

TWO-STEP APPROACH TO HOLD PRESIDENT OBAMA ACCOUNTABLE

Emerging framework has three main features:

- (1) cuts government spending more than it increases the debt limit;**
- (2) implements spending caps to restrain future spending;**
- (3) advances the cause of a Balanced Budget Amendment**

Framework accomplishes this without tax hikes, which would destroy jobs, while preventing a job-killing national default.



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NO TAX HIKES

- ▶ **Same as House-passed bill, the framework includes no tax hikes.**
- ▶ **Requires baseline to be current law, effectively making it impossible for Joint Committee to increase taxes.**



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CUTS THAT EXCEED THE DEBT HIKE

- ▶ **Same as House-passed bill, framework includes spending cuts that exceed the amount of the increased debt authority granted to POTUS.**
- ▶ **Would cut & cap discretionary spending immediately, saving \$917B over 10 years (certified by CBO) & raise the debt ceiling by less – \$900B – to approximately February.**
- ▶ **Before debt ceiling can be raised, Congress and the president must enact spending cuts of a larger amount first.**



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CAPS TO CONTROL FUTURE SPENDING

- ▶ **As in House-passed bill, framework imposes spending caps that would set clear limits on future spending & serve as barrier against gov't expansion while economy grows.**
- ▶ **Failure to remain below these caps triggers automatic across-the-board cuts (“sequestration”). Same mechanism used in 1997 Balanced Budget Agreement.**



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BALANCED BUDGET AMENDMENT

- ▶ Same as House-passed bill, framework requires both House & Senate to vote on a BBA after Oct. 1, 2011 but before the end of year.
- ▶ Similar to House-passed bill, framework authorizes POTUS to request second tranche of debt limit increase of \$1.5T if:
 - ▶ Joint Committee cuts spending by greater amount than the requested debt limit hike,
OR
 - ▶ A Balanced Budget Amendment is sent to the states.
- ▶ Creates incentive for previous opponents of a BBA to now support it.



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ENTITLEMENT REFORMS & SAVINGS

- ▶ **Same as House-passed bill, framework creates a 12-member Joint Committee required to report legislation by November 23, 2011 that would produce a proposal to reduce the deficit by at least \$1.5T over 10 years.**
- ▶ **Each chamber would consider Joint Committee proposal on an up-or-down basis without any amendments by December 23, 2011.**
- ▶ **If Joint Committee's proposal is enacted OR if a Balanced Budget Amendment is sent to the states, POTUS would be authorized to request a debt limit increase of \$1.5T.**



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ENTITLEMENT REFORMS & SAVINGS

- ▶ **Sets up a new sequestration process to cut spending across-the-board – and ensure that any debt limit increase is met with greater spending cuts – IF Joint Committee fails to achieve at least \$1.2T in deficit reduction.**
- ▶ **If this happens, POTUS may request up to \$1.2T for a debt limit increase, and if granted, then across-the-board spending cuts would result that would equal the difference between \$1.2T and the deficit reduction enacted as a result of Joint Committee.**
- ▶ **Across-the-board spending cuts would apply to FYs 2013-2021, and apply to both mandatory & discretionary programs.**
- ▶ **Total reductions would be equally split between defense and non-defense programs. Across-the-board cuts would also apply to Medicare. Other programs, including Social Security, Medicaid, veterans, and civil & military pay, would be exempt.**
- ▶ **Sequestration process is designed to guarantee that Congress acts on the Joint Committee's legislation to cut spending.**



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