



115th Congress, 2nd Session: No. 1

June 7, 2018

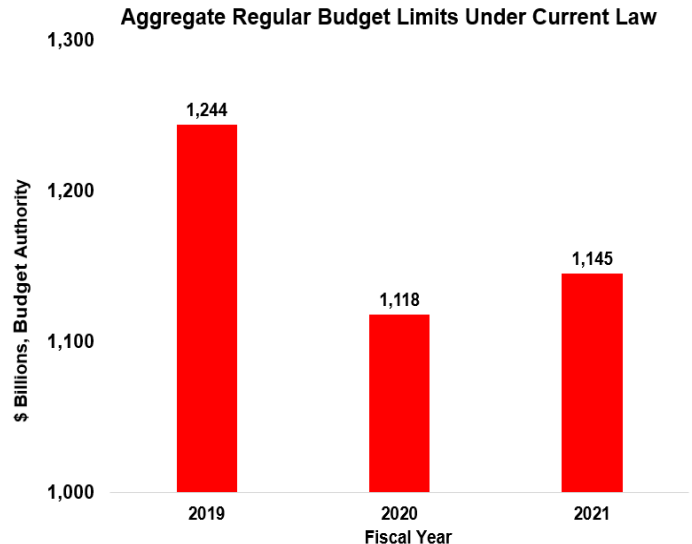
Spending Caps and the New Fiscal Cliff

The two-year bipartisan budget law enacted in February significantly increased discretionary spending levels through fiscal year 2019, setting up a \$126 billion spending cliff for 2020.

by Senate Budget Committee Republican Staff

The [2018 Bipartisan Budget Act \(BBA18\)](#) significantly increased fiscal year 2018 and 2019 discretionary spending caps established in the [2011 Budget Control Act \(BCA\)](#). This sets up a funding cliff – and another potential budget stalemate – with discretionary spending levels set to drop dramatically in the remaining two years of the BCA’s discretionary caps. Under current law, defense discretionary budget authority is slated to decrease from \$647 billion in fiscal year 2019 to \$576 billion in fiscal year 2020, while non-defense authority falls from \$597 billion to \$542 billion. This would constitute a total reduction of \$126 billion between fiscal years 2019 and 2020.

Enacted earlier this year, BBA18 marks the third time Congress has used a two-year agreement to increase BCA spending limits, with each agreement raising discretionary spending caps by a larger amount. The [2013 Bipartisan Budget Act](#) and the [2015 Bipartisan Budget Act](#) facilitated increases of \$63 billion and \$80 billion, respectively, evenly divided between defense and non-defense spending. BBA18 represents an overall cap increase of

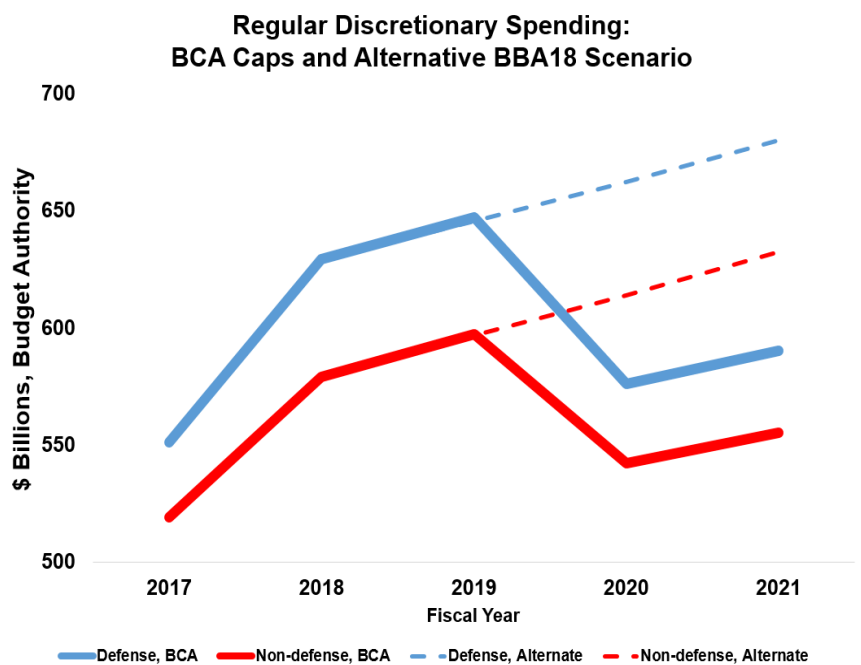


\$296 billion and marks the first time BBA spending levels have exceeded the levels initially imposed by the BCA. BBA18 also marks a change in the defense and non-defense funding split, as defense spending receives a bigger boost than non-defense. Each category, however, gained more under BBA18 than in the previous two bills combined. The table on the following page compares revised BCA caps (post-failure of the Joint Select Committee on Deficit Reduction) with the levels allowable under successive Bipartisan Budget Acts.

**Discretionary Spending Limits under the Budget Control Act and Bipartisan Budget Acts
Regular Budget Authority (in billions)**

	2014	2015	2016	2017	2018	2019	2020	2021
Defense, BCA	498	512	523	536	549	562	576	590
Defense, BBA	520	521	548	551	629	647	n/a	n/a
Difference	+22	+9	+25	+15	+80	+85	n/a	n/a
Non-Defense, BCA	469	483	493	504	516	529	542	555
Non-Defense, BBA	492	492	518	519	579	597	n/a	n/a
Difference	+22	+9	+25	+15	+63	+68	n/a	n/a
TOTAL, BCA	967	995	1,017	1,040	1,065	1,091	1,118	1,145
TOTAL, BBA	1,012	1,014	1,067	1,070	1,208	1,244	n/a	n/a
Difference	+45	+18	+50	+30	+143	+153	n/a	n/a

The Congressional Budget Office’s (CBO) [Budget and Economic Outlook report](#) published in April 2018 provides insights on possible fiscal paths forward following the expiration of the BBA18 discretionary spending caps. CBO’s April baseline, which follows current law, assumes that the BCA caps remain in place for fiscal years 2020 and 2021, with spending increasing at the rate of inflation starting in fiscal year 2022. The report then presents an alternative scenario in which discretionary spending caps increase to BBA18 levels plus inflation. The difference in these two paths is shown in this chart (right) prepared by Budget Committee staff based on CBO data (with an adjustment for changes in mandatory program spending). The difference between spending levels envisioned in the current-law baseline and this alternative scenario is \$325 billion over the two years.



IN CASE YOU MISSED IT...

- On May 7th, Chairman Enzi [filed](#) updated enforceable levels, providing new allocations to all committees.
- On May 24th, the Senate Appropriations Committee [filed](#) its first set of 302(b)s this year.
- The Budget Committee [hosted](#) GAO Comptroller Dodaro to discuss GAO’s latest [report](#) on duplication and fragmentation in federal agencies and programs.
- Chairman Enzi [requested](#) CBO release its annual “Analysis of Actuals” as part of the committee’s continued focus on transparency.

Sub-Allocations Filed

On May 24, the Senate Committee on Appropriations released its first set of 302(b) sub-allocations for fiscal year 2019, made possible by Chairman Enzi’s releasing new enforceable levels, as required by BBA18 (see Budget Speak and ICYMI). These sub-allocations, shown with their equivalent fiscal year 2018 amounts, reflect regular appropriations, meaning that overseas contingency operations, emergency funding, and certain program integrity that qualify for cap adjustments under existing budget law are excluded. These cap adjustments result in allocation changes that the Budget Committee Chairman will file as bills come before the Senate, in accordance with the law. Allocations are enforceable with a point of order under section 302 of the Congressional Budget Act, which requires 60 votes to waive.

Future issues of Budget Bulletin will provide updates as warranted.

Fiscal Years 2018 and 2019 Appropriations 302(b) Allocations Regular Budget Authority (in millions)

Subcommittee	2018			2019		
	Defense	Non-Defense	Total	Defense	Non-Defense	Total
Agriculture	0	23,259	23,259	0	23,235	23,235
Commerce/Justice/Science	5,400	54,200	59,600	5,400	57,595	62,995
Defense	589,320	132	589,452	607,000	130	607,130
Energy and Water	21,800	21,400	43,200	21,892	21,874	43,766
Financial Services	31	23,392	23,423	31	23,657	23,688
Homeland Security	2,058	45,665	47,723	2,058	46,276	48,334
Interior	0	35,252	35,252	0	35,853	35,853
Labor/HHS/Education	0	177,100	177,100	0	179,288	179,288
Legislative Branch	0	4,700	4,700	0	4,790	4,790
MilCon/VA	10,091	81,900	91,991	10,319	86,767	97,086
State/Foreign Ops	0	42,000	42,000	0	46,418	46,418
Transportation-HUD	300	70,000	70,300	300	71,117	71,417
Total	629,000	579,000	1,208,000	647,000	597,000	1,244,000

Note: Fiscal year 2018 allocations were filed on March 22, 2018. Fiscal year 2019 allocations were filed on May 24, 2018.



Deeming Resolution.

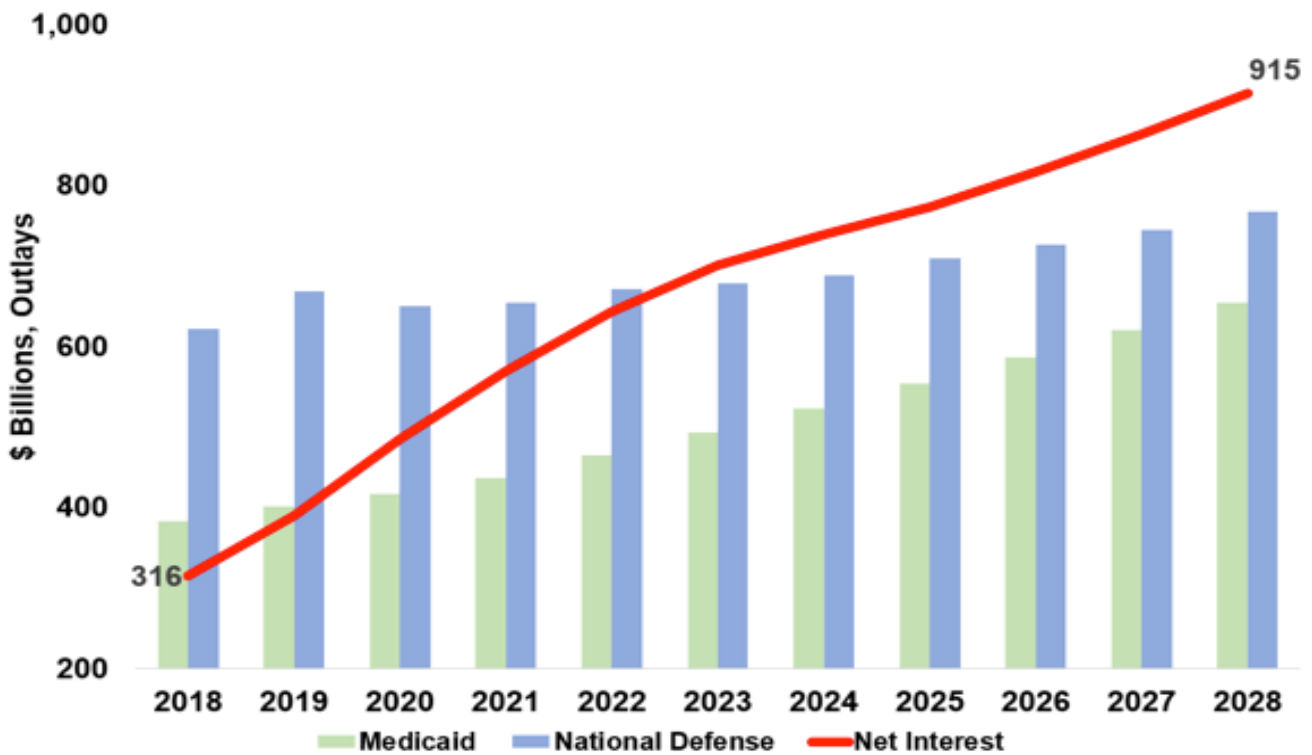
A deeming resolution (or “deemer”) allows Congress to establish overall spending and revenue limits for a budget cycle that can be enforced through points of orders created in the Congressional Budget Act and congressional budget resolutions. Deemers also provide allocations to the Appropriations committees, allowing them to begin work on annual spending bills, and set direct spending allocations for authorizing committees. The Bipartisan Budget Act of 2018 required the Senate and House Budget Committee chairmen to file deemers, based on CBO’s current baseline, in the *Congressional Record* by May 15. Filing a deemer does not preclude future adoption of a budget resolution.

Rising Debt-Servicing Interest Costs

Rising interest spending deprives American taxpayers of hundreds of billions of dollars annually. Over the next decade, as interest rates increase and debt held by the public approaches the size of the entire U.S. economy, federal net interest payments are projected to grow more quickly than any other major part of the budget. According to CBO, interest payments will overtake federal Medicaid spending in 2020 and will top defense spending in 2023. By 2028, CBO projects that net interest spending will nearly triple, reaching \$915 billion.



**Interest Payments Nearly Triple:
Surpass Medicaid in 2020, Defense in 2023**



Have a tip about federal taxpayer dollars being wasted or mismanaged? You can report it directly to the Senate Budget Committee by emailing Oversight@budget.senate.gov. Your personal information will be kept confidential and will only be used to contact you, if necessary, for additional information about the tip.