

The Fiscal Responsibility Act (FRA) in FY2024: Current Status

January 10, 2024

Spending Limits

The Fiscal Responsibility Act (FRA, P.L. 118-5), enacted in June 2023, temporarily suspended the debt limit and established statutory discretionary spending [limits](#) for FY2024 and FY2025 for both defense and nondefense discretionary spending, as shown in **Table 1**.

Additionally, the FRA included a provision [described](#) as incentivizing Congress to enact regular, full-year appropriations legislation instead of relying on short-term continuing resolutions (CRs). This provision requires that if a CR is in effect on January 1, 2024, for any budget account, the discretionary spending limits for FY2024 be revised to the levels also shown in **Table 1**. The revisions reduce the overall amount of spending permitted by \$4 billion but entail a \$33 billion *increase* to the original nondefense discretionary spending limit and a \$37 billion *decrease* to the original defense discretionary spending limit. These revised levels, however, would not be enforced until April 30, 2024, should a CR still be in effect, and will [revert](#) back to the original limits upon the enactment of full-year appropriations.

Table 1. FY2024 Original and Revised Discretionary Limits on Budget Authority Under the FRA

In Billions of Dollars

	Defense Discretionary	Nondefense Discretionary	Total
Original levels	\$886.35	\$703.65	\$1,590.00
Revised levels under a CR	\$849.78	\$736.45	\$1,586.23

Sources: P.L. 118-5 and the Congressional Budget Office cost estimate referenced in P.L. 118-5 as “table I–S of H.R. 2617, published on December 21, 2022,” minus 1%.

Notes: These levels reflect only base spending, which excludes funding that would be exempt from budgetary enforcement.

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Enforcement

If discretionary appropriations are enacted that exceed a statutory limit for a fiscal year, a [sequester](#) is triggered, making across-the-board reductions to [nonexempt spending](#) to eliminate spending above the limit within the applicable category (defense and/or nondefense). The Office of Management and Budget (OMB) has the sole statutory responsibility of determining whether sequestration is required and, if so, the amount of sequestration needed. Any sequestration of affected discretionary budget authority would not occur until OMB issues a [final sequestration report](#) specifying the amount of any breach, as well as the sequestration percentages necessary to achieve the required reduction. A complex set of deadlines currently governs the date on which OMB must issue any required final sequestration report (as shown in [Table 2](#)).

Current Status

The government is currently operating under a [short-term CR](#) (P.L. 118-15, as amended by P.L. 118-22), which provides continuing appropriations for four of the regular appropriations acts through January 19, 2024, and the remaining eight through February 2, 2024. Because a short-term CR was in effect on January 1, the revised limits, as shown in [Table 1](#), are [currently](#) operational. These revised levels, however, are not enforced immediately and will [revert](#) back to the original limits if full-year appropriations are later enacted. [Table 2](#) provides information on which spending levels will be in effect, and when those levels will be enforced, under three different potential scenarios.

Table 2. Current Potential Enforcement Scenarios

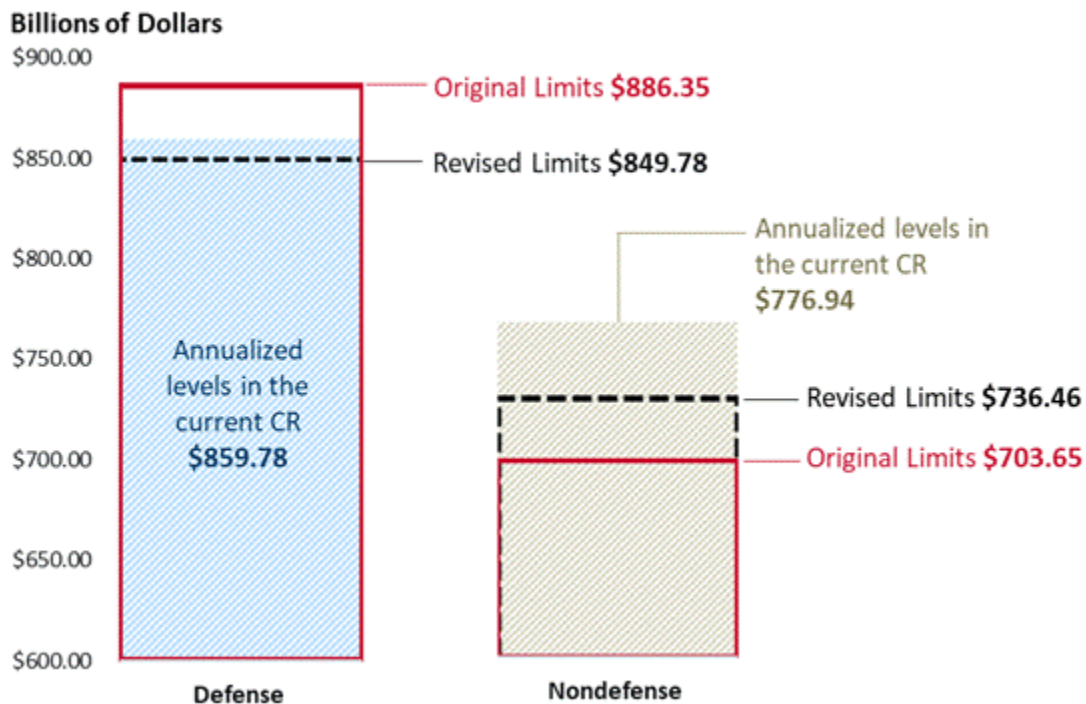
Scenario	Limits in Effect	Date of OMB Final Sequestration Report
Full-year FY2024 appropriations are enacted for all 12 bills on or prior to April 30, 2024.	Original Limits	15 business days after enactment of all full-year appropriations
A short-term CR is operational for any appropriations bill on April 30, 2024.	Revised Limits	April 30, 2024
Full-year appropriations are enacted after April 30, 2024.	Original Limits	15 calendar days after the enactment of all full-year appropriations

Sources: FRA; 2 U.S.C. §904; OMB's Memorandum for the Heads of Executive Departments and Agencies, *Frequently Asked Questions Related to Fiscal Year 2024 Discretionary Spending Limits*, issued December 22, 2023.

While enforcement of the spending limits is not yet required, some [Members](#) and [media reports](#) have suggested that adherence to these levels, through legislation or sequestration, could result in substantial reductions to current funding levels. These reports stem from [information](#) provided by the Congressional Budget Office (CBO), including a recent letter that [states](#) that if the levels of funding provided through the current short-term CR were annualized over FY2024, “sequestration would be required and would result in across-the-board reductions ranging from 5 percent to 9 percent for nondefense funding and from zero to 1 percent for defense funding, depending on when appropriations were enacted and what form they took.” Further information on such amounts is provided below in [Figure 1](#).

OMB recently issued [guidance](#) to agencies stating, among other things, that agencies should “not attempt to self-sequester and must continue as [normal](#)” in order to comply with current law, as enforcement of the spending limits will not occur until after the enactment of further FY2024 appropriations legislation.

Figure I. Comparison of Original and Revised FRA Discretionary Limits for FY2024 to the Annualized CBO Estimate of the Current Short-Term CR



Source: For FRA original levels, Section 101 of the Fiscal Responsibility Act of 2023 (P.L. 118-5); for FRA revised levels, Section 102 of the Fiscal Responsibility Act of 2023 (P.L. 118-5); for the annualized rate provided under Division A of P.L. 118-22, Table I of the CBO cost estimate for H.R. 6363 (signed into law as P.L. 118-22), and CBO, *Implementing the Statutory Limits on Discretionary Funding for Fiscal Year 2024*, January 2024.

Notes: The original limits represent those established for the defense (“Security”) and nondefense (“Nonsecurity”) categories for FY2024 in Section 101 of the FRA. The revised limits represent those established for the defense (“Security”) and nondefense (“Nonsecurity”) categories for FY2024 in Section 102 of the FRA, which went into effect on January 1, 2024, as a short-term CR was in effect. The annualized levels in the current CR represent the estimated total budget authority in the defense and nondefense categories for FY2024 if the current CR (P.L. 118-15, as amended by P.L. 118-22) were in effect for the full fiscal year, as estimated by CBO.

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