The Budget Control Act of 2011: The Effects on Spending and the Budget Deficit

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Summary

Following a lengthy debate over raising the debt limit, the Budget Control Act of 2011 (BCA; P.L. 112-25) was signed into law by President Obama on August 2, 2011. In addition to including a mechanism to increase the debt limit, the BCA contained a variety of measures intended to reduce the budget deficit through spending reductions. There are two main components to the spending reductions in the BCA: (1) discretionary spending caps that came into effect in FY2012 and (2) a $1.2 trillion automatic spending reduction process that was initially scheduled to come into effect on January 2, 2013. Combined, these measures were projected to reduce the deficit by roughly $2 trillion over the FY2012-FY2021 period. The American Taxpayer Relief Act (ATRA; P.L. 112-240) reduced and postponed the start of the FY2013 spending reductions, commonly known as the sequester, until March 1, 2013.

Congress has debated whether to maintain scheduled BCA spending cuts in future years. To inform that debate, this report discusses the effects of the BCA on spending and the deficit, assuming that the automatic spending reductions proceed as scheduled from FY2013 to FY2021 and the discretionary spending caps remain in place. The BCA spending cuts mainly apply to discretionary spending, split almost evenly between defense and non-defense programs. Over 10 years, discretionary spending is cut by $1.6 trillion, whereas mandatory spending is cut by less than $0.2 trillion, with most of the savings coming from Medicare because most mandatory spending is exempt from the BCA's spending cuts. Mandatory spending accounts for 65% of spending in FY2013, but receives 20% of the sequester cuts.

The BCA, as amended by ATRA, reduced FY2013 discretionary spending subject to the caps to 6.4% below FY2012 levels. In FY2013, real (inflation-adjusted) discretionary spending subject to the BCA caps is lower than FY2005 levels. Discretionary spending in FY2014 falls 1.8% relative to FY2013 levels as the automatic spending reduction process comes into full effect. After FY2014, the discretionary caps would rise by about the rate of inflation in subsequent years. As a result, discretionary spending subject to the caps does not return to its FY2011 level until FY2018 in nominal terms and will never return to FY2011 levels in real terms through FY2021.

The effects of the BCA on overall discretionary spending will depend on what levels of spending Congress chooses for categories of discretionary spending not subject to the caps, namely overseas contingency operations (OCO), disaster spending, and emergency spending. No emergency spending was enacted in FY2012, but $42 billion was enacted in FY2013. From FY2011 to FY2013, total discretionary spending declined by an annual average of 5.1%, after rising by an annual average of 5.6% from FY2001 to FY2010. Discretionary spending averaged 9.4% of GDP from FY1962 to FY2011. From FY2018 on, overall discretionary spending would be below its lowest share of gross domestic product (GDP) since data were first collected in 1962 (6.1% of GDP), assuming current levels of OCO and disaster spending. Mandatory spending, by contrast, is projected to continue to grow in nominal terms, real terms, and as a percentage of GDP over the next 10 years. Because of the projected growth in mandatory spending, total federal spending would rise to 22.4% of GDP in FY2021, above its post-World War II average.

Although the BCA reduced projected deficits, its savings has been more than netted out by other subsequent legislation, namely ATRA, that has increased current law deficits since the BCA was enacted. Altogether, legislative changes since March 2011 have increased the deficit by $1.8 trillion from FY2012 to FY2021. As a result, the federal debt is projected to continue to increase relative to GDP in future years.

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Following a lengthy debate over raising the debt limit, the Budget Control Act of 2011 (BCA; P.L. 112-25) was signed into law by President Obama on August 2, 2011. In addition to including a mechanism to increase the debt limit,[1] the BCA contained measures intended to reduce the budget deficit through spending reductions. Combined, these measures were projected to reduce the deficit by roughly $2 trillion over the FY2012-FY2021 period.[2]

The spending reductions in the BCA are achieved mainly through two mechanisms: (1) statutory discretionary spending caps covering 10 years that came into effect in 2012 and (2) a $1.2 trillion automatic spending reduction process (sometimes referred to as the "trigger") covering nine years that was initially scheduled to come into effect on January 2, 2013. The American Taxpayer Relief Act (ATRA; P.L. 112-240) postponed the start of the FY2013 spending reductions, commonly known as the sequester, until March 1, 2013, and canceled the first two months of spending cuts. Some Members of Congress have proposed additional modifications to the spending reduction process, including S. 16 in the 113th Congress that was considered immediately prior to the implementation of the FY2013 sequester on March 1, 2013.[3]

This report discusses the effects of the BCA on spending and the deficit, assuming that the automatic spending reductions proceed as scheduled from FY2013 to FY2021 and the discretionary spending caps remain in place. Other CRS reports provide additional analysis of the BCA.[4]

Background on the Budget Control Act of 2011

The BCA was enacted in response to congressional concern about unsustainable growth in the federal debt and deficit. The federal budget has been in deficit (spending exceeding revenue) since FY2002, but deficits became significantly larger in FY2009. That year, the deficit topped $1 trillion for the first time ever, and it remained above $1 trillion through FY2012 (it is expected to be below $1 trillion in FY2013).[5] The recent growth in deficits is the result of spending reaching its highest level as a share of GDP since FY1945 and revenues reaching their lowest level as a

[1] For information on the debt limit increases in the BCA, see CRS Report RL31967, *The Debt Limit: History and Recent Increases*, by D. Andrew Austin and Mindy R. Levit.

[2] Unless otherwise noted, all budget data presented in this report are from Congressional Budget Office, *The Budget and Economic Outlook*, February 2013 (hereinafter referred to as "CBO baseline") or Congressional Budget Office, *The Budget and Economic Outlook: Update*, August 2012.

[3] For legislation considered during the 112th Congress, see CRS Report R42675, *The Budget Control Act of 2011: Budgetary Effects of Proposals to Replace the FY2013 Sequester*, by Mindy R. Levit.

[4] For an explanation of the BCA's provisions and procedures, see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan. For information on exemptions from sequestration, see CRS Report R42050, *Budget "Sequestration" and Selected Program Exemptions and Special Rules*, coordinated by Karen Spar.

[5] The budget deficit is the excess of outlays over revenues in a given year, broadly similar to the amount borrowed from the public that year. The debt held by the public is the accumulation of all past borrowing from the public. The gross debt is the sum of (1) debt held by the public and (2) the intragovernmental debt (the debt that one part of the federal government owes to another part of the government, mainly through government trust funds). For background information on the debt and deficit, see CRS Report WKS0001_Overview, *Federal Debt and Deficit: Key Sources*, by Justin Murray.

share of GDP since FY1950. These trends are largely due to the budgetary effects of the recent recession and policies implemented in response to it, including increased outlays and tax cuts.[6]

The BCA reduces spending through two primary mechanisms, discretionary spending caps that began in FY2012 and an automatic spending reduction process that began in FY2013.

Discretionary Spending Caps

The BCA placed statutory caps on most discretionary spending from FY2012 through FY2021. The caps essentially limit the amount of spending through the annual appropriations process for the next 10 years, with adjustments permitted for certain purposes. The limits could be adjusted to accommodate (1) changes in concepts and definitions; (2) appropriations designated as emergency requirements; (3) appropriations for Overseas Contingency Operations/Global War on Terrorism (OCO; e.g., for military activities in Afghanistan); (4) appropriations for continuing disability reviews and redeterminations; (5) appropriations for controlling health care fraud and abuse; and (6) appropriations for disaster relief. The last five of the listed adjustments effectively exempt those types of discretionary spending from the statutory caps, meaning that the caps do not limit total discretionary spending. The BCA limits adjustments for spending on disability reviews and controlling health care fraud abuse to relatively small amounts and limits adjustments for disaster relief by a formula based on historical levels.[7] By contrast, OCO and emergency spending is not limited and is defined by Congress and the President.

Cap levels are enforced through a sequestration process (automatic spending cuts that are automatically triggered if cap levels are breached).[8] The adjustable caps are not placed on specific accounts or even on each of the appropriations bills; instead, they are broad caps on the total amount of discretionary spending. In FY2012 and FY2013, separate caps exist on security and non-security spending. Security spending is defined by the BCA as discretionary appropriations associated with agency budgets for the Departments of Defense, Homeland Security, Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account, and all budget accounts in the budget function for international affairs (Function 150). The largest amounts of spending in the non-security category are tied to the Departments of Health and Human Services, Education, and Housing and Urban Development. For FY2014 to FY2021, there are separate caps for defense (Function 050) and non-defense spending. Decisions about how these caps will affect specific agencies or programs will be made by Congress and the President through the regular appropriations process. **Table 1** displays BCA discretionary cap levels, before and after the automatic spending reductions discussed in the next section, as amended by ATRA.

[6] For an overview of causes of large deficits and policy options to reduce them, see CRS Report R41778, *Reducing the Budget Deficit: Policy Issues*, by Marc Labonte; and CRS Report R41134, *The Impact of Major Legislation on Budget Deficits: 2001 to 2010*, by Marc Labonte and Margot L. Crandall-Hollick. For an analysis of the FY2013 budget debate, see CRS Report R42362, *The Federal Budget: Issues for FY2013 and Beyond*, by Mindy R. Levit.

[7] The BCA allows annual disaster spending in amounts up to "the average funding provided for disaster relief over the previous 10 years, excluding the highest and lowest years" plus the difference between disaster spending in the preceding fiscal year and the applicable average funding level for that year. Disaster spending is defined in the BCA as spending classified in specified budget accounts.

[8] The sequestration process to enforce statutory spending levels is separate and distinct from the sequester that carries out the "Automatic Spending Reduction Process" described in the next section.

Table 1. Discretionary Spending Caps Under the BCA

(billions of $)

	2014	2015	2016	2017	2018	2019	2020	2021
Original Cap Levels								
Defense	552	566	577	590	603	616	630	644
Non-Defense	506	520	530	541	553	566	578	590
Total	1,058	1,086	1,107	1,131	1,156	1,182	1,208	1,234
Automating Spending Reductions								
Defense	-55	-55	-55	-55	-55	-55	-55	-55
Non-Defense	-37	-37	-36	-36	-35	-34	-33	-32
Total	-92	-91	-91	-91	-90	-89	-88	-87
Revised Cap Levels								
Defense	497	511	522	535	548	561	575	589
Non-Defense	469	483	494	505	518	532	545	558
Total	966	995	1,016	1,040	1,066	1,093	1,120	1,147

Source: Congressional Budget Office, *The Budget and Economic Outlook*, February 2013, Table 1-5.

Notes: See **Table 2** for discretionary spending levels in 2012 and 2013. Totals may not sum due to rounding. 2014 totals have been adjusted based on modifications made in ATRA.

Automatic Spending Reduction Process

Title IV of the Budget Control Act established a Joint Select Committee on Deficit Reduction (hereinafter Joint Committee), composed of an equal number of Senators and Representatives, and instructed it to develop a proposal that would reduce the deficit by at least $1.5 trillion over FY2012 to FY2021. To ensure deficit reduction occurred if a Joint Committee bill was not enacted, Section 302 of the Budget Control Act of 2011 established an automatic process to reduce spending. On November 21, 2011, the co-chairs of the Joint Committee announced that they were unable to reach a deficit-reduction agreement before the committee's deadline. As a result, a $1.2 trillion automatic spending reduction process was triggered, scheduled to begin in January 2013.

The subsequent enactment of ATRA postponed the start of the FY2013 spending reductions until March 1, 2013. ATRA also reduced the FY2013 spending reductions implemented via this process by $24 billion, to roughly $85 billion equally divided between defense and non-defense. Several other minor modifications were also made to the process by which these spending cuts would be calculated. Although ATRA reduced the total spending cuts achieved by the automatic process, the cost of these provisions was offset by other spending reductions and revenue increases. On the spending side, the BCA's discretionary spending caps were reduced by $4 billion in FY2013 and $8 billion in FY2014, which offset roughly half of the cost.[9]

[9] In addition, ATRA also contained a provision which raises revenue during the budget window by permitting certain retirement accounts to be transferred to designated Roth accounts without distribution. For more information, see CRS Report R42884, *The "Fiscal Cliff" and the American Taxpayer Relief Act of 2012*, coordinated by Mindy R. Levit; CRS Report R42949, *The American Taxpayer Relief Act of 2012: Modifications to the Budget Enforcement Procedures* (continued...)

Of the $1.2 trillion in deficit reduction, the BCA specifies that 18% of the total ($216 billion) be credited to debt service savings that would result from the spending reduction.[10] Therefore, the amount of the reduction in budget authority would equal the remaining 82% of the required deficit reduction total. The amount of the automatic spending reduction under the BCA is spread evenly over the nine years from FY2013 to FY2021 and split evenly between defense (defined as budget function 050) and non-defense spending categories and applied proportionally to discretionary and mandatory programs within each of these categories. The automatic spending reduction would amount to a reduction in budget authority of $109.3 billion each year for nine years, with $54.7 billion of the reduction to be applied to defense and $54.7 billion applied to non-defense programs—subsequently reduced by ATRA to $42.7 billion each in FY2013.

Within the defense and non-defense categories, some programs are exempted from an automatic spending reduction and the cuts to other programs are limited by statute.[11] For example, an automatic spending reduction to Medicare is limited to 2% of total program spending.[12] Although the annual amount of the total automatic spending reduction would not be revised in subsequent years, the amount applied to any given budget account could be recalculated, if the relative size of budget accounts changes or the exempt/nonexempt status of an account changes.

In FY2013, the automatic spending reduction is carried out through an across-the-board sequester (cancellation) of previously authorized budgetary resources. After the first year (FY2013), the automatic spending reduction is carried out through a sequester for mandatory spending and through reductions in the overall discretionary caps, rather than a sequester, for discretionary spending. The sequester is applied proportionately to all non-exempt accounts, while it is left to future Congresses to determine how to apply the reductions to discretionary accounts within the caps. For purposes of the automatic reductions, the BCA creates new discretionary cap levels for defense (defined as budget category 050) and non-defense for the 10-year budget window. The amount of the automatic reduction is then subtracted from the new defense/non-defense cap levels. Cuts to discretionary programs as a result of the automatic spending reduction process would be in addition to the cuts resulting from the BCA discretionary caps.

OMB estimated that the FY2013 sequester will reduce non-exempt defense discretionary spending by 7.8% relative to the cap levels, non-defense discretionary spending by 5.0% relative to the cap levels, Medicare by 2% relative to baseline levels (per the statutory limit), and other mandatory spending by 5.1% relative to the baseline levels.[13] To gauge how these reductions compare with overall spending, **Figure 1** compares the projected percentage of budgetary

(...continued)

in the Budget Control Act, by Bill Heniff Jr.

[10] The actual amount of debt service savings will depend on future interest rates and the timing of the deficit reduction; 18% was set by the BCA. As described in CBO's analysis of the net budgetary savings resulting from an automatic $1.2 trillion reduction in the event a Joint Committee bill is not enacted, debt service savings amount to 16% of the total between FY2013 and FY2021. See Congressional Budget Office, *Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act*, September 12, 2011.

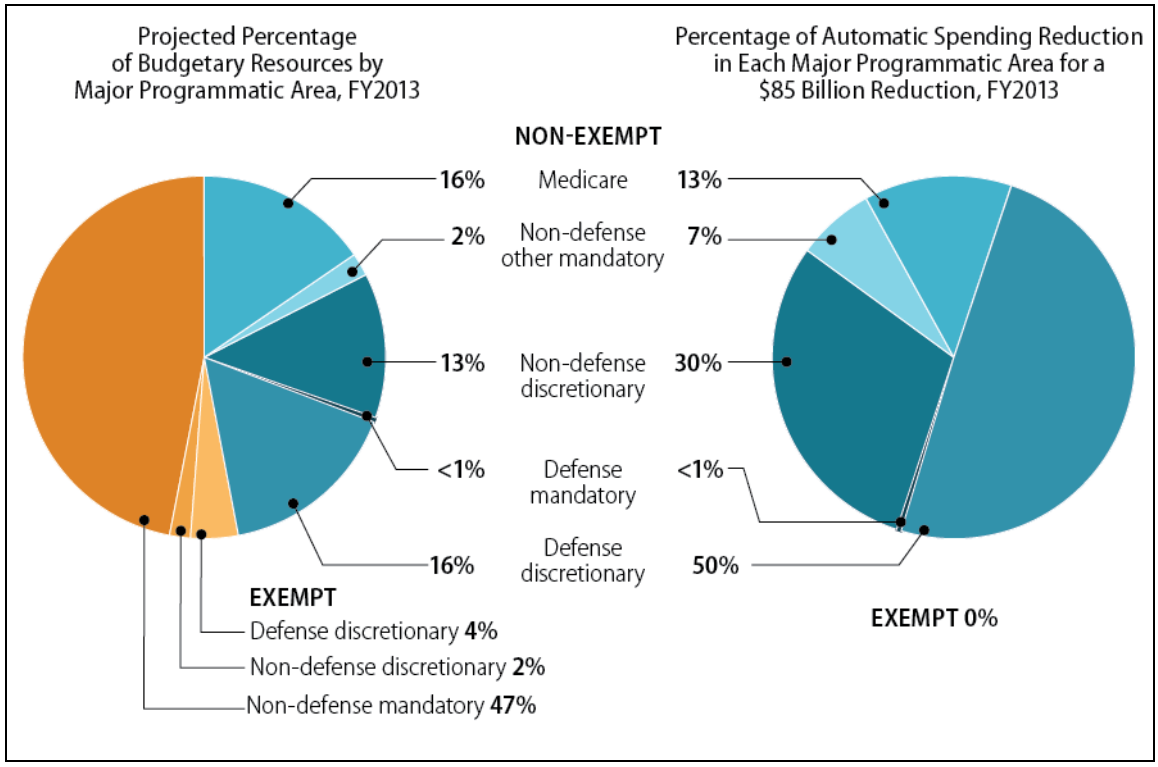
[11] These exemptions and special sequester rules are found in 2 USC 905 and 2 USC 906, Section 255 and 256 of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended.

[12] Some Medicare spending is exempt from automatic spending reductions, including Medicare Part D low-income and catastrophic subsidies and qualified individual (QI) premiums. For more information see 2 USC 906(d)(7).

[13] Office of Management and Budget, *Report to the Congress on the Joint Committee Sequestration for FY2013*, March 1, 2013.

resources tied to each major programmatic area to the percentage of sequester cuts that that spending category absorbs in FY2013.[14]

Figure 1. Comparing the Composition of the FY2013 Budget to the FY2013 Sequester Cuts



Source: CRS calculations based on CBO and OMB data.

Notes: Mandatory spending is measured on a gross basis (i.e., offsetting receipts are not netted out). All data are based on estimates.

Of total gross budgetary resources for FY2013, shown in the pie chart on the left side of **Figure 1**, 53% are statutorily exempt from the sequester (47% mandatory, 2% non-defense discretionary, and 4% defense discretionary). The other 47% of budgetary resources are subject to the sequester. Overall, only $73 billion, or 2%, of budgetary resources in FY2013 are mandatory programs that are subject to the full sequester, mostly falling into the non-defense category. The non-exempt portion of Medicare, which accounts for 16% of total gross budgetary resources in FY2013, is capped at a maximum reduction of 2% by the BCA. Non-exempt discretionary spending composes 29% of total budgetary resources in FY2013 (16% in defense and 13% in non-defense).

The pie chart on the right side of **Figure 1** shows the percentage share of the spending cuts in FY2013 for each category under the sequester. Most exempt spending accounts are within the mandatory category, so the automatic spending reductions would fall most heavily, in percentage terms, on discretionary programs. In FY2013, discretionary spending is projected to account for 35% of budgetary resources, but receives 80% of the automatic spending reductions. Defense discretionary spending is particularly affected because the defense spending category would

[14] These calculations are based on estimates made before full-year appropriations for FY2013 had been enacted.

receive 50% of all automatic cuts but accounts for 20% of total gross budgetary resources. By contrast, mandatory programs account for 65% of budgetary resources in FY2013, but would bear 20% of the spending reduction (13% on Medicare and 7% on other mandatory programs).

The automatic spending reduction process is not meant to ensure that a specific deficit or spending level is realized in the future or that deficit saving accomplished by the automatic spending reduction is not undone by future legislation. The amount of automatic spending reduction does not change if future budget deficits turn out to be larger or smaller than projected at the time the automatic spending reduction is determined. Future budget deficits could turn out to be larger or smaller than projected because of subsequent legislative changes or because of forecasting errors, which have historically been large.[15]

Effects of the BCA on Overall Spending Levels

This section evaluates the effect of the Budget Control Act's discretionary caps and automatic spending reduction process (as amended by ATRA) on spending. It analyzes the effects of the BCA on spending in terms of its effects on outlays or budget authority, depending on the context. The BCA sets new levels of budget authority, which eventually leads to changes in outlays. The difference between budget authority and outlays is discussed in the following text box.

Outlays and Budget Authority

Outlays are disbursed federal funds. Budget authority is what federal agencies are legally permitted to spend, and it is granted by Congress through appropriation acts in the case of discretionary spending or through other acts in the case of mandatory spending. Budget authority gives federal officials the ability to spend. Until the federal government disburses funds to make payments, no outlays occur. Therefore, there is generally a lag between when Congress grants budget authority and outlays occur.

Discretionary Spending in FY2012 and FY2013

To date, appropriations for two fiscal years, 2012 and 2013, have been provided under the BCA framework (as amended by ATRA). **Table 2** illustrates how discretionary budget authority has been provided within categories subject to the caps and categories that are not limited by the caps. Discretionary budget authority subject to the caps has equaled $1,043 billion, the level provided by the caps, in both years. Total discretionary budget authority has exceeded the caps in both years because, as the BCA permitted, there has been discretionary BA provided ($138 billion in 2012 and $154 billion in 2013) in categories not subject to the caps. In 2013, a sequester was applied to the adjusted cap level as a result of the BCA's automatic spending cuts, reducing discretionary BA by $68 billion, from $1,196 billion to $1,127 billion. Of the $68 billion of spending reductions from sequestration, $59 billion reduces spending subject to the caps and

[15] For more information on the accuracy of projections, see Congressional Budget Office, *CBO's Economic Forecasting Record: 2010 Update*, July 2010, available at http://www.cbo.gov/ftpdocs/115xx/doc11553/ForecastingAccuracy.pdf. CRS Report R41134, *The Impact of Major Legislation on Budget Deficits: 2001 to 2010*, by Marc Labonte and Margot L. Crandall-Hollick also examines the reasons why the budget balance changed over time between FY2001, when surpluses were projected by CBO throughout the decade, and FY2010, when the budget deficit was large.

$9 billion reduces OCO, emergency, and disaster spending.[16] As a result, total discretionary BA was $1,181 billion in 2012 and is $1,127 billion in 2013.

Table 2. Discretionary Budget Authority, FY2012-FY2013

(billions of $)

		FY2012	FY2013
BCA Caps		1,043	1,043
+ Adjustments for:	OCO	127	99
	+ Emergency	0	42
	+ Disaster Relief	11	12
	+ Program Integrity	*	*
	= Total Adjustments	138	153
= Adjusted BCA Caps		1,181	1,196
- Automatic Spending Reductions		n/a	68
= Total Discretionary BA		1,181	1,127

Source: Congressional Budget Office, *Sequestration Update Report*, Aug. 2012, Table 1; Congressional Budget Office, *Final Sequestration Report*, March 2013, Table 1.

Notes: * = less than $1 billion. Numbers may not add due to rounding. Figures incorporate changes made by ATRA. This table does not include additional discretionary spending that is offset by mandatory spending savings.

BCA Spending Cuts Relative to a Baseline Projection

For FY2012 to FY2021, discretionary and mandatory spending under the BCA as amended by ATRA is projected to be reduced relative to baseline levels.[17] Relative to a baseline using FY2011 appropriated levels adjusted for inflation,[18] CBO projects that the combination of the BCA's caps and automatic spending reduction process would reduce discretionary outlays by $95 billion in FY2013 and $1,605 billion over 10 years, as shown in **Table 3**.[19] Although a defense/non-defense breakdown is not available for 2013, the dollar amount of reductions to defense discretionary spending are modestly larger than the reductions to non-defense discretionary spending from 2014 to 2021 because of the formula used in the BCA to determine the allocation of the automatic spending reductions.

[16] Congressional Budget Office, Letter to Honorable Paul Ryan, March 4, 2013, Table 1.

[17] The baseline concept is explained in the following text box. For more information on how the spending cuts are determined, see CRS Report R42013, *The Budget Control Act of 2011: How Do the Discretionary Caps and Automatic Spending Cuts Affect the Budget and the Economy?*, by Marc Labonte and Mindy R. Levit. All of the reductions in spending discussed here would also lead to reductions in net interest because the federal debt would be lower than in the baseline. The effects on net interest are discussed in the section entitled "Effects of the BCA on the Budget Deficit."

[18] This baseline is used because it was the official CBO baseline for discretionary spending until the enactment of the BCA. The amount of savings garnered by the Budget Control Act depends on the baseline to which it is being compared. For example, if it were being compared with a baseline based on 2010 levels of discretionary spending, the savings would be higher than if it were compared with 2011 levels. The spending cuts would also be larger if compared with a baseline where discretionary spending was held constant relative to GDP.

[19] Douglas W. Elmendorf, Director, Congressional Budget Office, "Overview: Discretionary Outlays, Security and Non-Security," testimony before U.S. Congress, Joint Committee on Deficit Reduction, October 26, 2011.

What Is a Baseline?

Baselines provide a benchmark for comparing how proposed budget policy changes would affect existing policies. Notably, a baseline allows the effect of a policy change to be compared with a benchmark of spending, revenue, or the deficit in the year that the change occurs, as opposed to comparing the change to, say, spending levels in prior years. The measured savings or costs from policy changes will depend on how the baseline is constructed. Conventional scoring procedures would measure a legislative proposal relative to CBO's official baseline, which is a current law baseline. In the current law baseline, CBO assumes that certain policies—notably, tax provisions—set to expire under current law will do so as scheduled.

However, changes in policy can also be measured relative to other proposals and baselines. For example, a baseline could assume that certain current policies will be extended; this is sometimes referred to as a *current policy* baseline.

Whether the BCA leads to lower overall discretionary spending than it intended depends on the level of spending outside the caps and which baseline spending level is used for comparison. Spending on disaster relief in 2012 and 2013 was at levels permitted by the BCA and spending on OCO was below 2011 levels. Thus, it could be argued that these categories outside the caps were not used to offset cuts to discretionary spending subject to the caps. By contrast, emergency spending in 2013, enacted in the Disaster Relief Appropriations Act of 2013 (the "Superstorm Sandy" supplemental; P.L. 113-2), can be viewed as allowing overall discretionary spending to be $42 billion higher in 2013 than it otherwise would have been. Stated differently, instead of offsetting the supplemental by reducing other discretionary spending under the cap, the supplemental was designated by Congress as emergency to provide spending in addition to the cap amount, in effect through deficit financing. For 2013, the $42 billion in enacted emergency spending is netted out of the reductions in discretionary spending in **Table 3**; if emergency spending is not netted out, discretionary reductions are $137 billion (the $95 billion reduction plus $42 billion in emergency spending) that year.

Table 3. Total Reductions in Budget Authority by Type from the Budget Control Act, FY2012-FY2021

(billions of $; + increase in spending/- decrease in spending)

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2012-FY2021
Discretionary	-30	-95	-170	-167	-174	-180	-186	-193	-201	-209	-1,605
Defense	-8	n/a	-89	-88	-92	-95	-98	-103	-107	-111	n/a
Non-Defense	-22	n/a	-81	-79	-82	-85	-88	-90	-94	-98	n/a
Mandatory	+3	-11	-15	-20	-21	-21	-22	-23	-24	-26	-182
Student Loans	+3	+6	+3	-2	-2	-2	-2	-2	-2	-3	-5
Automatic Process	n/a	-17	-18	-18	-19	-19	-20	-21	-22	-23	-177
- Medicare	n/a	-11	-9	-9	-10	-11	-12	-12	-13	-14	-101
- Other Mandatory	n/a	-6	-9	-9	-9	-8	-8	-9	-8	-9	-75
Memorandum: Total Cuts by Round											
Discretionary Caps/ Student Loans/Emergency Spending	-27	-21	-75	-77	-85	-91	-98	-106	-115	-125	-822
Automatic Process	n/a	-85	-109	-109	-109	-109	-109	-109	-109	-109	-957

Source: CRS calculations based on Congressional Budget Office, *Budget and Economic Outlook: Fiscal Years 2012 to 2022*, January 2013; Office of Management and Budget, *Report to Congress on the Joint Committee Sequestration for Fiscal Year 2013*, March 1, 2013; Congressional Budget Office, *Testimony Before the Joint Select Committee on Deficit Reduction*, U.S. Congress, October 26, 2011, Tables B-1 and B-2; Congressional Budget Office, *Letter to Honorable Paul Ryan*, Mar. 4, 2013, Table 1.

Notes: The table incorporates changes made to the BCA by the American Taxpayer Relief Act (P.L. 112-240). To date, a defense/non-defense breakdown is not available for 2013. The reductions in discretionary spending illustrated in this table are the combined effects of the statutory limits on discretionary spending (i.e., discretionary caps) and the automatic spending reduction process (those two sources of spending cuts are broken out in the memorandum). The savings from the cuts to discretionary spending are measured relative to discretionary funding levels for 2011, adjusted for inflation. The reductions in mandatory spending are a result of the BCA's student loan provisions and automatic spending reduction process; the latter did not begin until 2013. The table reduces discretionary spending cuts by $42 billion in 2013 to account for spending classified as emergency as a result of the Disaster Relief Appropriations Act (P.L. 113-2); for other years, emergency spending is assumed to be zero. The allocation of the cuts between discretionary and mandatory are based on current projections and could change over time based on actual spending levels. Totals may not sum due to rounding.

As seen in **Table 3**, mandatory spending is projected to be cut by $11 billion in FY2013 and $182 billion over the FY2013-FY2021 period under the automatic spending reduction process. Most of the mandatory spending cuts in dollar terms are to Medicare. The amount of the cuts to mandatory spending is lower than those to discretionary spending because much of mandatory spending is exempt from the BCA's automatic cuts and mandatory spending is not subject to caps similar to those implemented for discretionary spending. Separate from the automatic process, the BCA also cuts mandatory spending on student loan programs by $5 billion over 10 years.[20]

The automatic spending cuts, which do not begin until 2013, would reduce total spending by $85 billion in 2013 and $957 billion over nine years under current law. The combination of the original BCA discretionary caps, student loan provisions, and emergency spending enacted to date would reduce spending by $822 billion over 10 years, of which only $5 billion are reductions to mandatory spending.

Spending Trends: Historical and Projected Under the BCA

To understand how the BCA affects spending over time, this section compares the levels and percentage changes in spending under the BCA to historical data. Spending levels over time can be compared using a number of different measures, however (see the text box below).

Measuring Spending Over Time

There are three main ways to measure changes in spending over time. Often, actual (nominal) dollar levels are used because that measure is most familiar. Over short periods of time when inflation is low, this measure can be useful; it has a number of drawbacks when making comparisons over long periods, however. The purpose of a comparison is to gauge the relative impact of spending over time, thereby making real or inflation-adjusted figures a more appropriate comparison. Real figures, which adjust for the increase in prices, account for the decline in the purchasing power of $1 over time. For example, based on the consumer price index, $1 in 1944 could buy the same amount of goods and services as $12.75 in 2011. To buy a constant amount of goods and services over that period, the federal budget would have to increase by more than a factor of 12. Further, the relative impact of spending on households and the economy is eroded over time by economic growth, which provides households more income to spend on public and private goods. For example, at the height of World War II (1944), total federal spending was about $91 billion, compared with $3.5 trillion in 2012. But as a percentage of GDP, total federal spending was 44% of GDP in 1944, compared with 23% of GDP in 2012. This report compares spending levels using all three measures—nominal, real (inflation-adjusted), and as a percentage of GDP.

To date, recent policies to reduce the deficit have primarily focused on reducing discretionary spending (spending that is provided and controlled through the appropriations process). This trend pre-dates the BCA. In terms of budget authority, overall discretionary spending declined from $1.264 trillion in FY2010 to $1.221 trillion in FY2011 and to $1.198 trillion in FY2012.[21] These declines are in terms of nominal dollars; the decline would be larger if the figures were adjusted for inflation. In 2011, the decline was mostly the result of a reduction in non-defense

[20] Congressional Budget Office, *Budget and Economic Outlook*, January 2012, p. 13.

[21] Budget authority reported in **Table 2** comes from CBO's Sequestration Report, which measures discretionary spending differently from the definition used to calculate budgetary aggregates. In the context of this section, data from budgetary aggregates are more appropriate. Discretionary outlays declined from $1.347 trillion in 2010 and $1.346 trillion in 2011 to $1.285 trillion in 2012. Office of Management and Budget, *Budget for FY2013*, *Historical Tables*, Tables 5.6 and 8.1; Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*, Table 3-5.

discretionary spending, and in 2012 the decline was mostly caused by a reduction in spending on overseas contingency operations (OCO).

Table 4 shows the projected levels of discretionary budget authority and annual percentage changes, in real and nominal terms, subject to the BCA caps under the automatic spending reduction process ("trigger"). The levels in the table exclude funding for categories of spending (such as OCO, emergency, and disaster) for which cap adjustments are permitted.[22] Because those categories of spending are effectively exempt from the caps, it is possible that the trend of growth in overall discretionary spending (spending subject to the cap plus exempt spending) could turn out to be higher than growth in discretionary spending subject to the BCA caps in future years, even if there is strict compliance with the caps. Alternatively, future Congresses could decide to appropriate an overall level of discretionary spending below the BCA caps, in which case the growth in actual spending would be lower than the growth in the caps.

[22] See **Table 2** for levels of discretionary spending in exempt categories in FY2012 and FY2013.

Table 4. Discretionary Budget Authority Subject to BCA Caps Assuming "Trigger" Comes Into Effect, 2011-2021

(billions of $; percentage change from prior year)

	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Nominal											
Defense	552	554	n/a	497	511	522	535	548	561	575	589
% Change	-0.3%	0.4%	n/a	n/a	2.0%	2.2%	2.5%	2.4%	2.4%	2.5%	2.4%
Non-Defense	508	506	n/a	477	483	493	505	517	531	545	557
% Change	-6.0%	-0.3%	n/a	n/a	2.2%	2.2%	2.3%	2.5%	2.7%	2.5%	2.3%
Total	1,059	1,060	992	974	994	1,016	1,040	1,066	1,093	1,120	1,146
% Change	-3.1%	0.1%	-6.4%	-1.8%	2.1%	2.2%	2.4%	2.5%	2.5%	2.5%	2.4%
Real (Inflation-Adjusted)											
Defense	489	482	n/a	419	423	423	425	426	428	429	431
% Change	-2.3%	-1.4%	n/a	n/a	0.0%	0.1%	0.4%	0.3%	0.3%	0.4%	0.4%
Non-Defense	450	441	n/a	402	399	400	401	402	405	407	407
% Change	-7.8%	-2.1%	n/a	n/a	0.3%	0.2%	0.2%	0.4%	0.6%	0.5%	0.2%
Total	939	923	843	821	822	823	826	828	832	836	838
% Change	-5.0%	-1.7%	-7.9%	-3.4%	0.2%	0.1%	0.3%	0.3%	0.5%	0.4%	0.3%

Source: CRS calculations based on Office of Management and Budget, *Budget for Fiscal Year 2013*, *Historical Tables*, Table 5.6 and 10.1; *OMB Report on Disaster Relief Funding to the Committees on Appropriations and the Budget of the U.S. House of Representatives and the Senate*, September 1, 2011, Table 1; Congressional Budget Office, *Budget and Economic Outlook: Fiscal Years 2012 to 2022*, various dates.

Notes: The table incorporates changes made to the BCA by the American Taxpayer Relief Act (P.L. 112-240). The reductions in discretionary spending illustrated in this table are the combined effects of the statutory limits on discretionary spending (i.e., discretionary caps) and the automatic spending reduction process. Totals may not sum due to rounding. For FY2011, numbers are actual discretionary BA less disaster spending and OCO. For FY2012 to FY2021, numbers are BCA cap levels, and do not include adjustments to the caps allowed under BCA for categories of spending not subject to the caps (disaster spending, OCO, and emergency spending). For 2012 and 2013, an estimate of additional discretionary spending offset by mandatory savings is added to the cap levels. Real figures are adjusted by the GDP price index using 2005 dollars. CBO categorizes data according to definitions that are different from those used in the BCA; therefore, totals in this table differ slightly from totals prescribed in the BCA. To date, a defense/non-defense breakdown is not available for 2013.

In both nominal and real terms, the largest year-over-year percentage declines in spending over the FY2011 to FY2021 period are projected to take place in FY2013, largely as a result of the commencement of the BCA's automatic spending reductions. That year, discretionary budget authority subject to the caps falls by 6.4% in nominal terms and 7.9% in real terms compared with FY2012 levels.[23] As can be seen in **Table 4**, the cut that year is significantly larger than the cuts that occurred in FY2011. If spending exempt from the caps is included, overall discretionary spending in FY2013 falls by 4.8% because total spending in categories exempt from the caps decline by a smaller percentage.

Although there are no long-term historical data on spending subject to the caps available for direct comparison, since FY1977, overall discretionary budget authority fell in only eight other years in nominal terms, by less than 5% in each of those years except FY2010.[24] FY1992-FY1996 was the only period in which it fell more than one year in a row. Unless offset by growth in exempt categories, the FY2013 decline would be larger than in any other year except FY2010.[25] The decline in spending subject to the caps in FY2013 follows a nominal decline in FY2011 and a nominal increase in FY2012 that was less than the rate of inflation (resulting in a decline in real terms).[26] In FY2013, real discretionary spending subject to the BCA caps would be at its lowest levels since FY2004.

In FY2014, spending falls again in nominal and real terms, largely because ATRA reduced the automatic spending cuts for FY2013 only, so that those cuts take their full effect beginning in FY2014 under current law. From FY2015 to FY2021, discretionary spending subject to the caps increases annually at a rate that is slightly higher than the projected rate of inflation. Since the BCA caps nominal spending, whether real spending increases or decreases from FY2014 to FY2021 will be highly sensitive to the inflation rate. For example, if inflation turns out to be slightly higher than projected, spending would decline in real terms from FY2014 to FY2021 instead of the increase shown in **Table 4**.

As a result of the BCA, spending subject to the caps does not return to its FY2011 level until FY2018 in nominal terms and will not return to FY2011 levels in real terms at any point in the 10-year budget window. Defense and non-defense discretionary spending subject to the caps will also not return to FY2011 levels in real terms during the budget window. Because the population is growing over the next 10 years, real or nominal declines would be greater on a per capita basis than the overall rates shown in **Table 4**.

To compare projections of discretionary spending under the BCA to historical trends, adjustments need to be made for types of discretionary spending not subject to the BCA caps, such as emergency spending, disaster spending, and OCO. **Table 5** makes this adjustment by excluding

[23] The percentage decline in overall discretionary budget authority will depend on the change in budget authority for exempt categories, such as OCO, disaster, and emergency spending. The percentage reduction in 2013 budget authority will be spread over future years; outlays in 2013 subject to the caps are projected to decline by 7.1%.

[24] From 1977 to 2011, overall discretionary outlays only fell in two years in nominal terms, however.

[25] The FY2010 spending declines largely reflect the previous year increase in discretionary BA caused by the American Reinvestment and Recovery Act (ARRA), popularly referred to as the "stimulus act." Non-defense budget authority was $1.2 trillion in 2008, $1.5 trillion in 2009, and $1.3 trillion in 2010.

[26] As noted above, overall discretionary budget authority fell in 2012, but mainly because of a decline in OCO spending, which is not subject to the caps.

funding for OCO and disaster spending for FY2001 to FY2011. Emergency spending was not removed from spending totals.

Table 5 compares growth in discretionary spending (adjusted to remove OCO and disaster spending) in the past decade to the next decade, during which spending is projected to decline. In real (inflation-adjusted) terms, discretionary spending subject to the caps grew at an annual rate of 4.1% for the FY2001-FY2010 period, with the growth fairly evenly split between defense and non-defense discretionary. For the FY2011-FY2021 period, cuts to discretionary spending prior to the BCA combined with the BCA caps and trigger cause spending to decline by an average of 1.4% annually, with the decline fairly evenly split between defense and non-defense discretionary spending.[27] The difference between the first and third columns of **Table 5** demonstrates the potential for overall discretionary spending growth to exceed the growth rate desired under the caps. In the 2001-2010 period, spending primarily related to Hurricane Katrina and operations in Iraq and Afghanistan caused OCO and disaster spending growth to exceed the growth rate of other discretionary spending.[28] From 2011 to 2013, the trend has reversed, with total real discretionary spending declining by an annual average of 5.1%. Discretionary spending subject to the caps and outside of the caps (mainly OCO) both declined.

Table 5. Average Annual Real Growth Rate of Discretionary Budget Authority, FY2001-FY2021

(percentage change, adjusted for inflation)

	Overall		Subject to Caps	
	2001-2010 (actual)	2011-2013 (actual)	2001-2010 (actual)	2011-2021 (projected)
Defense	6.6%	n/a	3.9%	-1.3%
Non-Defense	4.5%	n/a	4.3%	-1.5%
Total	5.6%	-5.1%	4.1%	-1.4%

Source: CRS calculations based on CBO and OMB data.

Notes: The projections of discretionary spending illustrated in this table assume that the statutory limits on discretionary spending (i.e., discretionary caps) and the automatic spending reduction process come into effect as scheduled. For historical data, numbers subject to caps are total discretionary BA less disaster spending and OCO. Data adjusted for inflation using GDP price deflator.

Figure 2 shows levels of total discretionary and mandatory spending as a percentage of GDP between FY1962 and FY2021. The levels between FY2012 and FY2021 are projected and assume that the discretionary caps and automatic spending cuts go into effect as scheduled under current law. As noted above, to compare historical data to projections, adjustments must be made for categories of discretionary spending exempt from the BCA caps. In the figure, two CBO scenarios are illustrated. The first assumes that OCO budget authority is maintained at current levels (adjusted for inflation); the second scenario assumes a drawdown in troop levels in Afghanistan and other countries from 115,000 in FY2012 to 45,000 by FY2015. Under the latter

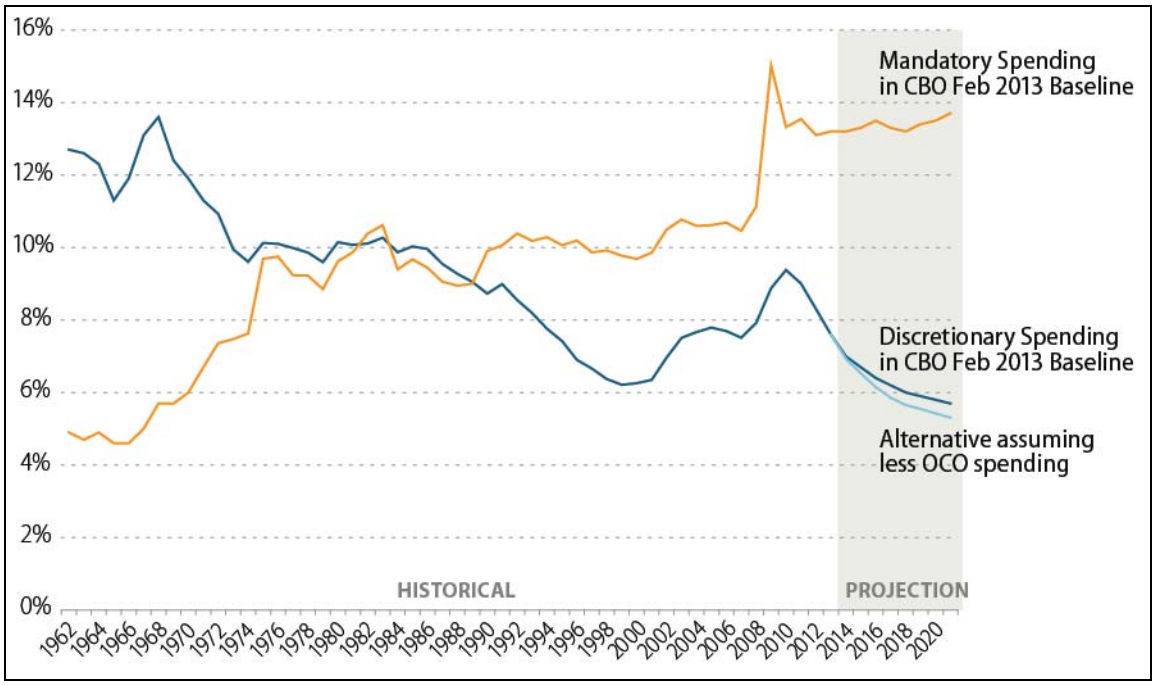
[27] Although defense discretionary spending receives a larger dollar reduction than non-defense discretionary under the BCA's automatic process, non-defense discretionary falls more in percentage terms over the 2011-2021 period because it declines more in 2011 and because defense is larger than non-defense discretionary in dollar terms.

[28] From 2001 to 2010, OCO BA averaged $111 billion and disaster BA averaged $13 billion.

scenario, OCO spending would be less than 0.5% of GDP lower in FY2021 relative to what it would be under baseline levels. Both projections set emergency budget authority at zero and disaster spending at levels permitted under the BCA. [29]

Figure 2. Discretionary and Mandatory Outlays, FY1962-FY2021

(Outlays as a percentage of GDP)



Source: Office of Management and Budget, *Budget for FY2013*, *Historical Tables*, Table 8.4; Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, February 2013, Tables 1-1, 1-7, and F-3; CRS calculations.

Notes: The projection of discretionary spending illustrated in this table assumes that the statutory limits on discretionary spending (i.e., discretionary caps) and the automatic spending reduction process come into effect as scheduled. Federal spending data are categorized as discretionary and mandatory only back to FY1962.

Discretionary spending over the FY1962-FY2011 period averaged 9.4% of GDP.[30] As **Figure 2** shows, it rose relative to GDP from 2001 to 2011, but remained below the levels prevalent from FY1962 to FY1987.[31] In 2018, discretionary spending under the baseline would reach its lowest share of GDP since data were first available, at 6.0% of GDP, and would continue to decline thereafter. By FY2021, discretionary spending is projected to reach 5.7% of GDP or nearly 4 percentage points below the historical average. Under the alternative scenario, where OCO spending is lower, discretionary spending would reach its lowest share of GDP in this time frame in FY2017, and it is projected to decline to 5.3% by FY2021. CBO's baseline projection assumes that defense discretionary spending will reach its lowest share of GDP in this time frame by

[29] For earlier years, data were not available to remove OCO and disaster spending from discretionary totals, as was done in **Table 5**.

[30] Federal spending data are categorized as discretionary and mandatory only back to FY1962.

[31] Defense discretionary spending rose throughout the 2001-2011 period as a percentage of GDP. Non-defense discretionary spending showed no upward trend until 2009.

FY2020 and non-defense discretionary spending will reach its lowest share of GDP in this time frame by FY2017.

What historical precedent is there for a sustained decline in discretionary spending as a share of GDP? There were two periods of sustained decline in discretionary spending as a percentage of GDP since 1962, occurring in FY1969-FY1974 and FY1987-FY2000, respectively. In both cases, the decline was driven mainly by a decline in defense spending as a percentage of GDP, in the former case because of a wind-down of operations in Vietnam and in the latter case by the "peace dividend" associated with the end of the Cold War. Non-defense discretionary spending fell as a percentage of GDP only in the second half of the latter period. In both cases, the decline in spending began from a higher starting point than today.

Mandatory spending under the BCA, by contrast, is projected to continue to grow in nominal terms, real terms, and relative to GDP over the next 10 years. For example, it is projected to increase from $2.0 trillion (13.1% of GDP) in FY2012 to $3.3 trillion (14.1% of GDP) in FY2021. This growth is primarily due to the projection that elderly entitlement spending (notably, Social Security and Medicare) will grow more quickly than GDP over the next 10 years. The BCA has a minimal effect on this trend—it reduces mandatory spending under the automatic spending reduction process by one-tenth of 1% of GDP annually. Social Security is exempt from the BCA's automatic process, and most Medicare payments are reduced by no more than 2% relative to baseline levels. As can be seen in **Figure 2**, since FY2009, mandatory spending has been higher than it was previously in this time frame, and it remains higher throughout the projection. The cuts to Medicare under the BCA relative to current policy are not projected to prevent Medicare spending from growing in real terms and relative to GDP over the 10-year budget window.

Total spending is composed of discretionary spending, mandatory spending, and net interest on the federal debt. From FY2019 to FY2021, the growth in mandatory spending and net interest is greater than the decline in discretionary spending, resulting in a projected rise in total spending as a percentage of GDP. In FY2021, total spending is projected to equal 22.4% of GDP.[32] This is well above the historical average; from FY1947 to FY2011, total outlays averaged 19.7%. Total outlays have been below 22% of GDP for most of the post-World War II period, from FY1947 to FY1980, FY1987 to FY1990, and FY1993 to FY2008.

Effects of the BCA on the Budget Deficit

As discussed earlier, the BCA is set to reduce the deficit by roughly $2 trillion between FY2012 and FY2021 if the provisions contained in the law are not subsequently modified. These figures include both the direct effect of lower spending on deficits, and the interest savings stemming from the lower deficits resulting from lower spending. However, since the law has been enacted, various legislative provisions have resulted in increases in the deficit, relative to current law, which "offset" the deficit reduction enacted in the BCA. **Table 6** below illustrates the changes to the current law baseline as a result of legislation enacted since March 2011 (the last baseline produced before the enactment of the BCA).

[32] OCO spending is about 1% of GDP in this projection. If OCO spending were zero, spending in 2021 would still exceed the historical average.

Table 6. Legislative Changes Affecting the Current Law Baseline Deficit Since March 2011

(billions of $)

Effect on Deficit (Increase (+)/Decrease (-))	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2012-FY2021
Budget Control Act											
Discretionary Spending Caps and Other Provisions	-22	-41	-56	-69	-76	-83	-91	-99	-106	-115	-758
Automatic Spending Reductions	0	-66	-93	-101	-104	-106	-106	-105	-105	-105	-891
Net Interest Savings from the BCA	*	-1	-3	-7	-15	-25	-37	-50	-62	-76	-276
Non-BCA Spending Changes	48	49	-2	-25	-24	-19	-15	-33	-34	-39	-91
Revenue Changes	89	313	340	269	266	338	370	401	427	466	3,279
Other Net Interest	[a]	2	7	9	21	41	69	90	112	140	491
Total Increase in the Deficit as a Result of Legislative Action Since August 2011 Excluding the BCA	137	364	345	253	263	360	424	458	505	567	3,679
Total Increase in the Deficit as a Result of Legislative Action Since August 2011 Including the BCA	115	256	193	76	68	146	190	204	232	271	1,754

Source: CRS calculations based on CBO data from The Budget and Economic Outlook: An Update, August 2011, Table A-1; The Budget and Economic Outlook: Fiscal Years 2012 to 2022, January 2012, Table A-1 and A-2; Updated Budget Projections: Fiscal Years 2012 to 2022, March 2012, Table 3; An Update to the Budget and Economic Outlook: Fiscal Years 2012 to 2022, August 2012, Table A-1; and The Budget and Economic Outlook: Fiscal Years 2013 to 2023, February 2013, Table A-1.

Notes: Totals may not sum due to rounding. A portion of the non-BCA spending changes result from baseline rules that extrapolate discretionary funding from the current year to future years. For example, supplemental funding levels enacted in FY2013 for Hurricane Sandy will be extended into future years until subsequent appropriations are enacted to supplant current outyear baseline levels (e.g., FY2014 appropriations). Non-BCA spending reductions from FY2014 to FY2021 stem primarily from a reduction in FY2012-FY2013 OCO levels relative to the baseline, extrapolated in future years.

a. Indicates a figure between -$500 million and $500 million.

The legislation that increased the deficit the most relative to current law was ATRA. ATRA made various changes to the tax code and several spending programs, including modification of the provisions of the BCA as it related to the FY2013 sequester as discussed earlier.[33] As a result of ATRA, CBO projected the deficit would increase by more than $3 trillion between FY2013 and FY2021. (The total increase in the deficit from the legislation was estimated at $4 trillion over the FY2013-FY2022 period.[34] Compared with a current policy baseline that assumes expiring provisions will be extended, however, ATRA reduced the deficit.)[35] Other legislation had much smaller effects on both spending and revenue levels.

Since March 2011, relative to CBO's current law baseline, the cumulative effect of legislative action on the budget deficit over the FY2012-FY2021 period (or the period during which the provisions of the BCA are in place) is to increase the deficit by $1.754 trillion. If the deficit reduction provisions of the BCA are not included, the legislative action during this period is set to increase the budget deficit by $3.679 trillion.

As this discussion illustrates, individual policy changes cannot be taken in isolation. A goal of the BCA was to match its deficit reduction provisions to the BCA's multi-step increase in the debt limit, although the savings is over a different timeframe than the debt limit increase and the deficit reduction achieved in the BCA in isolation would not prevent the need for future debt limit increases. In any case, matching deficit reduction with debt limit increases is an intermediate goal, but not an ultimate goal of fiscal policy. Two other potential goals of deficit reduction could be to balance the budget or place the deficit on a sustainable path. Under the CBO baseline, neither of these goals is met.

Under the most recent CBO baseline, the budget deficit falls from 7.0% of GDP in FY2012 to 5.3% of GDP in FY2013 to a low of 2.4% of GDP in FY2015. After that, it begins to rise once again, reaching 3.8% of GDP by FY2023. Over the same period, the debt held by the public is projected to rise from 72.5% of GDP to 76.0% of GDP in FY2023, thought it actually falls in certain years during this period.[36] Beyond the 10-year budget window, projected budget deficits become much larger relative to GDP, primarily due to the assumption that health care costs will continue to grow faster than GDP.[37] Economists believe that the budget will eventually need to be placed on a sustainable path because debt cannot rise faster than income (GDP) indefinitely.[38]

Moreover, these deficit and debt projections assume that current law will remain in place. If Congress and the President enact subsequent legislation to decrease revenue levels or increase spending, these projections could change. Besides new initiatives, Congress and the President

[33] In **Table 6**, changes made by ATRA to the BCA are included as part of the "Non-BCA Spending Changes" and "Revenue Changes" categories.

[34] CBO, *Estimate of the Budget Effects of H.R. 8, the American Taxpayer Relief Act of 2012, as passed by the Senate on January 1, 2013*, January 1, 2013.

[35] See, for example, Office of Management and Budget, OMBlog, *American Taxpayer Relief Act Reduces Deficits by $737 Billion*, January 1, 2013, available at http://www.whitehouse.gov/blog/2013/01/01/american-taxpayer-relief-act-reduces-deficits-737-billion.

[36] CBO, *The Budget and Economic Outlook: Fiscal Years 2013 to 2023*, February 2013, Table 1-1.

[37] For more information, see CRS Report RL32747, *The Economic Implications of the Long-Term Federal Budget Outlook*, by Marc Labonte.

[38] For more information, see CRS Report R40770, *The Sustainability of the Federal Budget Deficit: Market Confidence and Economic Effects*, by Marc Labonte.

have routinely increased the deficit by temporarily extending expiring provisions in recent years, including preventing scheduled reductions in Medicare payment rates for physicians ("doc fix") and the extension of expiring tax provisions ("tax extenders"). If these two policies are extended, CBO projects that the deficit will increase by nearly an additional $1 trillion over the FY2013-FY2021 period, with additional deficit increases beyond FY2021.

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