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The Defense Budget and the Budget Control Act: Frequently Asked Questions

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Summary

Enacted on August 2, 2011, the Budget Control Act of 2011 as amended (P.L. 112-25, P.L. 112-240, P.L. 113-67, P.L. 114-74, and P.L. 115-123) sets limits on defense and nondefense spending. As part of an agreement to increase the statutory limit on public debt, the BCA aimed to reduce annual federal budget deficits by a total of at least $2.1 trillion from FY2012 through FY2021, with approximately half of the savings to come from defense.

The spending limits (or *caps*) apply separately to defense and nondefense discretionary *budget authority*. Budget authority is authority provided by law to a federal agency to obligate money for goods and services. The caps are enforced by a mechanism called *sequestration*. Sequestration automatically cancels previously enacted appropriations (a form of budget authority) by an amount necessary to reach prespecified levels. The defense spending limits apply to national defense (budget function 050) but not to funding designated for Overseas Contingency Operations (OCO) or emergencies.

Some defense policymakers and officials argue the spending restrictions impede the Department of Defense's (DOD's) ability to adequately prepare military personnel and equipment for operations and other national security requirements. Others argue the limits are necessary to curb rising deficits and debt.

After lawmakers did not reach a deficit-reduction deal and triggered steeper reductions to the initial BCA caps, Congress repeatedly amended the legislation to raise the spending limits. Most recently, President Donald Trump on February 9, 2018, signed into law the Bipartisan Budget Act of 2018 (P.L. 115-123). The bill amended the BCA to increase discretionary defense spending caps by the largest amounts to date—by $80 billion to $629 billion in FY2018 and by $85 billion to $647 billion in FY2019. It did not change the spending limits for FY2020 and FY2021.

The annual federal budget deficit decreased from $1.1 trillion (6.8% of Gross Domestic Product) in FY2012 to $665 billion (3.5% of GDP) in FY2017, but is projected to increase to $1.1 trillion (4.9% of GDP) in FY2021. Meanwhile, federal debt held by the public has increased from $11.3 trillion (70.4% of GDP) in FY2012 to $14.7 trillion (76.5% of GDP) in FY2017, and is projected to further increase to $19 trillion (83.1% of GDP) in FY2021.

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Background

National defense is one of 20 major functions used by the Office of Management and Budget (OMB) to organize budget data—and the largest in terms of discretionary spending. The national defense budget function (identified by the numerical notation 050) comprises three subfunctions: Department of Defense (DOD)-Military (051); atomic energy defense activities primarily of the Department of Energy (DOE) (053); and other defense-related activities (054) such as Federal Bureau of Investigation (FBI) counterintelligence activities.[1] Discretionary spending is, for the most part, provided by annual appropriations bills and the focus of Congress's efforts to fund the federal government. By contrast, mandatory (or direct) spending, which includes entitlement programs such as Social Security, Medicare, and Medicaid, is generally governed by existing statutory criteria.[2]

Since the terrorist attacks of September 11, 2001, *outlays*—money spent by a federal agency from funds provided by Congress—for discretionary defense programs in nominal dollars (not adjusted for inflation) has almost doubled from $306 billion in FY2001 to $590 billion in FY2017. Defense discretionary outlays are projected to reach $655 billion in FY2021. Yet as a percentage of total *federal* outlays, discretionary defense outlays declined over this period from 16.4% in FY2001 to 14.8% in FY2017. They are projected to further decrease to 13.2% in FY2021, as mandatory programs and net interest consume a larger share of the total (see **Figure 1**).[3]

Between FY2009 and FY2012, annual federal budget deficits topped $1 trillion and averaged 8.5% of Gross Domestic Product (GDP), the highest level since World War II. The deficits are attributable in part to reduced tax revenues from the 2007-2009 recession and increased spending from the economic stimulus package known as the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).[4] As part of an agreement to increase the statutory limit on public debt, the Budget Control Act of 2011 (P.L. 112-25) aimed to reduce annual federal budget deficits by a total of at least $2.1 trillion from FY2012 through FY2021, with approximately half of the savings to come from defense.

Congress has previously used budget enforcement mechanisms—such as a statutory limit on annual appropriations for discretionary activities—to mandate a specific budgetary policy or to obtain a fiscal objective. The BCA amended the Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177) by reinstating spending limits on discretionary *budget authority* beginning in FY2012.[5] Congress provides budget authority by law to federal agencies to obligate money for goods and services. Congress does not directly control *outlays*, which occur when obligations are liquidated, primarily through issuing checks, transferring funds, or disbursing

[1] See CRS In Focus IF10618, *Defense Primer: The National Defense Budget Function (050)*, by Christopher T. Mann.

[2] See CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by James V. Saturno.

[3] OMB, Historical Tables, Table 8.1, *Outlays by Budget Enforcement Act Category: 1962–2023*, and CBO, *The Budget and Economic Outlook: 2018 to 2028*, April 2018, and CBO, *10-Year Budget Projections*, Table 2-4: Discretionary Spending Projected in CBO's Baseline, and Table 4-1: at https://www.cbo.gov/publication/53651. For more information on mandatory spending trends, see CRS Report R44763, *Present Trends and the Evolution of Mandatory Spending*, by D. Andrew Austin.

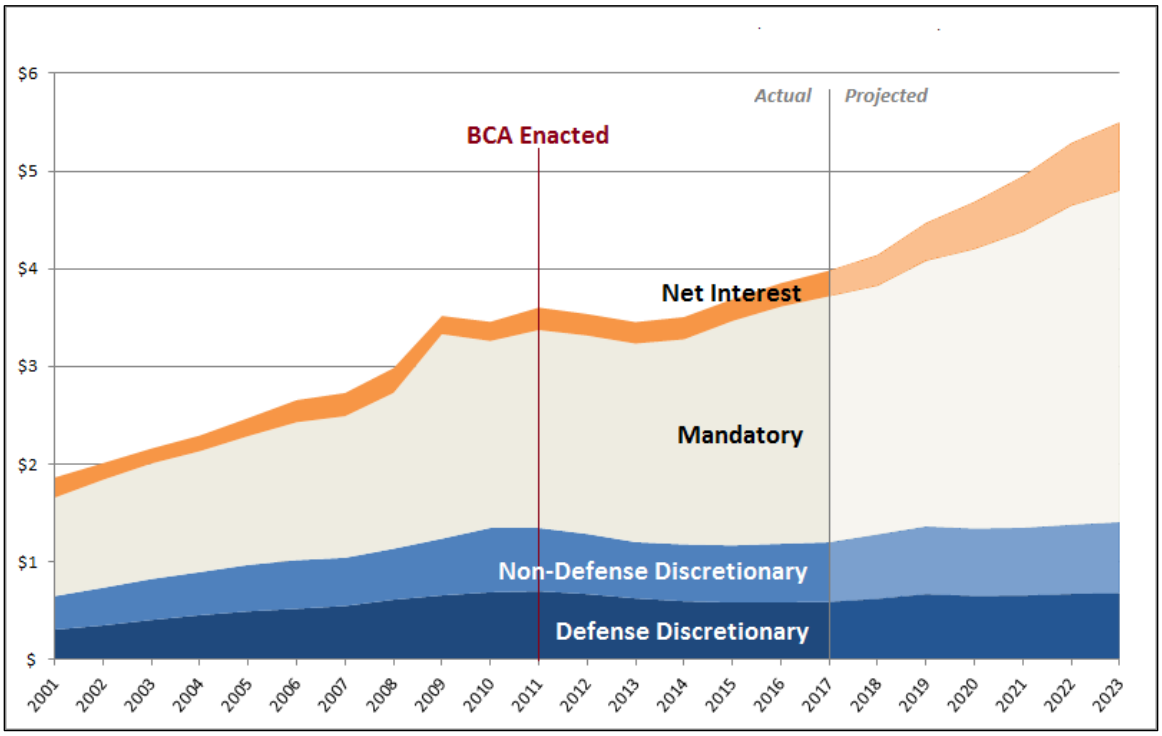
[4] CRS Report R44874, *The Budget Control Act: Frequently Asked Questions*, by Grant A. Driessen and Megan S. Lynch.

[5] OMB, *Final Sequestration Report to the President and Congress for Fiscal Year 2018*, April 6, 2018, at https://www.whitehouse.gov/wp-content/uploads/2018/04/2018_final_sequestration_report_april_2018_potus.pdf.

cash.[6] For spending limits in FY2012 and FY2013, the BCA originally specified separate "security" and "nonsecurity" categories. The security category was broad in scope and included budget accounts of the Department of Defense (DOD), the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA), the National Nuclear Security Administration, the intelligence community management account, and international affairs (budget function 150).[7] After the Joint Select Committee on Deficit Reduction did not reach a deficit-reduction deal and triggered backup budgetary enforcement measures of steeper reductions to the initial BCA caps beginning in FY2013, the "security" category was revised to the narrower "defense" category, which included only discretionary programs in the national defense budget function (050).

Figure 1. Outlays by Budget Enforcement Category, FY1962-FY2023

(in trillions of dollars)



Sources: OMB, Historical Table 8.1, Outlays by Budget Enforcement Act Category: 1962-2023; CBO, *The Budget and Economic Outlook: 2018 to 2028* and *10-Year Budget Projections*, Table 2-4, Discretionary Spending Projected in CBO's Baseline, and Table 4-1: CBO's Baseline Budget Projections, by Category.

Notes: Actual figures from FY1962 through FY2017 from OMB; projections from FY2018 through FY2023 from CBO. Outlays include funding for Overseas Contingency Operations (OCO).

[6] See CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by James V. Saturno.

[7] OMB, *Final Sequestration Report to the President and Congress for Fiscal Year 2012*, January 18, 2012, at https://obamawhitehouse.archives.gov/sites/default/files/omb/assets/legislative_reports/sequestration/sequestration_final_jan2012.pdf.

Frequently Asked Questions

What is the debate over defense spending caps?

The discretionary spending limits established by the Budget Control Act of 2011 (P.L. 112-25) have been a point of contention since enactment.

Critics of the legislation argue reductions to defense investments "present a grave and growing danger to our national security."[8] They also note the spending restrictions disproportionately affect defense programs, which in FY2017 accounted for 16% of budgetary resources (excluding net interest payments) and 49% of BCA spending reductions.[9] Senator John McCain and Representative William "Mac" Thornberry, the chairs of the Senate and House Armed Services Committees, respectively, have said the law has "failed."[10] Defense Secretary James Mattis has said: "Let me be clear: As hard as the last 16 years of war have been on our military, no enemy in the field has done as much to harm the readiness of U.S. military than the combined impact of the BCA's defense spending caps, worsened by operating for ten of the last 11 years under continuing resolutions of varied and unpredictable duration."

Proponents of BCA argue its limits are necessary in light of recurring deficits and growing federal debt: "The spending caps put in place by the BCA, and the punitive nature of the sequestering that follows if they are exceeded, are well-designed measures that encourage responsible spending."[11] Representative Mark Meadows, chair of the House Freedom Caucus, which opposed the latest budget deal to raise the spending caps, said, "I want to fund our military, but at what cost? Should we bankrupt our country in the process?"[12] Lawrence Korb, an Assistant Secretary of Defense during the Reagan Administration, said the BCA has "affected defense capability somewhat," but noted Congress has blunted the law's impact by increasing the caps and by exempting from the restrictions funding for Overseas Contingency Operations (OCO), allowing the Department of Defense (DOD) to use such funds for base-budget activities.[13]

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[8] Open letter from eighty-five national security experts and former government officials: Elliot Abrams, David Adesnik, and Michael Auslin, et al. to John Boehner, then-speaker of the House, and Mitch McConnell, Senate Majority Leader, et al., February 24, 2015.

[9] Frederico Bartels, "America's defense budget is yet again held hostage by Congress," *The Hill*, November 2, 2017, at http://thehill.com/opinion/national-security/358385-congress-needs-to-do-its-job-and-properly-fund-americas-defense. See also Footnote 4.

[10] Senator John McCain, "Restoring American Power: Recommendations for the FY2018-FY2022 Defense Budget," January 16, 2017, at https://www.mccain.senate.gov/public/index.cfm/2017/1/restoring-american-power-sasc-chairman-john-mccain-releases-defense-budget-white-paper; and Ben Werner, "Thornberry: Budget Control Act Limits on Defense Spending Could End Soon," USNI News, September 6, 2017, at https://news.usni.org/2017/09/06/thornberry-budget-control-act-limits-defense-spending-end-soon.

[11] Michael Shindler, "Don't Let Defense Wreck the Budget," *Real Clear Defense*, February 23, 2017, at https://www.realcleardefense.com/articles/2017/02/23/dont_let_defense_wreck_the_budget_110857.html. For more information on deficits and debt, see CRS Report R44383, *Deficits and Debt: Economic Effects and Other Issues*, by Grant A. Driessen.

[12] Mark Meadows, "Rep. Meadows' Statement on Budget Agreement," press release, February 9, 2018, at https://meadows.house.gov/news/documentsingle.aspx?DocumentID=815. Final roll call vote results for the Bipartisan Budget Act of 2018 at http://clerk.house.gov/evs/2018/roll069.xml.

[13] Lawrence J. Korb, "Trump's Defense Budget," *Center for American Progress*, February 28, 2018, at https://www.americanprogress.org/issues/security/news/2018/02/28/447248/trumps-defense-budget/.

Attempts to fully repeal BCA have not succeeded.[14] Lawmakers have enacted increases to the defense and nondefense sending caps for each year from FY2013 to FY2019.[15]

How does the BCA affect defense spending?

The Budget Control Act of 2011 (P.L. 112-25) contained several measures intended to reduce deficits by a total of at least $2.1 trillion from FY2012 to FY2021, with approximately half of the savings to come from defense.[16] A key component of the legislation set limits on discretionary *budget authority* to reduce projected spending by $0.9 trillion over the period. As backup budgetary enforcement measures, the BCA also required at least $1.2 trillion in additional savings if a congressionally mandated panel, the Joint Select Committee on Deficit Reduction, did not reach agreement on a deficit-reduction plan. The spending limits (or *caps*) apply separately to defense and nondefense discretionary budget authority.[17] The caps are enforced by a mechanism called *sequestration*, which automatically cancels previously enacted spending by an amount necessary to reach prespecified levels.[18] The defense discretionary spending limits apply to national defense (budget function 050) but not to funding designated for Overseas Contingency Operations (OCO) or emergencies.[19] Because the committee did not agree on a plan to reduce the deficit, the BCA required steeper reductions to the discretionary spending limits each year from FY2013 through FY2021 (see **Table 1**).[20]

What are the BCA limits on defense discretionary spending?

Congress has repeatedly amended the Budget Control Act of 2011 (P.L. 112-25) to revise the discretionary spending limits.[21] **Table 1** depicts the limits as amended (in bold and shaded) for the

[14] Congressman Mike Turner, "Trump Calls for Repeal of Sequestration; Turner: Repeal Gains Groundswell of Support," press release, March 1, 2017, https://turner.house.gov/media-center/press-releases/trump-calls-for-repeal-of-sequestration-turner-repeal-gains-groundswell.

[15] The BCA was amended by the American Taxpayer Relief Act of 2012 (ATRA; P.L. 112-240), the Bipartisan Budget Act of 2013 (BBA 2013; P.L. 113-67, referred to as the Murray-Ryan agreement), the Bipartisan Budget Act of 2015 (BBA 2015; P.L. 114-74), and the Bipartisan Budget Act of 2018 (BBA 2018; P.L. 115-123). For more information on the effect of each, see CRS Insight IN10861, *Discretionary Spending Levels Under the Bipartisan Budget Act of 2018*, by Grant A. Driessen and Marc Labonte.

[16] CBO, Letter from then-Director Douglas W. Elmendorf to then-Speaker of the House John Boehner and then-Majority Leader of the Senate Harry Reid, "CBO Estimate of the Impact on the Deficit of the Budget Control Act of 2011," August 1, 2011; http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/123xx/doc12357/budgetcontrolactaug1.pdf.

[17] Legislation amending the BCA included equal increases to defense and nondefense discretionary spending caps until the Bipartisan Budget Act of 2018 (P.L. 115-123), which included a larger increase to defense than nondefense. For more on the so-called parity principle, see CRS In Focus IF10657, *Budgetary Effects of the BCA as Amended: The "Parity Principle"*, by Grant A. Driessen. For more on the "security" category that predated the "defense" category, see the "Background" section above.

[18] For more information on sequestration, see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

[19] For more information on the national defense budget function, see the "Background" section above. For more information on OCO, see CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein.

[20] These automatic reductions to the original BCA limits are often referred to as sequestration but technically are not because Congress can allocate funding within the caps. See footnote 18.

[21] See footnote 15.

defense category, which includes discretionary programs of the national defense budget function (050) and excludes funding for Overseas Contingency Operations (OCO) or emergencies.[22]

Table 1. BCA Limits on National Defense (050) Discretionary Base Budget Authority

(in billions of dollars)

National Defense (050)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Budget Control Act of 2011	*555*	*546*	556	566	577	590	603	616	630	644
BCA after automatic revision	*555*	*492*	501	511	522	535	548	561	575	589
American Taxpayer Relief Act of 2012	*555*	***518***	**497**	511	522	535	548	561	575	589
Bipartisan Budget Act of 2013	*555*	*518*	**520**	**521**	523	536	549	562	576	590
Bipartisan Budget Act of 2015	*555*	*518*	520	521	**548**	**551**	549	562	576	590
Bipartisan Budget Act of 2018	*555*	*518*	520	521	548	551	**629**	**647**	576	591

Sources: CBO, letter to the Honorable John A. Boehner and Honorable Harry Reid estimating the impact on the deficit of the Budget Control Act of 2011, August 2011; CBO, *Final Sequestration Report for Fiscal Year 2012*, January 2012; CBO, *Final Sequestration Report for Fiscal Year 2013*, March 2013; CBO, *Final Sequestration Report for Fiscal Year 2014*, January 2014; CBO, *Final Sequestration Report for Fiscal Year 2016*, December 2015, CBO, *Sequestration Update Report: August 2017*, August 2017; CBO, *Cost Estimate for Bipartisan Budget Act of 2018*, February 2018.

Notes: Bold and shaded figures indicate statutory changes. Figures do not include funding for Overseas Contingency Operations (OCO), emergencies, or disaster relief. The BCA as amended provided for "security" and "nonsecurity" categories in FY2012 and FY2013: italicized figures denote CRS estimates of budget authority for defense and nondefense categories in those years. Small changes in budget authority beginning in FY2016 are caused by adjustments in the annual proportional allocations of automatic enforcement measures as calculated by OMB: for more information on these adjustments, see CBO, *Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act*, September 2011. This table is an abridged version of one that originally appeared in CRS Report R44874, *The Budget Control Act: Frequently Asked Questions*, by Grant A. Driessen and Megan S. Lynch.

Does the BCA limit Overseas Contingency Operations (OCO) funding?

The BCA stipulates that certain discretionary funding, such as appropriations designated as Overseas Contingency Operations (OCO) or emergency requirements, allow for an upward adjustment of the discretionary limits. OCO funding is therefore described as “exempt” from the discretionary spending limits. The BCA does not define what constitutes OCO funding. Instead, it includes a requirement that Congress designate OCO spending on an account-by-account basis,

[22] For more on the “security” category that predated the “defense” category, see the “Background” section above.

and that the President subsequently designate the spending as such. Further, the BCA does not limit the level or amount of spending that may be designated as OCO.[23]

The designation of funding for OCO/Global War on Terrorism (GWOT) has shifted over time, reflecting different viewpoints about the extent, nature, and duration of conflicts in countries such as Afghanistan, Iraq, and Syria.[24] Recently, Congress and the President have designated funding for OCO that includes activities previously in the DOD *base* budget.[25] By designating funding for ongoing activities not directly related to contingency operations as OCO, Congress and the President can effectively increase topline defense, foreign affairs, and other related discretionary spending, without triggering sequestration.[26]

The Trump Administration's initial FY2019 DOD budget request, released on February 12, 2018, included $89.0 billion designated for OCO. In a budget amendment published April 13, 2018, the Administration removed the OCO designation from $20.0 billion of funding in the initial request, in effect, shifting that amount into the base budget request after Congress agreed to raise the spending caps. In a statement on the budget amendment, White House Office of Management and Budget Director Mick Mulvaney said the FY2019 budget request fixes "long-time budget gimmicks" in which OCO funding has been used for base budget requirements. Beginning in FY2020, "the Administration proposes returning to OCO's original purpose by shifting certain costs funded in OCO to the base budget where they belong," he wrote.[27]

What are the BCA limits on the Department of Defense (DOD)?

Department of Defense (DOD)-Military activities (budget subfunction 051) historically constitute approximately 95% of the national defense budget (function 050).[28] Although the BCA does not establish limits on subfunctions (051, 053 and 054), the BCA limits on national defense have, in practice, been proportionally applied to subfunctions. CRS estimates the BCA limits on DOD-Military base budget activities at approximately $600 billion in FY2018, $617 billion in FY2019, $549 billion in FY2020, and $564 billion in FY2021.

[23] The Bipartisan Budget Act of 2015 (P.L. 114-74) established non-binding targets for OCO spending in FY2016 and FY2017.

[24] See CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein.

[25] The term *base* budget is generally used to refer to funding for planned or regularly occurring costs to man, train and equip the military force. This is used in contrast to amounts needed for contingency operations or DOD response to emergencies or disaster relief.

[26] Section 1501 of National Defense Authorization Act for FY2017 (P.L. 114-328) stipulates that certain amounts designated as OCO are to be used for base budget requirements. Such amounts would not be counted against the BCA limits. See also OMB, "Presidential Designation of Funding as an Emergency Requirement: Multiple Accounts in the Consolidated Appropriations Act, 2017, for the Department of Agriculture, Department of Homeland Security, Department of Housing and Urban Development, Department of the Interior, Department of Transportation, and the National Aeronautics and Space Administration," press release, May 4, 2017, at https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/budget/amendments/Emergency%20Funding%20Transmittal%20Package%205.5.17.pdf

[27] DOD, *Defense Budget Overview: United States Department of Defense Fiscal Year 2019 Budget Request*, originally published February 12, 2018, and revised February 13, 2018; OMB, *Estimate #1-FY2019 Budget Amendments*, April 18, 2018; and OMB, *Addendum to the FY2019 Budget*, February 12, 2018.

[28] See CRS In Focus IF10618, *Defense Primer: The National Defense Budget Function (050)*, by Christopher T. Mann.

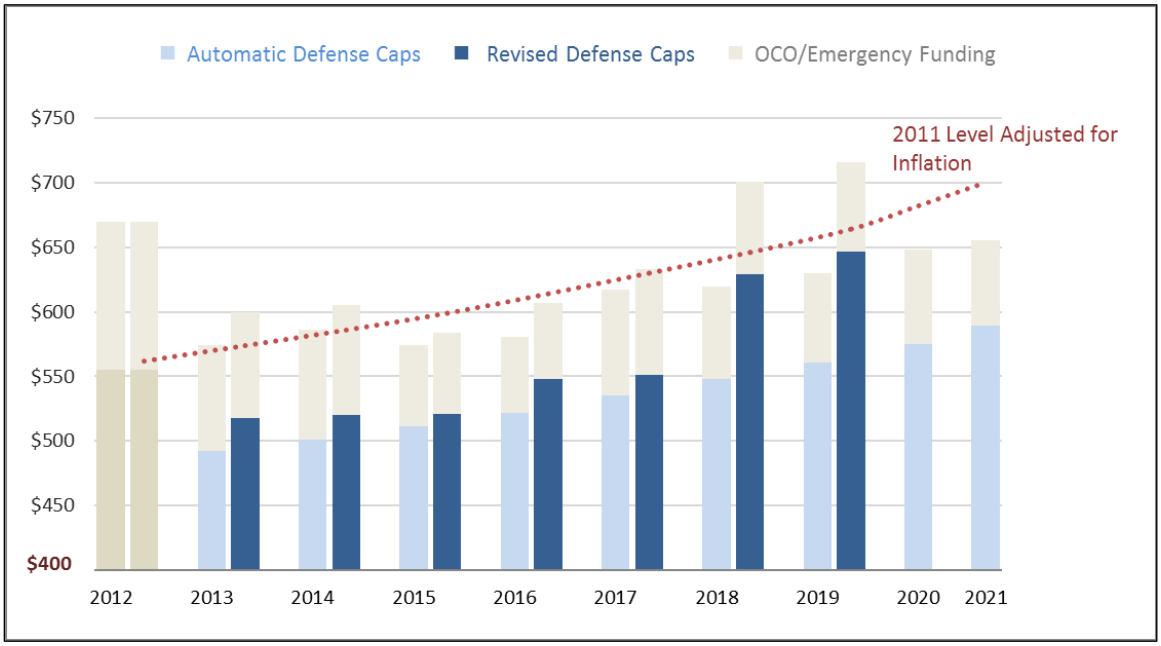
How have the defense spending caps changed over time?

The Bipartisan Budget Act of 2018 (P.L. 115-123), enacted on February 9, 2018, amended the BCA to raise defense discretionary spending caps for FY2018 and FY2019, with increases more than three times larger than previous changes (see **Figure 2**). To date, CRS estimates Congress has amended the Budget Control Act of 2011 (P.L. 112-25) to increase discretionary defense spending limits by a total of $264 billion (thus lowering their deficit-reduction effect by a corresponding amount). The increases over previous caps break down as follows:

- $85 billion (15%) in FY2019;
- $80 billion (15%) in FY2018;
- $15 billion (3%) in FY2017;
- $25 billion (5%) in FY2016;
- $10 billion (2%) in FY2015;
- $23 billion (5%) in FY2014; and
- $26 billion (5%) in FY2013.[29]

Figure 2. Changes to BCA Limits on National Defense (050) Discretionary Budget Authority, FY2012-FY2021

(in billions of dollars)



Sources: Data on BCA limits from **Table 1**; Overseas Contingency Operations and emergency funding from DOD, *National Defense Budget Estimates for FY2019*, Table 2-1: Base Budget, War Funding and Supplementals; and OMB, *Budget of the U.S. Government for Fiscal Year 2019*, Table S-7: Proposed Discretionary Caps for 2019 Budget; 2011 level from CBO, *The Budget and Economic Outlook: An Update*, Table 1-6: Illustrative Paths for Discretionary Budget Authority Subject to the Caps Set in the Budget Control Act of 2011.

Notes: Automatic defense caps reflect levels established under automatic revision of the BCA; revised defense caps reflect levels established under American Taxpayer Relief Act of 2012 (ATRA; P.L. 112-240), Bipartisan

[29] This figure is based on a CRS estimate of budget authority for the defense category. The BCA initially provided for "security" and "nonsecurity" categories. See notes to **Table 1** and the Background section.

Budget Act of 2013 (BBA 2013; P.L. 113-67), Bipartisan Budget Act of 2015 (BBA 2015; P.L. 114-74), and Bipartisan Budget Act of 2018 (BBA 2018; P.L. 115-123). OCO/emergency funding reflects DOD levels. 2011 level assumes growth at the rate of inflation.

In 2011, the Congressional Budget Office (CBO) estimated discretionary *budget authority* for the national defense budget function (050), excluding funding for Overseas Contingency Operations (OCO), would total $6.26 trillion over the 10-year period from FY2012 through FY2021, assuming the 2011 level would grow at the rate of inflation (see **Figure 2**).[30] Based on this benchmark, CRS estimates the automatic reductions to the initial caps of the BCA would have decreased projected discretionary defense base budget authority by approximately $868 billion (14%) to $5.39 trillion over the decade—and the caps as amended would reduce projected defense discretionary base budget authority by approximately $604 billion (10%) to $5.65 trillion over the period.[31]

What is a sequester?

A *sequester* provides for the enforcement of budgetary limits established in law through the automatic cancellation of previously enacted spending, making largely across-the-board reductions to nonexempt programs, activities, and accounts. A sequester is implemented through a sequestration order issued by the President as required by law. The purpose of sequestration is to deter enactment of legislation violating the spending limits or, in the event that such legislation is enacted violating these spending limits, to automatically reduce spending to the limits specified in law. Each statutory limit—defense and nondefense—is separately enforced so that the breach of the limit for one category is enforced by a sequester of resources only within that category.[32]

The absence of legislation to reduce the federal budget deficit by at least $1.2 trillion triggered the sequestration process in 2013. In accordance with the Budget Control Act of 2011 (P.L. 112-25), then-President Barack Obama ordered the sequestration of budgetary resources across nonexempt federal government accounts on March 1, 2013—five months into the fiscal year. DOD was required to apply a $37 billion sequester to $528 billion in available (subfunction 051) budgetary resources—a reduction of 7%.

Can the National Defense Authorization Act (NDAA) trigger a sequester?

Legislation authorizing discretionary appropriations, such as the National Defense Authorization Act (NDAA), does not provide budget authority and therefore cannot trigger a sequester for violating discretionary spending limits.[33] A sequester will occur only if either the defense or nondefense discretionary spending limits are exceeded in enacted appropriations bills.[34]

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[30] CBO, *The Budget and Economic Outlook: An Update*, Table 1-6, Illustrative Paths for Discretionary Budget Authority Subject to the Caps Set in the Budget Control Act of 2011, August 2011.

[31] These figures do not take into account the small changes in budget authority anticipated in FY2020 and FY2021 caused by adjustments in the annual proportional allocations of automatic enforcement measures as calculated by OMB. See notes to **Table 1**.

[32] This paragraph was contributed by Megan S. Lynch, CRS Specialist on Congress and the Legislative Process. See CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

[33] For more information on the NDAA, see CRS In Focus IF10516, *Defense Primer: Navigating the NDAA*, by Lynn M. Williams and Valerie Heitshusen.

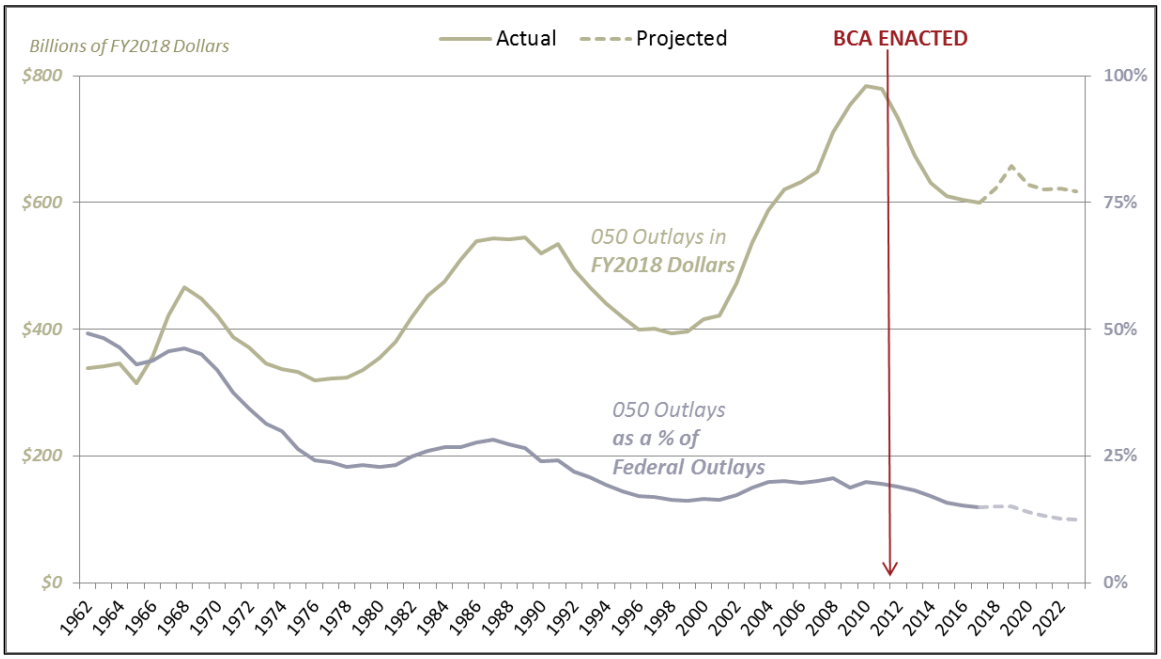
[34] See CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan

How has defense discretionary spending changed since enactment of the BCA?

Nominal defense discretionary *outlays*, including funding for Overseas Contingency Operations (OCO), decreased from $671 billion in FY2012 to $590 billion in FY2017, a decline of $80 billion (12%). They are projected to reach $655 billion in FY2021, a decline of $16 billion (2%) from FY2012.[35] Adjusting for inflation (in constant FY2018 dollars), defense discretionary outlays peaked at $784 billion in FY2010 during the height of the U.S.-led wars in Iraq and Afghanistan (see **Figure 3**).[36] Following enactment of the BCA, defense discretionary outlays decreased from $734 billion in FY2012 to $599 billion in FY2017, a decline of $135 billion (18%) in inflation-adjusted dollars. Despite a projected uptick in FY2018 and FY2019, they are projected to reach $620 billion in FY2021, $114 billion (16%) less than the FY2012 level in inflation-adjusted dollars. The figure also shows defense discretionary outlays as a percentage of all federal outlays. Over the past half century, federal outlays devoted to discretionary defense programs have trended downward from nearly half of total outlays in FY1962 during the Vietnam War, to 19% in FY2012 after enactment of the BCA, to 15% in FY2017. They are projected to further decline to 13% in FY2021, as mandatory spending and net interest consume a larger share of all federal outlays (see also **Figure 1**).[37]

Figure 3. National Defense (050) Discretionary Outlays, FY1962-FY2023

(in billions of FY2018 dollars and as percentage of total outlays)



Source: OMB Historical Tables, Table 8.1, Outlays by Budget Enforcement Act Category: 1962-2023, Table 8.4, Outlays by Budget Enforcement Act Category as Percentages of GDP: 1962-2023, and CBO, *The Budget and*

S. Lynch.

[35] See footnote 3.

[36] See footnote 3 and OMB, Historical Tables, Table 10.1, Gross Domestic Product and Deflators Used in the Historical Tables: 1940–2023.

[37] See footnote 3.

Economic Outlook: 2018 to 2028. Amounts adjusted for inflation using GDP (Chained) Price Index from OMB Historical Tables, Table 10.1, Gross Domestic Product and Deflators Used in the Historical Tables: 1940-2023.

Notes: Outlays include programs designated as Overseas Contingency Operations and other adjustments to the discretionary budget authority limits established by the BCA as amended.

Similarly, discretionary defense outlays as a share of Gross Domestic Product (GDP) have trended downward, from 9.1% of GDP in 1968 to 4.2% of GDP in FY2012 after enactment of the BCA to 3.1% of GDP in FY2017. By FY2021—the last year of the BCA limits—CBO projects discretionary defense outlays to decline to 2.9% of GDP.[38]

The deficit-reduction effects of the BCA have been offset by other factors affecting the federal budget.[39] While the deficit decreased from $1.1 trillion (6.8% of Gross Domestic Product) in FY2012 to $665 billion (3.5% of GDP) in FY2017, it is projected to increase to $1.1 trillion (4.9% of GDP) in FY2021.[40] Over the same period, federal debt held by the public has increased from $11.3 trillion (70.4% of GDP) in FY2012 to $14.7 trillion (76.5% of GDP) in FY2017 and is projected to further increase to $19 trillion (83.1% of GDP) in FY2021.[41]

What are the Administration's plans for defense spending?

The Trump Administration has proposed increasing defense spending beyond the statutory limits of the Budget Control Act of 2011 (P.L. 112-25) as amended. The President's FY2019 budget request proposed increasing caps on defense discretionary base budget authority by $84 billion (15%) to $660 billion in FY2020 and by $87 billion (15%) to $677 billion in FY2021. It also proposed defense funding for Overseas Contingency Operations (OCO) totaling $73 billion in FY2020 and $66 billion in FY2021.[42]

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[38] OMB, *Historical Tables*, Table 8.4, Outlays by Budget Enforcement Act Category as Percentages of GDP. See CBO references in footnote 3.

[39] For example, CBO in 2018 increased projected deficits compared to a previous estimate due to recent tax and spending legislation, including the Tax Cuts and Jobs Act (P.L. 115-97), Bipartisan Budget Act of 2018 (P.L. 115-123), and the Consolidated Appropriations Act, 2018 (P.L. 115-141).

[40] OMB, *Historical Tables*, Table 1.3, Summary of Receipts, Outlays, and Surpluses or Deficits in Current Dollars, Constant (FY2009) Dollars, and as Percentages of GDP, 1940-2023. See CBO references in footnote 3.

[41] OMB, *Historical Tables*, Table 7.1, Federal Debt at the End of Year: 1940–2023. See CBO references in footnote 3.

[42] OMB, *Budget of the U.S. Government for Fiscal Year 2019*, Table S-7. Proposed Discretionary Caps for 2019 Budget, https://www.whitehouse.gov/wp-content/uploads/2018/02/budget-fy2019.pdf#page=146.

Author Information

Brendan W. McGarry
Analyst in U.S. Defense Budget

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