

July 15, 2011

## **The Cut, Cap, and Balance Act of 2011**

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### **CUT**

Cuts total spending by **\$111 billion** in FY 2012. The savings is divided as follows:

- Reduce non-security discretionary spending below 2008 levels, which saves **\$76 billion**.
- **\$35 billion** cut to non-veterans, non-Medicare, non-Social Security mandatory spending.
- Defense budget at President's level.

### **CAP**

Total federal spending is scaled back based on the glide path for the fiscal years below:

- 2012, 22.5% of GDP.
- 2013, 21.7% of GDP.
- 2014, 20.8% of GDP.
- 2015, 20.2% of GDP.
- 2016, 20.1% of GDP.
- 2017, 19.9% of GDP.
- 2018, 19.7% of GDP.
- 2019, 19.9% of GDP.
- 2020, 19.9% of GDP.
- 2021, 19.9% of GDP.

### **BALANCE**

Requires the passage of a Balanced Budget Amendment **before** raising the nation's debt limit.

### **DEBT CEILING INCREASE CONTINGENT ON BBA**

Provides for the President's request for a debt ceiling increase **if** a qualifying Balanced Budget Amendment passes Congress **and** is sent to the states for ratification.

## **Q&A: The Cut, Cap, and Balance Act of 2011**

### **How much is the first year spending cut in the “cut” portion of the bill?**

- The legislation reduces spending by \$111 billion in FY 2012.

### **Why \$111 billion?**

- This savings total meets the promise to enact immediate spending cuts as part of *any* debt ceiling bill, and would cause the deficit to finally get back down below \$1 trillion next year (a reduction to the previous year’s deficit of more than \$400 billion).

### **Does the legislation make any changes to Social Security or Medicare?**

- *No.*

### **Does the legislation make any changes to veterans spending?**

- *No.*

### **What does the legislation mean for defense spending?**

- It is at the same level as the House-passed FY 2012 budget.

### **What are the details of the Balanced Budget Amendment?**

- The legislation would require that any Balanced Budget Amendment include the following:
  1. A balanced budget component;
  2. A super-majority requirement to raise taxes; and
  3. A limit on spending as a percentage of GDP.

### **What is the process for the debt ceiling being increased?**

- Provides for the President’s request for a debt ceiling increase *if* a Balanced Budget Amendment passes Congress and is sent to the states for ratification.

### **Why \$2.4 trillion debt ceiling increase?**

- The President has requested that the debt limit increase by this amount. This amount is less than the amount of the spending cuts in this bill. A debt limit increase of this magnitude is a major sacrifice on the part of House Republicans, which is why it is made contingent on measures to ensure that the federal budget is *permanently* under control.

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