

How the Debt Ceiling Cuts Will Work

A new report issued by the Center on Budget and Policy Priorities details how the recently enacted Budget Control Act of 2011 works. You can read the full report, [How the Potential Across-the-Board Cuts in the Debt Limit Deal Would Occur](#).

Summary of Exempt Low-Income Programs

It has been difficult to follow the myriad conversations about what programs will be exempt from the deficit reduction knife IF, for any number of reasons, the newly established Joint Select Committee fails to succeed in producing, passing and enacting legislation by the end of 2011 that would reduce projected deficits by at least \$1.2 trillion through 2021.

Below is a summary of low-income programs exempt from the across-the-board enforcement mechanism being referred to as “sequestration,” which will be triggered IF the \$1.2 trillion is not reached:

Building off the Gramm-Rudman-Hollings law of 1985, which established the first across the board cuts mechanism, and amended as recently as the 2010 Pay-as-you-go Act, the Budget Control Act exempts core low-income entitlements (as well as many other programs, including Social Security) from sequestration:

- ***Child care entitlement to states (often referred to as mandatory child care spending)***
- ***Child nutrition entitlement programs (school meals programs except for “special milk”)***
- ***Children’s Health Insurance Program (CHIP) including***

5 Reasons Why the “Supercommittee” Must Consider Tax Increases

1. *President Bush’s tax cuts are a significant contributor to projected deficits.*
2. *Higher-income people can and should share in the sacrifices needed to reduce long-term deficits.*
3. *Taxes are low both in historical terms and in comparison with other countries.*
4. *A large chunk of federal spending takes place through the tax code.*
5. *Taking taxes off the table would force crippling cuts in entitlement programs.*

**Chuck Marr, Off the Charts, CBPP
Read the entire blog post [here](#).**

child enrollment contingency fund

- *Child support enforcement and family support programs*
- *Pell Grants* (wholly or partly discretionary)*
- *Medicaid*
- *Foster care and permanency programs*
- *Supplemental Security Income (SSI)*
- *Refundable Tax Credits (including EITC, CTC, ACA premium credits)*
- *Temporary Assistance to Needy Families (TANF), including Contingency Fund*
- *Veterans pensions*

Should across-the-board cuts be triggered either by the failure to enact the Select Committee's proposal or the inadequacy of the proposal's cuts, the required cuts to all NON-EXEMPT programs would take effect in January 2013 and would automatically spread out through 2021.

It should be noted that the \$1.2 trillion reduction between 2013 and 2021 required under the new Act is IN ADDITION to the close to \$1 trillion cut established by placing limits or "caps" on annual appropriations bills over the next decade ; these affect non-entitlement or "discretionary" programs. This first phase of cuts includes programs such as defense, education, national parks, the FBI, the EPA, low-income housing assistance, medical research, and many others. It is not yet known exactly where the cuts will come from as Congress will decide as they work within the new "caps".

Medicare, Medicaid, and Affordable Care Act (ACA)-authorized programs could all be threatened by the second phase of budget cuts. All federally funded health programs will be fair game for the supercommittee.

On the other hand, if the automatic cuts (sequestration) are triggered, Medicare faces a 2 percent cut. Although Medicaid, including the expansion of the program authorized by the ACA, would be exempt from any triggered cuts, many components of the ACA would face an 8 percent reduction. Most prominent among them would be the cost-sharing subsidies intended to help people who purchase coverage through the health insurance exchange limit their out-of-pocket costs. By contrast, premium subsidies intended to make coverage affordable would not be subject to automatic cuts, as they are provided in the form of refundable tax credits.

If significant revenues are not included in a balanced way, rejection of the supercommittee's proposal would seemingly trigger the greatest protection for low-income and vulnerable Floridians, although it will wreak havoc on other important publicly funded programs.