The Daily Dish

The Budget Control Act Lives!

GORDON GRAY | AUGUST 19, 2021

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In 2022, the most conspicuous element of the Budget Control Act of 2011 (BCA), statutory caps on discretionary spending, expires. These limits were imposed as part of a compromise between congressional Republicans and the Obama Administration to raise the debt limit in exchange for spending restraint. While the discretionary spending limits did reduce projected discretionary spending, the caps were amended five separate times to allow Congress to spend more than the caps would otherwise allow. Congress did not, it turns out, have much of an appetite for abiding by these limitations, and so it increased them for, as the Congressional Research Service aptly observes, “almost every fiscal year in which they were effect.” Congress will happily let these caps expire. But Congress has shown a remarkable affinity for one other aspect of the BCA – mandatory sequestration.

Briefly, recall that the BCA created the Joint Select Committee on Deficit Reduction, also referred to as the “Super Committee,” charged with coming up with a plan to reduce the deficit by at least $1.2 trillion. They failed, which meant under the BCA, a fallback mechanism, variously referred to as the “Joint Committee Reductions,” “Automatic Spending Reductions,” or more colloquially just as the “sequester,” was imposed. This mechanism was designed to achieve the $1.2 trillion in deficit savings (including interest costs) that the Super Committee failed to deliver, by lowering the existing discretionary caps further and reducing funding for certain mandatory programs, largely Medicare. These mandatory savings amounted to about $17 billion when first imposed in 2013. According to the administration, these reductions will amount to about $24 billion in FY2022.

And Congress barely batted an eye. Coming up with $20 billion in annual budget savings is a challenge, and when Congress finds such a mechanism, they tend to revisit it. And that’s exactly what Congress has done here. Where these annual savings were supposed to expire along with the rest of the BCA at the end of FY2021, they have been extended six separate times such that they will now be imposed through FY2030.

Whenever Congress needs to come up with $20 billion or so to offset new spending, this is one of the first cushions they look under. To be sure, these extensions have nothing to do with reducing the deficit, but rather just offsetting (usually only partially) new spending. Indeed, the Senate-passed bipartisan infrastructure bill would extend this policy an additional year, through FY2031.

So, as Congress embarks on what will be a busy fall that will require 1.) funding the government, 2.) debating a partisan $3.5 trillion tax and spending reconciliation bill, and 3.) increasing the debt limit, it is remarkable to reflect on the fact that the product of 10-year-old debt limit negotiations, the BCA, will still be around 10 years from now.