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INSIGHT

Were the Discretionary Spending Caps Effective?

February 9, 2023

The Budget Control Act of 2011 (BCA, P.L. 112-25) was enacted after extended negotiations between congressional leaders and President Obama over increasing the statutory limit on the debt. The BCA addressed the debt limit while also addressing concerns over rising budget deficits by implementing several budgetary reforms. Among other things, the BCA established statutory limits on the amount of discretionary spending that could be provided each fiscal year. Similar limits on discretionary spending had previously been in effect between FY1991 and FY2002, and the BCA reinstituted the limits for FY2012-FY2021. Under the BCA, for each fiscal year, two separate spending limits (often referred to as spending caps) were in effect: one for defense discretionary spending and one for nondefense discretionary spending.

To discourage Congress from enacting legislation that would breach the spending caps, the BCA included a mechanism referred to as sequestration. If discretionary appropriations were enacted that exceeded either statutory limit for a fiscal year, an automatic process, implemented through a sequestration order issued by the President, would eliminate the excess spending by making across-the-board spending reductions within the applicable category (defense or nondefense).

A second component of the BCA established the Joint Select Committee on Deficit Reduction, which was tasked with reporting legislation that would reduce the budget deficit by at least $1.5 trillion over the period of FY2012-FY2021. The committee did not report such legislation, which triggered an automatic enforcement mechanism that had been established in the BCA. Among other things, this automatic enforcement mechanism reduced the established spending limits through FY2021, as shown in **Figure 1**.

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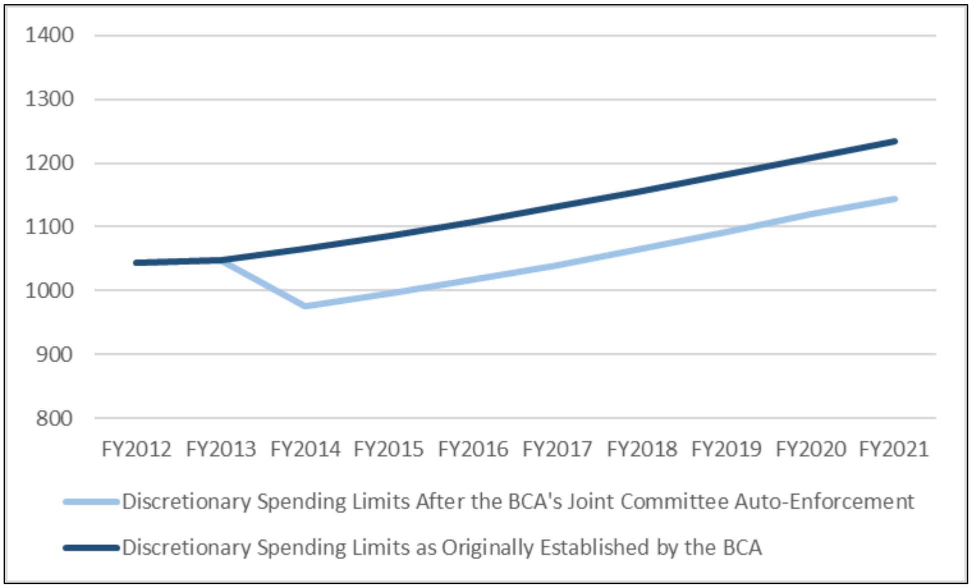
Figure 1. Discretionary Spending Limits Established in the BCA, Before and After the Joint Committee Automatic Enforcement

In Billions of Dollars



Source: U.S. Office of Management and Budget, *OMB Sequestration Update Report to the President and Congress for the Current Fiscal Year (*August 20, 2021), pp. 9-10.

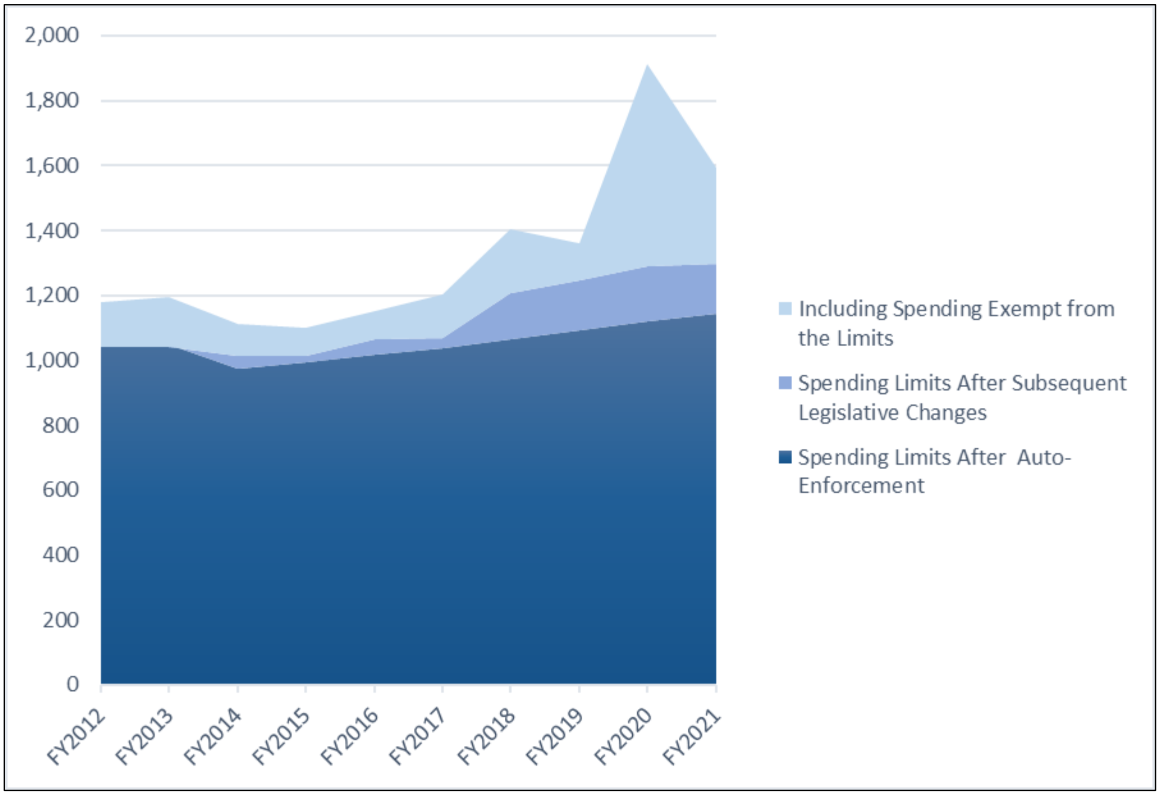
Note: Shows budget authority.

During the 10 years in which the caps were in effect, Congress and the President repeatedly enacted legislation increasing the spending limits, thereby counteracting some or all of reductions required as a result of the automatic enforcement mechanism, as shown in **Figure 2**. This legislation included the Bipartisan Budget Act of 2013 (P.L. 113-67), the Bipartisan Budget Act of 2015 (P.L. 114-74), the Bipartisan Budget Act of 2018 (P.L. 115-123), and the Bipartisan Budget Act of 2019 (P.L. 116-37).

To provide Congress with the flexibility to respond to emergencies or military engagements, the BCA also stipulated that certain types of spending would be effectively exempt from the limits. As shown in **Figure 2**, over the 10 years in which the limits were in effect, nearly $2 trillion of enacted spending was effectively exempt from the caps. This included approximately $880 billion for overseas contingency operations (also referred to as OCO), approximately $920 billion for emergencies (more than half of which was provided in FY2020 during the pandemic), $104 billion for disaster relief, $14 billion for "program integrity initiatives," $5 billion for wildfire suppression, and $2.5 billion for the 2020 Census.

Figure 2. Discretionary Spending Limits 2012-2021

In Billions of Dollars



Source: U.S. Office of Management and Budget, *OMB Sequestration Update Report to the President and Congress for the Current Fiscal Year* (August 20, 2021), pp. 9-10.

Note: Shows budget authority.

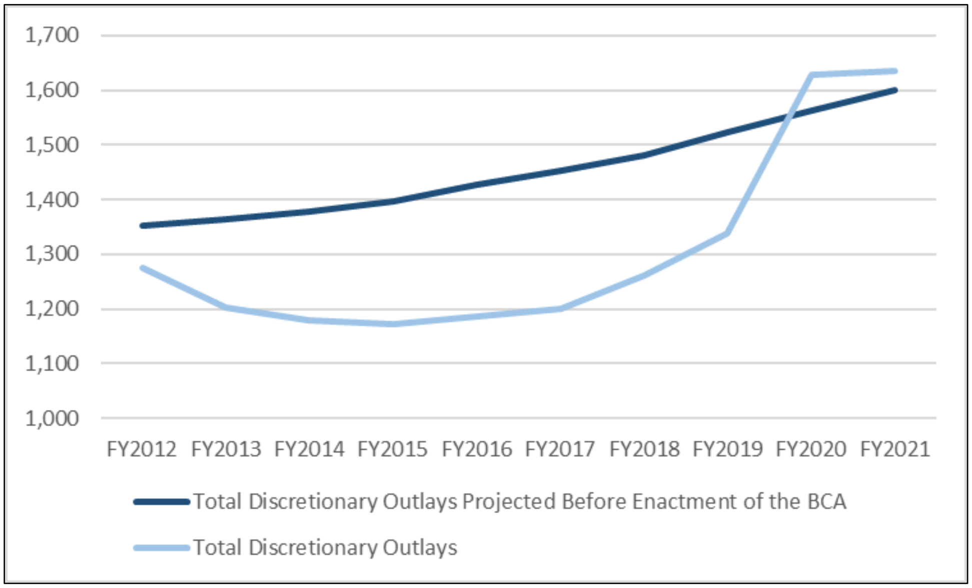
Were the Spending Caps Effective?

Some have argued that the discretionary spending limits were not effective in reducing spending. As shown in **Figure 2**, discretionary budget authority provided in most years was higher than the limits prescribed by the BCA, sometimes by significant amounts. This is attributed to the enactment of subsequent legislation increasing the limits, as well as to spending that was effectively exempt from the limits. In addition, the spending caps did not apply to mandatory spending, which typically comprises 70% of total spending and includes major health care programs and Social Security, which are projected to increase federal outlays significantly in the coming decades. Further, some argue that capping only discretionary spending incentivizes lawmakers to shift funding for discretionary programs to mandatory instead.

Others have argued, however, that the limits were effective. **Figure 3** shows that spending was lower each year between FY2012 and FY2019 than had been originally projected before the BCA was enacted. (Spending levels in FY2020 and FY2021 were higher than projected before the BCA, but much of the increase can be attributed to pandemic-related spending.) Further, it has been argued that having the limits in place led Congress and the President to more regularly negotiate on overall discretionary spending programs and limits. This resulted in revised spending limits for two fiscal years at a time, thereby providing more restraint and predictability in the appropriations process.

Figure 3. Projected Outlays Verses Actual Outlays

In Billions of Dollars



Source: U.S. Congressional Budget Office, *The Budget and Economic Outlook: FY2011-2021*, Table 1.4—Baseline Budget Projections, January 2011; U.S. Government Publishing Office, *Budget of the United States Government, FY2016-FY2023*, Historical Tables; Table 8.7—Outlays for Discretionary Programs: 1962-2027, March 28, 2022.

Note: Total discretionary outlays projected before enactment of the BCA reflects the baseline published by the Congressional Budget Office, which is directed in statute to assume that most discretionary spending grows at the rate of inflation.

For more information on the discretionary spending limits, see CRS Report R46752, *Expiration of the Discretionary Spending Limits: Frequently Asked Questions*, by Megan S. Lynch and Grant A. Driessen.

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