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GENERAL MEMORANDUM 19-010

Bipartisan Budget Act of 2019 Lifting Budget Caps and Suspending the Debt Ceiling Expected to be Enacted into Law

On July 25, 2019, the House of Representatives approved HR 3877, the Bipartisan Budget Act of 2019, legislation which will avert what otherwise would have been a massive sequestration of federal funds and a federal default on our Nation's obligations. Under the Budget Control Act of 2011 (PL 112-25) discretionary budget caps were set at such a low level that discretionary spending in FY 2020 would be reduced by 10 percent (\$125 billion) below the FY 2019 level. The Bipartisan Budget Act of 2019 will raise the spending caps for FYs 2020 and 2021, thus stopping the imposition of an across-the-board sequestration. The legislation also averts the impending federal government default on our Nation's already incurred obligations by suspending the limit on public debt for two years.

The Bipartisan Budget Act of 2019 is the result of negotiations among House and Senate leaders of both parties (notably House Speaker Pelosi) and the Administration (primarily Treasury Secretary Mnuchin). While there is certainly opposition to the bill, mainly because its cost is not fully offset and that it increases the deficit, Senate passage and a signature by President Trump are expected. (We note that the bill will also provide an additional \$2.5 billion to the Census Bureau for the 2020 count and that those funds will not count against the discretionary spending cap.) Congressional Leadership released an 8-point description of how they and the Administration intend to implement this budget agreement. A copy is attached.

Under the Bipartisan Budget Act of 2019, discretionary caps would be raised as follows:

- *FY 2020 non-defense* would be raised by \$78.3 billion for a total of \$621.5 billion (a 4.3 percent increase over FY 2019 enacted);
- *FY 2020 defense* would be raised by \$90.3 billion for a total of \$666.5 billion;
- *FY 2021 non-defense* would be raised by \$71.6 billion for a total of \$626.5 billion; and
- *FY 2021 defense* would be raised by \$81.3 billion for a total of \$671.5 billion

Impact on Mandatory Spending. We note that the Budget Control Act of 2011 not only placed caps on discretionary spending but it also made cuts to some categories of mandatory spending. As originally enacted, both the caps and the cuts were set to expire after FY 2021; however, in order to partially offset some of the increases for the discretionary spending caps, the end date for the cuts to mandatory spending has been repeatedly extended. The Bipartisan Budget Act of 2019 will extend these cuts for an additional two years, through FY 2029. Many large, mandatory funded programs are largely exempt from required annual reductions, i.e., Medicaid, Social Security. However, the two percent reduction to Medicare providers will continue.

FY 2020 Appropriations. Given the short time before the beginning of the fiscal year (October 1) and that Congress is out during August and through Labor Day, there is the distinct chance that there will be a number of Continuing Resolutions (CRs) as the House and Senate negotiate the details of these bills. As of this writing, the House has approved 10 of its 12 appropriations bills – only Homeland Security and Financial Services remain to be approved by the House. However, the House-approved bills total \$15 billion more than the new FY 2020 non-defense spending cap, so those bills will need to be re-worked or will have to be dealt with in conference with the Senate. The Senate, on the other hand, wanted to wait to begin markup of its appropriations bills until adjustments to the FY 2020 spending caps were agreed to. The Senate Appropriations Committee will thus begin markup of its appropriations bills after they return to session on September 9; however, there will have been behind-the-scenes work during the August Recess. It is anticipated that the 12 appropriations bills will be grouped into several bills, rather than having a single omnibus piece of legislation.

Please let us know if we may provide additional information about the Bipartisan Budget Act of 2019 or FY 2020 Appropriations.

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Bipartisan Budget Agreement for Fiscal Years 2020 and 2021

1. The 2019 Bipartisan Budget Agreement for fiscal years 2020 and 2021 (“Agreement”) is agreed to by the bipartisan leadership of Congress and the administration of Donald J. Trump. The bipartisan Congressional leadership and the administration agree to cooperate in the Agreement’s implementation.
2. The Agreement modifies the discretionary spending caps imposed by the Budget Control Act (“BCA”) for fiscal years 2020 and 2021 pursuant to the table below. The spending cap adjustments are intended to reflect the elimination of the BCA sequester for two years, plus a slight increase in spending for both defense and non-defense programs.
3. The parties agree to partially offset the Agreement’s modifications to the discretionary spending caps legislation by extending the BCA mandatory sequester and customs user fees to achieve a total offset level of \$77.4 billion as scored by the Congressional Budget Office.
4. The debt limit will be suspended for two years, through July 31, 2021. No additional restrictions will be placed on the Secretary’s extraordinary measures authorities. The debt limit suspension, spending cap adjustments, offsets, and any necessary procedural matters, will be included as part of a single piece of legislation.
5. Appropriations bills: Specific spending decisions shall be left to the members of the Appropriations Committees, with 302(b)s set through the regular process of the committees. Congressional leaders and the administration agree that, relative to the FY 2019 regular appropriations Acts, there will be no poison pills, additional new riders, additional CHIMPS, or other changes in policy or conventions that allow for higher spending levels, or any non-appropriations measures unless agreed to on a bipartisan basis by the four leaders with the approval of the President. Current transfer funding levels and authorities shall be maintained, and any modifications must be agreed to on a bipartisan basis by the four leaders with the approval of the President. Any emergency spending levels must be agreed to on a bipartisan basis by the four leaders with the approval of the President.
6. The agreement also establishes a new cap adjustment for FY 2020 to help ensure the necessary resources for the decennial Census are provided.
7. Senate Leaders agree that if a bill has been reported on a bipartisan basis from the Senate Appropriations Committee and is consistent with the BCA spending caps, and has the support of the Chairman and the Ranking Member, they will work together to minimize procedural delays. The Majority Leader will continue to consult with the Democratic Leader to sequence bills in a bipartisan way, and acknowledges that bipartisan concurrence is required to expedite the consideration of any appropriations bill.
8. The President, Congressional leaders and the leadership of the Appropriations Committees shall work together to reach bicameral and bipartisan agreement on the orderly and timely

consideration of FY 2020 appropriations bills to avoid a government shutdown, and a 12-bill omnibus. The President, Congressional leaders and the leadership of the Appropriations Committees shall also work together to reach bicameral and bipartisan agreement on the orderly and timely consideration of FY 2021 appropriations bills to avoid a government shutdown, and a 12-bill omnibus.