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

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April 21, 2017

Congressional Research Service

7-5700

www.crs.gov

R44039

Summary

Following lengthy congressional deliberations on deficit reduction, the Budget Control Act of 2011 (BCA/P.L. 112-25) was enacted on August 2, 2011. The BCA contained several measures intended to reduce the budget deficit by \$2.1 trillion over the period FY2012-FY2021. The BCA established limits on the level of discretionary spending in order to achieve projected savings of approximately \$1.0 trillion over the period. In addition, the BCA required approximately \$1.1 trillion in savings to be generated from a plan developed by the congressionally established, bipartisan, Joint Committee on Deficit Reduction.

The BCA limits apply separately to defense and nondefense discretionary budget authority and are enforced by a mechanism called *sequestration*. Sequestration automatically cancels previously enacted spending to reduce discretionary spending to the limits specified in the BCA. The defense limits apply to the national defense budget (function 050), but do not restrict amounts provided for “emergencies” or “Overseas Contingency Operations.”

Calls to remove or raise the limits on defense spending have greatly intensified following the November 2016 presidential election. Senior members of the House and Senate have called for action to eliminate the threat of sequestration to defense and related legislation (H.R. 1441 and H.R. 1745) has been recently introduced in the House. On March 16, 2017, President Trump submitted budget proposals for defense that exceed the BCA limits for FY2017 and FY018, requesting Congress increase or remove the caps.

This report addresses several *frequently asked questions* related to the BCA and the defense budget.

For more information see CRS Report R42506, *The Budget Control Act of 2011 as Amended: Budgetary Effects*, by Grant A. Driessen and Marc Labonte; CRS Insight IN10389, *Bipartisan Budget Act of 2015: Adjustments to the Budget Control Act of 2011*, by Grant A. Driessen; CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch; and CRS Report R41901, *Statutory Budget Controls in Effect Between 1985 and 2002*, by Megan S. Lynch.

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Background

In the past, Congress has 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.¹ Such discretionary spending limits were first in effect between FY1991 and FY2002, and were reestablished in the Budget Control Act of 2011(BCA/P.L. 112-25).

The BCA contains several measures intended to reduce the budget deficit by \$2.1 trillion over the period FY2012-FY2021. A key component of the BCA is the establishment limits on the level of discretionary spending in order to achieve projected savings of approximately \$1.0 trillion over that period. These limits are similar to budget enforcement mechanisms used previously by Congress. In addition, the BCA required approximately \$1.1 trillion in savings to be generated from a plan developed by the congressionally established, bipartisan, Joint Committee on Deficit Reduction.

The BCA limits apply separately to defense and nondefense discretionary budget authority and are enforced by a mechanism called *sequestration*.² Sequestration provides for the automatic cancellation of previously enacted spending to reduce discretionary spending to the limits specified in the BCA. The defense limits apply to the national defense budget (function 050), but do not restrict amounts provided for “emergencies” or “Overseas Contingency Operations.”³ Absent enactment of a Joint Committee on Deficit Reduction bill to reduce the deficit by at least \$1.2 trillion, the BCA required downward adjustments (or reductions) to the statutory limit on both defense and nondefense spending each year through FY2021. This automatic reduction to the original BCA limits is also referred to as sequestration.

CRS has estimated that the BCA as amended would reduce FY2012-FY2021 annual budget deficits by \$1.9 trillion (inclusive of net interest costs).⁴ Despite the deficit reduction effects of the BCA, the January 2017 Congressional Budget Office (CBO) baseline projects that real budget deficits would increase from 2.9% of GDP in FY2017 to 5.0% of GDP in FY2027.⁵ This projected growth is attributable to projected increases in real mandatory spending and net interest payments exceeding the anticipated BCA reductions in discretionary spending and rise in revenues in those years. Mandatory spending increases are generally a reflection of increases in the cost of health and income security programs due to factors such as changing demographics, rising per capital health care costs, and changes to benefits.⁶ In FY2011, mandatory spending and

¹ Discretionary budget authority is authority provided under annual appropriation acts, which are under the control of the House and Senate Appropriations Committees. By contrast, mandatory—or direct— budget authority is generally governed by statutory criteria and it is not normally set by annual appropriation acts. Mandatory spending includes entitlement programs such as Social Security, Medicare, and Medicaid. For more information see Congressional Budget Office, *Frequently Asked Questions about CBO Cost Estimates*, <https://www.cbo.gov/about/products/ce-faq>.

² For more information see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

³For more information on federal budget functions see CRS In Focus IF10618, *Defense Primer: The National Defense Budget Function (050)*, by Christopher T. Mann. For more information on funding for Overseas Contingency Operations see CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein.

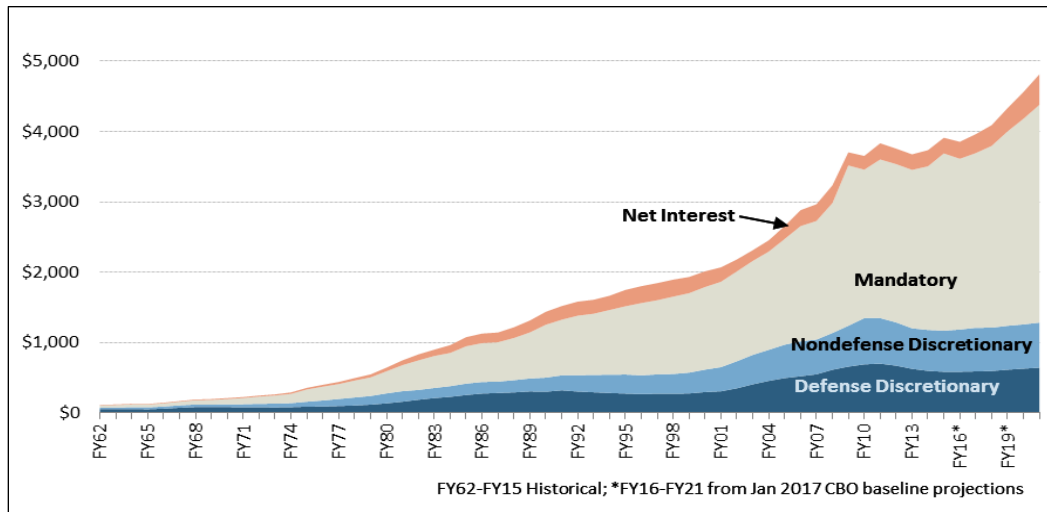
⁴Estimate calculated by CRS using CBO and OMB data. A detailed breakout of that estimate may be found in Table 6 of CRS Report R42506, *The Budget Control Act of 2011 as Amended: Budgetary Effects*, by Grant A. Driessen and Marc Labonte.

⁵ CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 24, 2017.

⁶ For more information on mandatory spending see CRS Report R44763, *Present Trends and the Evolution of* (continued...)

net interest consumed 61.0% of the federal budget and is forecast to grow to 73.4% of federal budget in FY2021 (see **Figure 1**).⁷

Figure 1. Outlays by Budget Enforcement Category
FY1962-FY2021 in billions of nominal dollars



Source: OMB Historical Table 8.1 and CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 2017.

Notes: CBO projections are based on current law, and assume that the limits on discretionary budget authority established by the BCA as amended will proceed as scheduled. Outlays include programs designated as Overseas Contingency Operations and other adjustments to the discretionary budget authority limits established by the BCA as amended. For more information factors contributing to the growth of mandatory spending, CRS Report R44763, *Present Trends and the Evolution of Mandatory Spending*, by D. Andrew Austin.

Federal outlays devoted to defense programs have fallen as a share of Gross Domestic Product (GDP) in every year since enactment of the BCA. In FY2011, defense outlays equaled 4.5% of GDP. By FY2021—the last year of the BCA limits on defense discretionary budget authority—CBO projects that defense outlays would equal 2.9% of GDP (see **Figure 2**).⁸

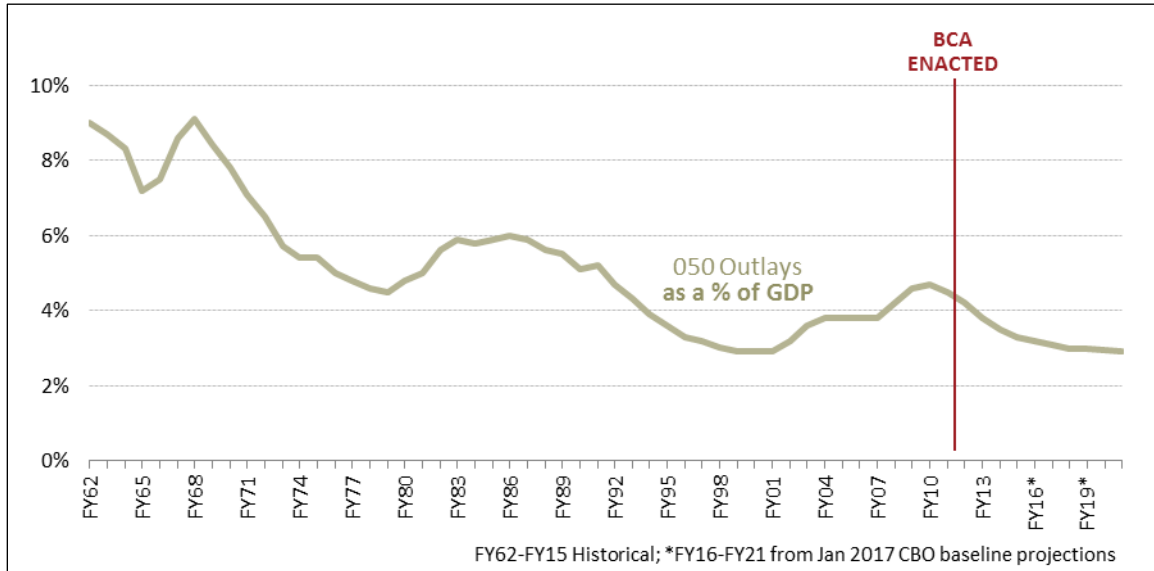
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Mandatory Spending, by D. Andrew Austin.

⁷ OMB Historical Table 8.1 and CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 2017.

⁸ CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 2017.

Figure 2. National Defense (050) Outlays as Percentage of GDP
FY1962-FY2021



Source: OMB Historical Table 8.4 and CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 2017.

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

Defense Policymakers and Senior Officials Seek Relief from BCA Limits

The discretionary spending limits established by the BCA have been a point of deliberation since they were instituted in 2011 with many defense advocates arguing that associated reductions to defense investments “present a grave and growing danger to our national security.”⁹ At the same time, concerns over recurring deficits and growing federal debt remain, and some pundits argue the BCA limits are necessary.

The federal government already spends far more than it receives and legislators have a responsibility to spend only as much as they need to. 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. The incoming administration should not let rhetoric get in the way of duty.¹⁰

Members of Congress and the executive branch have often expressed dissatisfaction with the spending limits and reductions required by the BCA/P.L. 112-25, and modifications to both the defense and nondefense limits have been enacted for the fiscal years FY2013-FY2017. Following the November 2016 presidential election, Members of Congress, senior military officials, and President Trump have either proposed increases to the defense spending limit or called for repeal of the BCA.

⁹ Open letter from eighty-five national security experts and former government officials: Elliot Abrams, David Adesnik, and Michael Auslin, et al. to John Boehner, Speaker of the House, and Mitch McConnell, Senate Majority Leader, et al., February 24, 2015, available at <http://www.foreignpolicy.org/content/national-security-leaders-urge-congress-increase-defense-spending>.

¹⁰ Michael Shindler, "Don't Let Defense Wreck the Budget," *Real Clear Defense*, February 23, 2017. For more information on federal deficits and debt, see CRS Report R44383, *Deficits and Debt: Economic Effects and Other Issues*, by Grant A. Driessen .

- In a January 16, 2017, white paper on the FY2018-FY2022 defense budget, Chairman of the Senate Armed Services Committee, Senator John McCain, stated,

By all measures the BCA has failed. A law intended to reduce federal spending has cut defense and other discretionary budgets for five years without decreasing the federal debt....This law (BCA) must be repealed outright so we can budget for the true costs of our national defense.¹¹
- On February 9, 2017, Vice Chief of Staff of the Army, General Daniel B. Allyn, took an unusual step for a senior uniformed military officer and provided an overall assessment of the bill's impact, telling members of the House Armed Services Committee (HASC) that "[t]he most important actions you can take—steps that will have both a positive and lasting impact—will be to immediately repeal the 2011 Budget Control Act and ensure sufficient funding to train, man and equip the FY17 NDAA authorized force."¹²
- Congressman Mike Turner, Chairman of the HASC Subcommittee on Tactical Air and Land Forces, introduced the Repeal Sequestration for Defense Act (H.R. 1441) on March 8, 2017. Before filing the bill, Chairman Turner had gathered more than 100 congressional lawmakers' signatures on a letter to Speaker Paul Ryan asking for a vote on the floor of the House to repeal the budget reductions.¹³
- On March 16, 2017, the Trump Administration released two defense budget proposals—a topline proposal for national defense discretionary spending for fiscal year (FY) 2018 as part of the Administration's *Budget Blueprint* for Federal spending, and a detailed request for additional funding for Department of Defense (DOD) military activities for FY2017.¹⁴
 - The *Blueprint* represents a \$603 billion request for national defense (budget function 050) discretionary budget authority for FY2018 base budget requirements and \$65 billion for Overseas Contingency Operations (OCO). In conjunction with the proposal for FY2018, the Trump Administration also requested \$30 billion for DOD military activities (budget subfunction 051) in addition to the amounts requested by the Obama Administration. Of this amount, \$24.9 billion is slated for base budget activities and \$5.1 billion is associated with OCO.
- Both base budget proposals exceed the current statutory limits on defense discretionary spending established by the BCA. The Administration's proposals propel the issue of amending or repealing the BCA near the forefront of congressional deliberations on the federal budget.

¹¹ Senator John McCain, "Restoring American Power: Recommendations for the FY2018-FY2022 Defense Budget," January 16, 2017.

¹² U.S. Congress, House Committee on Armed Services, *Statement by General Daniel B. Allyn, Vice Chief of Staff, United States Army*, Hearing on The State of the Military, 115th Cong., 1st sess., February 7, 2017.

¹³ 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>.

¹⁴ Office of Management and Budget, *America First: A Budget Blueprint to Make America Great Again*, March 16, 2017 and Department of Defense Comptroller, Overview—Request for Additional FY2017 Appropriations, March 16, 2017.

- On March 22, 2017, Secretary of Defense Mattis testified before the Senate Appropriations Subcommittee and in response to a question on the impact of BCA, told the panel,

...I can find nothing in the Budget Control Act that—that helps our national security....I believe it also sidelines the Congress. I think it puts you in a spectator role when we need you in an oversight role in the department because it's your knowledge of what we're doing and understanding the strategy that allows you to commit American dollars to the defense of this country.

As it is now, we're all watching as this—I would call it near-senseless approach to budgeting—goes on its automatic pilot and we all stand there mute saying there's no way you can dignify it....It hurts us in terms of readiness and in terms of long-term capability to defend the country.¹⁵

- On March 23, 2017, Congressman Adam Smith, Ranking Member on the House Armed Services Committee, introduced the Relief from Sequester Act (H.R. 1745).¹⁶ The bill contains several findings, the first of which states, “Sequestration was designed as a forcing mechanism for an agreement on a comprehensive, deficit reduction plan. It has failed to produce the intended results.”

Frequently Asked Questions

What are the BCA limits on the defense budget?

The BCA affects annual defense spending in two primary ways. First, the BCA established statutory limits on defense and nondefense discretionary spending through FY2021 that are enforced by sequestration.¹⁷ The limits on defense apply to discretionary *budget authority* provided for national defense (budget function 050).¹⁸ These limits effectively do not apply to appropriations designated by both Congress and the President as funding either (1) for an “emergency,” or (2) for “Overseas Contingency Operations (OCO).”¹⁹

Second, in absence of the enactment of a Joint Committee on Deficit Reduction bill to reduce the deficit by at least \$1.2 trillion, the BCA required downward adjustments (or reductions) to the statutory limit on both defense and nondefense spending each year through FY2021. This automatic process to reduce spending began in FY2013 and is often referred to as a *sequester*. These reductions are to be calculated annually by the Office of Management and Budget (OMB)

¹⁵ U.S. Congress, Senate Committee on Appropriations, Subcommittee on Department of Defense, *Department of Defense Budget and Readiness*, 115th Cong., 1st sess., March 22, 2017.

¹⁶ H.R. 1745 is cosponsored by Representatives Conyers, Lujan Grisham, McGovern, Jayapal and DelBene.

¹⁷ Discretionary budget authority is authority provided under annual appropriation acts, which are under the control of the House and Senate Appropriations Committees. By contrast, mandatory—or direct—budget authority is generally governed by statutory criteria and it is not normally set by annual appropriation acts. Mandatory spending includes entitlement programs such as Social Security, Medicare, and Medicaid. For more information see Congressional Budget Office, *Frequently Asked Questions about CBO Cost Estimates*, <https://www.cbo.gov/about/products/ce-faq>.

¹⁸ The national defense budget function is comprised of DOD military (subfunction 051), defense-related programs in the Department of Energy for nuclear weapons (subfunction 053), and defense-related activities of the Department of Justice (subfunction 054). See OMB Historical Table 5.1, Budget Authority by Function and Subfunction: 1976-2021.

¹⁹ For more information see CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein.

and are included in the *OMB Sequestration Preview Report to the President and Congress*, which is to be issued with the President's annual budget submission.²⁰

Congress has amended the BCA three times since enactment.²¹ Collectively, these amendments resulted in revisions the limits in years FY2013 through FY2017. **Table 1** depicts the BCA limits, as amended and adjusted, on national defense (function 050) budget authority.

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

billions of then-year 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
Budget Control Act of 2011 after revision (sequestration)	555	492	502	512	523	536	549	562	576	590
American Taxpayer Relief Act of 2012	555	518*	498*	512	523	536	549	562	576	590
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

**[Bold-italics] indicates a statutory change was made to the original BCA limits.*

Source: CRS analysis of P.L. 112-240, P.L. 113-67, and P.L. 114-74; CBO Final Sequestration Report for Fiscal Year 2012.

Notes: Amounts shown reflect the projected automatic reduction required when a bill reported by the Joint Select Committee on Deficit Reduction to reduce the deficit by at least \$1.2 trillion was not enacted by January 15, 2012.

The national defense budget (function 050) is comprised of DOD military (subfunction 051), defense-related programs in the Department of Energy for nuclear weapons (subfunction 053), and defense-related activities of the Department of Justice (subfunction 054). DOD military activities (subfunction 051) have historically constituted approximately 95% of the national defense budget request. Although the BCA does not establish limits on the subfunctions (051, 053 and 054), the BCA limits on function 050 have been applied proportionally to the subfunctions in practice. **Table 2** provides the estimated effects of the BCA on DOD budget authority.

Table 2. Estimated Effect of the BCA on DOD Military (051) Budget Authority

billions of then-year dollars

DOD Military (051)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Budget Control Act of 2011	531	521	530	540	550	563	575	588	601	614
Budget Control Act of 2011 after revision (sequestration)	531	473	480	490	500	513	525	537	551	564

²⁰ Required by section 254 of the Balanced Budget and Emergency Deficit Control Act of 1985 (2 U.S.C. 904).

²¹ 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), and the Bipartisan Budget Act of 2015 (BBA 2015/P.L. 114-74). For more information on the effect of each of the amendments, see CRS Insight IN10389, *Bipartisan Budget Act of 2015: Adjustments to the Budget Control Act of 2011*, by Grant A. Driessen.

DOD Military (051)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
American Taxpayer Relief Act of 2012	531	495*	475*	490	500	513	525	537	551	564
Bipartisan Budget Act of 2013	531	495	496*	496*	500	513	525	537	551	564
Bipartisan Budget Act of 2015	531	495	496	496	522*	526*	525	537	551	564

**[Bold-italics] indicates a statutory change was made to the original BCA limits.*

Source: CRS estimate based on P.L. 112-240, P.L. 113-67, and P.L. 114-74; CBO Final Sequestration Report for Fiscal Year 201; OMB Historical Table 5.1, Budget Authority by Function and Subfunction: 1976-2021.

Notes: The budget for DOD military activities (051) is a subset of the national defense budget (050), shown in **Table 1** and has historically constituted approximately 95% of the national defense budget request.

What is a sequester?²²

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 non-exempt 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.

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

The BCA stipulates that certain discretionary funding, such as appropriations designated as emergency requirements or Overseas Contingency Operations (OCO), allow for an upward adjustment of the discretionary limits. In essence, OCO funding is therefore described as being “exempt” from the discretionary spending limits.

The BCA does not define what constitutes OCO funding. Instead, it includes a requirement that Congress designate spending as being OCO on an account-by-account basis, and that the President subsequently designate the spending as OCO. Further, the BCA does not limit the level or amount of spending that may be designated as OCO.

The designation of certain war-related activities and expenses as OCO requirements has shifted over time, reflecting differing viewpoints about the extent, nature, and duration of the wars in Iraq and Afghanistan. Recently, Congress and the President have designated as “OCO” funds for a variety of activities that had previously been contained in the DOD *base* budget.²³ By designating ongoing activities not directly related to contingency operations as “OCO,” Congress and the

²² Contributed by Megan Lynch, CRS Specialist on Congress and the Legislative Process. For more information on sequestration, see CRS Report R42972, *Sequestration as a Budget Enforcement Process: Frequently Asked Questions*, by Megan S. Lynch.

²³ 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 such as disaster relief. For more information see CRS Report R44519, *Overseas Contingency Operations Funding: Background and Status*, coordinated by Lynn M. Williams and Susan B. Epstein.

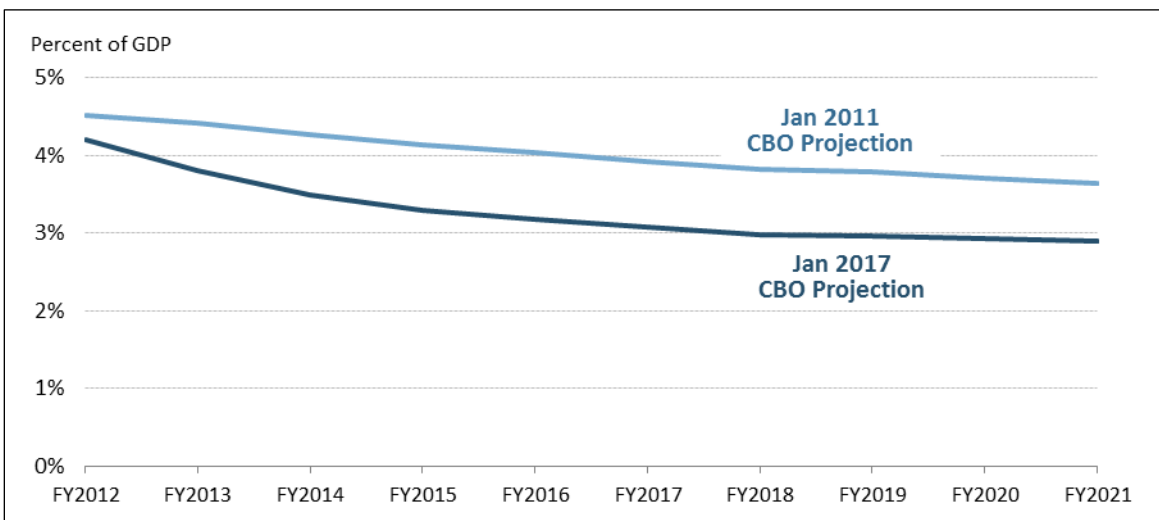
President can effectively continue to increase topline defense, foreign affairs, and other related discretionary spending, without triggering sequestration.²⁴

How has defense spending changed since enactment of the BCA?

The BCA discretionary limits were projected to reduce the level of national defense (function 050) spending for the decade (FY2012-FY2021) by about 14% or \$860 billion compared to continuing the FY2011 enacted level in real terms (steady-state spending with an adjustment for inflation).²⁵ 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 BCA, President Obama ordered the sequestration of budgetary resources across non-exempt 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%.

Figure 3 compares CBO projections of FY2012-FY2021 discretionary defense outlays in January 2011, months before BCA enactment, with actual data and their January 2017 forecast. The figure illustrates a reduction in actual and projected defense spending over that time period, ranging from 0.41% of GDP in FY2012 to 0.95% of GDP in FY2018.

Figure 3. Defense Outlays: CBO Projections in January 2011 and January 2017



Source: CBO, The Budget and Economic Outlook: Fiscal Years 2011 to 2021, January 2011, and CBO, The Budget and Economic Outlook: 2017 to 2027, January 2017; and OMB Historical Table 3.2.

Notes: Actual outlay data from FY2012-FY2015 draws from OMB historical estimates, while FY2016 data draws from CBO January 2017 baseline. CBO projections are based on current law, and assume that the limits on discretionary budget authority established by the BCA as amended will proceed as scheduled. Outlays include

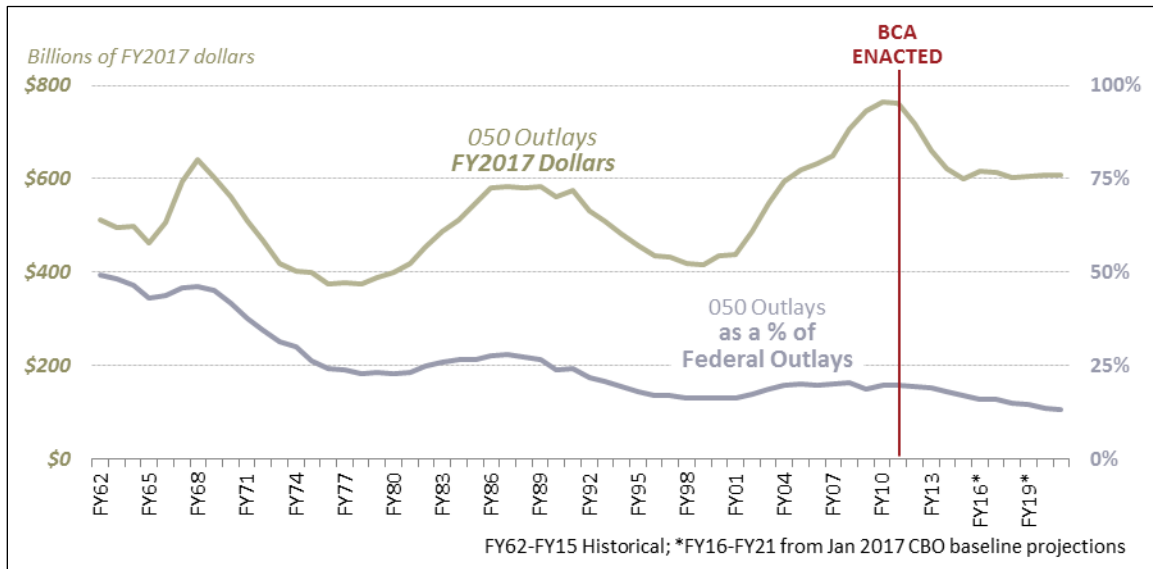
²⁴Section 1501 of National Defense Authorization Act for FY2017 (P.L. 114-328) stipulates that certain amounts designated as OCO are to be used for base budget requirements. Such amounts would not be counted against the BCA limits.

²⁵ CBO, Letter from Douglas Elmendorf, Director to Speaker of the House, John Boehner and 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>. The defense share (“security” category) is half of the total reduction of \$2.1 trillion over the decade. CBO and OMB generally compare budget requests to a *current services* baseline that reflects the prior year’s enacted level plus an adjustment for inflation.

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

Figure 4 shows inflation-adjusted defense outlays from FY1962 to FY2021 and reflects 6.7% reduction in projected defense outlays during the period of the BCA (FY2012-FY2021). CBO projects the defense outlays to decline from 18% of the federal budget in FY2011 to 13% by FY2021 as mandatory spending and net interest are expected to reach 73.4% of the federal budget by that time (see **Figure 1**).²⁶

Figure 4. National Defense (050) Outlays, FY1962-FY2021
billions of FY2017 dollars



Source: OMB Historical Table 8.4 and CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 2017. Amounts adjusted for inflation using OMB Historical Table 10.1, “Total Defense” deflator.

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

BCA Effects on the DOD Military (051) Budget

The budget plan submitted with the President’s FY2012 budget may provide a reference point for the BCA’s effect on DOD military (051) spending, as it was the last budget submitted to Congress prior to enactment of the BCA. The *Future Years Defense Program* (FYDP), submitted to Congress in conjunction with the budget request, contains information on programmed dollars, manpower and force structure over a 5-year period.²⁷

CBO issued its long-term projection for DOD spending based on the 2012 FYDP in June 2011, two months prior to enactment of the BCA.²⁸ Using the CBO projections based on the FY2012 FYDP as a baseline, **Figure 5** provides a comparison of the FY2012 budget request to actual

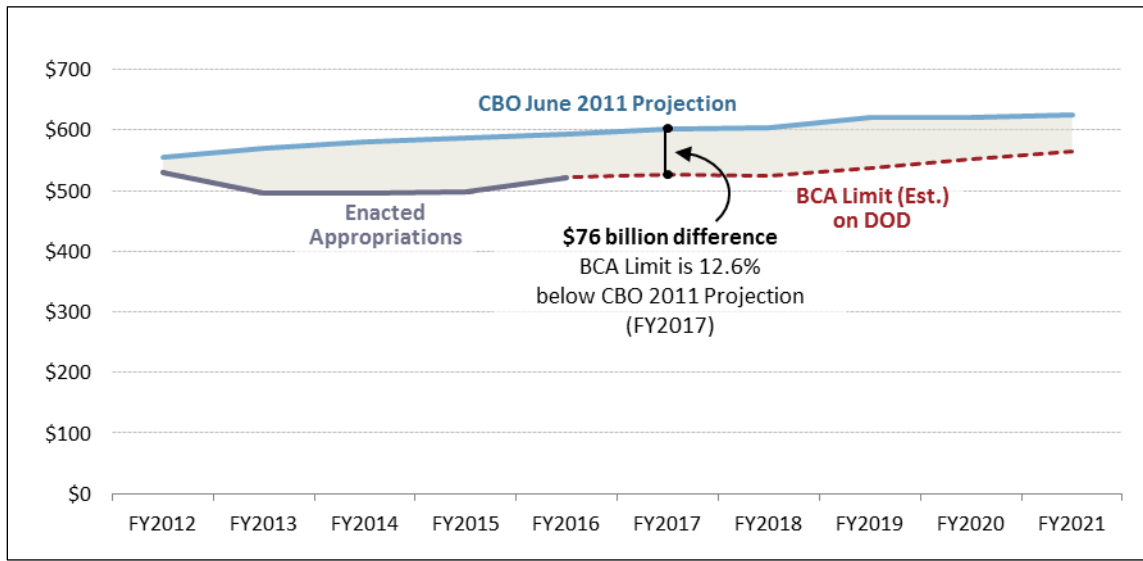
²⁶ CBO, *The Budget and Economic Outlook: 2017 to 2027*, January 24, 2017. See also CRS Report R44763, *Present Trends and the Evolution of Mandatory Spending*, by D. Andrew Austin.

²⁷ For more information on the defense budget process, see CRS In Focus IF10429, *Defense Primer: Planning, Programming, Budgeting and Execution Process (PPBE)*, by Lynn M. Williams.

²⁸ Congressional Budget Office, *Long-Term Implications of the FY2012 Future Years Defense Program*, June 2011, available at https://www.cbo.gov/sites/default/files/112th-congress-2011-2012/reports/06-30-11_fydp.pdf.

appropriations provided in accordance with the BCA limits. The FY2012 budget request included \$553 billion for DOD military (051). Based on that, CBO projected a budget of \$602 billion for DOD in FY2017. The FY2017 BCA limit of \$526 billion is \$76.0 billion (12.6%) below the June 2011 CBO projection for FY2017. Over the period FY2012-FY2021, the projected BCA limits on DOD are \$714.0 billion (12.0%) below the June 2011 CBO projections for the period.

Figure 5. Effects of the BCA on DOD Military (051) Budget Authority
billions of then-year dollars



Source: CRS analysis the BCA (P.L. 112-25) as amended, defense appropriations acts for fiscal year 2013-2016 and CBO's *Long Term Implications of FY2012 Future Years Defense Program*, Table A-1, June 2011.

For information on the broader effects of the BCA, see CRS Report R42506, *The Budget Control Act of 2011 as Amended: Budgetary Effects*, by Grant A. Driessen and Marc Labonte.

Would appropriations authorized by the FY2017 National Defense Authorization Act conform to the BCA limits?

The National Defense Authorization Act (NDAA) for Fiscal Year 2017 (S. 2943/P.L. 114-328) was enacted December 23, 2016 and authorized \$543.4 billion for programs under the jurisdiction of the House and Senate Armed Services Committees. Authorizations of discretionary appropriations—such as the NDAA—do not provide budget authority, and therefore, cannot trigger a sequester for violation of the discretionary spending limits. In authorizing defense appropriations for FY2017, P.L. 114-238 corresponds to the broader national defense (function 050) BCA limit of \$551 billion.²⁹

²⁹ The amounts authorized by the NDAA fund activities under the jurisdiction of the House and Senate Armed Services Committees and do not encompass the entire national defense budget (function 050). In addition to the \$543.4 base discretionary amounts authorized by the NDAA, \$7.8 billion of the 050 request is either authorized elsewhere or is not subject to additional authorization. For more detail see summary table in H.Rept. 114-840, pg 1332, *Base National Defense Discretionary Programs that Are Not In the Jurisdiction of the Armed Services Committee or Do Not Require Additional Authorization*.

The House-passed version of the FY2017 NDAA (H.R. 4909) would have dedicated \$23.1 billion of OCO-designated funding to DOD base budget purposes—\$18.0 billion more than the Obama Administration proposed. Such funding would not have been subject to the BCA limits. However, the Administration and the congressional minority leadership objected to providing defense funding for base budget requirements in excess of the defense spending limit unless it was accompanied by a comparable increase in funding for nondefense, base budget programs.³⁰ Negotiations between the House and Senate NDAA conferees resulted in the allocation of \$8.3 billion in OCO-designated funding for base requirements—\$5.2 billion stemming from the Administration's request and \$3.2 billion added during the conference negotiations (see **Table 3**).³¹

Table 3. FY2017 National Defense Authorization Act (H.R. 4909, S. 2943)

billions of dollars of discretionary budget authority
in the jurisdiction of the Armed Services Committees

Title	Budget Request	House-passed H.R. 4909	Senate-passed S. 2943	Enacted P.L. 114-328
Base Budget	\$543.4	\$543.4	\$543.1	\$543.4
OCO for OCO purposes	\$53.7	\$35.7	\$58.9	\$59.5
OCO for base budget purposes ^a	\$5.1	\$23.1	\$0.0	\$8.3
Subtotal: DOD OCO Budget	\$58.8	\$58.8	\$58.9	\$67.8
Total	\$602.2	\$602.2	\$602.0	\$611.2

Source: H.Rept. 114-537, H.R. 4909, S.Rept. 114-255, and S. 2943.

Notes: Totals may not reconcile due to rounding. Includes only those accounts under the jurisdictions of the House and Senate Armed Services Committees.

a. In its report on S. 2943, the Senate Armed Services Committee did not identify OCO funding that was requested or authorized for base budget purposes.

Would proposed FY2017 defense appropriations conform to the BCA limits?

Congressional action on the FY2017 defense appropriations bill has not been completed. DOD has operated under continuing resolutions thus far in FY2017 (P.L. 114-223 /P.L. 114-254), which expire April 28, 2017.³² The rate of operations provided under the continuing resolution is based

³⁰ See OMB, "Statement of Administration Policy on H.R. 4909, National Defense Authorization Act for Fiscal Year 2017," May 16, 2016, https://www.whitehouse.gov/sites/default/files/omb/legislative/sap/114/saphr4909r_20160516.pdf; and Senator Harry Reid, "Reid: Senate Must Give Defense Bill Deliberative Approach It Deserves," press release, May 25, 2016, http://www.reid.senate.gov/press_releases/2016-05-25-reid-senate-must-give-defense-bill-deliberative-approach-it-deserves#.V1GXYE0UVFo.

³¹ For more information on the FY2017 NDAA see CRS Report R44497, *Fact Sheet: Selected Highlights of the FY2017 National Defense Authorization Act (H.R. 4909, S. 2943)*, by Lynn M. Williams and Pat Towell.

³²For more information on the continuing resolution and the effect on defense spending see CRS Report R44636, *FY2017 Defense Spending Under an Interim Continuing Resolution (CR): In Brief*, by Lynn M. Williams and Sean I. Mills.

on the FY2016 appropriated level. CBO has projected the level of spending provided in these continuing resolutions to be below the BCA spending limit for FY2017.³³

Much like the House-passed NDAA, the first House-passed Defense Appropriations Act for 2017 (H.R. 5293) would have provided for additional OCO funding to be used for base budget requirements (\$23.1 billion). The Senate committee-reported bill (S. 3000) bill did not.³⁴

On March 2, 2017, H.R. 1301 was introduced as the “final version” of the FY2017 Defense Appropriations bill and reflects an agreement between the House and Senate on defense appropriations for FY2017 (see **Table 4**).³⁵ The bill appears to be consistent with the FY2017 NDAA (P.L. 114-328) and, if enacted in its current form, would likely comply with the BCA limits.

Table 4. FY2017 Defense Appropriations Act (H.R. 5293, S. 3000, and H.R. 1301)

billions of dollars of discretionary budget authority
in the jurisdiction of the Subcommittees on Defense

Title	Budget Request ^a	H.R. 5293	S. 3000	H.R. 1301
DOD Base Budget (051)	\$511.2	\$510.6	\$509.5	\$509.6
OCO for OCO purposes	\$53.7	\$43.0	\$58.9	\$61.8
OCO for base budget purposes ^b	\$5.1	\$15.7	—	—
Subtotal: DOD OCO Budget	\$64.6	\$58.6	\$58.6	\$61.8
Total^c	\$569.9	\$569.3	\$568.1	\$571.5

Source: H.Rept. 114-577, H.R. 5293, S.Rept. 114-263, S. 3000, H.R. 1301, and the Explanatory Statement to Accompany H.R. 1301, at <https://rules.house.gov/bill/115/hr-130>.

Notes: Totals may not reconcile due to rounding. Includes only those accounts under the jurisdiction of the Defense Appropriations Subcommittees.

- a. Includes the November 2016 OCO Budget Amendment.
- b. Neither the report to accompany S. 3000, nor the Explanatory Statement to Accompany H.R. 1301 identifies OCO funding that was requested or authorized for base budget purposes.
- c. Includes the November 2016 OCO Budget Amendment.

Trump Administration Defense Budget Proposals

On March 16, 2017, the Trump Administration released two defense budget proposals—a topline proposal for national defense discretionary spending for FY2018 as part of the Administration’s

³³ Congressional Budget Office, *CBO estimate of Senate Amendment 5082 to H.R. 5325, Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act*, September 23, 2016, and *CBO estimate for the Further Continuing and Security Assistance Appropriations Act, 2017*, December 7, 2016.

³⁴ For more information on congressional actions related to FY2017 defense appropriations see CRS Report R44531, *FY2017 Defense Appropriations Fact Sheet: Selected Highlights of H.R. 5293, S. 3000, and H.R. 1301*, by Pat Towell and Lynn M. Williams.

³⁵ U.S. House of Representatives Committee on Appropriations, “Fiscal Year 2017 Defense Bill to Head to the House Floor,” press release, March 2, 2017.

Budget Blueprint for Federal spending, and a detailed request for additional funding for DOD military activities for FY2017.³⁶

The *Budget Blueprint* represents a \$603 billion request for national defense (function 050) discretionary budget authority for FY2018 base budget requirements and \$65 billion for OCO. In conjunction with the proposal for FY2018, the Trump Administration also requested \$30 billion for FY2017 DOD military activities (budget subfunction 051) in addition to the amounts requested by the Obama Administration. Of this amount, \$24.9 billion is slated for base budget activities and \$5.1 billion is associated with OCO. The Trump Administration's proposals exceed the current BCA limits for both FY2017 and FY2018. For more information see CRS Report R44806, *The Trump Administration's March 2017 Defense Budget Proposals: Frequently Asked Questions*, by Pat Towell and Lynn M. Williams.

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³⁶ Office of Management and Budget, *America First: A Budget Blueprint to Make America Great Again*, March 16, 2017 and Department of Defense Comptroller, Overview—Request for Additional FY2017 Appropriations, March 16, 2017.