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# Budget Digest

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## BUDGET DIGEST: BCA BUDGET CAPS

In August of 2011, President Obama signed the Budget Control Act of 2011 (BCA) into law. The BCA established a process to increase the debt ceiling by a total of \$2.1 trillion in exchange for reductions in spending of a similar magnitude. The two major components of the BCA were (1) the caps on discretionary spending (funding provided through the annual appropriations process) and (2) the annual sequester of a relatively small set of mandatory spending programs. The caps on discretionary spending were the mechanism for achieving most of the deficit reduction and will be the focus of this *Budget Digest*.

**What are the Budget Caps?** The budget caps set enforceable limits on discretionary spending from fiscal year (FY) 2012 through FY 2021, divided between defense discretionary spending and non-defense discretionary spending. The BCA provided caps on discretionary spending that saved \$756 billion over ten years compared to the Congressional Budget Office (CBO) baseline at the time. Including associated savings on interest spending, this figure was \$917 billion over ten years. The BCA also established the Joint Select Committee on Deficit Reduction – known commonly as the “Super Committee” – which failed to produce legislation to reduce the deficit by \$1.2 trillion, triggering automatic cuts to spending through sequestration. \$800 billion of savings was achieved through further reductions to the discretionary spending caps. The remaining savings was achieved through sequestration to mandatory spending, as well as net interest savings.

### What changes have occurred to the Budget Caps over time?

The BCA has been amended several times, most notably by the Bipartisan Budget Acts (BBA). The first BBA, the Bipartisan Budget Act of 2013, increased the discretionary caps by \$45 billion in FY 2014 and \$19 billion in FY 2015. The legislation also included \$78 billion of mandatory spending savings over ten years, and \$7 billion of higher revenues over ten years. The BCA was also amended by the Bipartisan Budget Act of 2015. This law increased the BCA discretionary caps by an additional \$50 billion above the BBA 2013 for FY 2016 and an additional \$30 billion in FY 2017. The legislation also included \$80 billion of savings over ten years from changes to mandatory spending and revenues. Most recently, the BCA was amended by the Bipartisan Budget Act of 2018. This legislation increased discretionary spending limits by an additional total of \$296 billion in FY 2018 and FY 2019. The law also included \$38 billion of savings over ten years from changes to mandatory spending and revenues.

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### What has been the fiscal impact of the BCA?

Since the BCA was enacted, from FY 2012 to FY 2019, caps-constrained discretionary spending authority has been \$784 billion lower than projected in CBO’s pre-BCA baseline. The current BCA caps are set at \$1.118 trillion in FY 2020 and \$1.145 trillion in FY 2021. By contrast, the pre-BCA baseline projected discretionary spending of \$1.319 trillion in FY 2020 and \$1.353 trillion in FY 2021. In FY 2020 and FY 2021 combined, this is a difference of \$409 billion.

