Boldly Going Nowhere: The Road to Deficit Reduction

(what a long, strange trip it’s been...)

for

Dialogue4Health

presented by

Emily J. Holubowich

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Back to Basics: Deficit vs. Debt

• Deficit is the difference between receipts and outlays
  – Receipts include money the government brings in from taxes, fees, and other income
  – Outlays include all spending on entitlements, discretionary programs (e.g., public health), and interest payments on the debt

• Debt is the total amount of money owed to creditors
  – Accumulations of deficits
Drivers of The National Debt

• Why is America $14 trillion in debt?
  – Two-thirds attributable to new legislation
    • 40 percent due to Bush tax cuts; 2010 extension of cuts
    • 60 percent from spending increases
      – Iraq and Afghanistan wars
      – Medicare Part D benefit
      – Troubled Asset Relief Program
      – American Recovery and Reinvestment Act ("stimulus")
  – One-third attributable to other factors
    • Declining revenue amid recession
    • Escalating health care costs
## Where We Spend Our Money

<table>
<thead>
<tr>
<th>Category</th>
<th>Spending</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Spending</td>
<td>$3.7 Trillion</td>
</tr>
<tr>
<td>Health Entitlement Spending (Medicare, Medicaid, CHIP)</td>
<td>$797 Billion</td>
</tr>
<tr>
<td>Defense Discretionary</td>
<td>$715 Billion</td>
</tr>
<tr>
<td>Social Security Spending</td>
<td>$701 Billion</td>
</tr>
<tr>
<td>Non-Defense Discretionary</td>
<td>$549 Billion</td>
</tr>
<tr>
<td>Health Discretionary Spending</td>
<td>$58 Billion (F.550)</td>
</tr>
</tbody>
</table>

Source: Coalition for Health Funding
“Deficit Reduction” Movement

• Contributing factors to the revolt against “big government”
  – Recession; housing market implosion
  – Wall Street bailout; Main Street left behind
  – 2008 Election
  – Perception of failed “stimulus”
  – Persistent, near double-digit unemployment
  – Affordable Care Act
Movement Gains Momentum

- Health reform derails FY11
  - No budget resolution
  - Spending bills stall

- 2010 Election
  - President “freezes” federal spending
  - President appoints Fiscal Commission
    - and others follow suit
  - Tea Party “tidal wave” referendum for smaller government
Movement Gains Momentum

• FY 2011 budget shutdown
  – Spending cuts to avoid government shutdown

• FY 2012 budget breakdown
  – President’s budget (with friends like these...)
  – House budget (there will be blood...)
  – Senate’s Gang of Six

• Debt ceiling and Budget Control Act
  – More groups and gangs
Budget Control Act

• Two-phase debt ceiling increase
  – Phase 1: $900 billion through end of 2011
  – Phase 2: $1.2-$1.5 trillion through November 2012

• Increases contingent upon offsets
  – Phase 1 offset: discretionary caps over decade
    • FY 2012 capped at $1.043 trillion
  – Phase 2 offset: determined by “super committee”
Deficit Reduction Committee
(www.deficitreduction.gov)

• Bicameral, bipartisan committee of twelve to identify $1.5 trillion in savings over nine years

• If Congress does not enact at least $1.2 trillion, sequester takes effect January 2013
  – Across the board spending cuts of 8 percent
  – Social Security, Medicaid, and low-income support programs exempt
Dates to Watch

• October 14: Committees to submit proposals
• November 23: Super committee votes on recommendations
• December 2: Super committee reports proposal
• December 23: House and Senate vote (with no amendments)
• January 15, 2012: Enactment of at least $1.2 trillion in deficit reduction, or sequester
• January 1, 2013: Across the board cuts take effect
What’s Next?

• Deficit reduction muddles FY 2012 process
  – In Senate, hope for Gang of Six causes late start
  – In House, disputes over BCA spending caps bring remaining bills to halt
  – Complicated Continuing Resolution (FY 2011 déjà vu)
  – Complex negotiations ahead on omnibus or “mini-bus”
    • Labor-HHS most controversial, as usual
  – Super committee recommendations
FY12 Health, Education “302bs”

• House – $153.7 billion
  – $4 billion below FY 2011
  – Eliminates Prevention and Public Health Fund

• Senate – $157.1 billion
  – Consistent with discretionary caps in BCA
  – $300 million below FY 2011
  – Supplants with Prevention and Public Health Fund

• Conference – ?
So, what's it gonna cost to fix this?

I'm guessing a 10% cut in Medicare and close down the EPA.