



Budgetary Effects of the BCA as Amended: The “Parity Principle”

Enactment of the Bipartisan Budget Act of 2018 (BBA 2018; P.L. 115-123) has drawn attention to how recent spending modifications affect certain portions of the budget. Specifically, there has been considerable discussion of the “parity principle,” which refers to the equality between changes made to defense and nondefense budget authority under the Budget Control Act (BCA; P.L. 112-25) as amended. Though there is no statutory requirement to uphold the parity principle, different types of budget parity have followed from the deficit reduction measures imposed by the BCA and subsequent amendments to its deficit reduction measures. This In Focus summarizes how the parity principle has been applied and has evolved in recent budgetary legislation. For more information on the BCA, see CRS Report R44874, *The Budget Control Act: Frequently Asked Questions*, by Grant A. Driessen and Megan S. Lynch.

The Parity Principle and the BCA

The BCA was enacted in August 2011 in response to increased deficits in the wake of the Great Recession. The BCA as enacted implemented deficit reduction through both direct budgetary restrictions and by forming a Congressional Joint Select Committee on Deficit Reduction (or Joint Committee) tasked with providing additional deficit reduction. Backup budgetary enforcement measures were installed and scheduled to take effect in the event that the Joint Committee did not reach a timely agreement.

The primary method of direct deficit reduction imposed by the BCA was the installation of caps on discretionary spending from FY2012 through FY2021. The BCA also funded certain programs designed to reduce improper benefit payments and modified certain student loan programs. CBO estimated that these measures would reduce FY2012-FY2021 deficits by a combined \$917 billion, with \$756 billion of that reduction attributable to the discretionary spending caps, \$156 billion due to reductions in debt servicing costs from the combined direct reduction measures, and \$5 billion in savings from other measures.

The Joint Committee was tasked with reaching an agreement on an additional \$1.2 trillion to \$1.5 trillion in deficit reduction over the FY2012-FY2021 period. Absent an agreement by January 2012, or with an agreement on deficit reduction lower than \$1.2 trillion, the BCA created “automatic enforcement measures” to ensure an additional \$1.2 trillion in deficit reduction was reached. These measures consisted of (1) lower caps on discretionary budget authority, implemented through separate restrictions on defense and nondefense activities, from FY2013 through FY2021; and (2) automatic reductions in mandatory spending from FY2013 through FY2021, with large

exceptions for activities related to Social Security and Medicare.

The CBO cost estimate for the budgetary effects of the automatic enforcement procedures is displayed in **Table 1**. The cost estimate reflects parity in the budget impact on defense and nondefense activities across both discretionary and mandatory spending categories. The automatic enforcement procedures were estimated to reduce defense and nondefense budget authority each by \$492 billion between FY2013 and FY2021. (A further \$216 billion in deficit reduction was to be obtained through reduced debt servicing costs.)

Table 1. Budgetary Effects of Automatic Enforcement Procedures in the BCA
(FY2013-FY2021 budget authority, in billions of dollars)

	Discretionary	Mandatory	Total
Defense	-492	0	-492
Nondefense	-322	-170	-492
Total	-813	-171	-984

Source: Congressional Budget Office, Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act, September 12, 2011.

Notes: Table excludes budgetary effects of debt servicing costs. Columns and rows may not sum due to rounding.

The Parity Principle and Amendments to the BCA

There have been four major revisions to the deficit reduction measures imposed by the BCA: (1) the American Taxpayer Relief Act (ATRA; P.L. 112-240); (2) the Bipartisan Budget Act of 2013 (BBA 2013; P.L. 113-67); (3) the Bipartisan Budget Act of 2015 (BBA 2015; P.L. 114-74); and (4) the Bipartisan Budget Act of 2018 (BBA 2018; P.L. 115-123). (These laws included other budget modifications unrelated to the deficit reduction measures imposed by the BCA.)

ATRA postponed the start of FY2013 discretionary and mandatory spending reductions, increased the discretionary defense and nondefense caps (allowing for greater spending) in that year, and reduced caps in FY2014 and FY2015. BBA 2013 increased discretionary caps in FY2014 and FY2015 and extended the automatic reductions to mandatory spending through FY2023. BBA 2015 increased discretionary caps in FY2016 and FY2017 and extended the automatic reductions to mandatory spending through FY2025. BBA 2018 increased discretionary caps in FY2018 and FY2019 and extended

automatic reductions of mandatory spending through FY2027.

CBO’s cost estimates for the budgetary effects of ATRA, BBA 2013, and BBA 2015 on the BCA deficit reduction measures are provided in **Table 2**. In ATRA, the budgetary effects of modifications to the BCA restrictions reflected parity identical to that in the BCA itself, as effects on total defense and nondefense discretionary budget authority were identical.

BBA 2013 and BBA 2015 produced budget authority effects with a different type of parity. In those laws, only the effects on defense and nondefense discretionary budget authority were equal. Yet since those acts also included extensions of mandatory spending reductions, which affect nondefense programs more than defense programs, in total the changes to the BCA from each law produced larger total spending reductions for nondefense activities (mandatory and discretionary) than for defense programs.

BBA 2018 reflected a different version of parity than previous agreements. BBA 2018 established discretionary caps with equal increases to defense and nondefense budget authority relative to the initial BCA caps: however, relative to the caps after the automatic downward reductions (which were scheduled to take effect before BBA 2018 enactment), the discretionary cap increases were larger for defense programs than nondefense programs. As with BBA 2013 and BBA 2015, BBA 2018 also included a mandatory spending extension with larger reductions for nondefense programs than defense programs.

Table 2. Budgetary Effects of BCA Amendments to Discretionary Caps and Mandatory Spending Reductions

(10-year budget authority, in billions of dollars)

	ATRA	BBA 2013	BBA 2015	BBA 2018	Total
Discretionary Defense	6.0	31.6	40.0	165.0	242.6
Discretionary Nondefense	6.0	31.6	40.0	131.0	208.6
Mandatory	0.0	-28.0	-25.8	-53.6	-107.4
Total	12.0	35.2	54.2	242.4	343.8

Source: CBO cost estimates for American Taxpayer Relief Act (ATRA), Bipartisan Budget Act of 2013 (BBA 2013), Bipartisan Budget Act of 2015 (BBA 2015), and Bipartisan Budget Act of 2018 (BBA 2018.)

Notes: Figures only reflect budgetary estimates of changes to discretionary caps and mandatory spending reductions imposed by the BCA. Mandatory effects include reductions to both defense and nondefense spending, with a much larger effect on nondefense activities. Each piece of legislation also contained provisions with effects elsewhere in the federal budget.

Upward Adjustments to the BCA as Amended

While the BCA imposed caps on most types of discretionary budget authority, it provided for upward adjustments to those caps, sometimes called spending “outside the caps,” for budget authority devoted to certain activities. Upward adjustments are provided for the following appropriations: (1) designated for Overseas Contingency Operation/Global War on Terrorism (OCO/GWOT); (2) designated for emergency requirements; (3) designated for disaster relief; and (4) designated for program integrity activities related to federal disability and health care programs.

The BCA did not set limits on annual amounts designated for OCO/GWOT or for emergency requirements. The BCA limited appropriations designated for disaster relief to the average of disaster funding from the previous ten years, adjusted by the difference between the previous year’s disaster appropriation and the ten-year average.

Appropriations for program integrity were capped annually by the BCA at amounts rising from \$0.893 billion in FY2012 to \$1.805 billion in FY2021. The BCA also allowed discretionary limits to be adjusted up to once a year to accommodate changes in concepts and definitions.

Table 3 shows the budget authority provided for upward adjustments to the discretionary caps established by the BCA from FY2012 through FY2017. Upward adjustments have predominantly been devoted to defense activities in each of the five years that the BCA discretionary caps have been in place, with most of those funds designated for OCO/GWOT. Budget authority for BCA upward adjustments has not reflected parity between defense and nondefense activities in any year from FY2012 through FY2017.

Table 3. Upward Adjustments to BCA Discretionary Caps, FY2012-FY2017

(budget authority, in billions of dollars)

	Defense	Nondefense	Total
FY2012	132.9	4.5	137.5
FY2013	117.5	35.1	152.6
FY2014	85.8	13.1	98.9
FY2015	64.6	22.6	87.1
FY2016	58.8	24.5	83.3
FY2017 (est.)	82.9	35.0	118.0
Total	542.6	134.8	677.4

Source: CBO, *Sequestration Update Report*, Various Years.

Notes: Columns and rows may not sum due to rounding.

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IFI0657

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