SUMMARY OF THE DEFICIT REDUCTION ACT OF 2009

DEFICIT CAPS

- The legislation would limit the deficit as a percentage of the GDP.

- Beginning in fiscal year 2012, the deficit could not exceed 4% of the GDP.

- By fiscal year 2013, the deficit could not exceed 3% of the GDP. These limits would be in effect between fiscal years 2013 and 2019.

DISCRETIONARY SPENDING LIMITS

- The legislation limits yearly appropriations—called discretionary spending—to the rate of inflation starting in the fiscal year 2011. These limits would be in effect between fiscal years 2013 and 2019.

- These limits would be similar to statutory limits placed on discretionary spending between 1990 and 2002, but were allowed to expire.

ENFORCEMENT

- If Congress exceeds the deficit limits or discretionary spending limits, OMB will make uniform spending cuts across the government—called sequestration.

- Social Security, veterans programs, and other limited categories of spending would be exempt from the uniform cut. The sequestration mechanism and the exemptions mirror the provisions in statutory PAYGO legislation.

TEMPORARY WAIVER DURING ECONOMIC DOWNTURNS

- The White House Office of Management and Budget ("OMB") and the Department of Commerce must notify Congress if they project economic growth at less than one percent during two consecutive quarters.

- Should the OMB or Commerce issue such a report, the House and Senate would no longer need to abide by the deficit caps for that particular fiscal year.

- The caps will be re-instituted in the next fiscal year unless the OMB issues another report concerning low economic growth.