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## COMMITTEE FOR EDUCATION FUNDING

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### **Budget Control Act Timetable and Summary**

**August 8, 2011  
(revised)**

- Upon enactment (8/2/11), new statutory caps on discretionary spending are set in law for the next ten fiscal years (FY 2012-FY 2021) that result in an aggregate reduction in discretionary spending of [\\$840 billion in Budget Authority compared to CBO's adjusted March 2011 baseline](#). For FY 12, the aggregate total of \$1.043 trillion is \$7 billion below the final FY 11 Continuing Resolution level. The FY 13 level of \$1.047 trillion is \$3 billion below FY 11.

The Act established for FY 12 and FY 13 separate caps (firewalls) for “security” spending (which is newly defined to include the Departments of Defense, Homeland Security, Veterans Affairs, the National Nuclear Security Administration, the intelligence community management account and all accounts in Budget Function 150 (international affairs) and “nonsecurity” spending. The cut to security spending in FY 11 is roughly \$4 billion, while the cut to nonsecurity is roughly \$3 billion.

- 8/2/11: Under the authority in the Act, the President submitted a certification to Congress that the debt is within \$100 billion of the debt limit which authorizes the Secretary of the Treasury to issue an additional \$900 billion of debt. The first \$400 billion occurs automatically upon the submission of the certification. The additional \$500 billion is made available unless a Congressional resolution of disapproval is enacted within 50 calendar days of the submission (9/21/11). If the resolution of disapproval passes both the House and Senate, the President can veto it; Congress can attempt a veto override.
- Upon enactment \$10 billion in mandatory funding is provided to the Pell grant program for FY 12 and an additional \$7 billion is provided in FY 13. With this

additional funding, the FY 12 Pell “shortfall” will be \$1.3 billion (see chart at end). This increased funding is “paid for” with reductions in student loan expenditures (see below for details).

- As soon as practicable, the Chair of the Senate Budget Committee must report allocations (302(a) allocations) for FY 11 and FY 12 to the Appropriations Committee based on the new discretionary caps set forth in the Act and for FY 11, FY 12, FY 12-16 and FY 12-21 for other Senate committees consistent with the March 2011 CBO baseline. [Note: there is no explicit authorization for the House to establish new 302(a) allocations.]
- Not later than 14 days after enactment (August 16): The House Speaker, House Minority Leader, Senate Majority Leader and Senate Minority Leader each appoint three members to the Joint Select Committee on Deficit Reduction (the Joint Committee). Also by that date the Speaker of the House and the Senate Majority Leader each must name a co-chair of the Joint Committee from among the Committee members.
  - The co-chairs are authorized to hire a staff director.
- Not later than 45 days after enactment (September 16): The Joint Committee shall hold its first meeting.
  - The Co-Chairs must provide an agenda to joint committee members at least 48 hours in advance of any meeting. [Note: the Act does not require that meetings of the joint committee be open to the public.]
  - The Joint Committee may hold hearings. It must announce not less than 7 days in advance the date, time, place and subject matter of any hearing.
  - Written statements of any witnesses must be submitted at least 2 days before the hearing.
- Between 10/1/11 and 12/31/11: Both the House and Senate must vote on a Balanced Budget Constitutional Amendment. [The details of such amendment are not specified.]
- Not later than 10/14/11: House and Senate Committees may submit to the Joint Committee recommendations for deficit reduction.
- Not later than 11/23/11: The Joint Committee shall vote on a report including findings, conclusions, recommendations, a CBO estimate and legislative language designed to achieve at least \$1.5 trillion in deficit reduction over the period FY 2012 - FY 2021.

- Any CBO estimates must be available at least 48 hours prior to a vote of the Committee.
- Not later than 12/2/11: If the Joint Committee approves a report and legislative language by a majority vote of at least seven members, it must submit the report and the legislative language to the President, the House and the Senate.
- Not later than 12/9/11: Any standing House committee to which the Joint Committee's report has been referred must report it without amendment. By this same date any Senate Committee to which the Joint Committee's report has been referred must report it without amendment with either a favorable, unfavorable or no recommendation to the Senate.
- Not later than 12/23/11: Both the House and Senate must vote up or down without amendment on the report of the Joint Committee.
- 1/15/12: Unless a Joint Committee bill achieving at least \$1.2 trillion in deficit reduction is enacted by this date, the discretionary caps are revised for FY 12 - FY 21. While the total discretionary funding level remains the same, the caps are divided between a "revised security category" which includes just Budget Function 050 (as compared to the broader definition of "security" used in the initial establishment of the caps) and a "revised nonsecurity category" which is everything else. Thus, firewalls would be set in place for ten years.
- Expected early in 2013: After the debt limit is increased by \$900 billion, if the President submits a certification to Congress that the debt is within \$100 billion of the debt limit the Secretary of the Treasury is authorized to issue an additional \$1.2 trillion of debt. This amount will be increased to \$1.5 trillion if a balanced budget amendment to the Constitution has passed both the House and Senate and been submitted to the states. If the joint select committee bill is enacted which achieves a reduction in the deficit greater than \$1.2 trillion, the borrowing authority will be increased by that amount up to \$1.5 trillion. The additional borrowing authority is made available unless a Congressional resolution of disapproval is enacted within 15 calendar days of the submission. If the resolution of disapproval passes both the House and Senate, the President can veto it; Congress can attempt a veto override. (See below for sequestration process if at least \$1.2 trillion of deficit reduction is not enacted.)
- Not later than 4/15/12: The Chair of the Senate Budget Committee must report allocations for FY 12 and FY 13 to the Appropriations Committee based on the

new discretionary caps set forth in the Act and for FY 12, FY 13, FY 13-17 and FY 13-22 for other Senate committees consistent with the March 2012 CBO baseline.

- 7/1/12: The in-school interest exemption for graduate and professional student loans is eliminated for new loans incurred on or after this date. In addition the Secretary of Education's authority to provide incentives for on-time repayment of loans is terminated on this date. CBO estimates that these two changes result in ten-year budget savings of \$21.6 billion. Thus, after \$17 billion is provided for Pell grants, a net of \$4.6 billion from student loan savings is used for deficit reduction.
- 1/2/13: If Congress has not adopted the joint committee's report to reduce the deficit by at least \$1.2 trillion, sequestration of both defense and non-exempt domestic programs will occur as calculated by OMB and ordered by the President.

If Congress adopts deficit reduction of less than \$1.2 trillion, the sequester shall make up the difference. If the total \$1.2 trillion must be accomplished by a sequester, the actual dollar amount of the sequester will be \$984 billion (the rest occurring through reduced interest payments).

The sequester will be equally divided for each of nine years (FY 13 - FY 21), so the yearly dollar reduction of the sequester will be \$109.3 billion, with 50% of that amount sequestered from defense accounts in Function 050 and the other 50% from non-exempt domestic discretionary and mandatory spending programs, with a limitation of no more than a 2% reduction to Medicare by reducing provider payments.

The list of exempt programs is contained in [Section 255 of Balanced Budget and Emergency Deficit Control Act \(BBEDCA\)](#) and special rules are contained in Section 256. Both of those sections have been amended by the [Statutory Pay-As-You-Go Act of 2010](#).

Included among exempt programs that are of interest to the education community are:

- Child Nutrition Programs (with the exception of special milk programs)
- Children's Health Insurance Fund
- Federal Pell Grants

There is also a special rule for computing sequestration for student loans:

- “For all student loans under part B or D of title IV of the Higher Education Act of 1965 made during the period when a sequestration order under section 254 is in effect as required by section 252 or 253, origination fees under sections 438(c)(2) and (6) and 455(c) and loan processing and issuance fees under section 428(f)(1)(A)(ii) of that Act shall each be increased by the uniform percentage specified in that sequestration order, and, for student loans originated during the period of the sequestration, special allowance payments under section 438(b) of that Act accruing during the period of the sequestration shall be reduced by the uniform percentage specified in that sequestration order.”

The sequester shall result in a uniform percentage reduction for each defense account and a separate uniform reduction to each nonexempt domestic account [Note: there can be multiple programs within an account], except that the percentage reduction for Medicare provider payments shall not exceed 2 percent.

The sequestration must be carried out in accordance with Section 256(k) of the BBEDCA, which states, “the same percentage sequestration shall apply to all programs, projects, and activities within a budget account (with programs, projects, and activities as delineated in the appropriation Act or accompanying report for the relevant fiscal year covering that account, or for accounts not included in appropriation Acts, as delineated in the most recently submitted President’s budget).”

The exact percentage cuts will not be known until the time of the sequester order because they will be based on the final FY 13 spending levels. However, the [Center on Budget Policy and Priorities has projected](#) that the cut to both defense spending and to non-exempt domestic programs (other than Medicare) will each be approximately 9 percent in FY 13.

To illustrate the severe impact of such a cut to Department of Education programs, based on FY 11 funding a 9 percent cut would have equaled \$4.09 billion.

It is also important to note that the discretionary portion of the Pell grant program (as well as other discretionary programs exempt from sequestration) is not protected from cuts resulting from sequestration in FY 2014-21. That is because for those years, the Act simply lowers the caps for both the revised security and nonsecurity categories by the calculated sequestration amount. Thus, Pell discretionary, along with other discretionary spending, will be squeezed by the lower caps and could be subject to further cuts.

## PELL FUNDING TABLE

Funding Needed to Fully Fund Pell \$5,550 maximum award (in billions of \$) <sup>i</sup>	FY 11	FY12	GAP: FY 12 v. FY 11
FY 11 CR discretionary appropriation	22.956		
CBO cumulative shortfall as of FY 11 <sup>ii</sup>		5.727	
FY 12 mandatory funding provided in FY 11 CR <sup>iii</sup>		3.183	
CBO projected FY 12 shortfall		2.544	
CBO estimated FY 12 costs for discretionary maximum award of \$4,860		31.686	
CBO estimated total FY 12 discretionary BA needed for \$4,860 maximum		34.230	11.274
Budget Control Act <sup>iv</sup>		10.000	1.274

<sup>i</sup> Note: Pell grant funding comes from both mandatory and discretionary funding. In addition to the amounts on this table, the Healthcare and Education Reconciliation Act of 2010 provides mandatory funding for Pell. In FY 12, it provides funding for a \$690 add-on to the maximum award. Thus, if the discretionary appropriation pays for a maximum award of \$4,680, the total maximum award will be \$5,550 – the \$4,860 discretionary plus the \$690 mandatory.

<sup>ii</sup> CBO [Federal Pell Grant Program, Discretionary Baseline, Cumulative Surplus/Shortfall, And Funding Gap](#)

<sup>iii</sup> DOD and Full-Year Continuing Appropriations Act of 2011

<sup>iv</sup> This is mandatory funding. The Budget Control Act also provides \$7 billion for Pell grants in FY 13.