



Summary of the Budget Control Act August 1, 2011

Major Components

- Three tranche debt ceiling increase
- Ten year discretionary spending caps
- Guaranteed vote on Balanced Budget Amendment
- Joint Select Committee on Deficit Reduction to recommend \$1.5 trillion in savings

Debt Ceiling Increase

- Total of \$2.1 to \$2.4 trillion increase
- President has authority to request \$900 billion up-front, \$400 billion which will occur upon submission and the rest which will occur absent a joint resolution of disapproval
- President has authority to request an additional \$1.5 trillion assuming passage, in both chambers, of a Balanced Budget Amendment or the successful passage of recommendations from the Joint Committee totaling \$1.5 trillion or higher. Otherwise, he can request \$1.2 trillion.

Discretionary Spending Caps

- Ten year caps saving about \$750 billion (\$920b w/ interest)
- Security/Non-Security firewalls through 2013 with roughly 55% of savings coming from non-security
- Deficit-neutral adjustments to Pell grants
- Enforced by sequestration and point of order

Balanced Budget Amendment Vote

- Requirement for both Houses to vote on BBA by Dec 31, 2011
- Requirement of passage of BBA, if Joint Committee fails, to avoid across-the-board spending cuts

Joint Committee

- Twelve member Joint Committee (3 from each party and chamber) tasked with identifying at least \$1.5 trillion in deficit reduction from an undefined baseline and no restrictions on recommendations
- Must report by November 23rd, 2011 with fast-tracked simple majority and amendment-free vote required in both chambers by December 23rd, 2011
- Failure to report at least \$1.2 trillion will result in across-the-board spending cuts sufficient to bring total savings to \$1.2 trillion, beginning on January 1st, 2013
 - Cuts would be split equally between defense and non-defense and would exempt Social Security and low-income programs, and limit Medicare cuts to 2%
 - Cuts would not occur if a Balanced Budget Amendment were sent to the States by passing both chambers of Congress
- The White House has suggested a veto on the upper-income tax cuts if the Committee does not recommend a “balanced deal”

Budgetary Impact

- Assuming success of the Budget Committee, legislation would reduce deficit by \$2.4 trillion through 2021 – including \$900 billion from caps and \$1.5 trillion from Joint Committee
- If all tax cuts and doc fixes continue, this would allow debt to grow 69% of GDP at the end of 2011 to 80% of GDP by 2021. If upper income tax cuts are allowed to expire, it would grow to 76% of GDP.
- Joint Committee would have authority to recommend *more* than \$1.5 trillion, which would be necessary in order to stabilize and reduce the debt as a share of GDP