

Date: August 8, 2011

To: Illinois Maternal and Child Health Coalition Members and Interested Parties

From: Kathy Chan, Associate Director, Director of Policy and Advocacy

Re: Summary federal debt/deficit reduction legislation



After many delays and coming frightfully close to triggering a worldwide financial catastrophe, the House and Senate finally passed legislation to raise the nation's debt ceiling, which will prevent the United States from defaulting on their debt obligations. Even though the debt ceiling had been raised ten times by Congress since 2001, this is the first time in history that an authorization of a debt ceiling increase has been directly tied to deficit reduction.

The legislation passed by Congress and signed by President Obama on August 2nd does the following:

1. Raises the debt ceiling and allows the United States to meet their financial obligations.
2. Puts an immediate “down payment” on deficit reduction by cutting \$1 trillion in discretionary spending over the next 10 years and caps the amount Congress can authorize to spend each year.
 - Discretionary spending includes K-12 education, defense, roads, national parks, low-income housing assistance, funding for the Environmental Protection Agency, etc... basically, anything that has to be approved by Congress each year.
 - Note that this does not include entitlement programs such as Medicaid, Medicare, or social security.
3. Creates a new 12-member joint special committee of Congress that will offer recommendations to the full Congress on how to reduce the federal deficit by \$1.5 trillion over the next 10 years.
 - Party leaders in each chamber will appoint three members to serve on this special committee. A majority vote is required to move recommendations out of this special committee. The recommendations can be “fast-tracked” through both chambers, so procedural issues, such as adding amendments, can't be used as a delay tactic.
 - A report is due from this committee on December 2, 2011.
 - There is no limit on what can be considered in this committee, so their recommendations could include cuts to entitlement programs and discretionary spending, tax increases, closing of corporate loopholes, etc... According to experts, there are *no legal constraints* on what can be considered, only *political* constraints.
 - Members must be appointed within 10 days of the law being signed, but no substantive meetings are expected to take place until Congress returns from their August recess.
 - Standing committees in the House and Senate can provide their own recommendations to the special joint committee until October 14th – this is an opportunity for advocates to communicate their suggestions to members of Congress.
4. Enacts a “trigger” enforcement mechanism
 - If the special joint committee doesn't find at least \$1.2 trillion to cut over the next ten years by January 15th, 2012, automatic, across-the-board spending cuts will take place. These cuts would take effect January 2013 and would represent approximately a 9% cut to both defense and eligible non-defense programs.
 - The “trigger” to apply cuts would also be enacted if the Congress does not pass the recommendations, if the President vetoes the legislation and the veto is not overridden, or if the legislation falls short of the \$1.2 trillion deficit reduction amount.
 - Thanks to actions taken by advocates throughout Illinois and across the nation, Medicaid, Medicare, the Children's Health Insurance Program (CHIP), SNAP (previously referred to as food stamps), social security, and other means-tested program eligibility and benefits **cannot**

be affected by the “trigger”, but up to a 2% annual reduction in Medicare program costs resulting from a decrease in provider or insurer payments is allowed.

[A flow chart of how this process can also be viewed on the New York Times website.](#)

Special thanks to the [Center on Budget and Policy Priorities](#) for providing fact sheets and detailed briefs on the debt/deficit legislation.

Next steps

Your phone calls, emails, and meetings with Congress that conveyed the importance of Medicaid, CHIP, and other programs, kept these services from being on the chopping block. However, we need to ensure that deficit reduction does not occur on the backs of low-income and working families. This will mean that we’ll need to pressure the members of the special joint committee to include tax increases for the wealthy and end the Bush-era tax cuts in their proposal. We will also need to make sure that entitlement programs that serve children and families are protected.

While members of Congress are back home for August recess, consider participating in their public/town hall meetings or making an appointment for an office visit to ask them what they plan to do to preserve critical services for women and children. Let them know that cuts to services for our most vulnerable are not fair when the richest individuals and corporations are not paying their fair share.

For additional talking points or to let us know how your visits went, please contact Kathy Chan at kchan@ilmaternal.org.