



BIPARTISAN POLICY CENTER

Framework for a Grand Bargain to Avoid the 'Fiscal Cliff'

The 112th Congress can take clear action to avoid the "fiscal cliff" and establish a framework for achieving comprehensive spending and tax reform in 2013. The Bipartisan Policy Center (BPC) proposes enacting legislation in the lame duck session that has the four basic elements outlined below. This package is meant to serve as a starting point to be refined by Congress as it negotiates a final product. Therefore, we leave important elements unspecified, such as the ratio between spending cuts and revenue increases, the size of a "down payment" that might be necessary to pass this law in the **lame duck session of the 112th Congress**, and consideration of an increase to the federal debt limit.

The framework would essentially "codify" much of budget reconciliation, which is now part of the congressional budget process (the "regular order"), and set up a new **accelerated regular order**.

Elements of the Legislation:

1. Require the **committees of jurisdiction of the 113th Congress to produce a debt reduction package** containing policies that, if enacted, would reduce projected federal debt by \$4 trillion over a decade relative to a current policy baseline.
2. Allow for such a package to move through Congress via "**accelerated regular order**," which includes a threshold of a "simple majority of all members present and voting" to pass the debt reduction legislation. This comports with regular order reconciliation as it exists under the standard budget process.
3. Turn off the "fiscal cliff" (such as avoiding expiration of tax cuts, expansion of the Alternative Minimum Tax, imposition of an approximately 30-percent decrease in Medicare and Tricare payments to physicians, and cuts from the "sequestration" provisions of the Budget Control Act of 2011) and **impose a legislative "backstop" that would automatically become law** if the 113th Congress failed to act and pass the debt reduction legislation outlined above.
4. As part of the agreement, enact an initial package of tax and spending changes (a "**down payment**") in the lame duck to offset some of the fiscal cliff and that can be built upon to achieve a larger comprehensive debt reduction package in 2013.

Passage of such a framework in the **lame duck session of the 112th Congress** would eliminate the abrupt and chaotic austerity measures included in the fiscal cliff. It would provide much-needed assurance to the public and financial markets that federal debt reduction legislation will actually happen, even in the absence of action by the 113th Congress. And hopefully, the cooperation necessary to enact this framework will yield confidence in the ability of Congress to come to a broader agreement in 2013.



BIPARTISAN POLICY CENTER

How the Accelerated Regular Order Would Function

In the lame duck session, the 112th Congress would pass a new bill that contains provisions for the 113th Congress as follows:

- directs the committees of jurisdiction in the Senate and House of Representatives to report legislative **language enacting reductions in mandatory and entitlement spending and increases in revenues that sum to \$4 trillion over the next 10 years relative to a current policy baseline;**
- requires the directed committees to **report such legislation** to the House and Senate Budget Committees by October 15, 2013 and the Budget Committees to aggregate the various submissions into one bill;
- **for any committee that fails to achieve its goals**, allows the respective Budget Committee to produce legislation with spending cuts and revenue increases within the appropriate jurisdiction to fulfill the committee's target;
- requires the Budget Committees' packages to be reported out and brought to the floor for consideration by November 15, 2013;
- provides such legislation with **expedited House and Senate floor consideration** by providing privileged parliamentary status, which would allow a maximum 20 hours of debate in each body, including amendments (each of which will be limited to one hour of debate, equally divided);
- provides that at the **end of the 20-hour debate period**, no further amendments will be in order and the bill shall be voted upon with no intervening legislative action;
- requires only a **simple majority** of all members present and voting to pass the bill;
- requires that, within one week of passage of the legislation, **a conference committee be appointed and shall convene** to reconcile the House and Senate versions of the debt reduction package and report to their chambers a Conference Report within two calendar weeks;
- permits the Conference Report to have privileged parliamentary status, to be subject to only **10 hours of debate**, without amendment or intervening legislative action; and
- requires that at the end of 10 hours of debate, the report shall be brought to a **simple majority vote.**



BIPARTISAN POLICY CENTER

Ensuring an Absolute Backstop

If Congress fails to enact the specified amount of debt reduction required under the new accelerated regular order framework, **an automatic backstop** would ensure that debt reduction is achieved.

Elements of a Backstop

The Executive Branch shall **eliminate any shortfall** – whether from the failure of the debt reduction bill to become law or from insufficient debt reduction contained therein – by achieving the requisite amount of debt reduction compared to the current policy baseline: **half of the savings would come from reductions to all mandatory and entitlement programs (with the exception of Social Security) and half from reductions in all federal tax expenditures.** The framework recognizes that the backstop of cuts in mandatory programs and tax expenditures will require flexible treatment – certainly, cutting an entitlement program involves different considerations than cutting a tax expenditure.

BPC believes, however, that such a backstop offers the most reasonable alternative for dealing with both revenues and entitlements, which both debt commissions identified as the two essential components to any attempt to reduce federal deficits. It also provides a severe but workable failsafe to prompt Congress to act and pass a comprehensive debt reduction plan of its own.

Providing for a Down Payment

As part of the lame duck agreement, the 112th Congress could agree to a “down payment,” **comprised of revenue increases and spending cuts**, which would serve as a first step towards a more comprehensive debt reduction package.

Conclusion

All elements of any legislative framework enacted in the lame duck will be subject to intense negotiations within Congress and with the Executive Branch. BPC’s Framework for a Grand Bargain ensures that debt reduction **will** be achieved while maximizing flexibility for lawmakers to determine **how** it will be achieved. BPC believes that Congress must enact a pathway to a debt reduction package as outlined here before the end of 2012 to stave off the calamitous effects of the fiscal cliff and begin to stabilize our federal debt. An ambitious timeline for action has been laid out above, but investor and consumer reactions may drive policy if there is any further delay.