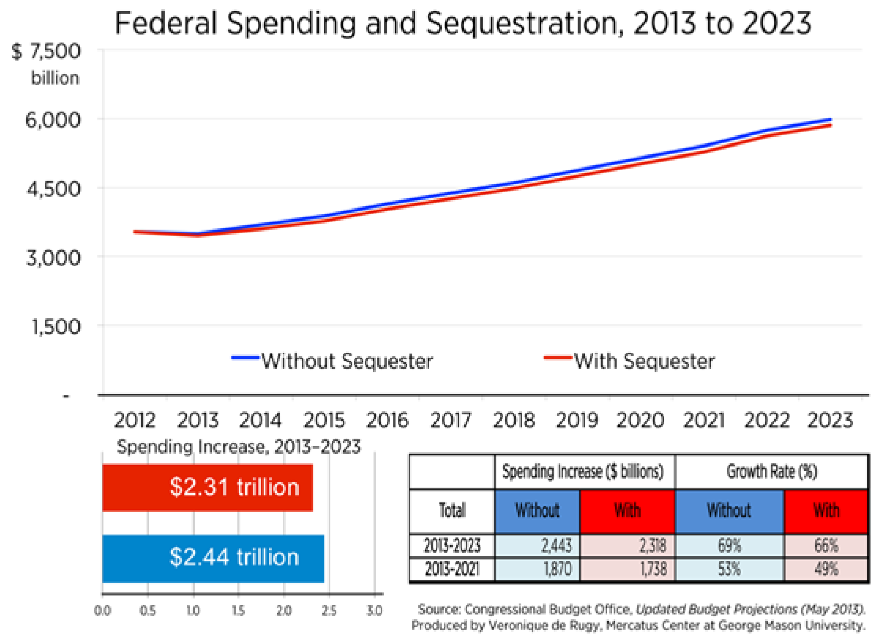
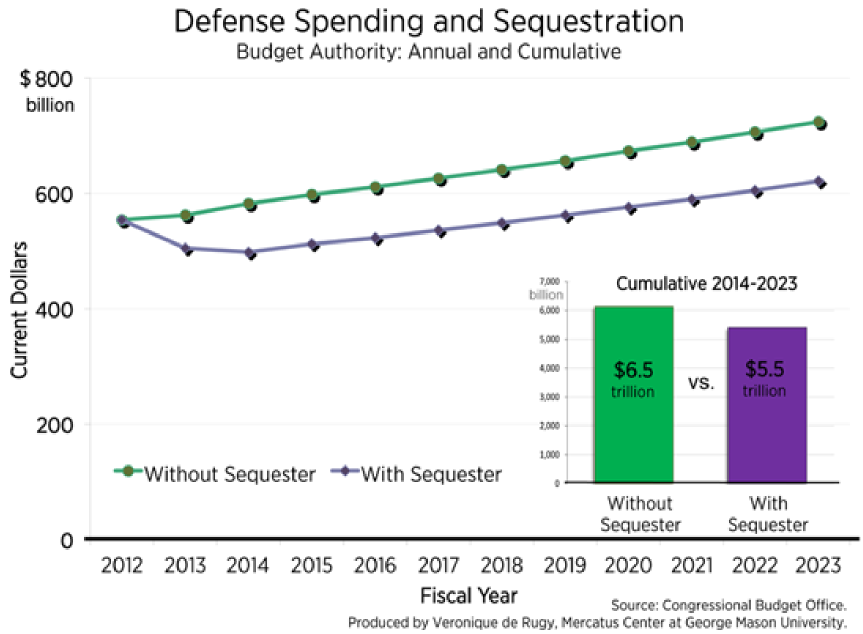
Federal Spending and Sequestration



These charts use the most recent Congressional Budget Office *Updated Budget Projection* figures from May 2013 to examine the effects of the sequester, or automatic spending reductions, on both general and non-war defense federal spending over the next ten years.

While the sequester has been widely presented as deeply cutting federal spending over a ten year period, there is no actual reduction in overall spending levels. Rather, sequestration merely slows the overall *growth* in spending slightly between 2013 and 2023. Total spending will increase by $2.31 trillion during that time period. From 2013 to 2021, the period when automatic spending cuts are to be enforced, spending will grow by $1.73 trillion, or 49 percent. Non-war defense spending in particular takes a hit in 2014 but increases in 2015 and keeps rising by $92 billion to $590 billion, or 18 percent, in 2021. In the absence of the sequester, however, federal spending during that time would have been $1.87 billion. The impact of sequestration on overall federal spending represents a small reduction in the growth of spending rather than an actual spending cut.

As these charts demonstrate, federal spending will still increase considerably under sequestration. Furthermore, the decrease in the growth rate of federal spending mainly targets discretionary outlays, and leaves the big ticket programs such as Social Security, Medicare, and Medicaid, largely untouched. These entitlement programs are the main drivers of the growing public debt.



The reluctance to accept such small cuts to the growth rate of federal spending, even as public debt spirals out of control, underlines the deep dysfunction in Washington. We will only see fundamental reform when our policymakers face reality and acknowledge the urgency and severity of our dire fiscal position.

Data Notes:

For general federal spending, the CBO outlines (in Table 1-1) its baseline, including the impact of sequestration. CBO's previous Budget and Economic Outlook (February 2013) Table 1-7 projects the budgetary impact of removing the effect of the automatic enforcement procedures specified in the BCA. We use the data from Table 1-7 to estimate spending without sequestration. While not perfect, it seems a reasonable assumption based on the statement by CBO that "discretionary outlays will drop by $35 billion and mandatory spending will be reduced by $9 billion this year as a direct result of [the sequester]; additional reductions in outlays attributable to the cuts in 2013 funding will occur in later years." That's a total of $44 billion for FY2013. Table 1-7 projects that repealing sequestration would add $42 billion to the debt in FY2013. The spending increases and growth rates were calculated relative to FY2012.

For non-war defense spending, the CBO outlines (in Table 1-5) its baseline discretionary spending on defense, including the impact of sequestration. We used the same data from Table 1-7 to estimate defense spending without sequestration. The same qualifications apply. Table 1-7 projects that repealing sequestration would add $43 billion to the debt in FY2013. The spending increases and growth rates were calculated relative to FY2012.

These are the most recently updated federal defense spending and general spending sequestration charts given the May 14, 2013 release of the latest CBO data. Previously on February 27, 2013, Mercatus Center senior research fellow Veronique de Rugy published a chart using data from CBO's February Budget and Economic Outlook. On November 7, 2011, de Rugy published a chart using data from CBO's 2011 baseline to examine the estimated growth in spending without and with sequestration. Also, on December 5, 2011, de Rugy published a chart using data from the CBO, OMB, and Department of Defense to examine defense budget authority (excluding war funding) with and without sequestration.