



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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Summary of the Budget Control Act of 2011

Overview

The "[Budget](#) Control Act of 2011" (the Act) just enacted includes procedures to raise the debt limit by up to \$2.4 trillion, in two installments, with procedures for Congress to disapprove the increases. The Act caps discretionary spending, which, in conjunction with other savings in the bill, saves more than \$900 billion over ten years. The Act then allows the debt ceiling to be increased by \$900 billion. It links the size of the second debt limit increase to the outcome of a new Joint Select Committee on Deficit Reduction (the Joint Committee) charged with finding at least \$1.5 trillion in additional savings. If Congress subsequently approves deficit reduction of more than \$1.2 trillion, then the debt ceiling would be increased by the amount of that deficit reduction up to \$1.5 trillion. If this additional deficit reduction is not agreed to by December 23, (i.e., if the Joint Committee does not produce recommended savings of at least \$1.2 trillion or if the recommendations are rejected by a majority vote in either the House or the Senate), the second debt ceiling increase will be \$1.2 trillion. That increase in the debt ceiling will be accompanied by equal across-the-board cuts in both defense and non-defense spending every year for nine years; none of the cuts will be implemented before January 2013. Even though defense spending accounts for only 20 percent of the budget, half of the sequestered spending cuts would come from defense. Most low-income spending programs will be exempt from the cuts. If there is no deficit reduction as a result of the Joint Committee, the across-the-board cuts will total about \$109 billion per year starting in January 2013. If the Joint Committee achieves less than \$1.2 trillion in deficit reduction, the across-the-board cuts over nine years will total the remaining amount of savings needed to achieve \$1.2 trillion in deficit reduction.

Debt Limit Increase

The Act allows the debt limit to be raised by a total of up to \$2.4 trillion, in two installments, and creates a procedure to allow Congress to disapprove the increases. The President may request a first increase of \$900 billion immediately. After a request is made, the debt ceiling automatically increases by \$400 billion, with the remaining \$500 billion occurring unless Congress disapproves it. The President has already made this initial request.

If Congress passes a joint resolution of disapproval and the President subsequently vetoes it, then Congress would need a vote of two-thirds or more to override the veto to prevent the debt limit from being increased. If the override fails, the debt limit is increased.

If Congress overrides the President’s veto, the \$500 billion increase does not occur and there would be an automatic sequestration equal to the \$400 billion increase that had already occurred. This sequester of spending would be an equal across-the-board cut in defense and non-defense spending, with most low-income spending programs exempt.

The second debt ceiling increase of between \$1.2 trillion and \$1.5 trillion would occur later, after the President requests it and subject to Congressional disapproval. If Congress has already approved a Constitutional “balanced budget” amendment or additional deficit reduction of at least \$1.5 trillion, then the debt ceiling would be increased by \$1.5 trillion. If Congress approves deficit reduction of between \$1.2 trillion and \$1.5 trillion, then the debt ceiling would be increased by the amount of that deficit reduction. If Congress fails to approve at least \$1.2 trillion in additional deficit reduction, then the debt ceiling would be increased by \$1.2 trillion and an automatic sequestration would occur (see *Additional Deficit Reduction* below for a more detailed description of the sequestration procedure and amounts).

Discretionary Caps

The Act establishes spending limits on appropriations for ten years, which, in combination with other savings and related debt service will save more than \$900 billion, according to the Congressional Budget Office (CBO) [score](#).

For 2012 and 2013, the Act establishes firewalls between security and nonsecurity discretionary spending, like those in [H.R. 2693](#) (i.e., Senate Majority Leader Reid’s earlier compromise proposal). However, the Act uses a different definition of security – similar to the definition used by the Administration but different from the one used by House Republicans – and provides

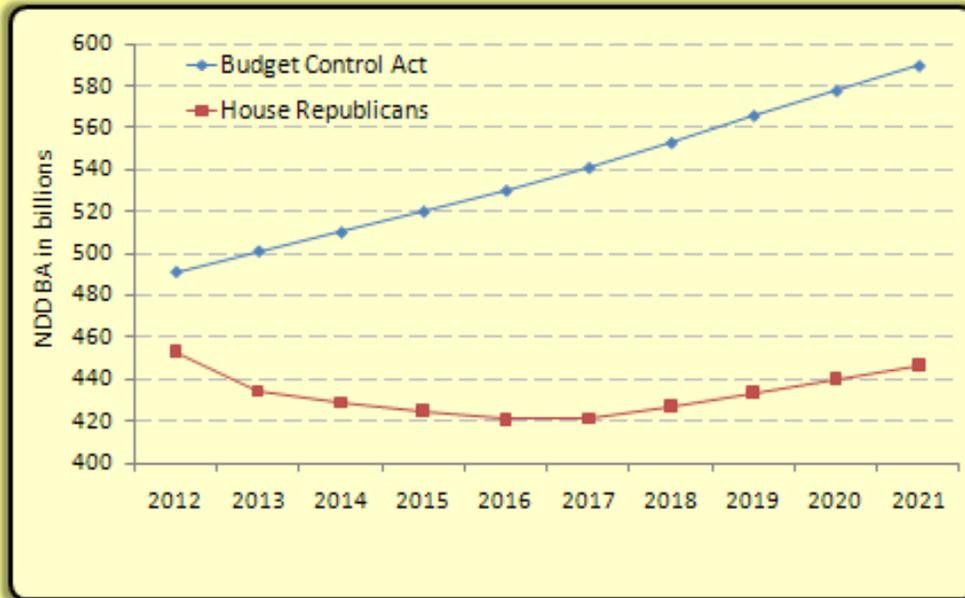
	The Act	2011¹	House Republicans	The Act v. House
2012				
Security	684	689	695	-11
Nonsecurity	359	361	325	34
Total	1,043	1,050	1,019	24
2013				
Security	686	689	719	-33
Nonsecurity	361	361	308	53
Total	1,047	1,050	1,028	19

Excluding war and emergencies

¹At time of enactment

updated amounts for the two categories. The new security category includes the Departments of Defense, Homeland Security, Veterans Affairs, the National Nuclear Security Administration, and the International Affairs budget function – all of which are included in the Administration’s definition of security. The new security definition also incorporates the Intelligence Community Management Account, which received \$650 million for 2011.

Budget Control Act Provides \$1.0 Trillion More for Nondefense Discretionary than House Republican Plans



HBC House Budget Committee Democrats

Over ten years (2012-2021), the Act provides \$1 trillion more in nondefense discretionary budget authority than the House Republican level (current House appropriations bills for 2012, and House budget resolution levels for 2013 and beyond). It reduces defense from the House Republican level by \$50 billion and provides about \$550 billion more in total discretionary budget authority. The Act levels in the chart above and the table below use the defense and nondefense caps for 2013 through 2021 that are prior to any sequestration. For 2012, they use the 2011 enacted defense level (the midpoint in the House-passed Republican debt plan).

Comparison of Defense and Nondefense Budget Authority Totals

In Billions of Dollars

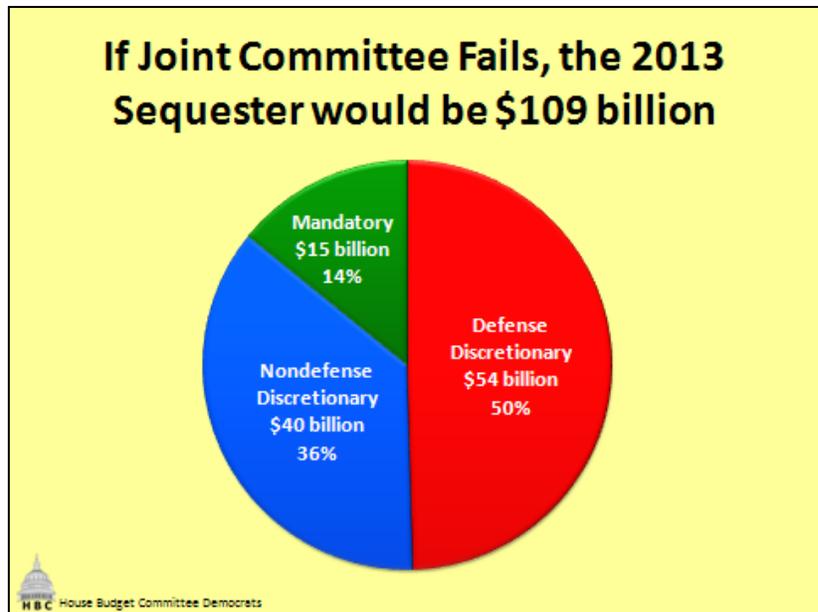
	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>10-Yr Total</u>
The Act	1,043	1,047	1,066	1,086	1,107	1,131	1,156	1,182	1,208	1,234	11,260
<i>Defense</i>	552	546	556	566	577	590	603	616	630	644	5,880
<i>Nondefense</i>	491	501	510	520	530	541	553	566	578	590	5,380
House Republicans	1,019	1,028	1,039	1,047	1,056	1,068	1,085	1,104	1,123	1,142	10,709
<i>Defense</i>	567	593	610	622	635	646	658	670	683	695	6,379
<i>Nondefense</i>	453	434	429	425	421	421	427	434	440	447	4,330
The Act Above/Below House Republicans											
Total BA	24	19	27	39	51	63	71	78	85	92	551
<i>Defense</i>	-15	-47	-54	-56	-58	-56	-55	-54	-53	-51	-499
<i>Nondefense</i>	38	67	81	95	109	120	126	132	138	143	1,050

Excluding war and emergencies

Additional Deficit Reduction

The Act creates a Joint Select Committee on Deficit Reduction to draft a plan with the goal of reducing the deficit by at least \$1.5 trillion over ten years. This Joint Committee is charged with considering recommendations from House and Senate committees as it produces a report by November 23, 2011. If a majority of the Joint Committee's 12 members approve the report, then by December 2 it is submitted to Congress and the President for fast-track consideration.

If the Joint Committee cannot reach agreement on the required level of deficit reduction or if Congress fails to enact the Committee's recommendations by December 23, 2011, automatic spending reductions will take place beginning one year later – in January 2013 – that save \$1 trillion over nine years. If Congress enacts deficit reduction that is less than \$1.2 trillion, the across-the-board cuts over nine years will total the remaining amount of savings needed to achieve \$1.2 trillion in deficit reduction.



The reductions would follow a structure similar to that imposed by the Balanced Budget and Emergency Deficit Control Act of 1985 (known as Gramm-Rudman-Hollings). That model requires half of sequestration savings to come from defense spending (which includes Pentagon spending, and is not as broad as the Act's newly defined "security" discretionary funding category described above in *Discretionary Caps*) and half from nondefense spending; even though defense accounts for only 20 percent of the budget, 50 percent of the spending cuts would come from defense. Certain programs are exempt from sequestration, including Social Security, Medicaid, and virtually all low-income mandatory spending such as TANF, food stamps (now known as SNAP), and the Earned Income Tax Credit. Medicare benefits are exempt from cuts, and cuts to Medicare provider payments will be no more than 2 percent. Most discretionary programs are subject to sequestration.

Any sequestration order would not be effective until January 2013, the very same time that the Bush Administration's tax cuts also expire. As a result, it is likely that decisions about whether to impose spending cuts and whether to extend tax cuts would be linked.

Constitutional Amendment

The Act requires both the House and the Senate to vote between September 30 and December 31, 2011, on an amendment to the Constitution. The Act requires a vote on a “balanced budget amendment” but does not condition the debt ceiling increases on the vote, nor does it require that the amendment be passed. The Act does not specify which version of the “balanced budget amendment” would be voted on.

Higher Education

The Act helps shore up the Pell grant program by providing a total of \$17.0 billion spread over 2012 and 2013 towards maintaining the current maximum award of \$5,550. This spending is more than offset with \$21.6 billion in savings from two changes to federal student loan programs. The Act eliminates in-school interest subsidies on student loans for graduate students – subsidized loans for undergraduates are not affected – allowing interest to accrue while the student is in graduate school (the principal and interest still would not have to be repaid until after the student graduates). The Act also eliminates up-front rebates that had been repayment incentives for Direct Loans.

Program Integrity Savings

The Act allows adjustment of the discretionary caps to reflect increased funding for specific money-saving activities to reduce improper payments in certain benefit programs. These activities are eligibility reviews of Disability Insurance and Supplemental Security Income beneficiaries, and anti-fraud initiatives in the Medicare and Medicaid programs. CBO estimates that the program integrity provisions in the Act, if fully funded, will generate programmatic savings of \$15.6 billion over ten years.

Timeline of Actions under the Debt Deal

Immediately	<p>Establishes discretionary caps for 10 fiscal years, with firewalls for fiscal year 2012 and 2013 between security and nonsecurity spending.</p> <p>Allows an increase of \$900 billion in the debt ceiling.</p> <ul style="list-style-type: none">• \$400 billion increase happens automatically.
Within two weeks	House and Senate appoint a total of 12 members to a new Joint Select Committee on Deficit Reduction, whose goal is deficit reduction of at least \$1.5 trillion over ten fiscal years.
Late September	<p>Congress has 50 days after the debt ceiling is increased to pass a resolution of disapproval, or else the debt ceiling is increased by the remaining \$500 billion.</p> <ul style="list-style-type: none">• If the President vetoes the resolution of disapproval, Congress can vote to override. If the override succeeds, the debt ceiling is not raised and there is a \$400 billion sequestration equal to the original debt ceiling increase.
October-December	Between September 30 and December 31 both Houses of Congress must vote on a “Joint resolution proposing a balanced budget amendment to the Constitution of the United States.”
October 14	Each Congressional committee may transmit recommendations to the Joint Select Committee.
November 23	The Joint Select Committee reports its recommendations .
December 2	If a majority of the 12 Committee members approve the report, the report and legislative language go to the President, the House, and the Senate .
December 23	The House and Senate vote on the Committee’s report.
Winter (estimate)	<p>When the debt subject to limit is again within \$100 billion of the ceiling, the debt ceiling can be increased by between \$1.2 trillion and \$1.5 trillion.</p> <ul style="list-style-type: none">• If Congress has passed a Constitutional amendment or if Congress has approved additional deficit reduction of at least \$1.5 trillion, the debt ceiling can be increased by \$1.5 trillion.• If Congress has approved additional deficit reduction of between \$1.2 trillion and \$1.5 trillion, the debt ceiling can be increased by that amount.
15 days later	Congress has 15 calendar days after being notified of the need to increase the debt ceiling to enact a joint resolution of disapproval, or else the debt ceiling is increased.

January 15, 2012 If Congress has not approved additional deficit reduction of at least \$1.2 trillion, the debt ceiling can be increased by \$1.2 trillion, with automatic sequestration to take effect one year later and lasting the next nine fiscal years.

January 2013 If the additional deficit reduction of at least \$1.2 trillion was not enacted by January 15, 2012, **a sequester takes effect**, spread equally across defense and non-defense spending, with certain programs exempt. The sequester continues through fiscal year 2021.