

## RAISING THE CAPS: WHAT THIS MEANS AND WHY CONGRESS NEEDS TO ACT

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In the coming months, Congress faces a deadline to reach a new budget agreement. If Congress and the President fail to reach a budget deal that would lift the “caps,” both non-defense discretionary (NDD) and defense discretionary programs will face deep cuts. NDD includes funding for critical priorities, such as child care and early education, public health, education, and affordable housing. On average, failing to raise the caps would cut NDD programs by 11 percent in federal fiscal year (FY) 2020 (after adjusting for inflation).<sup>1</sup> In order to better understand the importance of why Congress must act to raise the caps, it is helpful to understand what exactly these “caps” are and the process by which Congress could raise them.

### *Some key terms you should know*

**Budget Control Act of 2011 (BCA).** This is the legislation that brings us to where we are today. In this law, Congress established discretionary spending limits, often referred to as caps, for 10 fiscal years.<sup>2</sup> However, Congress has continuously chosen to raise these BCA spending caps—three times to be exact—by passing agreements in two-year increments: the 2013 Bipartisan Budget Act, the 2015 Bipartisan Budget Act, and the 2018 Bipartisan Budget Act. If Congress does not pass another temporary agreement in 2020, the BCA caps will apply by default and there will be deep across-the-board cuts to discretionary spending.<sup>3</sup>

**Discretionary Spending.** There are two ways that Congress can pay for things: discretionary spending and mandatory spending. Discretionary spending must happen through the appropriations process, which is the process by which Con-

gress establishes a funding level for a given branch or government agency for the fiscal year (beginning every October 1st) and passes legislation that allocates money according to the established funding level. Spending that occurs outside of this appropriations process is considered mandatory spending.<sup>4</sup> The only type of spending at issue in this future budget deal is discretionary spending.

#### **Example: Child Care and Development Block Grant (CCDBG) Funding**

The U.S. Department of Health and Human Services (HHS) administers CCDBG funding, which is a discretionary program. For FY 2019, Congress passed an appropriations bill that established funding for HHS. Within that funding, almost \$5.3 billion was specifically allocated for CCDBG.

**Parity.** This is a term often used when determining how much funding should go towards discretionary spending. It is important to point out that there are two types of discretionary spending: non-defense discretionary (NDD) and defense discretionary. By definition, parity means equality. In the budget context, parity is an important concept used to ensure that both NDD programs and defense programs are equally funded. While there is a debate over whether we have true parity for NDD and defense, the concept is relatively simple. To maintain parity, for example, when Congress increases defense spending by \$1 billion, it must also increase NDD spending by \$1 billion. Parity can help ensure that Congress is equally investing in our national security and the health and well-being of our communities. Establishing parity is not required. However, it has proven to be a successful strategy for previous budget deals in reaching an agreement.<sup>5</sup>

## *What happens next?*

To recap, Congress has until roughly the end of the calendar year to pass a spending deal that raises the discretionary caps. But how exactly it will do this is a complex question.<sup>6</sup> The beginning of the next federal fiscal year on October 1st, 2019 presents an opportunity for lawmakers to negotiate a caps deal along with accompanying appropriations legislation. However, historically these two different processes have happened separately. In 2018, Congress negotiated the budget caps agreement—that raised the BCA discretionary spending caps for a third time—in January. It then attached this agreement to a short-term spending bill to provide more time to negotiate the appropriations bills.<sup>7</sup> While the exact

timeline and process remains uncertain, there is one thing we do know: if Congress fails to raise the discretionary caps, already underfunded NDD programs—such as child care and housing assistance—will face devastating cuts.

- 1 Sharon Parrott, Richard Kogan, & Roderick Taylor, *New Budget Deal Needed to Avert Cuts, Invest in National Priorities*, Ctr. on Budget & Pol’y Priorities, 1, 1 (2019), <https://www.cbpp.org/research/federal-budget/new-budget-deal-needed-to-avert-cuts-invest-in-national-priorities>.
- 2 *Budget Control Act of 2011*, 2 U.S.C. § 901 (2019), <https://www.congress.gov/112/plaws/publ25/PLAW-112publ25.pdf>.
- 3 Senate Committee on the Budget, *Spending Caps and the New Fiscal Cliff*, 1, 1 (2018), <https://www.budget.senate.gov/imo/media/doc/BB%20Spending%20Caps%20060718.pdf>.
- 4 Grant A. Driessen, *The Federal Budget: Overview and Issues for FY2019 and Beyond*, Cong. Research Serv., 1, 5 (2018), <https://fas.org/sgp/crs/misc/R45202.pdf>.
- 5 Grant A. Driessen & Megan S. Lynch, *The Budget Control Act: Frequently Asked Questions*, Cong. Research Serv., 1, 9 (2018), <https://fas.org/sgp/crs/misc/R44874.pdf>.
- 6 Paul M. Krawzak, *Expect a ‘prolonged fight’ over spending caps*, ROLL CALL, Feb. 25, 2019, <https://www.rollcall.com/news/congress/expect-prolonged-fight-spending-caps>.
- 7 Tara Golshan, *Congress’s massive budget deal, explained*, VOX, Feb. 7, 2018, <https://www.vox.com/policy-and-politics/2018/2/7/16987122/congress-massive-budget-deal-explained>.

