

# The Budget Control Act of 2011: How it Works and How It May Affect Disability-related programs

Public Policy Conference Call  
September 8, 2011

# Outline

- Budget Control Act Basics
- The Three Step Process
- The Joint Select Committee on Deficit Reduction
- Why Medicaid is at Risk
- Medicaid Proposals Congress May Consider
- Why Revenues Should be Considered
- What Advocates Must Do
- Q & A

# Budget Control Act Basics

- Enacted August 2, 2011.
- Three step process to raise the debt ceiling by up to \$2.8 trillion and reduce the deficit by \$2.3 trillion over 10 years.
- At least \$840 billion will be cut from discretionary programs.
- Requires vote on a constitutional amendment to have a balanced budget
- Revenues are not explicitly included, although not prohibited.
- No details about which programs will be cut or by how much.



# Budget Control Act Basics

- Specific program cuts to be determined in the upcoming months.
- Cuts will be made through the regular Appropriations Committee process and working with the new “super committee.”
- Disability-related programs are **vulnerable** or **protected** in different steps.
- Advocacy to protect the programs that are important to people with disabilities will need to continue through the end of the year.

# Three Step Process Basics

**Step 1** - Caps are placed on discretionary programs: \$840+ billion will be cut from discretionary programs over a 10 year period (2012-2021).

**Step 2** - Congress is charged with reducing the deficit by an additional \$1.5 trillion

**Step 3** - If Congress does not enact at least \$1.2 trillion in deficit reduction, then automatic, across the board cuts are made.

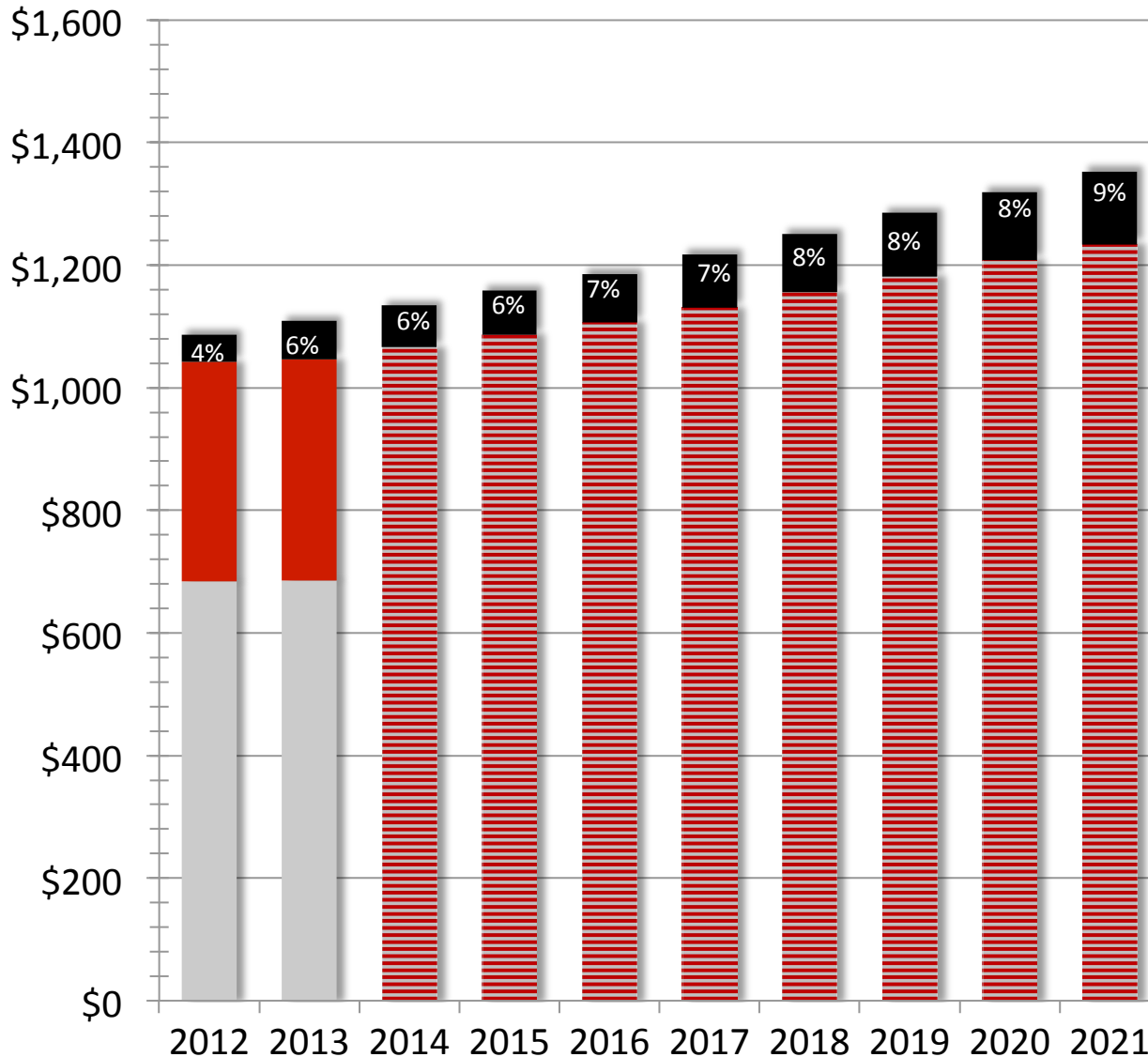
# The Three-Step Budget Control Process

## Step 1

- The debt ceiling is raised immediately (8/2/11), with additional increases authorized thru early 2013
- Caps are placed on discretionary programs:
  - **\$840 billion will be cut from discretionary programs over a 10 year period (2012-2021).**
  - Cuts are to be balanced between defense and non-defense spending (which could include important disability-related programs like housing, education, employment, and transportation) in FY 2012 and 2013. All the cuts cannot come from domestic programs.
  - After 2013 there is a single cap for all discretionary programs.
  - **Most Entitlement programs (Medicare, Medicaid, Social Security, and Supplemental Security Income (SSI)) are protected from cuts in this step.**
- Provides increases in spending for programs to save money:
  - new spending for SSA to do more Continuing Disability Reviews
  - more spending on stopping fraud and abuse in entitlement programs

# Step 1: Discretionary Caps *(in billions)*

Total Reduction in Budget Authority = \$840 billion



 **Cut from Baseline**

Reduced Budget Authority

 **Non-Security\***

All programs not included in security (includes disability-related programs)

 **Security**

- Department of Homeland Security
- Department of Veterans Affairs
- National Nuclear Security Admin
- International affairs programs
- Intelligence community management

## **DEFENSE**

Department of Defense—Military:  
Military Personnel; Operation and Maintenance; Procurement; Research, Development, Testing, and Evaluation; Military Construction; Family Housing

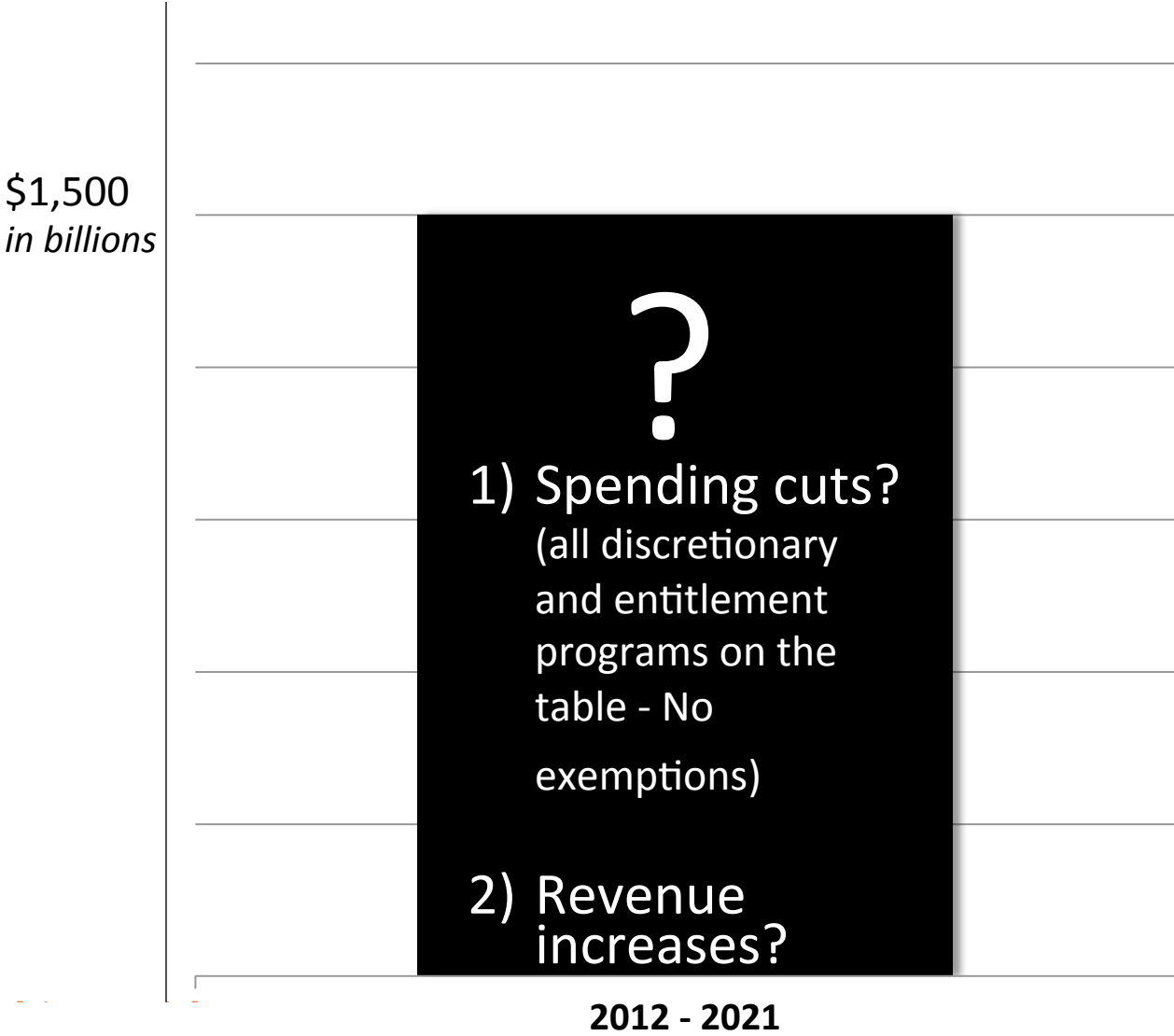
 **Combined Non-Security and Security**

# The Three-Step Budget Control Process

## Step 2

- Recommendations by a twelve-member bipartisan Congressional “Super Committee” - the **Joint Select Committee on Deficit Reduction**.
- Rules changes will make it easier for Congress to pass recommendations from the Joint Committee.
- Congress will cut an additional \$1.2 to \$1.5 trillion from the federal budget over 10 years:
  - By November 23 - Deadline for the Joint Committee to propose specific spending cuts.
  - The Joint Committee’s plan must get the support of at least 7 of its Members to be voted on by the full Congress.
  - The Joint Committee’s plan can be for less than \$1.2 trillion
  - By December 23 - Congress holds an up or down vote, with no amendments allowed.
- **Drastic cuts to important disability-related entitlement and discretionary programs could be proposed by the Committee and enacted by Congress at this stage. No protections for Medicaid, SSI, Social Security, Medicare, or other programs serving low-income people.**

# Step 2: Joint Committee Charged with Deficit Reduction of \$1.5 trillion over 10 years



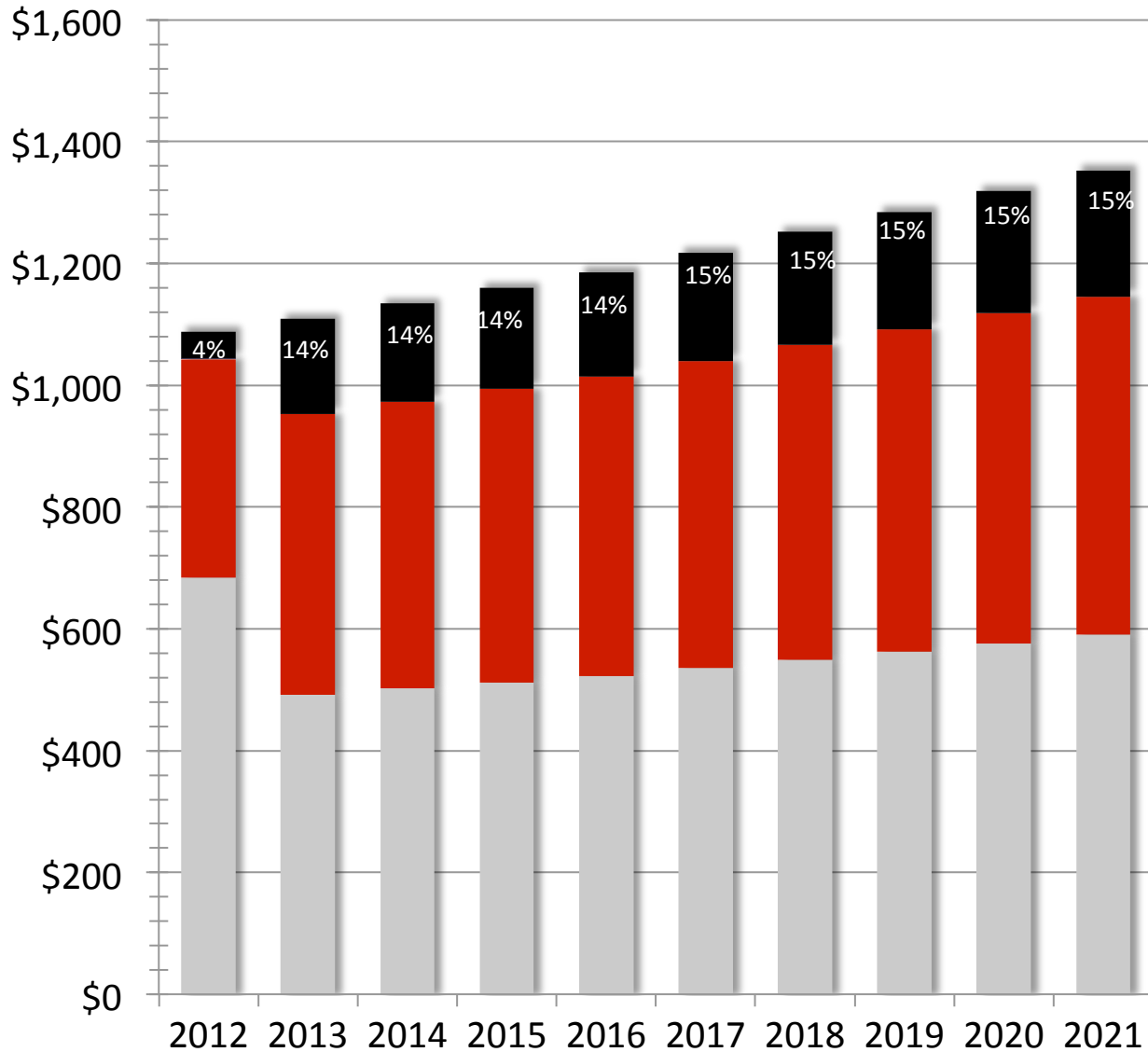
# The Three-step Budget Deal Process

## Step 3 - Only IF the Joint Select Committee fails to obtain agreement from at least 7 of its Members to cut \$1.2 trillion OR if Congress fails to enact its plan

- Automatic, across-the-board, spending cuts will be triggered for FY 2013-2021 in the amount of the *difference* between what is enacted and \$1.2 trillion.
- Most non-Defense discretionary programs are projected to be cut by 6.7%
- Across the board cuts will not be implemented until January 2013 but OMB will forecast the expected amounts in advance of that date
- **Low-income entitlement programs, such as the Medicaid and SSI programs, are exempted from the automatic, across-the-board cuts (though 2% Medicare provider cuts are allowed).**

# Step 3: Estimates of Discretionary Spending Caps If Joint Committee Proposal Fails\* *(in billions)*

Total Reduction in Budget Authority = \$ 1.2 Trillion



\* **Exempted:** Medicaid and other low income entitlement programs

**Cut from Baseline**

Reduced Budget Authority. Includes cuts from step 1 caps.

**Non-Security\***

All programs not included in security (includes disability-related programs)







**Security**







= **DEFENSE**

Department of Defense—Military: Military Personnel; Operation and Maintenance; Procurement ; Research, Development, Test, and Evaluation; Military Construction; Family Housing

# Timeline of Events

- Aug- Oct, 2011**
  - Appropriations Committees developing spending plan
  - Joint Select Committee developing spending plan
- Sept 13 , 2011**
  - First public hearing of the Joint Select Committee
- Oct 14, 2011**
  - Deadline for Congressional Committees to submit recommendations to the Joint Select Committee
- Nov 23, 2011**
  - Joint Select Committee submits long term plan for additional \$1.2 to \$1.5 trillion in deficit reduction
- Dec 23, 2011**
  - Congress holds up or down vote on plan from the Joint Select Committee
- Jan 15, 2012**
  - Deadline for enactment of legislation from the Joint Select Committee. If not enacted, spending is reduced beginning in January of 2013
- Jan 31, 2012**
  - Joint Select Committee disbands
- Jan 2, 2013**
  - Automatic cuts to non-exempt spending goes into effect if Congress failed to enact at least \$1.2 trillion in deficit reduction

	Senator	Key Congressional Committees	Other	The Arc Vote Scorecard (2007-2011)
	Patty Murray (D-WA) <i>Co-Chair</i>	Appropriations Budget Health, Education, Labor and Pensions Veterans' Affairs , <i>Chair</i>	<i>Democratic Leadership</i>	<a href="#"><u>100%</u></a>
	Max Baucus (D-MT)	<b>Finance, Chair</b> Joint Committee on Taxation , <i>Vice Chair</i>	Biden Talks Fiscal Commission	<a href="#"><u>92%</u></a>
	John Kerry (D-MA)	Commerce, Science and Transportation <b>Finance</b> Foreign Relations , <i>Chair</i> Small Business and Entrepreneurship		<a href="#"><u>100%</u></a>
	Jon Kyl (R-AZ)	<b>Finance</b> Judiciary	Biden Talks	<a href="#"><u>33%</u></a>
	Rob Portman (R-OH)	Armed Services Budget Energy and Natural Resources Homeland Security and Gov Affairs	former OMB Director <i>Republican Leadership</i>	<a href="#"><u>0%</u></a> <i>freshman</i>
	Pat Toomey (R-PA)	Budget Banking, Housing and Urban Affairs Commerce, Science and	opposed raising debt ceiling	<a href="#"><u>0%</u></a> <i>freshman</i>

	Rep.	Key Congressional Committees	Other	The Arc Vote Scorecard (2007-2011)
	Jeb Hensarling (R-TX) <i>Co-chair</i>	Financial Services, <i>Vice Chairman</i>	Fiscal Commission <i>Republican Leadership</i>	<a href="#"><u>5%</u></a>
	Xavier Becerra (D-CA)	Ways and Means	Fiscal Commission <i>Democratic Leadership</i>	<a href="#"><u>100%</u></a>
	David Camp (R-MI)	Ways and Means, <i>Chairman</i>	Fiscal Commission	<a href="#"><u>42%</u></a>
	James Clyburn (D-SC)		Biden Talks <i>Democratic Leadership</i>	<a href="#"><u>100%</u></a>
	Fred Upton (R-MI)	<b>Energy and Commerce</b> , <i>Chairman</i>		<a href="#"><u>53%</u></a>
	Chris Van Hollen (D-MD)	Budget, <i>Ranking Member</i>	Biden Talks	<a href="#"><u>100%</u></a>



# And Who is Responsible for the \$840+ billion in cuts to Discretionary programs in Step 1?

## House Appropriations Committee

### Republicans

Harold Rogers, Kentucky, Chairman  
C.W. Bill Young, Florida  
Jerry Lewis, California  
Frank R. Wolf, Virginia  
Jack Kingston, Georgia  
Rodney P. Frelinghuysen, New Jersey  
Tom Latham, Iowa  
Robert B. Aderholt, Alabama  
Jo Ann Emerson, Missouri  
Kay Granger, Texas  
Michael K. Simpson, Idaho  
John Abney Culberson, Texas  
Ander Crenshaw, Florida  
Denny Rehberg, Montana  
John R. Carter, Texas  
Rodney Alexander, Louisiana  
Ken Calvert, California  
Jo Bonner, Alabama  
Steven C. LaTourette, Ohio  
Tom Cole, Oklahoma  
Jeff Flake, Arizona  
Mario Diaz-Balart, Florida  
Charles W. Dent, Pennsylvania  
Steve Austria, Ohio  
Cynthia M. Lummis, Wyoming  
Tom Graves, Georgia  
Kevin Yoder, Kansas  
Steve Womack, Arkansas  
Alan Nunnelee, Mississippi

### Democrats

Norman D. Dicks, Washington  
Marcy Kaptur, Ohio  
Peter J. Visclosky, Indiana  
Nita M. Lowey, New York  
José E. Serrano, New York  
Rosa L. DeLauro, Connecticut  
James P. Moran, Virginia  
John W. Olver, Massachusetts  
Ed Pastor, Arizona  
David E. Price, North Carolina  
Maurice D. Hinchey, New York  
Lucille Roybal-Allard, California  
Sam Farr, California  
Jesse L. Jackson, Jr., Illinois  
Chaka Fattah, Pennsylvania  
Steven R. Rothman, New Jersey  
Sanford D. Bishop, Jr., Georgia  
Barbara Lee, California  
Adam B. Schiff, California  
Michael M. Honda, California  
Betty McCollum, Minnesota



# And Who is Responsible for the \$840+ billion in cuts to Discretionary programs in Step 1?

## Senate Appropriations Committee

### Democratic Members

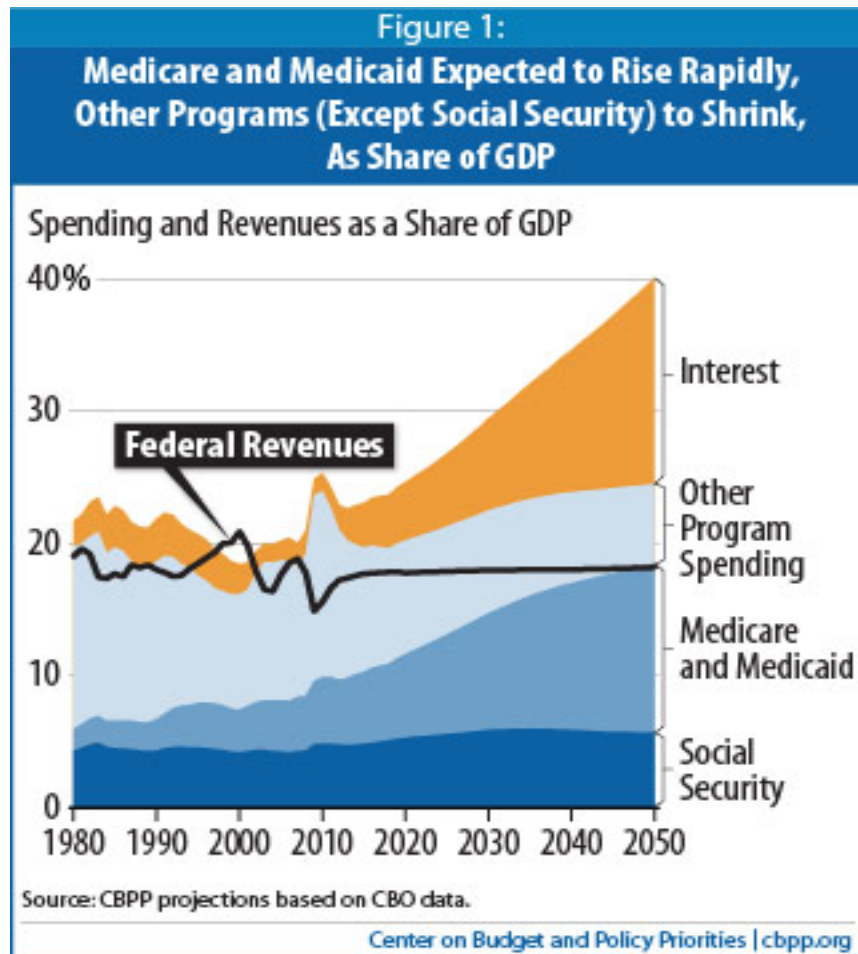
Daniel Inouye Hawaii, *Chair*  
Patrick Leahy, Vermont  
Tom Harkin, Iowa  
Barbara Mikulski, Maryland  
Herb Kohl, Wisconsin  
Patty Murray, Washington  
Dianne Feinstein, California  
Richard Durbin, Illinois  
Tim Johnson, South Dakota  
Mary Landrieu, Louisiana  
Jack Reed, Rhode Island  
Frank Lautenberg, New Jersey  
Ben Nelson, Nebraska  
Mark Pryor, Arkansas  
Jon Tester, Montana  
Sherrod Brown, Ohio

### Republican Members

Thad Cochran, Mississippi, *Vice Chair*  
Mitch McConnell, Kentucky  
Richard C. Shelby, Alabama  
Kay Bailey Hutchison, Texas  
Lamar Alexander, Tennessee  
Susan Collins, Maine  
Lisa Murkowski, Alaska  
Lindsey Graham, South Carolina  
Mark Kirk, Illinois  
Dan Coats, Indiana  
Roy Blunt, Missouri  
Jerry Moran, Kansas  
John Hoeven, North Dakota  
Ron Johnson, Wisconsin

# Why is Congress so Concerned about Spending on Health Care?

## Long Term Trend



# Why is Medicaid At Risk?

- Good News—not part of step 1 and protected from sequestration in step 3
- Bad News—big target for cuts in step 2
- Health Care costs are growing
- Medicare and Social Security more politically difficult to cut
- House already approved over \$700 billion in cuts as part of the House Budget Resolution
- Obama Administration put forward \$100 billion in proposed Medicaid cuts

# What Might Congress Cut in Medicaid?

- The House wants a Medicaid Block Grant
- The Obama Administration proposed:
  - Simplifying the federal match
  - Eliminating/limiting use of provider taxes
- Few options to cut Medicaid that are not either a cost shift to states or cuts to optional services
- Other topics being discussed
  - How to cut the costs of dual eligibles (15 state pilots)
  - Mandatory managed care (states are moving in that direction)
  - New payment methods to incentivize savings (Accountable Care Organizations, etc.)

# Why is Congress so Concerned about Spending on Medicaid?

- Recession and aging of the population leading to growth in the program
- Health care costs are increasing faster than other costs
- Republican Governors are calling for more flexibility

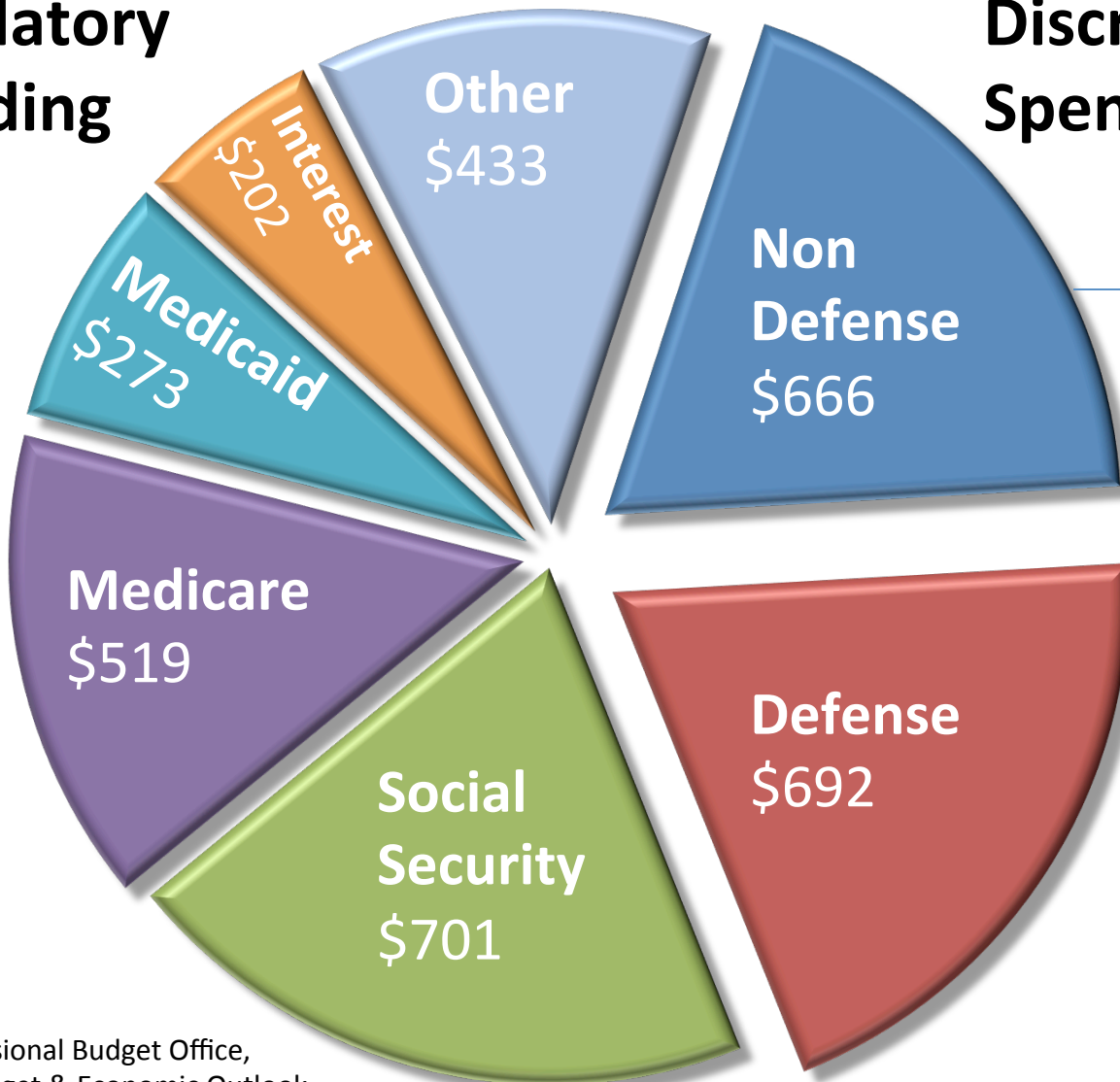
# What Other Programs Could Be Cut?

- Everything is on the table to a certain extent including changes to Social Security and Medicare
  - Chained CPI
  - Raising retirement age
- Repeal of the CLASS program
- Expect consolidation and elimination of programs, for example combining employment and training programs

# TOTAL FEDERAL SPENDING IN FY 2010 = \$3.5 Trillion (in Billions)

**Mandatory  
Spending**

**Discretionary  
Spending**



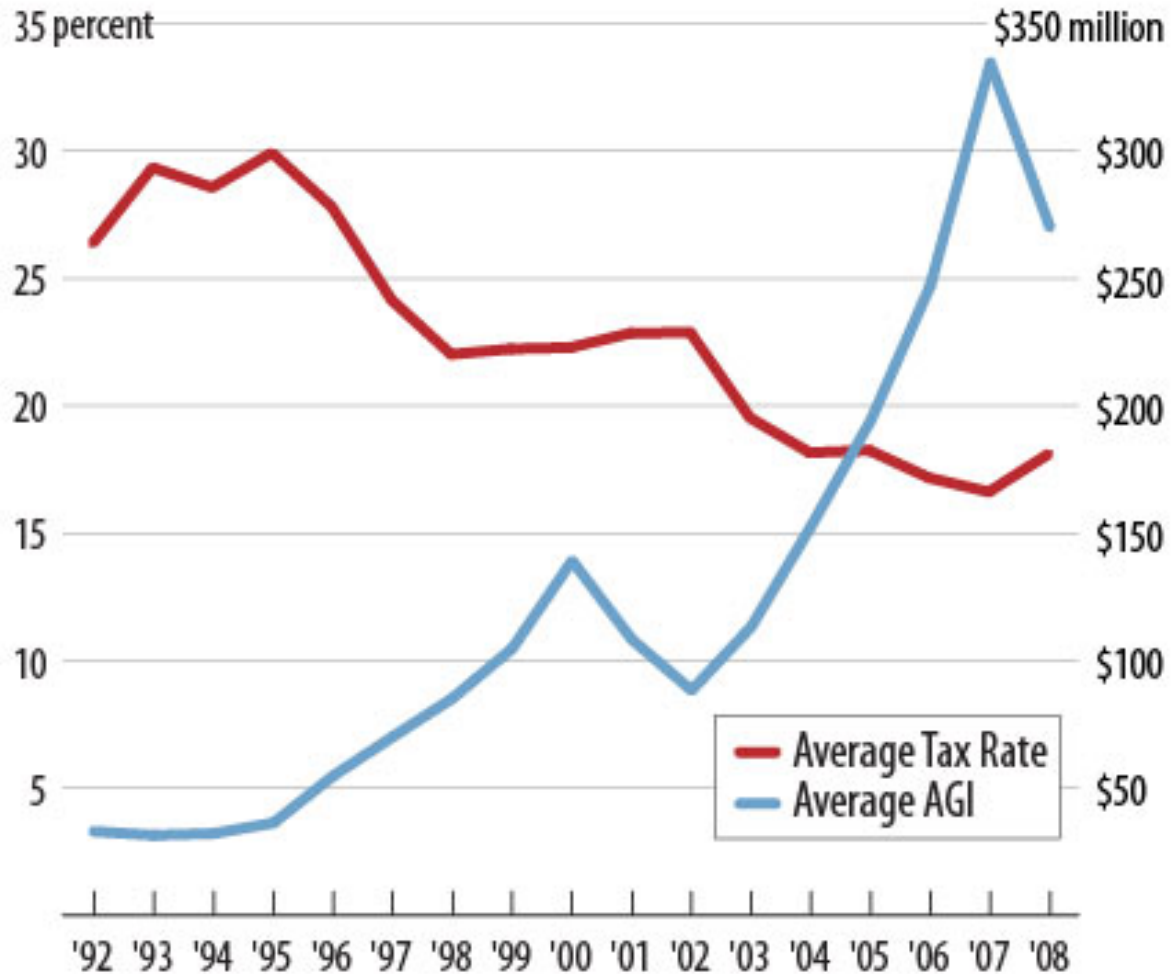
Includes all other disability-related programs such as: education, housing, employment, transportation, research

# Why Revenues Should Be Considered

- 1) Bush era tax cuts are a significant contributor to projected deficits (up to \$3.8 trillion over the next decade).
- 2) A large chunk of federal spending takes place through the tax code. The federal government spends more than \$1 trillion a year on “tax expenditures” – credits, deductions, and other targeted tax breaks.
- 3) Taking taxes off the table would force devastating cuts in entitlement programs. To achieve \$1.2 trillion in savings over the next ten years (as the debt limit deal requires) from the spending side alone would require cutting an average of roughly \$110 billion annually, starting in 2013.

## Highest-Income Americans Have Seen Their Tax Rates Fall Steadily Even As Their Incomes Have Skyrocketed

Average income tax rates and income (2008 dollars) of 400 Americans with highest Adjusted Gross Incomes (AGI)

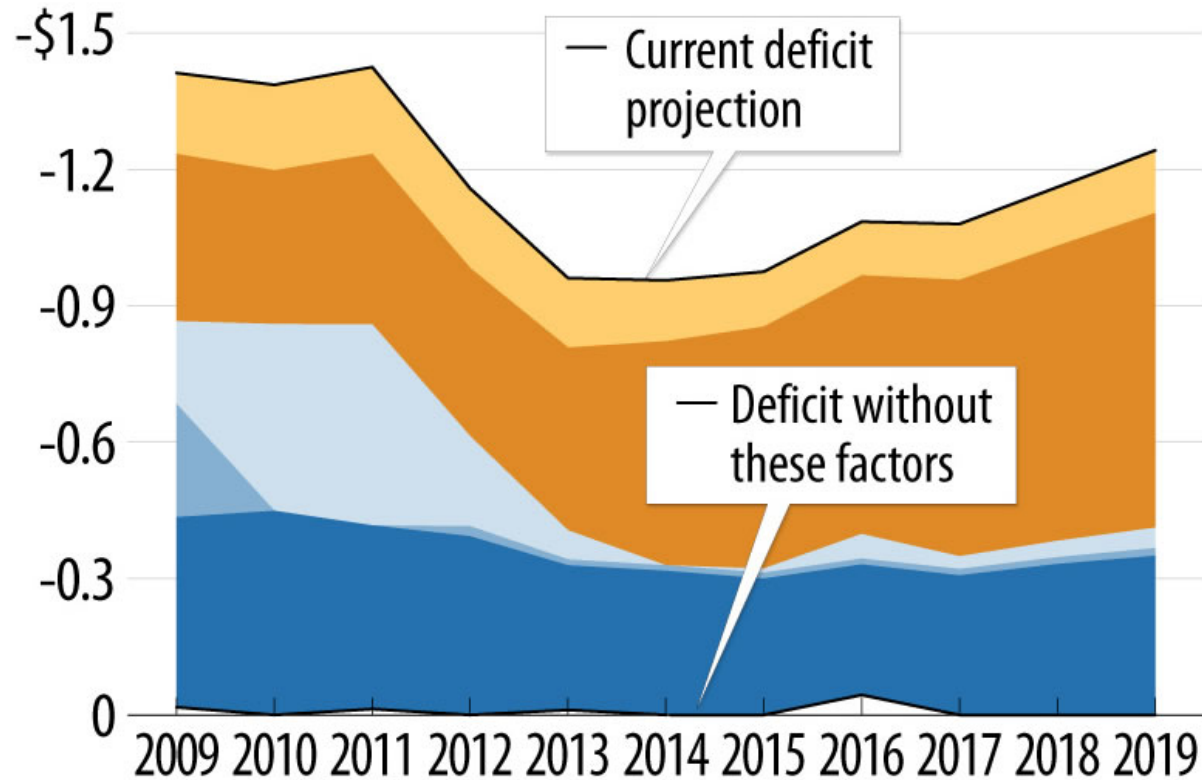


Source: Internal Revenue Service, 2011

# Economic Downturn and Tax Policy

## Deficit, in trillions

- Wars in Iraq and Afghanistan
- Bush-era tax cuts
- Recovery measures
- TARP, Fannie, and Freddie
- Economic downturn



Source: CBPP analysis based on Congressional Budget Office estimates.

# And Things Could Get Even Worse

- \$2.5 trillion cut called a “down payment” on the federal debt
- Some still calling for a total of \$4 trillion spending cut over 10 years:
  - Several Members of Congress
  - President Obama’s Fiscal Commission
  - Credit rating agencies
- A dangerous precedent has been set for raising the debt ceiling in the future
  - applying a dollar-for-dollar standard would require trillions of dollars in additional cuts on top of the massive cuts already enacted



# What Should The Arc Do?

- **Advocate, advocate, advocate**
- **Personal contacts and stories, letters to editors**
- **Our messages:**
  - The budget cannot be balanced on the backs of people with disabilities
  - Revenues must be part of the solution
  - Deep cuts in Medicaid cannot be tolerated and would result in harm to individuals and job loss in communities
- **Our Campaign:**



See: <http://www.thearc.org/page.aspx?pid=3232>