

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

Updated January 13, 2025

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 is required to issue any final sequestration report for FY2025 (as shown in **Table 3**).

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The Current Continuing Resolution (CR)

On December 21, 2024, the American Relief Act, 2025 (H.R. 10545; P.L. 118-158) was enacted, which, among other things, extended the initial CR for FY2025 (Division A of P.L. 118-83) through March 14, 2025. According to the cost [estimate](#) for H.R. 10545 from the Congressional Budget Office (CBO), the levels of discretionary budget authority in the CR include an annualized base defense level of \$888.1 billion and a base nondefense level of \$708.2 billion, for a total of \$1.596 trillion. The annualized amounts provided by the CR are therefore estimated by CBO to be in compliance with the original FRA limits for FY2025 for both defense and nondefense discretionary spending shown in [Table 1](#).

Revision to Discretionary Spending Limits on 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 (or “interim”) CRs. This provision requires that if an interim CR is in effect on January 1, 2025, for any budget account, then the discretionary spending limits for FY2025 are to be revised to the levels shown in [Table 2](#). Compared to the original limits for FY2025, the revised limits represent an overall reduction of roughly \$19.7 billion. Individually, however, the revised nondefense limit represents a \$25.7 billion *increase* compared to the original limit, whereas the revised defense limit represents a \$45.4 billion *decrease*.

Because the CR enacted in [P.L. 118-158](#) was in effect on January 1, 2025, the discretionary spending limits for FY2025 automatically switched to the revised levels shown in [Table 2](#). Existing OMB [guidance](#) to agencies on the spending limits under the FRA states that no sequestration order will occur on January 1 as a result of the revisions. Further, OMB has noted that the revisions have no impact on funding levels provided in the CR and that agencies “should not attempt to self-sequester and must continue as normal.”

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	\$849.78	\$736.43	\$1,586.20
Difference	-\$45.43	+\$25.74	-\$19.69

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%.

Note: These levels reflect only base spending, which excludes funding that would be exempt from budgetary enforcement. Components may not sum to totals due to rounding.

Current Potential Enforcement Scenarios

Despite the revisions occurring on January 1, the FRA establishes that the revised levels will not be enforced until April 30, 2025, should an interim CR still be in effect for any budget account. Under the FRA, the limits would revert back to the original limits upon the enactment of all full-year appropriations. OMB [guidance](#) notes that the limits will revert back to the original limits even if the enactment of all full-year appropriations occurs after April 30, 2025. This provides for several potential scenarios for the enforcement of discretionary spending limits for FY2025.

Table 3 provides information on these scenarios, including which limits would be in effect and when enforcement would occur.

Table 3. Potential Enforcement Scenarios Under the FRA

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

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