

Policy Update

The Budget Control Act of 2011



FEDERAL UPDATE:

The House of Representatives approved the bipartisan debt-ceiling plan, *The Budget Control Act of 2011*, on Monday, August 1, 2011 by a vote of 269 to 161, which was followed by overwhelming Senate approval on Tuesday, August 2, with a vote of 74 to 26. President Obama immediately signed the bill into law, narrowly avoiding default on United States' loan obligations.

BUDGET CONTROL ACT OVERVIEW

President Obama is authorized to increase the debt limit by at least \$2.1 trillion, eliminating the need for further increases until 2013. This includes an immediate \$400 Billion increase in the debt-ceiling to prevent default, and an additional increase of \$500 Billion, to last through February 2012. While the compromise does not include any immediate revenue additions or tax increases, it does provide for an increase in funding for Pell Grants, approximately \$17 Billion, which provides assistance for low-income college students. Of note, Medicaid and Social Security are exempt from immediate cuts.

KEY DATES AND DETAILS:

- ***October 1, 2011: Spending Caps Begin***
 - The cap on spending will reduce the deficit by \$917 Billion over 10 years, with approximately \$21 Billion in cuts allocated for 2012, and \$42 Billion in 2013.
- ***November 23, 2011: Deadline for Special Joint Committee***
 - A 12-member House and Senate Committee, termed the Super Committee, will set forth a proposal to reduce spending by \$1.2 to \$1.5 Trillion. The Committee can consider increasing revenue through tax-measures, and/or cuts to entitlement programs (Medicaid) and defense.
- ***December 23, 2011: Congress Votes on Joint Committee Proposal***
 - Congressional members will not be allowed to debate and/or add amendments; they must take an up-or-down vote without any procedural delays.
- ***December 31, 2011: Deadline for Balanced-Budget-Amendment***
 - Both chambers of Congress must hold a vote, before the end of the year, on sending a balanced-budget-amendment to the states for ratification. The vote is largely symbolic, as it requires 2/3rd majority in both chambers.
- ***January 15, 2012: The Deficit Trigger***
 - If the Joint Committee's proposal fails to garner Congressional approval, across the board cuts will be "triggered," with the following guidelines: 50% from National Security/Defense, limited cuts to Medicare. **Social Security and Medicaid are exempt from the triggered cuts.**
- ***After Balanced-Budget-Amendment (BBA) Vote (February 2012)***
 - If the Congressional BBA vote is approved, the Obama administration can request a second debt-ceiling increase of \$1.5 billion. However, if the BBA is not approved, the Obama administration can request an increase of \$1.2 billion.
 - Congress will vote to approve/disapprove the second debt-ceiling increase; a largely symbolic vote, as the Obama administration can veto if Congress fails to approve the increase.

RESOURCES:

- USA Today: http://www.usatoday.com/news/washington/2011-08-03-poll-debt-agreement_n.htm
- The White House: <http://www.whitehouse.gov/issues/economy/debt-debate>
- Speaker Boehner Office: <http://www.speaker.gov/UploadedFiles/3-7-31-11-Debt-Framework-Boehner.pdf>