



Raising the Debt Ceiling: A Summary and Analysis of the Final Deal

August 2, 2011

President Obama and congressional leaders reached a deal to raise the debt ceiling and reduce the deficit by at least \$2.1 trillion over 10 years. The bill prevents the United States from defaulting on its debt, which would have had disastrous economic consequences. The bill contains significant spending cuts, but does not specify which programs to cut or by how much. While some protections exist, this deal leaves us with challenging but important work to prevent Congress from enacting harmful cuts to programs for hungry and poor people. Below is an outline of the major provisions of the bill, the Budget Control Act of 2011.

	The Final Deal	Analysis
Debt Ceiling Increase Timeline	<ul style="list-style-type: none"> Raises debt ceiling by \$2.1 trillion in two parts: <ol style="list-style-type: none"> Immediately raises the debt ceiling by \$900 billion. Allows the president to raise it again by about \$1.2 trillion early next year, unless Congress passes a resolution of disapproval by a veto-proof majority, which is extremely unlikely. 	<ul style="list-style-type: none"> This plan raises the debt ceiling by enough to get us through early 2013, avoiding another debt ceiling debate in a few short months.
Discretionary Spending	<ul style="list-style-type: none"> Caps discretionary spending leading to \$840 billion in cuts over 10 years.¹ For the first two years, there are different caps for “security” and “non-security” spending. Security in this case includes defense, homeland security, veteran’s affairs, state department, and foreign assistance (including poverty-focused development). 	<ul style="list-style-type: none"> Discretionary programs important to hungry and poor people are at risk of deep cuts. Programs include international food aid, poverty-focused development assistance, WIC, job-training programs, Head Start, and Hunger Free Communities. Because foreign assistance is being considered security spending, it could be at risk of even deeper cuts should Congress attempt to protect defense spending over foreign assistance.
Joint Select Committee on Deficit Reduction	<ul style="list-style-type: none"> Creates a bipartisan, bicameral “super committee” that must report by November 23, 2011, specific recommendations to reduce the deficit by an additional \$1.5 trillion over 10 years. Congressional leadership would appoint the 12 committee members, three from each party in each house (3 Senate Ds, 3 Senate Rs, 3 House Ds, 3 House Rs). The committee’s recommendations receive special procedural treatment in Congress, requiring a simple up-or-down vote by December 23, 2011. The vote would not be subject to filibuster or amendment. 	<ul style="list-style-type: none"> The committee is directed to look at everything, including revenues, entitlement reforms, and defense spending. The fast-track procedures would make it easier for Congress to enact controversial pieces, such as entitlement reforms and tax increases.

(continues on next page)

	The Final Deal	Analysis
Mandatory Spending	<ul style="list-style-type: none"> The initial cuts and caps do not affect mandatory spending. The “super committee” will be tasked with mandatory spending cuts and reforms. No program or revenue raiser is exempt. 	<ul style="list-style-type: none"> Changes to entitlement programs could have devastating consequences for SNAP, unemployment insurance, Medicaid, the Earned Income Tax Credit, and Child Tax Credit. There will be enormous pressure on the committee to cut entitlement programs, including low-income entitlement programs listed above, especially if the committee does not agree to revenues.
Enforcement Mechanisms	<ul style="list-style-type: none"> If the super committee fails to produce recommendations totaling at least \$1.2 trillion, automatic across-the-board cuts would be triggered every year for nine years, starting in 2013. Cuts would be split 50/50 between defense and non-defense spending. Means-tested entitlement programs would be exempt from across-the-board cuts, as they have been with all previous major deficit-reduction bills. 	<ul style="list-style-type: none"> Means-tested entitlement programs that are exempted include SNAP (formerly food stamps), the Earned Income Tax Credit, Child Tax Credit, and Medicaid. While means-tested entitlement programs are protected, all other vital programs, including poverty-focused development assistance and WIC, will be open to deep cuts.
Revenues	<ul style="list-style-type: none"> The initial cuts and caps are not paired with any revenue measures. The super committee can look at revenues in their search for \$1.2 to \$1.5 trillion in savings. 	<ul style="list-style-type: none"> While revenue increases are not off the table, Speaker Boehner has indicated that his appointees to the super committee will be staunchly opposed to any tax increases.
Balanced Budget Amendment	<ul style="list-style-type: none"> Requires Congress to vote on a balanced budget amendment to the U.S. Constitution before the end of 2011. 	<ul style="list-style-type: none"> A balanced budget amendment in the U.S. Constitution prevents the federal government from responding to recessions, emergencies, natural disasters, and spikes in need. Many different balanced budget amendment proposals exist. The bill does not specify a specific version. The Senate only needs to vote on a balanced budget amendment if it passes the House with the necessary 2/3 majority.
Total Deficit Reduction Achieved	Between \$2.1 ² and \$2.4 trillion ³ over 10 years.	

Endnotes

¹ These are Congressional Budget Office (CBO) numbers using the March baseline, which is the standard scoring from CBO. However, it is worth noting that the March baseline assumes the House-passed budget for FY 2012 is in effect. Yet the Senate voted down that budget. Thus, the March baseline understates the magnitude of the proposed cuts. Additionally, these numbers reflect budget authority, not budget outlays.

² These are Congressional Budget Office (CBO) numbers using the March baseline, which is the standard scoring from CBO. However, it is worth noting that the March baseline assumes the House-passed budget for FY 2012 is in effect. Yet the Senate voted down that budget. Thus, the March baseline understates the magnitude of the proposed cuts. Additionally, these numbers reflect budget authority, not budget outlays.

³ The CBO did not score the \$1.5 trillion in recommendations from the Joint Select Committee because the specifics of the recommendations are yet to be determined. Thus, the \$2.4 trillion includes the assumed \$1.5 trillion in savings derived from the Joint Select Committee.