

The Budget Control Act of 2011 **Debt Ceiling and Deficit Reduction Summary**

Beginning on September 8, the United States Congress will consider the *Budget Control Act of 2011*. This legislation is divided into three phases that are largely inter-dependent upon each other. If enacted, it puts in place a process whereby the debt ceiling would be increased through 2013 and any such increase would be met with cuts in spending. The following is a short summary of the *Budget Control Act of 2011*.

Phase I – Debt Ceiling Increase and Deficit Reduction

Requires approximately \$1.2 trillion in deficit reduction through the establishment of a ten-year discretionary spending cap. In the first two years, there would be a firewall separating defense and non-defense spending. Total discretionary spending in Fiscal Year 2012 would be limited to \$1.043 trillion and in 2013 total discretionary spending will be limited to \$1.047 trillion. Spending levels for 2012 would be approximately \$7 billion below Fiscal Year 2011 and approximately \$3 billion below Fiscal Year 2011 in 2013. The defense savings would represent roughly \$5 billion of the total \$10 billion in reductions over this two year period.

The plan provides for debt ceiling increases in two stages. The President may request a \$900 billion increase now, of which \$400 billion is immediately available. This \$900 billion is subject to a resolution of disapproval in both the House and Senate. The disapproval measure would be subject to Presidential Veto. Once the debt comes within \$100 billion of the debt ceiling, the President may ask for at least an additional \$1.2 trillion, which could rise to \$1.5 trillion if a Balanced Budget Amendment is sent to the states or the Joint Committee process described below enacts more than \$1.5 trillion in savings. This increase is also subject to a resolution of disapproval.

Phase II(A) - Joint Select Committee on Deficit Reduction

The legislation creates a Joint Select Committee on Deficit Reduction tasked with achieving \$1.5 trillion in deficit reduction. The Joint Committee is comprised of 12 members (6 from each Chamber, equally divided between Democrats and Republicans). They must develop legislation that achieves at least \$1.5 trillion in future deficit reduction by November 23, 2011. The committee's legislation, which can include entitlements and revenues, will be guaranteed an up-or-down vote in both chambers, without amendments, by December 23, 2011. If the Committee's recommendations achieve at least \$1.5 trillion and are enacted by Congress, the debt ceiling will be raised by \$1.5 trillion. If the committee's bill is enacted and produces between \$1.2 trillion and \$1.5 trillion, the debt limit will be raised dollar-for-dollar. If the committee fails to produce a bill, its bill is not enacted, or it produces less than \$1.2 trillion, the debt limit will increase by \$1.2 trillion. Regardless of the amount of the debt limit increase, it would be subject to a disapproval vote by Congress which would, in turn, be subject to a Presidential Veto.

Phase II (B) – Balanced Budget Amendment

The legislation requires both the House and Senate to vote on a balanced budget constitutional amendment before the end of 2011. The legislation does not make the debt limit increase contingent on passage of the amendment.

Phase III – Sequestration

If the Joint Committee fails to come to a majority agreement on recommendations that achieve at least \$1.2 trillion, or Congress fails to enact recommendations that produce at least that amount, sequestration is triggered, forcing across-the-board spending cuts. 50% of those cuts forced by sequestration would apply to defense spending in function 050. The other 50% would come from non-defense discretionary and mandatory spending with exemptions for many programs. Social security, Medicaid, veterans' benefits, and other essential benefits are exempt from cuts. Medicare savings are not totally exempt, but would be capped at 2% and are limited to Medicare providers only – the sequester would not cut benefits or alter beneficiary cost-sharing arrangements.

Members of the Joint Select Committee on Deficit Reduction

Sen. Patty Murray (D-WA) Co-Chair
Sen. Max Baucus (D-MT)
Sen. John Kerry (D-MA)
Sen. Jon Kyl (R-AZ)
Sen. Pat Toomey (R-PA)
Sen. Rob Portman (R-OH)

Rep. Jeb Hensarling (R-TX) Co-Chair
Rep. Dave Camp (R-MI)
Rep. Fred Upton (R-MI)
Rep. Jim Clyburn (D-SC)
Rep. Xavier Becerra (D-CA)
Rep. Chris Van Hollen (D-VA)

