

The Budget Control Act: Effects and Unintended Consequences

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Research Question

Was DoD's defense-wide budget more stable and predictable under the Budget Enforcement Act of 1990 (BEA) than under the Budget Control Act of 2011 (BCA)?

Persistent Problems

- Since 2011, DoD has had to manage its resources under limitations set by the BCA
- The defense community raised the following concerns about the BCA:
 - Cap limits and cuts from sequestration led to insufficient funds
 - Funding was unpredictable
 - Budgets were unstable from year-to-year
- DoD is caught in the nexus between a challenging fiscal environment and a challenging security environment
 - Need for budget enforcement due to rising deficits and debt
 - Rapidly changing and uncertain global security environment
 - Pivot to modernization and great power competition

Background

1985

First use of statutory limits under the Gramm-Rudman-Hollings Act (GRH)

1998-2002

Government achieves a surplus for four years in a row. The BEA ends in 2002.

2012-2013

The Joint Select Committee on Deficit Reduction failed to reduce the deficit by \$1.2 trillion. Sequestration took effect in FY2013 along with limit reductions through FY2021.

1990

Congress replaces GRH with the Budget Enforcement Act

2011

Congress enacts the BCA

2021

BCA expires, and the government is projected to run \$1 trillion deficits

Year-to-Year Stability

BEA FY1989-FY2002

- \$ Requested
- \$ Appropriated

BCA FY2011-FY2020

- \$ Requested
- \$ Appropriated

Budget Predictability

BEA FY1989-FY2002

- Variance in FYDP projections
- \$ Appropriated

BCA FY2011-FY2020

- Variance in FYDP projections
- \$ Appropriated

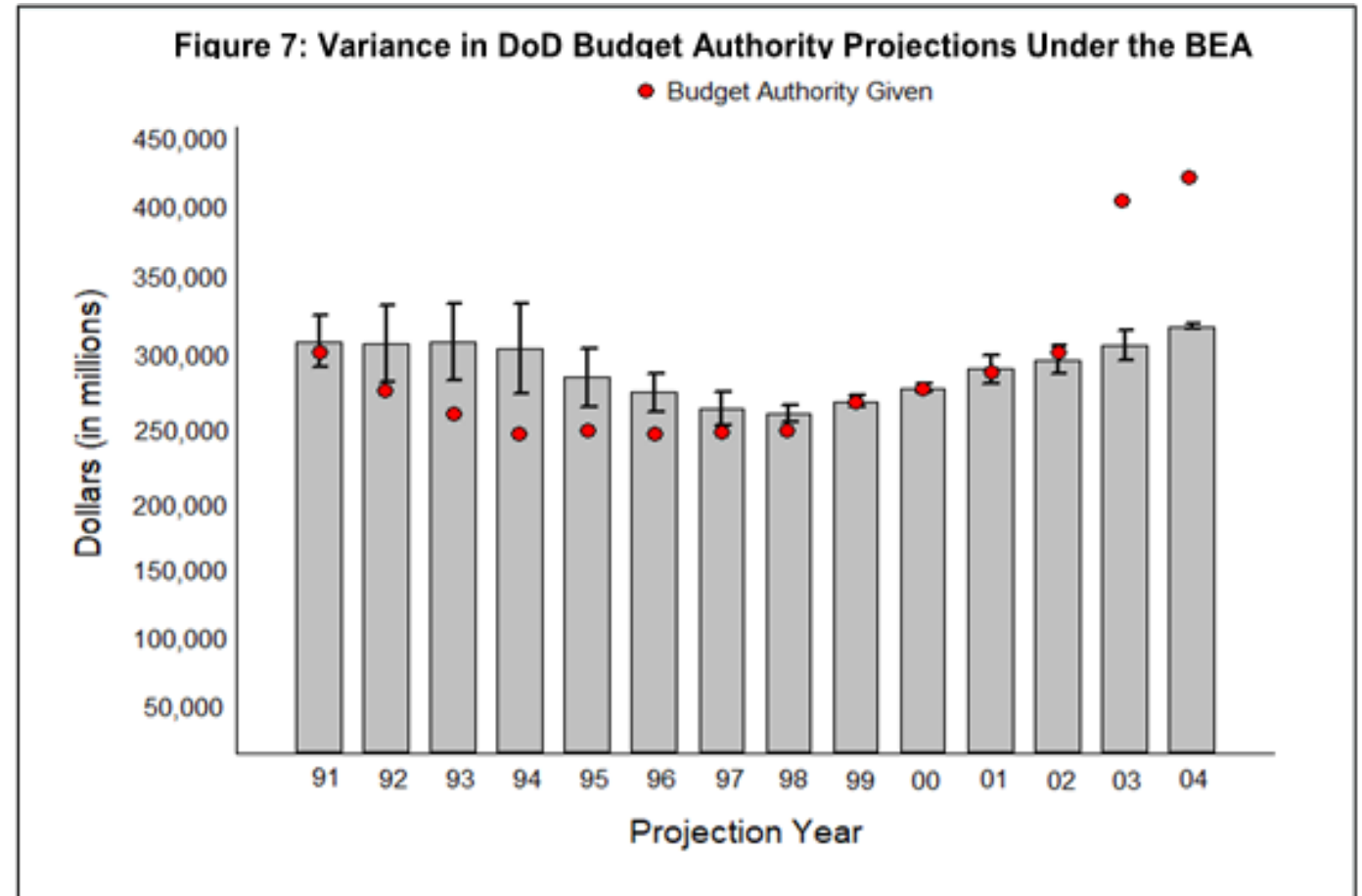
*Data were collected from the “National Defense Budget Estimates Report” (DoD Green Book)

- Budget requests were stable under BEA and BCA
- Budget authority given was stable under BEA and BCA
- Main indication of instability were the increases in budget authority given in FY19 and FY20

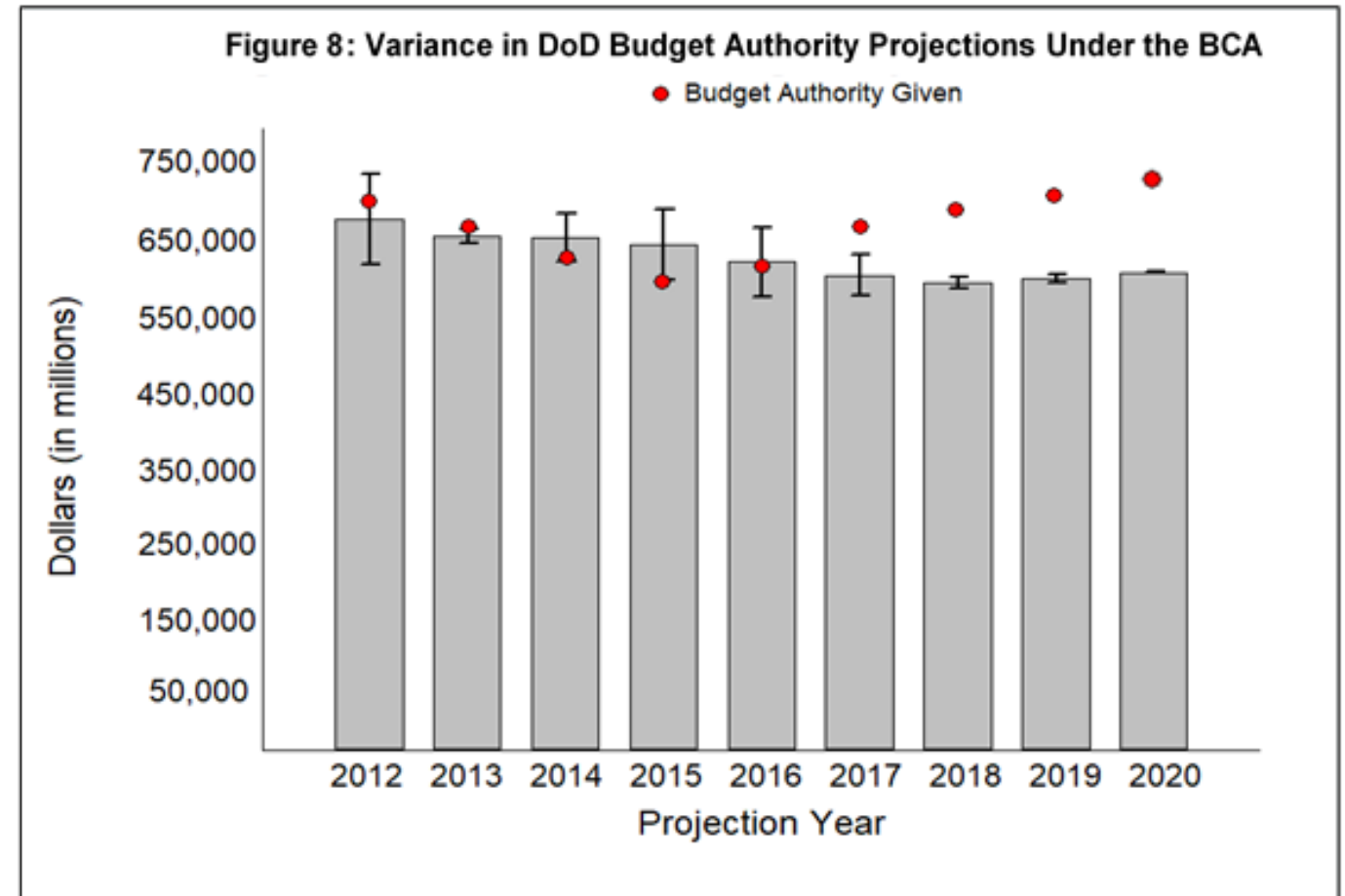
* Overall, the year-to-year findings were more stable than expected

* Explanations of fiscal stress could lie in CRs and OCO

- Higher variance at the onset of the BEA
- Budgets became more predictable over time
- Outliers in FY2003 and FY2004 likely due to responses to 9/11 and efforts for the Global War on Terror



- Budgets were relatively predictable in the first five years
- Budgets under the Trump Administration were all higher than predicted



Unintended Consequences: OCO

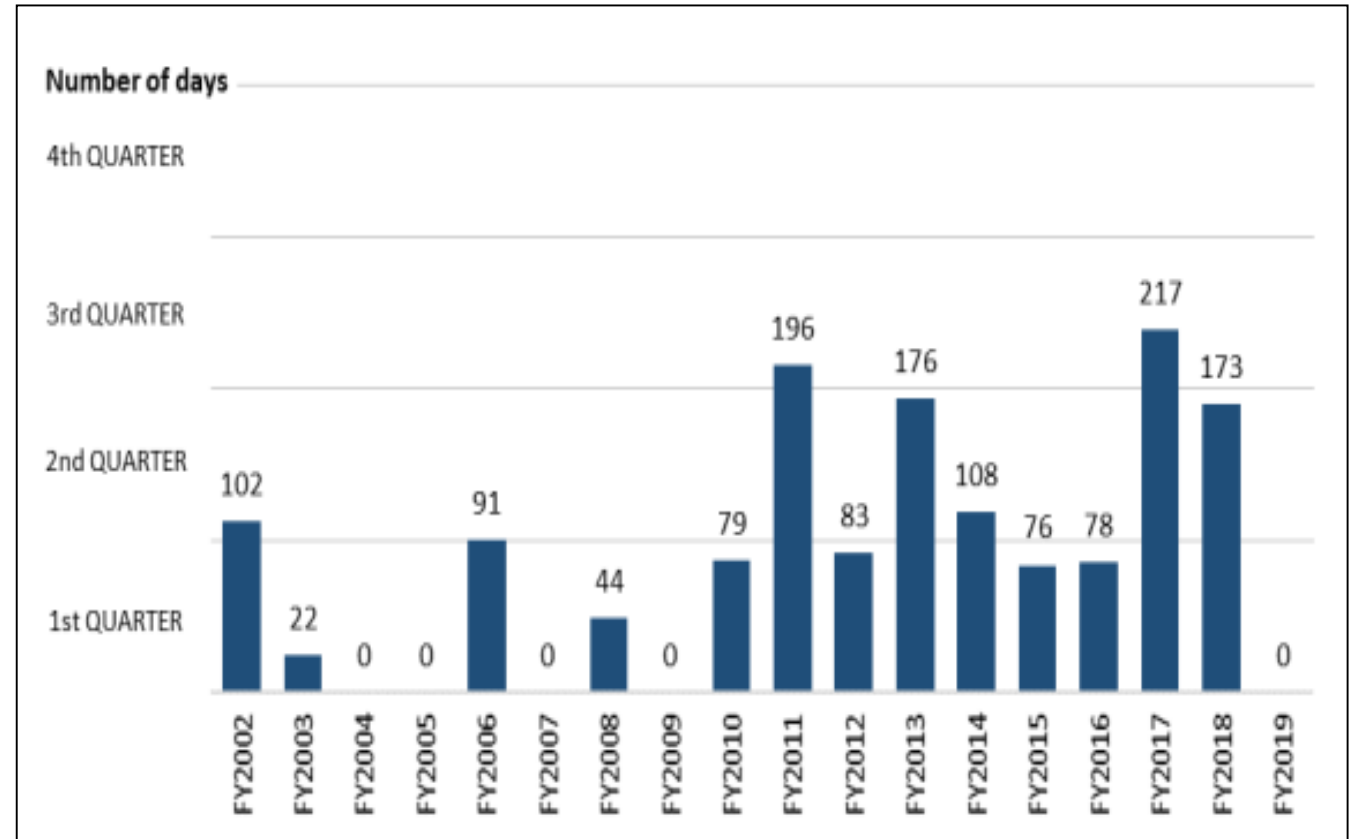
- DoD could be experiencing fiscal stress caused by the use of the Overseas Contingency Operations (OCO) account over time.
- Since OCO is not subject to spending caps, it has functioned as a possible way to receive more funding without triggering sequestration.
- Using OCO money to support base budget functions skews what the true base budget and requirements look like and can make it harder for DoD to plan from year-to-year.

Unintended Consequences: OCO

- The base budget alone had an average of -0.18% change under the BCA, while OCO had an average of -17% change.
- The decline in OCO spending could reflect the changing priorities of the U.S. in the War on Terror.
- It is hard to know the true impact since DoD did not distinguish “OCO” and “OCO for Base” lines over time like it did in the FY20 request.

Unintended Consequences: Chronic CRs

- Fiscal stress could have been caused by CRs not by year-to-year instability
- Congress often fails to pass on-time appropriations
- While CRs have the most impact on execution, they can impact the planning process and make budgets less predictable



Source: Congressional Research Service

Limitations and Future Research

- The budget deal effect
- A need for an uncapped counterfactual
- The DoD budget process: an introspective
- This is only a macro-level defense-wide study
- Metrics: a love-hate relationship

Questions and Comments