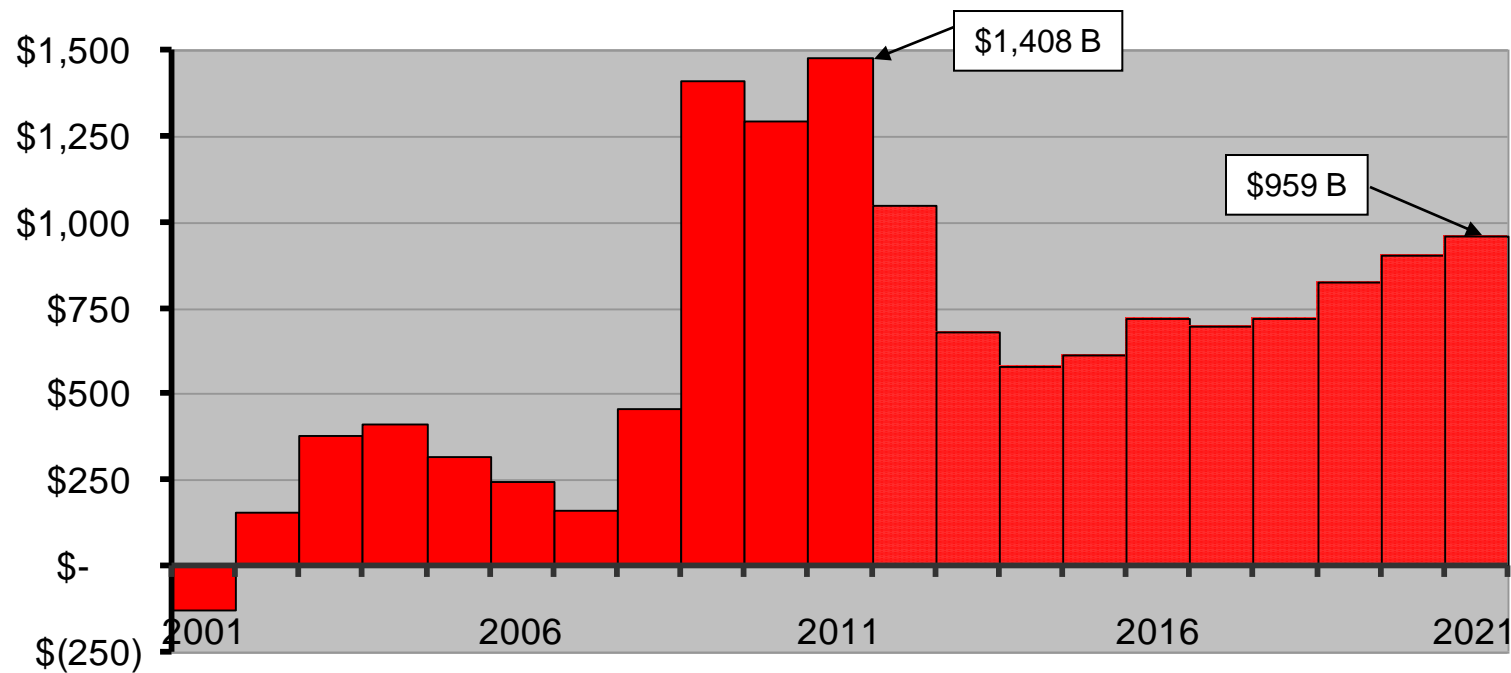


K&L | GATES

[www.klgates.com](http://www.klgates.com)

# Fiscal Atmosphere

## Annual Budget Deficits: Past and Projected



Source: OMB, K&L Gates Analyses

# Fiscal Atmosphere



# The Deficit Reduction Committee



Rep. Jeb Hensarling (R-TX)



Rep. Dave Camp (R-MI)



Rep. Fred Upton (R-MI)



Rep. Jim Clyburn (D-SC)



Rep. Xavier Becerra (D-CA)



Rep. Chris Van Hollen (D-MD)



NOV. 23

DEC. 23

JAN. 15



Sen. Patty Murray (D-WA)



Sen. Max Baucus (D-MT)



Sen. John Kerry (D-MA)



Sen. Jon Kyl (R-AZ)



Sen. Pat Toomey (R-PA)



Sen. Rob Portman (R-OH)

## Joint Select Committee on Deficit Reduction

- Created by Budget Control Act of 2011
  - BCA “ratified” debt limit agreement
- Goal: Reduce Deficits by \$1.5 trillion by 2021
- Simple majority to report recommendations
- Once approved by Joint Committee ...
  - House, Senate must vote (no filibuster).
  - No amendments allowed.

## **Joint Select Committee Deadlines**

**October 14:** Standing committees submit recommendations

**November 23:** Joint Committee votes on plan

**December 23:** House, Senate complete action

## Joint Committee Bill Can Be Defeated

- Either House or Senate can defeat with simple majority vote.
- Even if approved by Congress, President can veto.
- If Congress fails to override veto, does not become law.

## Cost of Failure

Joint Committee process must reduce deficit by at least \$1.2T or ...

- Federal spending cut by \$1 trillion
  - Applies to most domestic programs: including defense and Medicare
  - Exemptions for Social Security, Medicaid, military pay, veterans' benefits
- Enforced in FY 2013 by “sequestration”

## Possible Scenarios

### 1. Go Big!

Joint Committee meets or exceeds \$1.5 trillion deficit reduction goal.

Legislation likely includes substantial revisions to federal entitlements and, possibly, revenue increases.

## Possible Scenarios

### 2. Meets the mark

Joint Committee meets \$1.2 trillion deficit reduction goal

Legislation likely includes marginal revisions to federal entitlements. Revenue increases, if any, would be minimal.

Possible that legislation includes discretionary spending cuts to “make up the difference.”

## Possible Scenarios

### 3. Falls Short

Joint Committee fails to meet \$1.2 trillion deficit reduction goal.

Legislation likely includes whatever mandatory spending cuts can be agreed to.

Joint Committee may also include instructions to limit or reduce triggered spending cuts.

## Possible Scenarios

### 4. Complete Miss!

Joint Committee process fails entirely.

Congress may revisit discretionary spending cuts to avoid indiscriminate, across the board cuts.