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House Appropriations Actions Set Stage for Battle Over 2020 Funding Levels and Priorities

By Richard Kogan

The House Appropriations Committee’s approval on May 6 of fiscal year 2020 funding levels for each of its subcommittees marked an important step forward in funding federal defense and non-defense discretionary (NDD) programs for the coming year. These funding levels, referred to as subcommittee allocations or “302(b)s,” provide a blueprint for overall federal discretionary investments and offer insight into House priorities. The House plan would raise total discretionary funding \$51 billion above the level enacted for 2019 and \$176 billion above the very low “caps” for 2020 dictated by the 2011 Budget Control Act (BCA).¹ Both defense and NDD funding would be above 2019 levels, with NDD programs receiving the larger boost. This NDD increase would help fund programs for children, job training, the decennial census, medical research, and health care (especially for veterans).

But these increases cannot become law without a bipartisan agreement, supported by at least 60 senators and the President, to amend the BCA by raising the caps. The President and Congress have enacted agreements covering each year since 2013, generally for two years at a time, to increase funding above the low levels imposed by the BCA. The most recent agreement, for 2018 and 2019, provided sufficient additional funding above the BCA levels to allow for new investments in some priority areas.

Absent a new agreement, however, the BCA caps will impose deep cuts in 2020 on both defense and NDD programs.² Moreover, if Congress and the President fail to negotiate a more substantial budget agreement and agree instead only to freeze funding at current levels (and to raise the caps

¹ In this analysis, the BCA funding caps refer to those caps as they were reduced by a process called “sequestration.” Under the BCA, austere caps on both non-defense and defense discretionary funding were set for each year through 2021. The BCA also mandated that these caps be reduced (through sequestration) if Congress did not enact more than \$1.2 trillion in additional deficit reduction later in 2011. Because Congress didn’t pass such legislation, sequestration was triggered and the caps were further reduced. For additional details on the history of sequestration, see David Reich, “Sequestration and Its Impact on Non-Defense Appropriations,” CBPP, revised February 19, 2015, <https://www.cbpp.org/research/federal-budget/sequestration-and-its-impact-on-non-defense-appropriations>.

² Sharon Parrott, Richard Kogan, and Roderick Taylor, “New Budget Deal Needed to Avert Cuts, Invest in National Priorities,” CBPP, March 1, 2019, <https://www.cbpp.org/research/federal-budget/new-budget-deal-needed-to-avert-cuts-invest-in-national-priorities>.

accordingly), the results would still be damaging — particularly for NDD programs. Such a scenario would not only wipe out important investments provided by the House appropriations bills but lead to cuts in most NDD programs, as the expected funding increases to accommodate needs in certain selected areas such as the decennial census and veterans’ medical care would force cuts in the remaining programs.

House Plan Raises Funding for Both Defense and Non-Defense

The House Appropriations Committee approved the 2020 funding targets for each of its 12 subcommittees on May 6, consistent with the plan the House adopted on April 9.³ The Appropriations Committee has since released all 12 bills. These subcommittee allocations and the resulting 12 bills are consistent with the split between defense and non-defense appropriations in H.R. 2021, introduced by House Budget Committee Chairman John Yarmuth and House Appropriations Committee Chair Nita Lowey, which the House Budget Committee approved on April 3.⁴ (See Table 1.)

TABLE 1

Discretionary Funding — Appropriations or “Budget Authority”

Amounts subject to the BCA caps, in billions of dollars

	2019 levels	2020 levels		2020 Caps vs. 2019 levels	House plan vs:	
		BCA caps	House allocations		2019 levels	BCA caps
Defense	647	576	664	-71	+17	+88
Non-Defense (NDD)	<u>597</u>	<u>543</u>	<u>631</u>	<u>-54</u>	<u>+34</u>	<u>+88</u>
Total	1,244	1,119	1,295	-125	+51	+176

Note: The figures in this table exclude allocation adjustments and scorekeeping adjustments that are outside the BCA’s caps; see Table 2 and Appendix Table 1 for NDD figures that include them. May not add due to rounding.

As Table 1 shows, the House plan provides increases relative to the 2019 level for both defense and non-defense programs, although the non-defense increase is larger. Relative to the *BCA caps*, the plan would add equal amounts — \$88 billion each — to defense and NDD programs, an approach that policymakers have termed “parity” in prior negotiations to raise the BCA caps.

Freezing NDD funding in 2020 at the 2019 level would actually result in a squeeze, for several reasons. First, prices rise and the population increases each year. Second, additional NDD needs exist in 2020 due to the added costs of the decennial census and the rising costs of veterans’ medical care, including from the expansion of care outside VA medical centers that was enacted last summer

³ The House plan is H. Res. 293. Referred to as a “deeming resolution” or “deemer,” it provides an allocation to the House Appropriations Committee, allowing it to proceed with crafting 2020 appropriations bills.

⁴ Under Section 302(b) of the Congressional Budget Act, after the Appropriations Committee receives its total allocation for discretionary funding for the coming year (see footnote 3), the Committee then subdivides that total among its 12 subcommittees. The Section 302(b) allocations reported by the Appropriations Committee on May 6 showed total funding for each subcommittee but did not subdivide those amounts between defense and NDD programs. However, based on information contained in the subcommittee bills already reported, we can conclude that the defense and NDD split matches the 2020 caps for those two categories in the Yarmuth-Lowey bill.

in the Mission Act. An increase over the 2019 NDD levels also would help in offsetting the cumulative cuts of at least \$400 billion that NDD programs experienced from 2011 through 2017, relative to the inflation-adjusted 2010 level.⁵ Those cuts were largely due to the BCA caps and would have been even deeper had bipartisan budget agreements not raised the BCA caps for each year starting in 2013.

The House plan for 2020 thus continues the pattern of cap relief and, like the bipartisan deal covering 2018 and 2019, it makes up for a portion of the lost investments in NDD programs since 2011. The House plan would add \$34 billion (5.7 percent) in NDD funding relative to the 2019 level (an increase of \$19 billion, or 3 percent, after adjusting for inflation). In contrast, if NDD funding were limited to the current BCA caps, it would fall by \$54 billion or 9 percent below the 2019 level — an 11 percent cut after accounting for inflation.

Funding Increases Vary by Subcommittee to Reflect New Needs, Priorities

Table 2 shows how the House Appropriations Committee allocates NDD funding for 2020 among the 11 subcommittees that fund NDD programs,⁶ after accounting for various cap adjustments and scorekeeping adjustments to better represent the actual dollar and percentage increases in funding. (See the Appendix for an explanation of the adjustments.)

TABLE 2

Total Non-Defense Discretionary (NDD) Funding by Subcommittee Under the House Plan: Includes Amounts Subject to BCA Caps and Amounts Outside the Caps

Dollars in billions

Subcommittee	2019	2020	\$ growth	% growth
Labor, Health & Human Services, Education	188.1	203.9	15.8	8.4%
Veterans Affairs	86.8	94.7	7.9	9.1%
Transportation, HUD	80.3	82.9	2.6	3.2%
Commerce, Justice, Science	67.3	75.0	7.7	11.6%
State, Foreign Operations	54.2	56.4	2.2	4.0%
Homeland Security	47.6	47.6	0.0	0.0%
Interior, Environment	35.1	39.1	4.0	11.4%
Financial Services & General Government	23.4	25.0	1.5	6.5%
Agriculture, Rural Development, FDA	23.1	24.4	1.3	5.6%
Energy & Water Development	22.2	23.3	1.1	4.9%
Legislative Branch	4.8	5.0	0.2	3.6%
Total	633.0	677.2	44.2	7.0%

Note: The total also includes \$0.1 billion in NDD funding provided by the Defense subcommittee. May not add due to rounding. CBPP figures are based on Section 302(b) allocations and CBO estimates of reported bills as of 6-7-2019.

⁵ Parrott, Kogan, and Taylor.

⁶ Even the Defense Subcommittee provides a tiny bit of NDD health funding, administered jointly with the Department of Veterans Affairs. But the amount at issue is so miniscule that we do not display it in Table 2.

The NDD category encompasses a broad range of programs: education, scientific research, infrastructure, national parks and forests, environmental protection, some low-income assistance, and public health, as well as many basic government operations including law enforcement, courts, and tax collection. It also includes many programs related to national security, including services for veterans, homeland security, and foreign aid.⁷

As Table 2 shows, the plan would raise NDD funding by 7.0 percent overall from 2019 to 2020. Each of the 11 subcommittees except the Homeland Security subcommittee would receive an increase over the 2019 enacted level, with the percentage increases varying. Reallocating funding among subcommittees — and thereby among agencies — is a fundamental part of the congressional appropriations process. And the appropriations bills themselves annually reallocate funding among programs *within* agencies to respond to changing needs and priorities; this is a key virtue of annual appropriations and a liability of biennial appropriations or year-long funding freezes, even if the total levels are otherwise adequate.

For example:

- The Commerce-Justice-Science subcommittee would receive an 11.6 percent increase, reflecting the significant cost of the 2020 decennial census. Of note, the House plan would allow \$7.5 billion for the decennial census to be funded outside the caps; without this adjustment, meeting the Census Bureau’s increased needs would force corresponding reductions in other programs.
- The Interior and Environment subcommittee would receive an 11.4 percent increase, boosting funding for programs ranging from environmental protection to Indian programs — especially health — and significantly increasing funding for wildfire suppression, accommodated by a recently enacted provision of law to fund a portion of these costs outside the BCA caps.
- The Veterans Affairs subcommittee would receive a 9.1 percent increase, largely to accommodate the rising costs of veterans’ health care, including the expansions implemented as part of the recently enacted Mission Act.⁸
- The Labor-HHS-Education subcommittee would receive an 8.4 percent increase, providing investments in key areas such as child care and Head Start, job training, K-12 education, Social Security operations, and family planning.⁹

⁷ “Policy Basics: Non-Defense Discretionary Programs,” CBPP, updated November 14, 2018, <https://www.cbpp.org/research/federal-budget/policy-basics-non-defense-discretionary-programs>.

⁸ Most veterans’ benefits, such as disability compensation, pensions, burial, and education benefits, are mandatory and so are not part of this NDD analysis. But veterans’ medical care is discretionary and so drives that subcommittee’s discretionary funding.

⁹ Sharon Parrott, “House Labor-Education-HHS Funding Bill a Welcome Break From Years of Disinvestment,” CBPP, May 2, 2019, <https://www.cbpp.org/blog/house-labor-education-hhs-funding-bill-a-welcome-break-from-years-of-disinvestment>.

Keeping Funding at 2019 Levels Would Place Budget in a Straitjacket

Absent enactment of legislation to raise the BCA caps, policymakers could enact 2020 appropriations via a “full-year continuing resolution” (or CR), which would freeze 2020 funding at nominal 2019 levels, in this case for all of fiscal year 2020 (October 1, 2019 through September 30, 2020) with a few exceptions.¹⁰ As noted above, a freeze would be inadequate for most programs. More funding would be needed in 2020 just to keep pace with rising prices. Also, the costs of many federal programs depend in large part on the size of the population served. For example, the number of recipients of old-age, survivors, or disability benefits will rise by 1.3 million (2 percent) in 2020, according to the Social Security Administration (SSA), suggesting a corresponding need to increase SSA staffing — the cost of which counts as discretionary funding.

Moreover, a freeze would set in concrete the subcommittee-by-subcommittee priorities enacted for 2019, and within those constraints, the program-by-program priorities that each subcommittee enacted for 2019. Yet needs change from year to year. The most obvious example is that the Constitution demands a census in 2020, which requires substantial additional funding to cover the cost of hiring and training 300,000 enumerators and supervisors, opening field offices, conducting an outreach campaign to improve response rates, going door-to-door to elicit information from unresponsive households, and processing responses. But there are hundreds of programs for which relative needs change from year to year. In short, a freeze is a straitjacket, not a desirable outcome.

Funding Freeze Would Also Breach BCA Caps, Threatening Deep, Automatic Cuts

A freeze CR that extends past the date on which Congress adjourns, or extends through 2020, would leave NDD funding tens of billions of dollars above the 2020 NDD cap, triggering automatic cuts to NDD programs according to rules laid out in statute.¹¹ Those rules, which exempt veterans’ programs and limit the automatic cuts to 2 percent for Indian Health Facilities and Services and for Community and Migrant Health Centers, would subject all other NDD funding — *whether inside or outside the caps* — to an across-the-board cut of an estimated 11.5 percent. The law dictates that these automatic cuts occur 15 days after Congress adjourns to end the session, which would be mid-January at the latest.

Such a freeze CR would also leave defense funding far above its 2020 cap, triggering automatic defense cuts as well. The mechanics of those cuts are complicated, but if the President chooses to exempt funding for military personnel (as every president has indicated he would do when a cap breach has threatened), the remaining 2020 funding for the Department of Defense would be cut an estimated 15.6 percent across the board, regardless of whether it is designated for regular defense

¹⁰ Full-year CRs can provide any funding formulas that Congress wishes, but a simple freeze is by far the most common, especially in recent decades. Note, however, that there are technical reasons that a freeze CR will not exactly reproduce the previous year’s discretionary funding total. And it’s standard for CRs to include special treatment (known as “anomalies”) for a few selected programs.

¹¹ The rules are spelled out in Sections 251, 255, and 256 of the Balanced Budget and Emergency Deficit Reduction Act of 1985, as amended.

purposes or for war. Additional defense funding provided by other subcommittees would be cut an estimated 15.3 percent across the board.¹²

To be sure, Congress and the President would be highly unlikely to agree to a freeze CR that they knew would lead to automatic, deep cuts shortly thereafter. More plausibly, a freeze CR would include a provision postponing the automatic cuts (in the case of a temporary CR) or turning them off entirely (in the case of a full-year CR). But even without the automatic cuts, a CR would leave funding both inadequate and poorly allocated, as the previous section of this analysis explains.

¹² Other subcommittees that provide some funding for national defense include the Commerce, Justice, Science subcommittee (e.g., for some FBI activities); the Energy and Water Development subcommittee (e.g., for nuclear weapons and environmental cleanup of radioactive sites); the Homeland Security subcommittee (e.g. for cybersecurity); and the Military Construction – Veterans Affairs subcommittee (for military construction, such as of military housing).

Appendix

More Complete Accounting Also Reflects Funding Outside BCA Caps

For policy or technical reasons, some discretionary funding does not count against the BCA’s defense and NDD caps. Table 1 shows only those amounts that count against the caps. Table 2 and Appendix Table 1, below, include *all* NDD funding available to the subcommittees, both amounts that count against the caps and amounts that don’t. Appendix Table 1 shows the different adjustments that were made.

APPENDIX TABLE 1

Discretionary Funding: Amounts Subject to BCA Caps *and* Outside the Caps

Dollars in billions

	2019		2020 House plan		Percent increase	
	Defense	NDD	Defense	NDD	Defense	NDD
Subject to caps (see Table 1)	647.0	597.0	664.0	631.0	2.6%	5.7%
(a) War costs (OCO)	69.0	8.0	69.0	8.0		
(b) Other “cap adjustments”		1.9		12.0		
(c) CURES Act		0.8		0.6		
(d) Financed by housing fee income		9.6		7.4		
(e) Financed by CHIMPs		15.8		18.2		
Total after adjustments (see Table 2)	716.0	633.0	733.0	677.2	2.4%	7.0%

Note: Funding outside the caps is also permitted for relief and reconstruction from natural disasters, but we omit those amounts from this table because 2020 needs are unknowable; year-to-year changes do not reflect changes in priorities or policy. May not add due to rounding.

We use the phrase “does not count” against the caps to cover four types of funding:

- Funding that technically counts against the caps but also triggers dollar-for-dollar increases in those caps, so that it effectively does not count. The largest and most well-known of these adjustments is for Overseas Contingency Operations or OCO. Other cap adjustments operate the same way as the OCO adjustments.
- Funding for the CURES Act, which funds some medical research, opioid addiction prevention and treatment, and other health-related initiatives. By law this appropriation does not count against the cap and does not trigger a cap adjustment; it is effectively scored off to the side.
- Funding offset by certain housing fee income from the Federal Housing Administration (FHA) and the Government National Mortgage Association (Ginnie Mae or GNMA).
- Funding offset by provisions in appropriations bills that reduce mandatory funding, thus freeing up room for more discretionary funding within the stated caps. Savings from these

“changes in mandatory programs” (CHIMPs) have always been credited to the Appropriations Committees as a matter of committee-by-committee accountability.¹³

Some outside-the-caps funding does not change from year to year. For example, the House plan limits the Defense Department’s war-related funding for 2020 to the enacted 2019 level of \$69 billion. Accounting for this war-related funding makes the 2019 and 2020 totals \$69 billion larger but makes the *percentage increase* from 2019 to 2020 slightly smaller (2.4 percent vs 2.6 percent). The same is true for non-defense OCO funding provided to the State Department, which receives the same amount — \$8 billion — in both 2019 and 2020 under the House plan.

But most such outside-the-cap funding does grow from year to year. This is especially the case because, under the House plan, \$7.5 billion in funding for the decennial census will not count against the 2020 NDD cap. That \$7.5 billion raises both the 2020 NDD total and the 2019-2020 NDD growth rate. Similarly, the BCA caps were amended in March 2018 to allow enactment of \$2.25 billion outside the 2020 and 2021 caps for wildfire suppression, which assists in fire prevention and other forest management work; this provision is first effective in 2020 and so increases the 2020 total but not the 2019 total, and therefore increases the 2019-2020 growth rate.

The House plan also creates a new outside-the-cap adjustment of \$400 million for 2020 for added IRS enforcement activities as part of a plan to limit the hundreds of billions a year in taxes that are owed but not paid.¹⁴ And it includes \$1.85 billion for other, existing outside-the-cap program integrity activities. These include Social Security Administration reviews of disability recipients’ continued eligibility for benefits, efforts by the Centers for Medicare and Medicaid Services to combat health care fraud and abuse, and the Employment and Training Administration’s review of use of unemployment benefits. In each case, the additional funding is understood to recoup considerably more than the cost of the extra funding itself.

Working in the other direction is the fact that the Congressional Budget Office’s estimate of how much discretionary funding will be offset by certain housing fee income will fall by \$2.1 billion from 2019 to 2020. So while the *gross level* of funding available to the Transportation-HUD subcommittee is higher in both 2019 and 2020 than shown in the subcommittee’s formal allocation (which are net of the housing receipts), the overall *increase* from 2019 to 2020 is substantially lower.

None of the tables in this analysis reflect discretionary funding enacted outside the caps in response to natural disasters because no one can predict whether the need for such funding in 2020 will be quite small or unusually large, or even whether more disasters will strike in 2019.

Similarly, none of the figures in this analysis or adjustments discussed in this Appendix include costs of “appropriated entitlement” programs, such as Medicaid. Those programs are also funded in annual appropriations bills but are mandatory and so are not subject to the BCA’s caps on discretionary programs, and the Appropriations Committee has no effective choice in how much funding to provide for these programs.

¹³ The \$18.2 billion for CHIMPs in the 2020 House bills, while larger than the 2019 CHIMP level, is less than the President’s proposed \$20.1 billion in 2020 CHIMPs.

¹⁴ Chuck Marr and Roderick Taylor, “Bipartisan Support for Budget Mechanism to Boost IRS Enforcement Is Promising First Step,” CBPP, April 9, 2019, <https://www.cbpp.org/research/federal-tax/bipartisan-support-for-budget-mechanism-to-boost-irs-enforcement-is-promising>.

Finally, none of the figures in this analysis or adjustments discussed in this Appendix include funding for highways and mass transit that is derived from the Highway Trust Fund. This funding is treated as mandatory, not discretionary, by the Congressional Budget Office and the Office of Management and Budget, and therefore is not subject to caps or otherwise constrained by the BCA and is not part of the House plan. However, for more than 40 years the Appropriations Committees have set annual obligation limits on the use of that mandatory funding, and the budget process treats the *spending* that flows from those obligation limits as discretionary. As a consequence, a full treatment of discretionary *spending* would include Highway Trust Fund expenditures. For that reason, we and others sometimes add the trust fund obligations to discretionary funding to produce a hybrid total, but we have not done so for this analysis.