

# PUBLICATION

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## Washington Budget and Appropriations Outlook

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**On August 2, President Donald Trump signed a two-year, \$2.7 trillion budget agreement, raising spending limits and suspending the debt ceiling through July 2021. This agreement increases domestic and military spending by more than \$320 billion over the next two years. Under this agreement, defense programs will see a three percent increase in Fiscal Year (FY) 2020 with the budget growing from \$716 billion to \$738 billion. In FY 2021, the defense budget will increase to \$740.5 billion. Non-defense programs will see a four percent rise with spending increasing from \$605 billion this year to \$632 billion next year. Non-defense spending will again increase in FY 2021 to \$634.5 billion.**

Now that the budget agreement has been signed into law, Congress will only have three weeks to pass 12 appropriations bills by October 1 to avoid a second government shutdown this year. Alternatively, Congress could extend funding at the 2019 levels via a Continuing Resolution (CR). While the House has passed 10 out of 12 funding bills already, the Senate has not passed one, instead choosing to defer the appropriations process until Speaker Nancy Pelosi was finished negotiating the budget deal. This means that the Senate will only have three weeks to pass 12 appropriations bills while the House works to pass the final two. The bills from each chamber will then have to be conferenced as differences are worked out. To further complicate matters, the House bills that have passed are filled with "poison pill" provisions that Senate Republicans will certainly oppose. This all but ensures that the conferencing of the bills will be turbulent.

Further reports from the Senate Majority indicate Appropriations Chairman Shelby (R-AL) would like to move \$5 billion from the Labor-HHS allocation to the Homeland Security allocation to facilitate border wall construction. This move was poorly received by the minority and by House Appropriators. Resolution of this dispute remains unclear.

Chairman Shelby has also indicated he would like the Senate to pass the Defense, Labor-HHS and Energy and Water bills on the Senate floor in September. He has also indicated he would begin writing bills in Committee each Thursday of the month beginning September 12.

Given the three-week time restriction, and the magnitude of complex work in front of them, it is highly likely that a CR will be needed to fund at least part of the government past October 1. If this occurs, it is likely that the CR will last until early to mid-December, allowing Congress enough time to pass whatever appropriations bills remain.