

MEMO

To: Interested Parties
From: Senate Democratic Policy & Communications Center
Date: 8/1/11
Re: Debt Limit Deal Greatly Reduces Odds of Gov't Shutdown Fight Over Next Two Years

One important but overlooked element of the bipartisan debt limit compromise is that it greatly defuses the potential for intense budget showdowns over the next two years.

The compromise expected to pass today, in effect, “deems” a budget resolution passed for each of the next two fiscal years. This effectively sets the top-line spending levels—the so-called “302(a)” allocations—for both FY12 and FY13. These top-line levels are specified as follows: \$1.043 trillion for FY12, and \$1.047 trillion for FY13. These figures represent a reduction of \$7 billion and \$3 billion, respectively, in budget authority, relative to FY11 levels. According to CBO, when measuring the effect of these budget authority reductions against the revised March 2011 baseline, the two-year spending caps achieve \$44 billion and \$62 billion in budget authority savings in FY12 and FY13, respectively.

Importantly, the debt limit deal also establishes a firewall between security and non-security funding. This firewall sets the portion of budget authority reductions that must be borne by security-related programs on the one hand and non-security programs on the other. For example, in FY12, security-related programs (Defense Department, State Department/Foreign Operations, Homeland Security, Military Construction/Veterans, among others) will account for roughly \$4 billion out of the \$7 billion in reduced budget authority.

By setting a cap on security spending, the legislation will help ease the process of resolving the so-called 302(b) allocations, which are the specific top-line spending targets for each of the 12 Appropriations subcommittees.

The effect of both facilitating the 302(a) allocations and establishing the security firewall under this debt-limit deal is that the legislation greatly reduces the odds of a budget standoff at the end of the current fiscal year on September 30. While the various appropriations subcommittees will still need to reach agreement on how to meet their respective spending targets, and while it is always possible for congressional Republicans to try to hold up the FY12 spending bills over extraneous policy riders or other matters, the legislation significantly reduces the chances of a sequel to last spring’s government shutdown drama.