

GAO

Report to the President and the
Congress

January 1990

**DEFICIT
REDUCTIONS FOR
FISCAL YEAR 1990**

**Compliance With the
Omnibus Budget
Reconciliation Act of
1989**





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

Comptroller General
of the United States

B-221498

January 26, 1990

The President

The President of the Senate

The Speaker of the House
of Representatives

We hereby submit an additional compliance report for fiscal year 1990. Section 11002 of the Omnibus Budget Reconciliation Act of 1989 (P.L. 101-239) rescinded the sequester order issued by the President on October 16, 1989, and required him to issue a new final order complying with the terms of the Reconciliation Act. It also required the Office of Management and Budget (OMB) to issue a revised sequester report. Section 11002(c) directs the Comptroller General to submit to the Congress and the President, within 30 days of the President's new final order, a compliance report with respect to the revised sequester report and new final order setting forth the information required under section 253 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. Section 253 requires the Comptroller General to submit to the Congress and the President a report on the extent to which the President's orders and OMB's reports have complied with the provisions of the act.

In our opinion, OMB's revised final sequester report and the President's order complied with the requirements of section 11002 of the Omnibus Budget Reconciliation Act of 1989.

Background

The Balanced Budget and Emergency Deficit Control Act of 1985, as amended, establishes deficit targets to lead to a balanced unified budget by fiscal year 1993. The deficit target for fiscal year 1990 is \$100 billion. Each year, OMB is required to submit an initial report on the 25th of August and a final report on the 15th of October, both of which project the fiscal year deficit. If OMB projects a deficit in excess of the target amount plus \$10 billion, the President must issue a sequester order to reduce budgetary resources sufficiently to bring the estimated deficit down to the target level.

OMB's August and October 1989 reports for fiscal year 1990 each projected a deficit of about \$116 billion. Since this estimate was above the amount that would trigger a sequester (\$110 billion), the President

believe that a fundamentally different approach to deficit reduction is needed.

Copies of this report will be provided to the Director of the Office of Management and Budget, the Director of the Congressional Budget Office, Members of Congress, and interested congressional committees. Copies will 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 275-9573 if you or your staffs have any questions. The major contributors to this report are identified in appendix I.



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issued sequester orders requiring reductions of budgetary resources to reduce outlays by \$16 billion and bring the deficit down to the \$100 billion target level. The \$16 billion reduction was, as required by law, divided equally between the defense and nondefense accounts. OMB determined that sequestrable defense resources would have to be reduced by 4.3 percent to effect outlay savings of \$8 billion, and sequestrable nondefense resources by 5.3 percent, to produce equal outlay savings.

The Omnibus Budget Reconciliation Act of 1989 enacted measures to reduce the budget deficit. As a result of savings in a number of programs, the total amount of across-the-board reductions was reduced. Section 11002 of the act required OMB to issue a revised sequester report, using the October 16th baseline, that would produce a sequester equal to 130/365 of the amount previously sequestered. OMB's revised sequester calculations established across-the-board reductions of 1.5 percent for defense programs and 1.4 percent for nondefense programs. The President issued his revised order on December 27, 1989, implementing these reductions.

Objective, Scope, and Methodology

The objective of our review was to determine whether OMB and the President complied with the requirements of section 11002 of the Omnibus Budget Reconciliation Act of 1989 in their revised sequester report and order. We performed a variety of tests to determine whether the procedures and rules imposed by section 11002 had been followed. The emphasis was upon ascertaining whether OMB complied with the provisions for using the October 16th baseline and computing the revised sequester percentages for defense and nondefense programs. In addition, we verified a random sample of 42 defense and 89 nondefense accounts to determine if the sequester amounts were properly calculated. We also verified the calculations for those programs subject to special rules in section 11002 of the act. We performed our work in December 1989 and January 1990.

Compliance by OMB and the President

Our tests gave us reasonable assurance that OMB and the President complied with the requirements of section 11002 of the Omnibus Budget Reconciliation Act of 1989. We reiterate, however, that compliance does not necessarily result in meaningful deficit reduction.¹ We continue to

¹Deficit Reductions for Fiscal Year 1990: Compliance With the Balanced Budget and Emergency Deficit Control Act of 1985 (GAO/AFMD-90-40, November 15, 1989).

