

# The Fiscal Responsibility Act (FRA) in FY2025: Current Status

October 1, 2024

## The FY2025 Spending Limits

The Fiscal Responsibility Act (FRA, P.L. 118-5), enacted in June 2023, established statutory discretionary spending [limits](#) for FY2024 and FY2025 for both defense (security) and nondefense (nonsecurity) discretionary spending. **Table 1** shows the limits established for each category in both fiscal years. Most discretionary budget authority is constrained by the limits, but certain categories are effectively exempt from the limits under the FRA. Spending designated as an emergency requirement is effectively exempt up to any amount, while funding for certain purposes—such as program integrity initiatives, disaster relief, reemployment services, and wildfire suppression—are exempt up to specific amounts.

**Table 1. FRA Discretionary Limits on Budget Authority, FY2024-FY2025**

In Billions of Nominal Dollars

Fiscal Year	Defense Discretionary	Nondefense Discretionary
FY2024	\$886.35	\$703.65
FY2025	\$895.21	\$710.69

**Source:** Fiscal Responsibility Act ([P.L. 118-5](#)).

If discretionary appropriations are enacted that exceed the statutory limit for a fiscal year in either category (defense and/or nondefense), a sequester is triggered, making across-the-board reductions to nonexempt spending to eliminate spending above the limit within the applicable category. The Office of Management and Budget (OMB) has the sole statutory responsibility of determining whether sequestration is required and, if so, the amount to be reduced by the sequester. Any sequestration of affected discretionary budget authority would not occur until OMB issues a final sequestration report specifying the amount of any breach, as well as the sequestration percentages necessary to achieve the required reduction. A complex set of deadlines currently governs the date on which OMB must issue any required final sequestration report (as shown in **Table 3**).

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## The Current Continuing Resolution (CR)

On September 26, 2024, a CR, [H.R. 9747](#), was enacted, providing appropriations through December 20, 2024, among other things (P.L. 118-83). According to a cost [estimate](#) for [H.R. 9747](#) from the Congressional Budget Office (CBO), the levels of discretionary budget authority in the bill include an annualized base defense level of \$888.1 billion and a base nondefense level of \$707.6 billion for a total of \$1.596 trillion. The annualized amounts provided by the CR, therefore, are estimated by CBO to be in compliance with the FRA defense and nondefense discretionary spending limits for FY2025.

## FRA Rules Potentially Applying to CRs Beyond January 1

In addition to establishing spending caps, the FRA included a provision [described](#) as incentivizing Congress to enact regular, full-year appropriations legislation instead of relying on short-term CRs. This provision requires that if a CR is in effect on January 1, 2025, for any budget account, the discretionary spending limits for FY2025 are to be revised to the levels shown in **Table 2**. The revisions would reduce the overall amount of spending permitted for FY2025 by roughly \$20 billion, but they would entail a \$26 billion *increase* compared to the original nondefense discretionary spending limit and a \$45 billion *decrease* compared to the original defense discretionary spending limit. These revised levels, however, would not be enforced until April 30, 2025, should a CR still be in effect and would [revert](#) back to the original limits upon the enactment of full-year appropriations.

**Table 2. FY2025 Original and Revised Discretionary Limits on Budget Authority Under the FRA**

In Billions of Dollars

	Defense Discretionary	Nondefense Discretionary	Total
Original levels	\$895.21	\$710.69	\$1,605.90
Revised levels under a CR	\$849.78	\$736.45	\$1,586.23
Difference	-\$45.43	+\$25.67	-\$19.67

**Sources:** P.L. 118-5 and the CBO cost estimate referenced in P.L. 118-5 as “table I–S of H.R. 2617, published on December 21, 2022,” minus 1%.

**Notes:** These levels reflect only base spending, which excludes funding that would be exempt from budgetary enforcement.

**Table 3** provides information on which spending levels would be in effect, and when those levels will be enforced, under three different potential scenarios.

**Table 3. Current Potential Enforcement Scenarios**

Scenario	Limits in Effect	Date of OMB Final Sequestration Report
Full-year FY2025 appropriations are enacted for all 12 bills <u>prior to January 1, 2025</u> .	Original limits	Within 15 calendar days after the end of a session of Congress
Full-year FY2025 appropriations are enacted for all 12 bills <u>after January 1 but prior to April 30, 2025</u> .	Original limits	15 business days after enactment of all full-year appropriations

A short-term CR is operational for any appropriations bill on April 30, 2025.	Revised limits	April 30, 2025
Full-year appropriations are enacted <u>after</u> April 30, 2025.	Original limits	15 calendar days after the enactment of all full-year appropriations

**Sources:** FRA; 2 U.S.C. §904; OMB's Memorandum for the Heads of Executive Departments and Agencies, *Frequently Asked Questions Related to Fiscal Year 2024 Discretionary Spending Limits*, issued December 22, 2023.

For FY2024, the revised levels were triggered on January 1, 2024, because a CR was still in effect. OMB issued [guidance](#) to agencies, however, stating, among other things, that agencies should “not attempt to self-sequester and must continue as [normal](#)” in order to comply with current law, as enforcement of the spending limits would not occur until after the enactment of further FY2024 appropriations legislation. All regular appropriations for FY2024 were enacted by April 30, 2024, so the caps reverted back to the original limits enacted by the FRA, and no sequester order was necessary.

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