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DEBT CEILING INCREASE

All we can do is wait while the President and Congress hash out the debt ceiling increase details. Not much I can say about the potential impact on small business.

CUT, CAP AND BALANCE

The House will vote on a version of H.R. 2560, known as the “cut, cap and balance” bill, introduced by Representative Jason Chaffetz (R-UT). The bill cuts total spending by \$111 billion in FY 2012. The savings are achieved by reducing non-security discretionary spending below 2008 levels, which saves \$76 billion; making a \$35 billion cut to non-veterans, non-Medicare, non-Social Security mandatory spending; and by holding the Defense budget to the President’s requested level. These numbers are subject to change.

The bill would cap total future federal spending on a phased-in schedule starting with fiscal year 2012 with a cap of 22.5 percent of GDP going down to 19.9 percent in 2017.

Finally it requires congressional passage of a Balanced Budget Amendment to the Constitution

before Congress agrees to raise the nation’s debt limit. The amendment must include provisions that require total outlays not exceed total receipts; contain a spending limitation as a percentage of GDP; and require that tax increases be approved by a two-thirds vote in both Houses of Congress for their ratification. Initiation of the Constitutional amendment process by Congress requires two thirds approval of the amendment by both the House and Senate.

An amendment to the Constitution would also have to be ratified by three-fourths of the States. The bill does not require ratification of the amendment; just that it is presented to the States. Today’s trivia is that the Archivist of the United States is responsible for presenting it to the States and keeping track of ratification.

LEAD LIMIT

The Consumer Product Safety Improvement Act (CPSIA) established lead limits for children’s products. The law phased-in the reduced levels for lead content over a three year period, starting with 600 parts per million (ppm) on February 10, 2009. The level dropped to 300 ppm on August 14,

2009. The total lead content limit is to drop to 100 ppm on August 14, 2011. The CPSIA did provide an option for the Consumer Product Safety Commission to stop the lowest limit from going into effect if the Commission determined it was not technologically feasible for a product or product category. The Commission voted last week that it could not determine it is not technologically feasible (yes, a double negative), so the limit will go into effect. It does apply to current inventory which cannot be sold after that date.