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DEBT CEILING INCREASE DEAL

DEBT CEILING INCREASE

Semantics aside, it appears that the bill to implement the debt ceiling creates a process for the debt ceiling to be increased in three stages.

If this debt ceiling deal bill is passed, the President can certify to Congress that we are within $100 billion of the ceiling (which we are) and the Treasury is authorized to borrow $900 billion subject to a condition. When he sends the certification to Congress (one would assume in nanosecond as signing the debt ceiling deal into law), the government can borrow $400 billion immediately. The condition is that Congress has 50 days to pass a joint resolution of disapproval of the $500 billion. If it fails to do so, the debt ceiling is increased by that additional $500 billion for the full $900 billion. If Congress passed the joint resolution of disapproval, the President could veto it and the Congress would have to override the veto. Expedited procedures for consideration apply in both chambers.

Bottom line is that it hard to imagine the additional $500 billion increase would be stopped.

The next step is for a debt ceiling increase of between another $1.2 trillion and $1.5 trillion.

Presumably sometime next year, if the debt comes within $100 billion of the ceiling, the President can ask for another $1.2 trillion. The same process for a joint resolution would apply, except that Congress would have only 15 days to go start the disapproval process. Again, it is hard to imagine how disapproval would happen.

The debt ceiling can be raised automatically to $1.5 trillion two ways: If a balanced budget amendment is passed by Congress by the two-thirds majorities and sent to the states for ratification, the government may borrow $1.5 trillion. If a balanced budget amendment is not sent to the states for ratification but the amount of deficit reduction achieved by the special joint committee (described below) is greater than $1.2 trillion, the government is permitted to borrow an amount equal to the amount of deficit reduction, but may not exceed $1.5 trillion.

BINDING "IMMEDIATE" DEFICIT REDUCTION

The debt ceiling increase bill establishes 10-year discretionary spending limits (caps) for fiscal years 2012 through 2021 that would reduce the deficit by $917 billion. It permits adjustments to discretionary spending limits for emergency appropriations, appropriations for the global war on terrorism, and appropriations for major disasters. It also provides adjustments for additional spending to combat waste, fraud, and abuse. It sets separate discretionary limits for security programs (Departments of Defense, Homeland Security, and Veterans' Affairs, the National Nuclear Security Administration, the intelligence community management account, and Function150 (State Department and International Assistance)) and non-security programs for FY 2012 and FY 2013.

MORE DEFICIT REDUCTION

There is an addition goal of $1.5 trillion in deficit reduction. It gives a special joint committee first opportunity to find a way to reach the goal. If the joint committee fails to achieve at least $1.2 trillion in deficit reduction, a sequestration process must be implemented. As part of the sequestration procedures, there are revised security and non-security allocations for each fiscal year and revises the definition of security category, limiting the category to the Department of Defense. It also reduces the discretionary spending limits and includes sequestration procedures for direct spending to ensure these spending reductions are achieved. Basically it falls equals on Defense and non-Defense. Low income programs would be exempt and Medicare would be limited to no more than two percent of payment made to providers.

SPECIAL JOINT COMMITTEE

As noted, the special joint committee has a goal of reducing the deficit by $1.5 trillion over the period of 2012 through 2021. There are no constraints on what the committee can consider to achieve the goal.

The committee consists of twelve members. Three members appointed by each of the leaders of the parties in the chambers of Congress.

By November 23, 2011, the joint committee is required to vote on a report which contains the findings, conclusions, and recommendations of the joint committee and legislative language in support of those recommendations. A majority vote is required for approval.

If the special joint committee makes a report, Congress has until December 23, 2011 to vote on it. The votes are "up or down" votes with no amendments. Special expedited procedures apply. As noted above, if the committee fails to report, sequestration goes into effect for $1.2 trillion. If it reports and reductions exceed $1.2 trillion, the debt ceiling can be increased in a comparable amount up to $1.5 trillion.

BALANCED BUDGET AMENDMENT

The bill requires a vote on passage of a joint resolution entitled "Joint resolution proposing a balanced budget amendment to the Constitution of the United States" between October 1, 2011 and December 31, 2011.

It does not specify the structure of the amendment. Presumably, the House would be more likely to start the process. The bill requires the second chamber to take up the joint resolution within a certain time after it passes the first chamber with special procedures. To pass either chamber, a two-thirds majority is required. So while, the House may start the process, it might not produce the two-thirds majority. Based on my reading of the bill, it appears the Senate has to vote on some version regardless.

If both chambers of Congress pass the balanced budget amendment to be sent on to the States, the debt ceiling is automatically increased by $1.5 trillion instead of $1.2 trillion (I guess one can think of it as debt ceiling bonus of $0.3 trillion, not that I consider that a good thing!) As noted above, there is another way for the debt ceiling to be increased by $1.5 trillion instead of $1.2 trillion.