The Consolidated Appropriations Act, 2016: Effects on Budgetary Trends

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Two measures included in the Consolidated Appropriations Act, 2016 (P.L. 114-113) altered the federal budget outlook. Divisions A through L of the Consolidated Appropriations Act, 2016 consist of FY2016 omnibus appropriations measures that allocate discretionary budget authority to government agencies. Division Q of the Consolidated Appropriations Act, 2016 contains the Protecting Americans from Tax Hikes (PATH) Act of 2015, which extends a number of tax provisions that expired in 2014, and makes some of those provisions permanent. This insight discusses the effects of these amendments on recent budgetary trends, using the CBO and JCT cost estimates for the legislation, the CBO budget forecast released in August 2015, and OMB historical data.

The Consolidated Appropriations Act, 2016: Effect on Federal Spending Levels

Divisions A through L of the Consolidated Appropriations Act, 2016, appropriate discretionary budget authority to government agencies for FY2016. Budget authority represents amounts that federal agencies may obligate, while outlays represent actual amounts paid by the Treasury. Therefore, there may be a lag between when budget authority is granted and outlays occur. The budget authority provided by this act is estimated by CBO to comply with the FY2016 statutory discretionary spending limits created by the Budget Control Act of 2011 (BCA; P.L. 112-25) and amended most recently by the Bipartisan Budget Act of 2015 (P.L. 114-74). CBO estimates that this act would provide total appropriations of $1,149.6 billion. For more information on the FY2016 omnibus, see CRS Insight IN10415, Brief Summary of the FY2016 Omnibus and the Historical Frequency of Omnibus Appropriations, by Jessica Tollestrup.

Under the Consolidated Appropriations Act, 2016, the recent decline in discretionary budget authority is projected to continue in FY2016. In real terms, discretionary appropriations in FY2009 (at 10.4% of GDP) were higher than in any previous year since FY1985. Reduced federal activity levels and the gradual recovery of the economy reduced real discretionary budget authority in the next two years, to 7.9% in FY2011. Discretionary spending reductions imposed by the BCA as amended further lowered real discretionary budget authority from FY2012 through FY2015. The Consolidated Appropriations Act, 2016, would set discretionary budget authority at 6.2% of GDP in FY2016, down from 6.6% of GDP in FY2015: that would mark the seventh consecutive decline in real discretionary budget authority.

The levels of mandatory spending in FY2016 are not affected by the Consolidated Appropriations Act, 2016. In recent years, real mandatory spending has been both larger than average and rising. Real mandatory outlays averaged 12.5% of GDP from FY2012 to FY2015, much higher than the average of 8.8% of GDP recorded from FY1962 to FY2011. FY2016 mandatory outlays are projected to continue increasing in FY2016, equaling 13.4% of GDP. Real net interest
payments are also projected to increase by 0.2% of GDP relative to FY2015, to 1.4% of GDP in FY2016. Real total spending levels were higher in recent years (21.0% of GDP from FY2012-FY2015) than their historical average (19.9% of GDP from FY1962-FY2011).

The PATH Act: Effect on Federal Revenues

Section I of the PATH Act of 2015 extends 56 tax provisions that expired at the end of tax year 2014, which have been extended several times in recent years. For more information on the nature of these provisions, see CRS Report R43898, *Tax Provisions that Expired in 2014 ("Tax Extenders"),* by Molly F. Sherlock.

The budget effect of the PATH Act is dependent upon the baseline it is measured against. With a current law baseline (the method used by Congressional scorekeepers), these provisions reduce revenues by $628.8 billion over 10 years. Provisions can be grouped into three categories: 30 tax preferences were extended for two years, through tax year 2016; four for five years, through tax year 2019; and 22 were made permanent.

Using CBO's August 2015 macroeconomic forecast and JCT's revenue estimates of the PATH Act, Section I of the PATH Act is estimated to reduce revenues by

- 0.8% of GDP in FY2016 (the only year that all provisions are fully effective);
- 0.3% of GDP from FY2017 to FY2020 (when the temporary extensions are partly effective); and
- 0.2% of GDP from FY2021 to FY2025 (when only the permanent provisions are effective).

In August 2015, real revenues from FY2016-FY2025 were projected to average 18.3% of GDP, which is slightly higher than the averages from FY1962-FY2011 (17.4% of GDP) and FY2012-FY2015 (16.9% of GDP).