

LaHood: Avoid Across-the-Board Cuts after Supercommittee Failure

By [Todd Zwillich](#) | 11/21/2011 – 7:29 pm

The congressional supercommittee officially tossed in the towel on Monday afternoon. That's after the six Democrats and six Republicans failed to get close to any agreement on how to achieve at least \$1.2 trillion in debt reduction over the next ten years.

Now Washington confronts what's known as the "sequester": \$1.2 trillion in automatic cuts that take effect January 2013. Half the cuts come from defense, and hawkish lawmakers are already pledging to undo those. But the other half come from across-the-board cuts to discretionary programs, including transportation. On Monday evening, Transportation Secretary Ray LaHood issued the following statement:

"When times are tough, Americans have always come together to accomplish big things. It's disappointing that some in Congress haven't been willing to do the same. Because the supercommittee failed to reach an agreement, we now face across-the-board cuts to programs that are critical to rebuilding our crumbling transportation infrastructure and putting Americans back to work."

President Obama pledged Monday to veto any attempt by Congress to undo the cuts, absent a broader deal on the debt.

Another casualty of the supercommittee failure was President Obama's jobs package. Democrats had hoped to attach significant infrastructure spending to the committee's end product. LaHood had this to say in his statement:

"The American people want common sense, bipartisan solutions that take a balanced approach to reducing the deficit while protecting critical transportation investments that create jobs and allow our economy to grow. When Congress comes back next month, I urge them to set aside politics and get to work on a bipartisan plan that will allow us to live within our means, while also meeting our responsibility to rebuild America's critical transportation infrastructure."

A White House official said Monday evening that Democrats would have a "laser" focus on enacting parts of the president's jobs plan between now and the end of the year. Presumably that will mean a return to infrastructure policy and attacking Republicans over their unwillingness to pass more stimulus.

House Republicans have [unveiled their own 5-year transportation bill](#), funding the Highway Trust Fund to the tune of \$130 billion and making streamlining reforms to infrastructure grants and loans. House Speaker John Boehner says he would like to see the bill pass before the end of the year.

On The Money

THE HILL'S Finance & Economy Blog

Deficit supercommittee members expected to announce failure

By Bernie Becker - 11/20/11 10:14 PM ET

The supercommittee is expected to make plain on Monday that it will fall short of its deficit-reducing mandate, an outcome many in Washington have expected for days.

The panel technically has a Wednesday deadline for their deficit-reduction package — at least \$1.2 trillion over a decade to avoid across-the-board cuts.

But any deal the supercommittee comes up with must also be vetted by the Congressional Budget Office — and be available to the 12 lawmakers on the committee for 48 hours prior to any vote, giving the panel an effective Monday deadline.

And after a weekend in which supercommittee negotiations appeared to grind to a halt, and panel members publicly suggested the other side would be to blame for failure, there was little optimism around Washington that the committee would be able to pluck a rabbit out of its hat.

Late Sunday, Reuters reported that Sen. Patty Murray (D-Wash.) and Rep. Jeb Hensarling (R-Texas), the supercommittee's co-chairmen, would issue a statement acknowledging they had not reached a deal, unless something radically changes in the coming hours.

A congressional staffer with knowledge of the supercommittee's negotiations confirmed that was the most likely outcome, but stressed that a last-minute deal was still possible.

Earlier in the day, supercommittee members from both parties headlined Sunday news shows, expressing faint hope but little confidence that they could find \$1.2 trillion in budget cuts.

In separate interviews, six supercommittee members also admitted that they had a tight window, and pledged to keep working until time had run out.

"I'm at the table. I want to solve this," Murray said on CNN's "State of the Union."

"I know Americans want us to solve this," she added. "I remain hopeful that someone on the other side will say, this is too important to fail."

But supercommittee members also blamed their colleagues across the aisle for the current stalemate, saying the other side had been unable to move off of long-held principles to craft a compromise.

Democrats, as they have for days, said Republicans were unable to embrace what they called a "balanced" package, in which corporations and wealthy taxpayers would contribute more revenues to eat into deficits.

"Remember, we have 1,400 multimillionaires in this country who didn't pay a single bit of income taxes in 2009," Rep. Xavier Becerra (D-Calif.) said on "Fox News Sunday." "Why should they escape participation when we're asking seniors to help cover the costs of deficits that, in the case of Social Security, they didn't even cause?"

Murray and Sen. John Kerry (D-Mass.) also again accused Republicans of being under the thumb of anti-tax activist Grover Norquist, a charge that Senate Majority Leader Harry Reid (D-Nev.), among others, has lobbed over and over again in recent weeks.

But Republicans asserted that they had thrown out a proposal, pushed by Sen. Pat Toomey (R-Pa.), that included hundreds of billions of dollars of upfront revenues, something they called a major concession on their end.

Democrats on the panel ended up rejecting that GOP offer, in large part because it would have locked in the Bush-era tax cuts and pushed for even further reductions in rates.

GOP supercommittee members also said on Sunday shows that Democrats had yet to put forth a plan that included serious spending cuts, especially on entitlements, that wasn't paired with large tax hikes.

"On the other side, there was an insistence that we have a trillion-dollar tax increase," Toomey said on "Face the Nation" on CBS. "There was an unwillingness to cut any kind of spending at all unless there was a huge tax increase."

"From the Democratic side, it was the same thing — raise taxes, pass the president's jobs bill, no entitlement reform," said Sen. Jon Kyl (R-Ariz.) on NBC's "Meet the Press."

"On the Republican side, you had the one true breakthrough and that was this new concept of tax reform which could generate revenue from the upper brackets for deficit reduction."

If, as expected, the supercommittee does fail to reach an agreement, that would also likely set up a battle over the across-the-board cuts that would be scheduled to go into effect in 2013. Those cuts would hit the Pentagon especially hard, and some hawks — including Hensarling — have said they would work to lessen the sting of defense cuts.

The defense cuts aren't the biggest problem with the trigger

Posted by [Brad Plumer](#) at 02:02 PM ET, 11/21/2011

Now that the supercommittee is set to pull the “fail” lever, there’s no shortage of panic in Congress about the constraints on future military spending that will kick in as a result — saving \$454 billion over 10 years. “This is not an outcome we can live with,” Sens. John McCain (R-Ariz.) and Lindsey Graham (R-S.C.) warned earlier this month.



(J. Scott Applewhite/AP) Yet there’s nowhere near the same anxiety about the cuts to domestic discretionary spending that will also bite down once the supercommittee chucks in the towel. Arguably, there should be. Budget experts are already warning that these cuts to domestic spending — totaling \$294 billion over 10 years, starting with a 7.8 percent cut in 2013, and coming on top of the spending caps in August’s debt-ceiling deal — could have even harsher consequences, both for everyday Americans and for the ability of the United States to maintain a thriving, competitive economy in the years ahead.

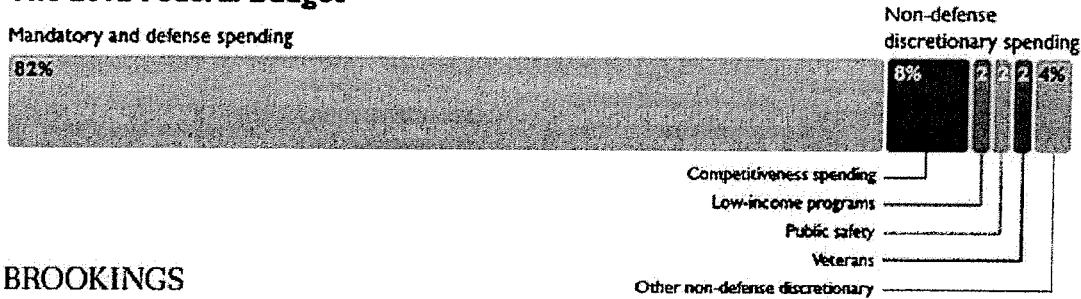
“This isn’t just a bunch of bureaucrats in Washington who are going to have fewer jobs,” says Isabel Sawhill, a former associate director of the Office of Management and Budget now at Brookings, of the cuts. “This is going to affect public safety, it’s going to affect low-income people, it’s going to affect veterans’ health care. We can’t just wave our arms and pretend it won’t have an impact on people’s lives.”

First, let’s define terms. “Non-defense discretionary spending” has been known to glaze over eyes and induce snores whenever it’s thrown around. Which is part of why politicians like to cut it. Everyone knows what Social Security is. Everyone knows what Medicare does. But what about domestic discretionary spending? Well, it’s anything that falls into Congress’s appropriations budgets each year. It’s the Veterans Health Administration. It’s medical research

at the National Institutes for Health. It's low-income housing assistance. It's the Coast Guard. It's highway spending. It's EPA clean-air enforcement.

To make this more intuitive, Sawhill has picked through domestic discretionary spending and sorted all of the programs into four broad categories. There's "competitiveness," which includes things like energy and transportation infrastructure and R&D. There's "low-income programs" like housing vouchers or nutrition assistance for women with infants. There's "public safety": border control, food inspections, etc. And then there's care for veterans. Here's how it all stacks up:

The 2012 Federal Budget

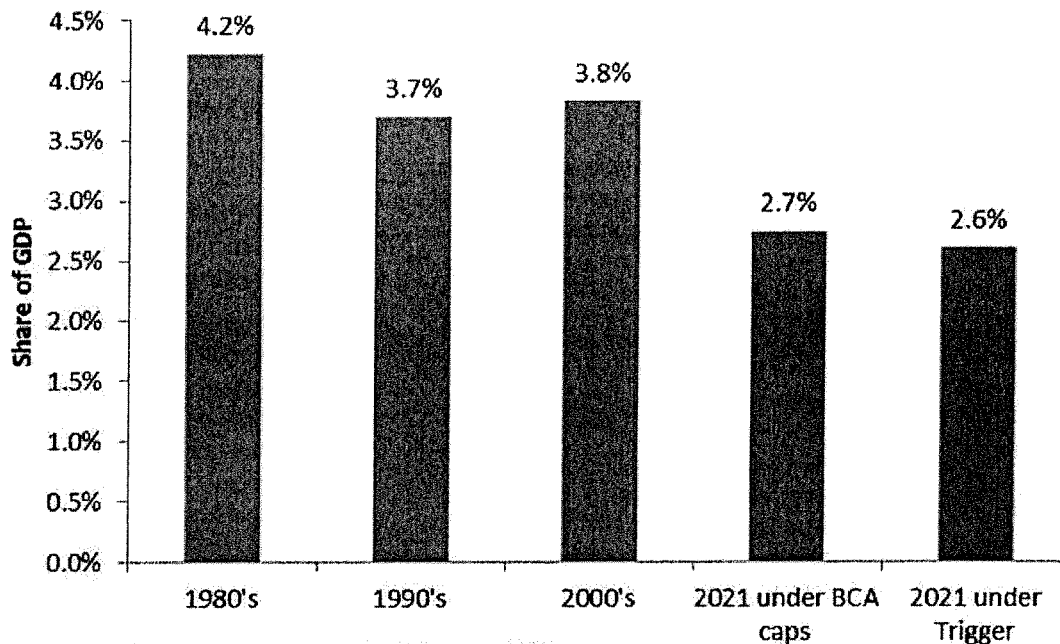


BROOKINGS

Notice that this spending makes up just 18 percent of the overall budget. No doubt there are some wasteful and unnecessary programs tucked in there. But one striking thing Sawhill found was that the money that could broadly be classified as "overhead" — salaries, administrative expenses, and so on — only came to about 4 percent of the federal budget. That suggests there's not a ton of easy fat to trim. "Even relatively efficient organizations," Sawhill wrote, "have overhead rates that are as high or higher than 4 percent."

So how much of this will get cut? Recall that the Budget Control Act — the deal Congress reached in August to hike the debt ceiling — put a cap on all discretionary spending to cut \$917 billion between now and 2021. Most of those cuts will likely hit non-defense items. The "trigger" that takes effect once the supercommittee fails, meanwhile, will cut an additional \$294 billion from domestic discretionary over that time. The Economic Policy Institute's Ethan Pollack drew a graph showing that, as a result, domestic discretionary spending will be far lower, as a portion of GDP, than it was during the Reagan or Clinton or Bush years:

Historical and proposed domestic discretionary levels



Source: Author's analysis of OMB and CBO

Now, it's hard to know what specific programs will get cut. Future congressional appropriators will have to thrash that out. But just to illustrate the scale here, Third Way has provided examples of what would happen if the the trigger's 7.8 percent cuts were spread evenly, across the board, in 2013. We'd have 608 fewer food-safety inspectors, which would likely lead to some 49,000 more cases of Salmonella, E. coli, and other food-related diseases. We'd have 1,200 fewer FAA air-traffic controllers, which could lead to an estimated 205,527 more flight delays. There'd be 2,326 fewer IRS agents, which would likely lead to \$4.5 billion less in tax revenue collected.

Indeed, the IRS example illustrates why many observers (see David Leonhardt [here](#)) think that cutting domestic spending is so short-sighted — and could, in some cases, worsen our deficit problems down the way. It's more expensive to replace a highway later than it is to repair it now. Less scientific research could mean lower growth in the future, making it harder to muscle out of our debt burden. Gutting the IRS makes tax evasion easier, which means less revenue coming in.

Still, as long as Republicans refuse to raise taxes, and as long as Congress is jittery about touching Medicare or Social Security or defense spending, then this tiny portion of the budget is going to get squeezed disproportionately. And it's hard to find the equivalent of a John McCain or a Lindsey Graham shouting, "This is not an outcome we can live with."

Deadline Nears: Debt Reduction Panel Weighs Undoing Its Own Rules

FoxNews.com

With 10 days left until an automatic trigger for debt reduction, the Super Committee tasked with finding a plan to get rid of \$1.2 trillion in impending debt over the next 10 years may have to punt. Six Democrats and six Republicans appointed to the panel have until Nov. 23 to find the balance that will get past Congress by Dec. 23 and onto President Obama's desk. Without a deal by Thanksgiving, automatic across-the-board cuts divided between defense and domestic programs, also known as "sequestration," kick in.

"I am not giving up on getting something done. I think we still can and I am going to do everything to achieve that," said Sen. Pat Toomey, R-Pa., one of the Super Committee members.

"In the very unfortunate event that we don't, I think it is very likely Congress will reconsider configuration of that sequestration and consider if this is the best way to do it. I think it will be a lively debate that will occur and the nature of those cuts. If the cuts have to occur they might occur in a different fashion."

Toomey, a tax hawk who formerly ran the fiscally conservative Club for Growth, acknowledged that "the clock is running out."

"But it hasn't run out yet. We still have time, but we have no time to waste," Toomey told "Fox News Sunday."

Rep. James Clyburn, D-S.C., also a member of the panel, said while he was hopeful for a deal, "I am not as certain as I was 10 days ago, but I think that we can."

That's not what lawmakers or the public were counting on when the trigger was included as part of a deal cut this summer between congressional Republicans and the White House to up the debt ceiling.

The co-chairman of the panel on Sunday called the deliberations a "roller coaster ride." Rep. Jeb Hensarling, R-Texas, who appeared on CNN, also offered no clues about whether a deal could be struck by the deadline.

"We haven't given up hope," he said.

So what's stopping a deal? The amount of taxes to be raised and spending to be cut.

Republicans and Democrats are coming to the table with very different plans. The Republicans have reportedly offered \$700 billion in spending cuts and \$500 billion in revenue increases. The revenues would come from \$250 billion in fewer deductions for top income tax filers. In exchange, the highest tax rates — now at 35 percent but expected to rise to 39.6 percent in 2013 — would drop down to 28 percent. Democrats have offered a one-to-one ratio of spending cuts to revenue increases. It would seem the two, then, are pretty close. And yet, they're still bickering.

Republicans contend closing the loopholes and lowering the rate would create a net gain for the government. But Democrats say it would cost more than the \$3 billion that higher tax rates would attract. Clyburn said allowing billionaires to catch any breaks isn't fair.

"I think it is unfair for us to sit out and say to a person who is making billions of dollars, we're going to allow a tax increase or decrease of another \$300,000 a year while we are then going to take away Medicare for people living on fixed income. That is just not fair," he said, adding that those in the top 1 percent have seen their earnings increase by 275 percent over the past 28 years.

"Let's say: come on — let's tone this down and put you where you were 28 years ago relative to the rest of the country," he said.

Clyburn said he wants to do "some surgical fixes to entitlements" but that requires going to a bigger deal. I am a \$4 trillion guy," Clyburn said. "I do believe we can do this."

If the automatic trigger does threaten to kick in, Obama, who's traveling in Hawaii and then is headed to the Asian-Pacific — and who doesn't have an executive branch representative sitting at the Super Committee table, has said he will veto any measure that tries to change the terms of sequestration.

Toomey said, however, that Congress is "very likely" to reconsider the triggers, and that would involve "a lively debate" but ultimately cuts would occur, however, in some fashion. Without that, the dysfunction in Congress will be laid bare both at home and abroad.

"There will be further erosion of what little confidence remains of our federal government," Toomey said.

But Clyburn suggested any claims that a deal won't get struck are pessimistic.

"About two-thirds of what Pat Toomey has put on the table I am for, I'll tell you. And that may shock you," he said.

Supercommittee failure to reach agreement could lead to deeper transportation cuts

November 22, 2011

By Sean Barry

The so-called deficit supercommittee, a bipartisan group of 12 lawmakers tasked with agreeing to \$1.2 trillion in spending cuts, was supposed to unveil its recommendations this week for an up-or-down vote in Congress.

But the group, established in a down-to-the-wire debt ceiling deal between President Obama and Congressional Republicans this past summer, looks like it will have nothing to offer. The divide between the two parties, particularly over high-end tax rates, appears irreconcilable.

But the consequences for failure go beyond just another black eye for an unpopular Congress. When the supercommittee was created, it came with a “trigger” of automatic cuts if members failed to come to an agreement. A portion of that \$1.2 trillion trigger will target defense and Medicare reimbursements, but a significant chunk encompasses yet-to-be identified discretionary spending.

That means the budget for the U.S. Department of Transportation, which just emerged from a tough battle over 2012 funding levels, is back on the chopping block.

Last week, the House and Senate passed and President Obama signed a “minibus” budget for 2012 that largely kept funding for transit, Amtrak and TIGER grants intact, while zeroing out high-speed rail. Many of these same programs would likely be subject to further cuts under a trigger scenario, though the new cuts would not materialize until the 2013 calendar year.

The six Republicans and six Democrats on the supercommittee — three of each party from the House and Senate, respectively — technically have until Wednesday to make recommendations, but in order for Congress to have a chance to vote and meet disclosure terms, they needed to send their proposal to the Congressional Budget Office Monday evening for scoring.

That deadline has come and gone.

Under a failure scenario, it would fall to members of the House and Senate appropriations committees to draft specific cuts, likely a contentious outcome given split party control. There is also the possibility that discretionary spending like USDOT programs could take an even larger hit if members follow through with plans to reverse the trigger-outlined cuts to defense, a politically-sensitive area for Republicans and Democrats alike. (President Obama has signaled his intent to veto any attempts to undo the automatically-triggered cuts that were part of the committee’s creation.)

Members could also vote to eliminate the trigger all-together, but that seems less likely given that House Republicans have emphasized spending cuts since taking the majority this year.