

# ISSUE BRIEF

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## The Federal Budget in 2013: Dysfunction Revisited

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The federal fiscal year begins on October 1 and ends on September 30. The budget process calls for presidential, House, and Senate budgets, with the latter two to be resolved in a budget conference to arrive at the discretionary topline level from which the 12 appropriations bills are written. This process completely collapsed in 2013.

By September 2013, Congress was far from passing appropriations bills in large part because the Senate refused to live within the spending level agreed to in the 2011 Budget Control Act (BCA). Rather, the budget process was neglected in favor of delays, missed deadlines, and last-minute stop-gap measures so that by the end of fiscal year (FY) 2013, Congress was debating a continuing resolution as the federal government prepared for its first shutdown in 17 years.

This *Issue Brief* examines the budgetary dysfunction that characterized FY 2013 in order to evaluate how lawmakers can avoid similar mistakes in the future.

**A Shaky Start to FY 2013.** FY 2013 (which began on October 1, 2012) started off wrong in the late summer of 2012. As Congress scrambled to avoid a budget impasse and thus a government shut-

down, lawmakers voted to approve a continuing resolution (CR) on September 28 that would continue current levels of funding through March 2013. This measure was both poor budget procedure and bad policy. House Appropriations Committee chairman Hal Rogers (R-KY) noted:

[T]his bill essentially punts on the core duty of Congress to complete its annual Appropriations and budget work.... It is imperative to our nation's future and to our finances that we return to a timely regular order of business on such important funding legislation.<sup>1</sup>

Heritage visiting fellow Patrick Louis Knudsen called the bill “just another omnibus, spend-as-you-go measure that extends the federal government's incoherent fiscal policy.”<sup>2</sup>

**ATRA Delays Budget Cuts Until March.** Instead of debating federal spending, Congress was enmeshed in a debate over the expiring Bush tax cuts during the summer and fall of 2012. Congress passed the American Taxpayer Relief Act of 2012 (ATRA) early in the morning on January 1, 2013, and President Obama signed it into law the next day. ATRA primarily extended most of the Bush tax cuts for middle-class taxpayers while raising taxes on upper-income earners.<sup>3</sup> ATRA also became a vehicle to delay the across-the-board budget cuts—called sequestration, set to go into effect in January—until March 2013.<sup>4</sup>

**Sequestration Begins Amid Budget Deadlines.** By March, Congress was unable to agree on a viable set of alternative spending cuts, and sequestration kicked in despite doomsday predictions.

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President Obama called the cuts “severe,”<sup>5</sup> while Representative Sheila Jackson Lee (D–TX) likened sequestration to a “tsunami”—a “tragic and reckless” event that would affect a “great percentage of Americans.”<sup>6</sup> Yet most of these dire predictions never came to fruition.<sup>7</sup>

Congress passed another CR in March that continued federal funding through September 30 with sequestration in place, much to the dismay of the cuts’ opponents.

**The First Senate Budget in Four Years.** In January 2013, the federal government ran up against the debt ceiling, and Congress adopted the No-Budget-No-Pay Act to suspend the debt limit through May 2013. The act’s only requirement was that both chambers of Congress pass their own budget resolutions by mid-April. In a step toward normalcy, the act resulted in the Senate passing its first budget in four years well before the deadline.<sup>8</sup>

However, the topline numbers between the budget proposals—\$967 billion for the House, which sought to meet the sequestration spending levels, and \$1.058 trillion for the Senate, which sought to repeal sequestration—made the prospect of completing appropriations work on time slim. By September, neither chamber had passed all of its appropriations bills, and the process came to a complete stall.

The beginning of FY 2014 also marked the implementation of Obamacare. As lawmakers fought to protect Americans from the President’s unaffordable and unworkable health care law, the U.S. federal government entered its first shutdown in 17 years. As President Obama and Democrats refused to authorize funding for those programs and spending bills that had no impact on Obamacare, the partial government shutdown served as a leverage point to force Republicans into submission over funding Obamacare’s implementation.<sup>9</sup>

On October 16, Congress ended the government shutdown by agreeing to fund Obamacare with another CR while also suspending the debt limit once more.

**The Ryan–Murray Deal.** The October agreement that ended the government shutdown also established a budget conference between House Budget Committee chairman Paul Ryan (R–WI) and Senate Budget Committee chairman Patty Murray (D–WA). Despite high expectation for the conference, in the end it accomplished little other than raising spending in the interest of returning to regular budget order for FY 2015.<sup>10</sup>

The Ryan–Murray budget deal increased FY 2014 discretionary spending from \$967 billion to \$1.012 trillion. The deal was sealed with a 1,582-

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3. Curtis S. Dubay, “Fiscal Cliff Deal: Tax Increase Spoils Permanent Victory for Most Taxpayers,” Heritage Foundation *Issue Brief* No. 3821, January 8, 2013, <http://www.heritage.org/research/reports/2013/01/fiscal-cliff-deal-how-it-will-affect-taxpayers-and-the-economy>.
4. Patrick Louis Knudsen, “Fiscal Cliff Deal Added \$47 Billion in Spending,” Heritage Foundation *Issue Brief* No. 3822, January 10, 2013, <http://www.heritage.org/research/reports/2013/01/fiscal-cliff-deal-added-47-billion-in-spending>.
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6. Breanna Edwards, “Jackson Lee: Sequester Like Tsunami,” *Politico*, March 15, 2013, <http://www.politico.com/story/2013/03/jackson-lee-sequester-like-tsunami-88921.html> (accessed March 19, 2014).
7. David Fahrenthold and Lisa Rein, “They Said the Sequester Would Be Scary. Mostly, They Were Wrong,” *The Washington Post*, June 30, 2013, [http://www.washingtonpost.com/politics/they-said-the-sequester-would-be-scary-mostly-they-were-wrong/2013/06/30/73bdbbfc-da7a-11e2-8ed8-7adf8eba6e9a\\_story.html](http://www.washingtonpost.com/politics/they-said-the-sequester-would-be-scary-mostly-they-were-wrong/2013/06/30/73bdbbfc-da7a-11e2-8ed8-7adf8eba6e9a_story.html) (accessed March 20, 2014).
8. Patrick Louis Knudsen, “House and Senate Budgets: A First Step Toward Restoring Congressional Budgeting,” Heritage Foundation *Issue Brief* No. 3895, April 8, 2013, <http://www.heritage.org/research/reports/2013/04/house-and-senate-budgets-a-first-step-toward-restoring-congressional-budgeting>.
9. Amy Payne, “The Story Behind the Government Shutdown,” The Heritage Foundation, *The Foundry*, October 1, 2013, <http://blog.heritage.org/2013/10/01/the-story-behind-the-government-shutdown/>.
10. See Romina Boccia, “3 Things You Need to Know About the Congressional Budget Deal,” The Heritage Foundation, *The Foundry*, December 11, 2013, <http://blog.heritage.org/2013/12/11/3-things-you-need-to-know-about-congressional-budget-deal/>.

page omnibus spending bill that included funding for pork projects, ineffective government programs, and giveaways for corporate cronies.<sup>11</sup> The deal also set the discretionary spending level for FY 2015 at \$1.014 trillion, giving congressional appropriators an agreed-upon topline spending level to complete 12 appropriations bills this year.

**More Spending, Less Security.** Without the modest sequestration cuts in place, base discretionary spending to finance government agencies and programs grew in both inflation-adjusted and nominal terms between 2013 and 2014. Total discretionary spending fell only after accounting for spending reductions that were exempted from the BCA budget caps, including reductions in spending dedicated to the war in Afghanistan and Hurricane Sandy relief (although many disaster funds were diverted for irrelevant purposes).<sup>12</sup> Indeed, advocates of big spending—and the special interests they provide for—will always fight for the last penny.

Despite the House's efforts to abide by sequestration and reduce spending, total discretionary funding increased by almost \$10 billion in inflation-adjusted terms in 2014.

Accounting for inflation, the defense budget suffered the largest net decrease in funding from 2013 to 2014. As Heritage Vice President for Foreign and Defense Policy Studies James Carafano writes:

Hill indifference to a hollowing military became apparent after the Ryan-Murray budget deal... [It] spared the armed forces an immediate crisis, [but] gave Congress no reason to quit worrying about the future of America's defense.<sup>13</sup>

**The FY 2014 Appropriations Tracker.** Heritage will be tracking each appropriations bill this budget season to hold accountable those who dole out billions of taxpayer dollars to special-interest groups and wasteful programs while neglecting true national priorities.

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12. Taxpayers for Common Sense, "Analysis of Selected Provisions in Hurricane Sandy Emergency Spending Proposals," January 10, 2013, <http://www.taxpayer.net/library/article/brief-analysis-of-selected-provisions-in-proposed-senate-supplemental-appro> (accessed March 20, 2014).

13. James Jay Carafano, "Obama's Plan for a Declining Military," Heritage Foundation *Commentary*, February 18, 2014, <http://www.heritage.org/research/commentary/2014/2/obamas-plan-for-a-declining-military>.

TABLE 1

## Appropriations Tracker

*This table compares 2013 discretionary spending levels with those enacted in 2014. Base discretionary spending to finance government agencies and programs grew in both inflation-adjusted and nominal terms. Total discretionary spending fell after accounting for spending exempted from the Budget Control Act caps, mostly due to the bloated spending supposedly authorized for Hurricane Sandy that was not repeated in 2014.*

### BUDGET AUTHORITY IN MILLIONS OF CURRENT DOLLARS

Subcommittee	2013		2014				Change, 2013-2014	
	Enacted	Post-Sequester	House Allocations	Senate Allocations	Enacted	Enacted, Adjusted for Inflation*	Current Dollars	Adjusted for Inflation*
Agriculture	\$20,531	\$19,400	\$19,450	\$20,930	\$20,880	\$19,158	\$1,480	\$1,167
Commerce, Justice, Science	\$50,210	\$47,100	\$47,396	\$52,272	\$51,600	\$46,685	\$4,500	\$3,726
Defense	\$517,632	\$486,500	\$512,522	\$516,624	\$486,851	\$504,834	\$351	-\$6,952
Energy, Water	\$36,744	\$34,300	\$30,426	\$34,773	\$34,060	\$29,970	-\$240	-\$751
Financial Services, General Government	\$21,453	\$20,100	\$16,966	\$23,031	\$21,851	\$16,712	\$1,751	\$1,423
Homeland Security	\$39,606	\$37,800	\$38,991	\$39,100	\$39,270	\$38,406	\$1,470	\$881
Interior, Environment	\$29,827	\$28,300	\$24,278	\$30,100	\$30,058	\$23,914	\$1,758	\$1,307
Labor, HHS, Education	\$156,872	\$150,000	\$121,797	\$164,330	\$156,773	\$119,970	\$6,773	\$4,421
Legislative Branch	\$4,284	\$4,100	\$4,124	\$4,350	\$4,258	\$4,062	\$158	\$94
Military Construction, VA	\$71,930	\$70,900	\$73,320	\$74,366	\$73,299	\$72,220	\$2,399	\$1,300
State and Foreign Ops	\$42,093	\$40,400	\$34,103	\$44,079	\$42,481	\$33,591	\$2,081	\$1,444
Transportation, HUD	\$51,817	\$48,700	\$44,100	\$54,045	\$50,856	\$43,439	\$2,156	\$1,393
Total	\$1,042,999	\$987,600	\$967,473	\$1,058,000	\$1,012,237	\$952,961	\$24,637	\$9,453
Overseas Contingency Operations	\$98,683	\$93,300	\$91,938	\$91,938	\$91,938	\$90,559	-\$1,362	-\$2,741
Emergency/Disaster Relief	\$53,448	\$50,800	\$5,626	\$5,626	\$5,626	\$5,542	-\$45,174	-\$45,258
Program Integrity	\$483	\$500	\$924	\$924	\$924	\$910	\$424	\$410
<b>Total Discretionary Budget Authority</b>	<b>\$1,195,613</b>	<b>\$1,132,200</b>	<b>\$1,065,961</b>	<b>\$1,156,488</b>	<b>\$1,110,725</b>	<b>\$1,049,972</b>	<b>-\$21,475</b>	<b>-\$38,136</b>

\* In 2013 dollars.

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