

# Discretionary Spending Caps in the Fiscal Responsibility Act of 2023

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The Fiscal Responsibility Act (FRA, P.L. 118-5), enacted in June 2023, includes provisions that would establish enforceable discretionary spending limits (caps) for FY2024 and FY2025. This Insight provides information on those limits, exemptions to the limits, and discretionary spending levels in future years.

## Discretionary Caps for FY2024 and FY2025

**Table 1** shows the discretionary caps imposed by the FRA for FY2024 and FY2025. If discretionary appropriations are enacted that exceed these statutory limits for the fiscal year, a sequester would be triggered making across-the-board reductions of nonexempt spending within the applicable category (defense and/or nondefense) to eliminate the excess spending. Such a sequester order would be issued by the President within 15 calendar days after the end of a session of Congress.

**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:** FRA as [passed by the House](#) on May 31, 2023.

As with previous discretionary spending limits, the FRA would designate certain spending as effectively exempt from these limits. Spending designated as an emergency requirement would be exempt up to any amount, while funding for certain purposes—such as program integrity initiatives, disaster funding, and reemployment services—would be exempt up to specified amounts.

The Congressional Budget Office (CBO) [estimated](#) that the discretionary caps for FY2024 and FY2025 would reduce budget authority by a combined \$246 billion relative to baseline projections. Reductions in nondefense budget authority account for nearly all of that total reduction (a combined \$236 billion, or 96% of the total change), with defense budget authority reduced by the remaining 4% (\$9 billion). Budget

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authority changes are split more equally between the two years, with 45% of the changes to FY2024 budget authority and 55% of the changes to FY2025 budget authority.

### Adjustments to the Discretionary Caps for FY2024 and FY2025 in the Case of a CR

The FRA includes a provision [described](#) as incentivizing Members to enact regular full-year appropriations legislation. The FRA states that in the event that a continuing resolution (CR) is in effect on January 1 of 2024 or 2025 for any budget account, the discretionary spending limits for that fiscal year are automatically revised to the levels shown below in **Table 2**. The revision would result in an increase in nondefense discretionary budget authority and a decrease for defense discretionary spending levels when compared with the original levels in **Table 1**. Under such a scenario, a sequester order would be issued on April 30 of either 2024 or 2025. The FRA states that the revised limits would revert to the original FRA limits if full-year appropriations were enacted before April 30.

**Table 2. FRA Revised Discretionary Limits on Budget Authority, FY2024-FY2025**

In Billions of Nominal Dollars

| Fiscal Year | Defense Discretionary | Nondefense Discretionary |
|-------------|-----------------------|--------------------------|
| FY2024      | \$849.78              | \$736.45                 |
| FY2025      | \$849.78              | \$736.45                 |

**Source:** FRA as [passed the House](#) on May 31, 2023.

In a scenario with revised discretionary limits, CBO [estimated](#) that FY2024 and FY2025 budget authority would be reduced by a combined \$269 billion relative to current-law projections. Reductions in nondefense budget authority account for roughly two-thirds of that reduction (a combined \$178 billion, or 66% of the total change), with defense budget authority reduced by the remaining 34% (\$91 billion). FY2024 budget authority changes would represent 42% of the total, while 58% of the changes would be to budget authority in FY2025.

### Discretionary Spending in Future Years

The FRA would not create statutory limits for any year beyond FY2025. It would, however, specify that if a budget resolution has not been adopted by Congress by April 15, the House Budget Committee chair may submit to the House a spending allocation for the House Appropriations Committee that is consistent with the following levels: for FY2026, \$1.622 trillion; for FY2027, \$1.638 trillion; for FY2028, \$1.655 trillion; and for FY2029, \$1.671 trillion.

For fiscal years in which statutory discretionary spending limits are in effect, [the CBO's baseline projections for discretionary spending are calculated by](#) (1) assuming levels of discretionary funding consistent with the spending levels permitted under the statutory limits; and (2) for types of spending that are essentially exempt from the limits (such as spending designated as an emergency), assuming a continuation of the amounts provided in the previous fiscal year, adjusted for inflation.

For years in which no statutory discretionary spending limits are in effect, CBO's baseline projections for discretionary spending are calculated using the methodology [required by law](#). Generally, the projections assume that discretionary funding increases with inflation.

### Recent Context

Legislative discussion around the FRA has included comparisons to the Budget Control Act (BCA; P.L. 112-25), which also imposed enforceable discretionary spending caps and modified the statutory debt

limit. **Table 3** compares actual discretionary outlays in FY2011-FY2013 as a percentage of gross domestic product to FY2023-FY2025 projections with FRA enactment.

**Table 3. Actual Outlays Under the Budget Control Act (BCA) and Projected Outlays Under the FRA, Selected Years**

As a Percentage of Annual Gross Domestic Product

| Category           | BCA Discretionary Caps in FY2012-FY2013 |                | Proposed FRA Discretionary Caps in FY2024-FY2025 |                   |
|--------------------|---|----------------|--|-------------------|
|                    | FY                                      | Actual Outlays | FY   | Projected Outlays |
| Last Uncapped Year | FY2011                                  | 8.7%           | FY2023   | 6.5%              |
| First Capped Year  | FY2012                                  | 7.9%           | FY2024   | 6.5%              |
| Second Capped Year | FY2013                                  | 7.2%           | FY2025   | 6.4%              |

**Source:** OMB Historical Tables, May 2023 CBO Baseline, and FRA as [passed by the House](#) on May 31, 2023. Calculations performed by CRS.

**Notes:** FY2024-FY2025 outlays represent projections with discretionary caps not adjusted for the presence of a CR. Totals include discretionary outlays both subject and not subject to caps.

The reduction in discretionary spending following the BCA was much more pronounced than that projected under the FRA. This was due both to the winding down of Great Recession stimulus programs in FY2012 and FY2013 and to larger discretionary changes imposed by the BCA. Discretionary outlay projections under the FRA are projected to produce a relatively flat FY2023-FY2025 trajectory, though real outlays under current law are well below those experienced prior to enactment of the BCA.

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