

Boldly Going Nowhere: The Road to Deficit Reduction

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

for

Dialogue4Health

presented by

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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

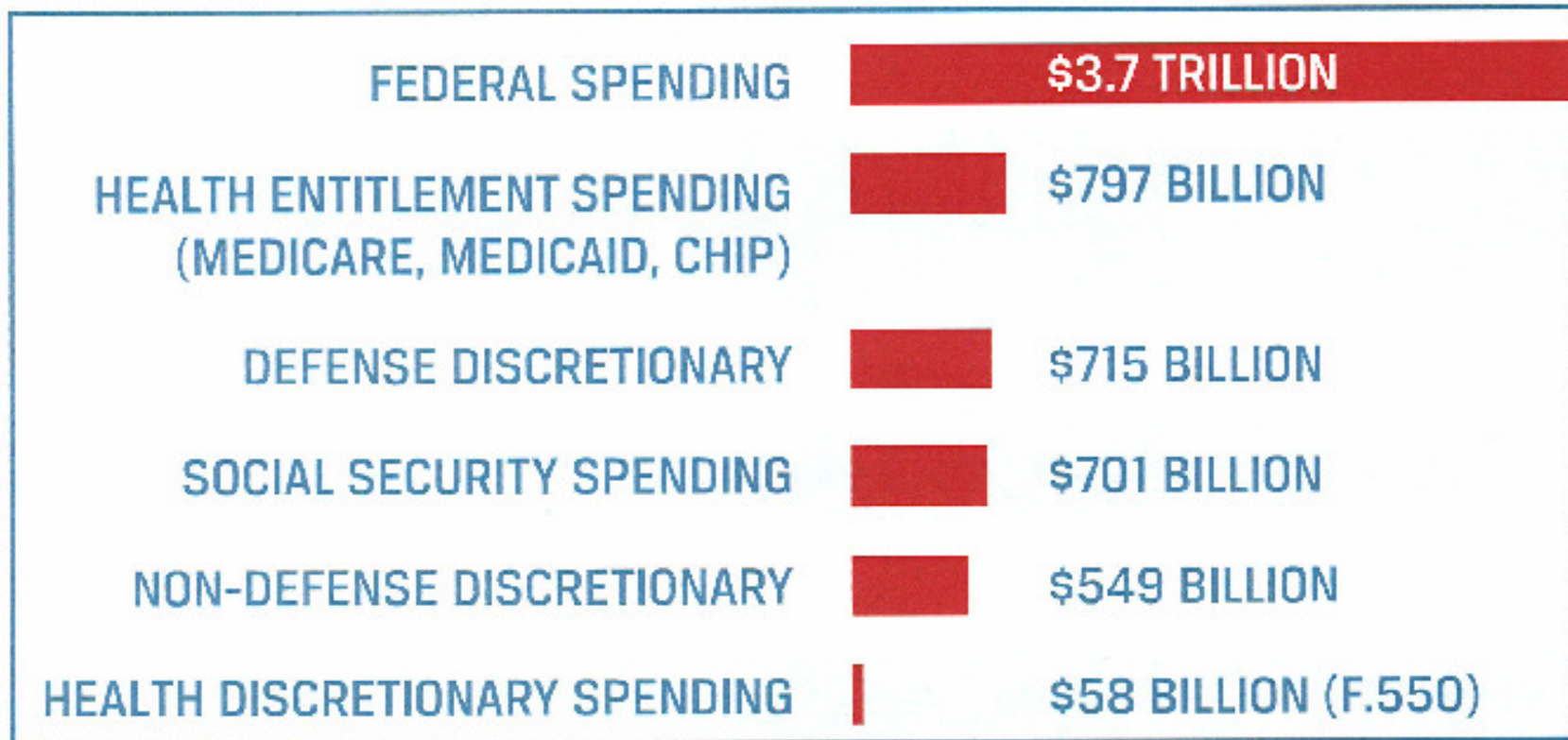


Drivers of The National Debt

- 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



Source: Coalition for Health Funding



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“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

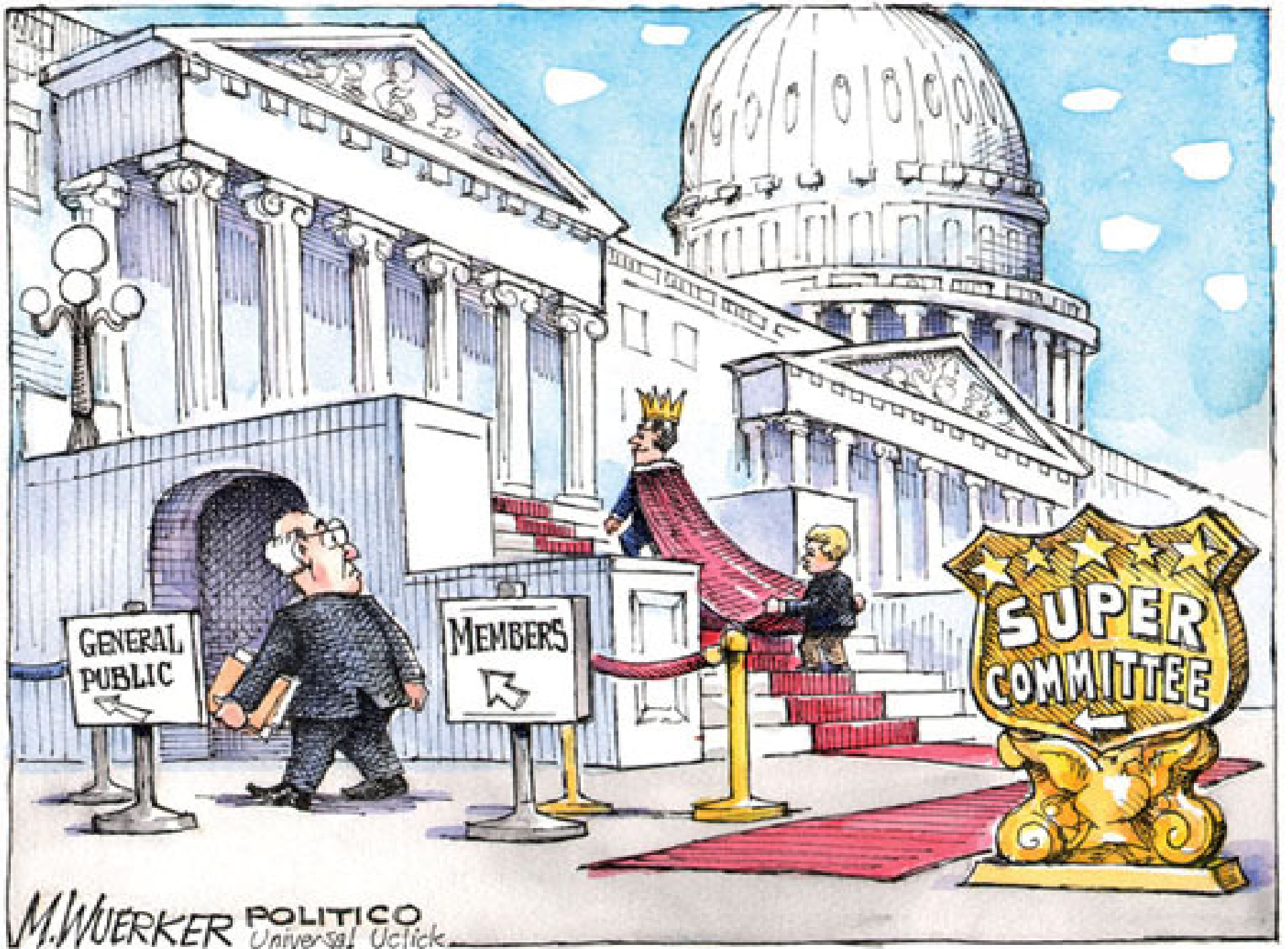
- FY 2011 budget shutdown
 - Spending cuts to avoid government shutdown
- FY 2012 budget breakdown
 - President's budget (with friends like these...)
 - House budget (there will be blood...)
 - Senate's Gang of Six
- Debt ceiling and Budget Control Act
 - More groups and gangs



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”





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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?

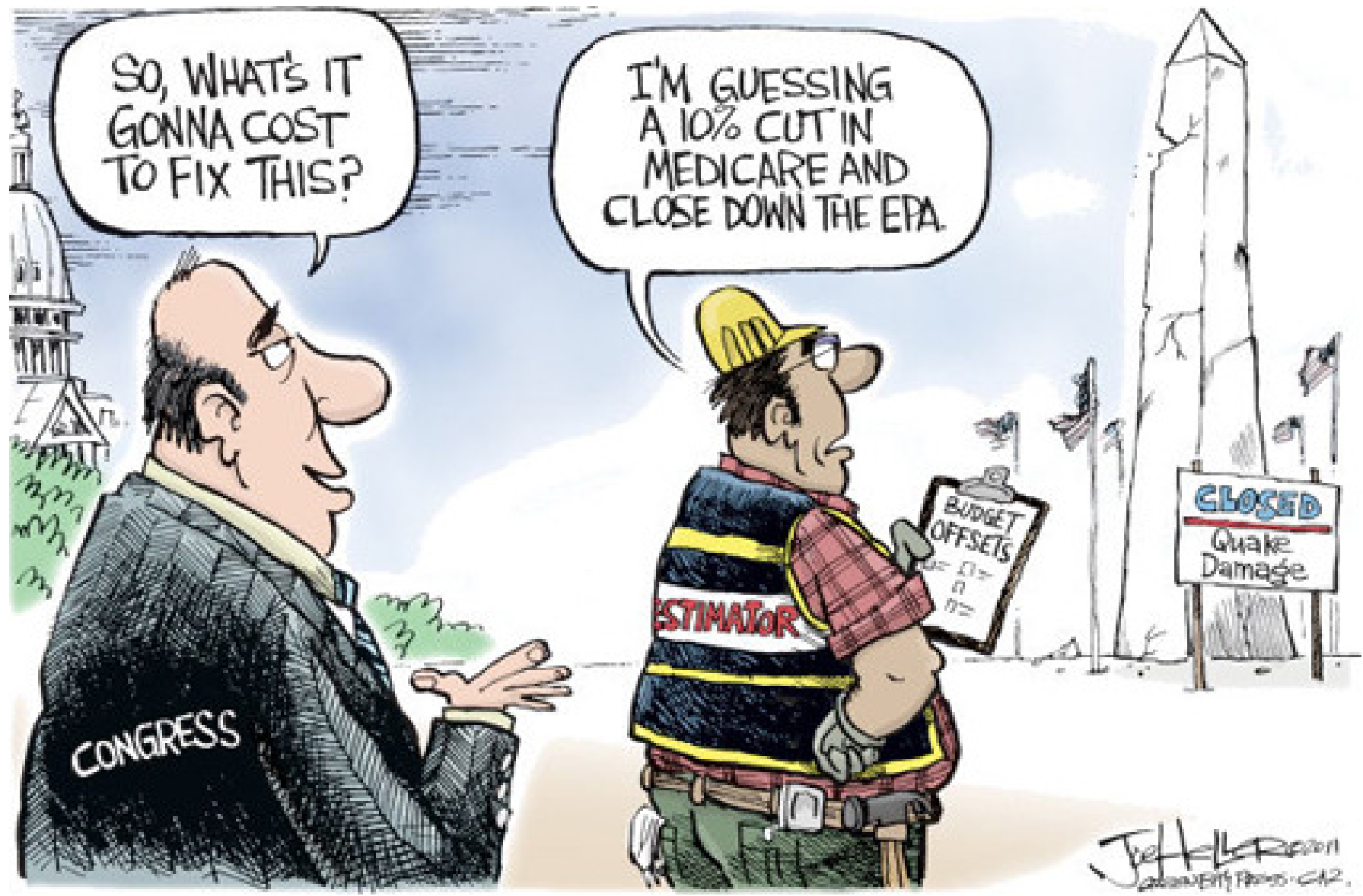
- Deficit reduction muddles FY 2012 process
 - In Senate, hope for Gang of Six causes late start
 - In House, disputes over BCA spending caps bring remaining bills to halt
 - Complicated Continuing Resolution (FY 2011 déjà vu)
 - Complex negotiations ahead on omnibus or “mini-bus”
 - Labor-HHS most controversial,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