



Answers to Questions for the Record Following a Hearing on Discretionary Appropriations Under the Budget Control Act Conducted by the Senate Committee on the Budget

On February 27, 2019, the Senate Committee on the Budget convened a hearing at which Theresa Gullo, the Congressional Budget Office's Assistant Director for Budget Analysis, testified.¹ After the hearing, Ranking Member Sanders and other members of the Committee submitted questions for the record. This document provides CBO's answers to those questions. It is available at www.cbo.gov/publication/55280.

Ranking Member Sanders

Question. Even with all the spending we do beyond the budget caps is it true that the long-term trend has been that non-defense discretionary spending has been falling relative to the size of the economy since the 1970s? Is it also true that if we do not raise the budget caps that non-defense discretionary spending will be at its lowest point on record next year, and will keep declining from then on?

Answer. Nondefense discretionary spending has fallen relative to the size of the economy over the past 50 years. In 1969, such spending totaled 3.5 percent of gross domestic product (GDP). CBO projects that in 2019 the total will amount to 3.1 percent of GDP and will equal its lowest level as a share of the economy over that period. In 2020, under CBO's baseline assumptions (in which the nondefense discretionary cap for 2020 is not increased), such spending would equal 2.9 percent of GDP. In CBO's baseline projections, which incorporate the assumption that discretionary appropriations grow with inflation when not capped, nondefense discretionary spending continues to decline—to 2.5 percent of GDP in 2029.

Question. Since the BCA came into effect, what share of spending due to cap adjustments has been for defense and what share has been for non-defense? Since the BCA came into effect, what share of non-defense cap adjustments has been to respond to emergencies and disasters, such as Hurricanes Harvey, Irma, and Maria in 2018?

Answer. CBO estimates that since the enactment of the Budget Control Act of 2011 (BCA), which established caps on discretionary spending through 2021, \$683 billion (or 69 percent) of the total adjustments to those caps has been provided for defense activities: \$652 billion for overseas contingency operations, \$13 billion for emergency requirements, and \$18 billion for disaster relief.

1. See the testimony of Theresa Gullo, Assistant Director for Budget Analysis, Congressional Budget Office, before the Senate Committee on the Budget, *Discretionary Appropriations Under the Budget Control Act* (February 27, 2019), www.cbo.gov/publication/54988.

The other roughly \$300 billion in cap adjustments (30 percent of the total adjustments), was provided for nondefense purposes: \$167 billion for activities determined to be emergency requirements, \$72 billion for overseas contingency operations, \$51 billion for disaster relief, and \$11 billion for program integrity efforts.

Question. If we had not adjusted the BCA spending caps in 2018 when we appropriated the nearly \$110 billion in emergency and disaster spending to respond to Hurricanes Harvey, Irma, and Maria, and wildfires in California, what would have happened to other non-defense discretionary programs—programs like Head Start, child nutrition, rental assistance, heating assistance, and medical research?

Answer. In 2018, the cap adjustments for disaster emergency and disaster spending totaled \$117 billion. If that amount had been accommodated under the \$579 billion nondefense discretionary cap for that year, the Congress would have faced a choice. On the one hand, it could have reduced funding for other discretionary accounts by that amount to keep total spending at the cap level. Because caps constrain total funding, not funding for individual accounts, the Congress would have had to decide which accounts to reduce and by how much. On the other hand, the Congress could have imposed an across-the-board cancellation of budgetary resources, totaling 20 percent, for all nondefense discretionary accounts to keep total spending at the cap level.

Senator Grassley

Question. Based on CBO data, mandatory outlays were around 5.5 percent of the size of the overall economy in 1969, and are projected to rise to more than 15.0 percent by 2029. Meanwhile, discretionary outlays were close to 12.0 percent of GDP in 1969, and are projected to fall to below 5.0 percent by 2029. While this hearing is focused on budget caps and discretionary spending, could you give me a sense of the relative importance of discretionary spending and mandatory spending over time in terms of overall spending?

Answer. Discretionary spending, which includes most spending on national defense, elementary and secondary education, housing assistance, international affairs, and the administration of justice, as well as spending for highways and other infrastructure programs, will total \$1.3 trillion in 2019, or 6.3 percent of GDP, and will account for 30 percent of total outlays, CBO estimates. Under the assumptions governing CBO's baseline projections, such spending is projected to fall to 4.9 percent of GDP by 2029, more than 1 percentage point less than CBO's estimate of such outlays in 2019 and lower than at any point in the past 50 years.

Mandatory spending, which consists primarily of payments for benefit programs, such as Social Security, Medicare, and Medicaid, will account for 60 percent of total federal spending in 2019 and will amount to \$2.7 trillion, or 12.7 percent of GDP. Mandatory outlays are projected to increase by 1.9 percentage points—to 14.6 percent of GDP—by 2029. That growth is primarily the result of the aging of the population and rising costs per beneficiary in the major health care programs. The only other time since 1962 that mandatory outlays exceeded 14 percent of GDP was during the recession in 2009, when they totaled 14.5 percent.

All told, in 2019 mandatory spending (excluding interest) will be about twice discretionary spending. By 2029, in CBO's baseline projections, mandatory spending is about three times discretionary spending.

Question. CBO has been warning Congress for decades, at least, that oversized and unsustainable entitlement spending have dominated the adverse long-run budget outlook. My question is: even if we froze discretionary spending over the next few decades, would our overall spending remain sustainable?

Answer. In *The 2018 Long-Term Budget Outlook*, CBO projected discretionary spending under the assumption that it would account for the same share of GDP (about 5.4 percent) from 2028 through 2048.² In CBO's extended baseline projections, such spending constitutes about a third of all noninterest spending in 2019 and declines to less than a quarter by 2048. (The extended baseline projections generally reflect current law, following CBO's 10-year baseline budget projections through 2028 and then extending most of the concepts underlying those projections for the rest of the 30-year projection period.)

If discretionary spending instead was frozen at 2019 nominal amounts, it would shrink from 6.4 percent of GDP in 2019 to 2.1 percent of GDP in 2048—declining from about a third of all noninterest spending to 11 percent by 2048.

Nevertheless, including the positive economic effects of deficit reduction, debt as a percentage of GDP under that latter scenario would continue to increase throughout the projection period and would peak at about 95 percent of GDP in the mid-2030s before declining to about 90 percent of GDP in 2048—still higher than the current 78 percent. By contrast, in CBO's extended baseline projections, debt rises steadily to 152 percent of GDP in 2048.

Question. Congress has altered the budget caps originally envisioned in the 2011 Budget Control Act. When the budget caps were adjusted, allowing for more spending, can you tell me whether there were any offsets to the increased spending?

Answer. The Bipartisan Budget Act of 2013 and the Bipartisan Budget Act of 2015 raised the caps for 2014, 2015, 2016, and 2017. At the time that the 2013 law was under consideration, CBO estimated that other provisions in the act would reduce deficits over the 2014–2023 period by \$85 billion—more than offsetting the \$63 billion cumulative increase in the 2014 and 2015 discretionary caps. Similarly, CBO estimated that provisions in the 2015 act would reduce deficits by about \$80 billion—fully offsetting the \$80 billion cumulative increase in the caps that the 2015 act made for 2016 and 2017.

By contrast, the Bipartisan Budget Act of 2018 only partially offset the cap increases it authorized for 2018 and 2019. CBO estimated that the mandatory spending and revenue provisions would reduce deficits by \$38 billion over the 2018–2027 period—\$258 billion less than the increase in discretionary spending that would result from raising the caps.

Question. According to a 2012 analysis by researchers at the Federal Reserve Bank of New York, the share of costs of disaster relief paid by the federal government was around 25 percent before Hurricane Katrina, but has increased substantially to nearly 70 percent after. They go on to say that with the expansion of federal disaster assistance, payments from private insurance companies and the federal government exceeded the total economic cost of events since Katrina by about 25 percent. That is total, of course, and does not deny that some individuals or businesses may not have been fully reimbursed for their losses.

2. Congressional Budget Office, *The 2018 Long-Term Budget Outlook* (June 2018), www.cbo.gov/publication/53919.

With this as a backdrop, could you give me information about growth in federal disaster assistance spending over the past couple of decades?

Answer. Focusing on the country's single largest source of federal disaster assistance, the Disaster Relief Fund (DRF, which is administered by FEMA, the Federal Emergency Management Agency), CBO observes that in constant dollars, federal disaster spending has increased significantly over the past three decades, particularly since Hurricane Katrina in 2005. Total federal spending from the DRF totaled about \$27 billion in the 1990s and increased dramatically in the past two decades (to \$135 billion and \$108 billion, respectively).

In 2016, CBO examined information about major hurricanes over the 2000–2015 period and estimated that federal spending as a percentage of total economic damage varied widely from storm to storm, ranging from an average of 17 percent before Katrina to 62 percent for Katrina and ensuing hurricanes.³ That ratio has grown larger since 2005, particularly for two storms—Katrina and Sandy. (Although federal assistance also is provided for drought, earthquakes, flooding, and other catastrophes, hurricanes consistently prove most costly and have accounted for the largest share of emergency disaster spending.)

In April, CBO reported that expected annual economic losses total \$54 billion for most damage caused by storm surges, heavy precipitation, or high winds from hurricanes or tropical storms.⁴ That amount consists of about \$34 billion in expected annual residential losses, \$9 billion in expected annual commercial losses, and \$12 billion in expected annual losses to the public sector. (Expected losses represent average annual losses over the long run based on current conditions for climate, sea levels, and property development in places at risk for such storms.) On the basis of the pattern exhibited for federal spending and the losses incurred for 58 storms between 2005 and 2016, CBO estimated that expected annual federal spending totals \$17 billion, or 31 percent of the \$54 billion in expected annual losses.

Question. Please tell me the difference between emergency spending and disaster spending, from a budget perspective.

Answer. The BCA codified the definition of *emergency spending* in 1991. According to that act, emergency spending must be necessary, sudden, urgent, unforeseen, and not permanent. The act allows the caps to be adjusted to accommodate any amounts provided for activities identified as being for emergency requirements—often related to hurricanes or wildfires, but also, for example, to prevent or respond to a disease outbreak.

The BCA generally considers spending identified for disaster relief to be the amounts needed to pay for major disasters designated under the Robert T. Stafford Disaster Relief and Emergency Assistance Act. Disaster relief funding provided under the BCA has been used in various ways. In some years it has been used to provide funding only to FEMA's DRF as part of the regular appropriation process. In other years, it also has been used to provide funding to other agencies that respond to major disasters.

Question. Can you tell me whether supplemental and emergency spending has changed over the past couple of decades?

3. See Congressional Budget Office, *Potential Increases in Hurricane Damage in the United States: Implications for the Federal Budget* (June 2016), www.cbo.gov/publication/51518.

4. See Congressional Budget Office, *Expected Costs of Damage from Hurricane Winds and Storm-Related Flooding* (April 2019), www.cbo.gov/publication/55019.

Answer. Funding provided through supplemental appropriation bills (which historically have accounted for the bulk of emergency funding) has fluctuated substantially over the past three decades, ranging from a low of \$0.2 billion in 2014 to a high of \$191 billion in 2009. Total supplemental funding, however, was by far the largest in the decade spanning 2000–2009 as the Congress responded to the terrorist attacks of September 11, 2001, and to hurricanes, including Katrina and Rita.

From 1990 to 1999, the Congress and the President provided a total of about \$138 billion in supplemental appropriations, mostly for Operations Desert Shield and Desert Storm during the Persian Gulf War; for a peacekeeping mission in Bosnia; for military operations in Kosovo; and for a wide range of disasters, including natural occurrences, such as earthquakes and hurricanes, and for other types of disasters, such as the Los Angeles riots and the Oklahoma City bombing.

From 2000 to 2009, over two dozen laws provided emergency supplemental appropriations totaling \$992 billion. Almost 70 percent of the supplemental funding over that decade (\$708 billion) was provided for defense-related activities, but significant funding also was provided to repair damage caused by large storms (particularly Hurricane Sandy), for tsunami relief, and for responses to the influenza pandemic of 2009.

From 2010 through the end of May 2019, the Congress and the President enacted 12 supplemental appropriation bills, totaling \$260 billion. Most of the funding (about 80 percent) was provided for nondefense purposes (primarily hurricanes, wildfires, and flooding).

Senator Toomey

Question. During the committee hearing, you mentioned that CHIMPs are used “pretty consistently” to increase discretionary spending above the caps, averaging about \$17 billion annually. Does CBO publicly identify CHIMPs included in appropriations legislation? How can the utilization of CHIMPs and their budgetary effects be made more transparent?

Answer. As directed by section 308 of the Congressional Budget Act of 1974, CBO provides detailed data and other information to the Appropriations Committees and to the Congress as a whole as they consider legislation. Those reports tabulate account-by-account estimates of the discretionary budget authority provided in each bill and the resulting outlays; they are distributed to all interested parties in the Congress.

The reports also provide estimates of the budgetary effects of provisions that would make changes in mandatory programs (known as CHIMPs) in a separate tabulation that covers the budgetary effects in each year of the next decade. Those tabulations also are provided to all interested parties in the Congress. CBO includes account-level information on CHIMPs in its annual budget projections and is currently working on a report that would be available to the public cataloging the CHIMPs included in annual appropriation legislation.