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Commentary: Congress' Packed Fall Agenda Offers Opportunities for Bipartisan Progress

By Robert Greenstein

In addressing critical issues before Congress this fall, Republican House and Senate leaders have an important choice to make. They need to decide whether to seek reasonable, bipartisan solutions or to push highly partisan proposals that may please some in their party's base but would adversely affect millions of families, as well as the nation's long-term economic health. The items on Congress' plate this fall are daunting: raising the debt ceiling, funding the government to prevent a shutdown, addressing disaster needs related to Hurricane Harvey, shoring up health insurance markets, reauthorizing funding for the Children's Health Insurance Program (CHIP), tax reform, and possibly cuts and major changes in core safety net programs. If Republican leaders eschew bipartisanship, the consequences could be far-reaching:

- The debt limit must be addressed in September; defaulting on the nation's debt could cause serious economic harm and disrupt financial markets by raising U.S. borrowing costs and, in the extreme, trigger another financial crisis.
- Failure to reach agreement to fund the government for the next fiscal year, which starts October 1, would lead to a painful and wasteful shutdown of services. More broadly, failure to set reasonable funding levels for defense and non-defense discretionary programs would leave key national security and economic investments underfunded.
- Delays in providing disaster relief to areas and people hard hit by Hurricane Harvey would slow the recovery and rebuilding efforts and make it harder for affected families, businesses, and communities to get back on their feet.
- Continuing to try to repeal the Affordable Care Act (ACA) and cap and cut Medicaid (or even holding CHIP reauthorization "hostage" to such an agenda, as some lawmakers have suggested) — rather than seeking common-sense ways to strengthen health coverage and stabilize the marketplaces — would put health care at risk for tens of millions of people.
- Using the fast-track budget reconciliation process to ram through cuts in basic food assistance, health care, and social services for struggling families, alongside large tax cuts for the wealthiest households and corporations, would increase poverty, widen income disparities, and reduce opportunity.

There is another path. If congressional leaders embrace responsible governance, the two parties should be able to agree on steps to reaffirm the nation's full faith and credit, avert a government shutdown, adequately fund priority areas, help hurricane-ravaged areas rebuild, shore up health insurance markets, and possibly reform the tax code while avoiding budget-busting tax cuts that primarily help the wealthy at the expense of everyday Americans.

Here's a guide to the implications of key decisions coming this fall, in the rough order in which Congress will likely address them.

Debt Ceiling

The Treasury Department estimates that the federal government will not be able to honor its debt obligations after roughly the end of September if policymakers fail to raise (or suspend) the debt limit. Treasury Secretary Steven Mnuchin has called on Congress to provide a "clean" increase in the debt limit in September.[1] But some other Republicans are demanding that policymakers combine any debt limit increase with controversial measures for large budget cuts or changes in budget rules to force such cuts in the future. Encumbering a debt limit increase in this manner would greatly complicate the process, potentially leading to dangerous brinksmanship and possibly even a damaging default.[2]

In October 2013, when the Treasury was close to breaching the debt limit, "investors reported taking the unprecedented action of systematically avoiding certain Treasury securities," according to the Government Accountability Office, thereby raising Treasury's borrowing costs[3] — which did nothing more than waste taxpayers' money.

Of even graver concern, through accident or miscalculation, games of debt ceiling chicken could end in a crash, and the costs to the United States of defaulting on its financial obligations could be very high. If prolonged, a situation in which the Treasury must match its payments to its available cash could push the economy into recession. Even if the debt limit were later raised, the damage to the U.S. credit rating — and to the interest rates the government must pay to borrow — would likely harm the nation for years to come.

Congress should also reject arguments that debt payments can be "prioritized" by allowing Treasury to borrow funds to pay some claimants, such as bondholders and Social Security recipients, if there is a prolonged standoff over raising the debt ceiling. *Such prioritization is extremely dangerous.* Millions of people beyond bondholders and Social Security beneficiaries depend on timely federal payments, including veterans, doctors treating Medicare patients, soldiers, state and local governments, private contractors, and recipients of benefits such as SNAP (formerly food stamps) and Supplemental Security Income. Domestic and foreign lenders would hardly be reassured at the sight of Treasury grappling with how to meet its legal obligations when cash is short. Yet by

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[1] CNBC, "Treasury Secretary Mnuchin says 'debt ceiling will be raised'," August 25, 2017, https://www.cnbc.com/2017/08/25/treasury-secretary-mnuchin-says-debt-ceiling-will-be-raised.html.

[2] Donald B. Marron, "The Costs of Debt Limit Brinksmanship," testimony before the Joint Economic Committee, September 18, 2013, http://www.taxpolicycenter.org/sites/default/files/alfresco/publication-pdfs/904601-The-Costs-of-Debt-Limit-Brinksmanship.PDF.

[3] Government Accountability Office, "Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches," July 2015, https://www.gao.gov/assets/680/671287.pdf.

appearing to make a default legitimate and manageable, prioritization would heighten the risk that one will actually occur.[4]

As the Congressional Budget Office (CBO) noted in 2010: "By the time an increase in the debt ceiling comes up for approval, it is too late to avoid paying the government's pending bills without incurring serious negative consequences."[5] That is, the debt limit is not about controlling deficits, but rather about meeting the commitments created by past decisions. Ideally, policymakers would scrap the debt limit, given that it doesn't enforce fiscal discipline and encourages harmful brinkmanship. But at the very least, they should agree to a "clean" increase in the debt limit, as Secretary Mnuchin has suggested.

Appropriations and Government Shutdown

Congress must come to at least a temporary agreement to fund federal agencies by the end of September or a federal government "shutdown" will ensue on October 1 — that is, federal agencies would have to stop or scale back most of their work. In addition, Congress must resolve overall funding levels for defense and non-defense discretionary programs so that it can enact annual appropriations legislation for fiscal year 2018.

After policymakers failed to agree on a temporary funding bill in 2013, a government shutdown lasting 16 days disrupted economic activity and certain government services. The reduction in hours worked by federal employees "reduced real GDP growth by about 0.3 percentage point" over October-December 2013, according to the Commerce Department.[6] The shutdown delayed transportation and energy projects that needed permits and environmental reviews, import and export licenses that facilitate trade, and federal loans to a range of entities, including businesses and homeowners. It also disrupted both private-sector lending (because financial institutions couldn't access government verification services) and travel and tourism (because national parks and monuments were closed).[7] Congress shouldn't let this happen again.

But averting a shutdown isn't enough. Congress must also resolve overall defense and non-defense discretionary funding levels. Non-defense appropriations fund a broad range of government functions and services, such as law enforcement, medical research, health care and other services for veterans, aid to local schools, job training, low-income rental assistance, food safety and infectious disease control, environmental protection, national parks, and air traffic control. The 2011 Budget Control Act's (BCA) tight caps on funding levels, as further reduced by sequestration cuts, have severely constrained funding for both defense and non-defense discretionary programs.

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[4] Chad Stone, "Federal Spending and the Debt Limit," testimony before the Subcommittee on Oversight and Investigations of the House Financial Services Committee, February 2, 2016, https://www.cbpp.org/federal-budget/federal-spending-and-the-debt-limit.

[5] *Federal Debt and Interest Costs*, Congressional Budget Office, December 2010, p. 23, http://www.cbo.gov/sites/default/files/cbofiles/ftpdocs/119xx/doc11999/12-14-federaldebt.pdf.

[6] Bureau of Economic Analysis, "Technical Note: Gross Domestic Product, Fourth Quarter of 2013 (Advance Estimate)," January 30, 2014, https://www.bea.gov/newsreleases/national/gdp/2014/tech4q13_adv.htm.

[7] Office of Management and Budget, "Impacts and Costs of the October 2013 Federal Government Shutdown," November 2013, https://obamawhitehouse.archives.gov/sites/default/files/omb/reports/impacts-and-costs-of-october-2013-federal-government-shutdown-report.pdf.

Recognizing that the caps and sequestration make it difficult to meet national needs, bipartisan majorities in Congress have scaled back the sequestration cuts one or two years at a time, providing equal relief for defense and non-defense. But without another such agreement, *full* sequestration cuts — that is, cuts below programs' already reduced levels — will take effect for the first time in 2018.

The House Appropriations Committee has approved 2018 funding measures that would increase regular appropriations for defense by $70 billion above the 2017 level, while cutting regular appropriations for non-defense programs by $8 billion *below* the 2017 level. (The House Budget Committee has adopted a budget resolution that incorporates these increases and cuts.) Some of these bills have already passed the House; the rest are slated for consideration early in September.

The House approach leaves non-defense discretionary funding well below the level needed to adequately fund necessary investments in families, communities, and the economy. For example, the House bills would:

- cut elementary and secondary education below current levels, further eroding federal support for local schools;
- cut aid to localities to upgrade and replace aging drinking water and wastewater treatment infrastructure;
- continue the disinvestment in job training and employment programs, despite the need to help workers gain the skills needed for decent jobs in today's economy;
- defund about 140,000 housing vouchers as funding fails to keep up with rising private-market rental costs, likely increasing destitution and homelessness;
- underfund preparation for the 2020 decennial census, thereby jeopardizing the reliability of the Census data; and
- cut funding nearly in half for programs supporting renewable energy research and development.[8]

To raise funding for defense discretionary programs above the sequestration levels entails easing the sequestration caps, which policymakers can accomplish only through legislation that needs 60 votes in the Senate and thus must be bipartisan. As such, a far more productive approach would be for policymakers to again reach a bipartisan agreement to provide equal sequestration relief for defense and non-defense. In so doing, they should ensure that the added resources fund important priorities and should rely on a balanced package of offsets.

Disaster Relief

While the full extent of damage from Hurricane Harvey will take time to determine, hard-hit communities, businesses, and families clearly will need significant federal assistance to recover and rebuild. The discussion of the relief needed should not get sidetracked into a debate about whether to offset disaster assistance with other spending reductions. Policymakers declared other major

[8] David Reich and Chloe Cho, "House Appropriations Bills Fall Far Short of Meeting National Needs," Center on Budget and Policy Priorities, July 26, 2017, https://www.cbpp.org/research/federal-budget/house-appropriations-bills-fall-far-short-of-meeting-national-needs.

natural disasters, such as Hurricanes Katrina and Sandy, emergencies for budget purposes and didn't offset their costs; Harvey relief merits the same treatment.

The nation faces longer-term fiscal challenges: the federal government cannot meet the costs associated with the aging of the population and health care with revenues at current-law levels. But the substantial disaster assistance needed for Hurricane Harvey will be time limited, and so will not materially affect the longer-term fiscal picture. Nor will it affect the nation's ability to meet its other responsibilities in the short term. The federal cost of rebuilding from this disaster will be borne over a number of years and will represent only a modest increase in federal spending over that time frame — and the federal government has access to very low-cost financing to meet these expenses.

Disaster aid has sometimes been delayed in the past because some in Congress wanted to attach controversial budget cuts to legislation providing needed relief. (Proponents of "paying for" disaster aid never propose using revenue-raising measures to offset any of the costs, showing that there is an ideological component to their demands.) Policymakers' top priority must be to aid hard-hit communities and families as quickly as possible.

Health Care

The effort to "repeal and replace" the ACA has so far failed, in no small part because a large majority of Americans oppose the core features of the House-passed and unsuccessful Senate "repeal and replace" legislation. These bills would have sharply cut Medicaid and radically restructured its financing, led tens of millions of people to lose coverage, forced millions more with coverage through the individual market to pay more for the same coverage or switch to skimpier coverage, and undercut important consumer protections, including safeguards for people with pre-existing conditions. And these bills would have used the savings largely to finance tax cuts mostly for corporations and affluent individuals.

More than 20 million people would have lost coverage under either the House-passed bill or the Senate "repeal and replace" option, and both bills would have cut Medicaid by at least $750 billion over the next decade, according to CBO. Thus, neither bill meshed with President Trump's prior commitments — or the view held by a majority of the public — that health care should be accessible and affordable to all Americans. (Nor did the Senate "skinny" bill, which would have repealed parts of the ACA without any replacement.)

Congressional leaders must now decide where to go from here — and they have two fundamental paths. If they heed the Hippocratic Oath to do no harm, they can forge bipartisan legislation that builds on the ACA's accomplishments by:

- ensuring that insurers receive a permanent guarantee of the cost-sharing reduction payments they are owed — and providing this guarantee before insurers have to finalize rates and participation decisions for 2018;
- setting aside attempts to weaken Medicaid, which provides the most cost-efficient coverage offered on a large scale and serves tens of millions of low- or modest-income seniors, people with disabilities, children, parents, and other adults;
- extending full funding for the effective CHIP program and building on, rather than reversing, the progress made over the last three decades in expanding children's health coverage; and

- strengthening the ACA marketplaces through measures that encourage insurer participation, help eligible individuals enroll, and make coverage more affordable.

To be sure, such bills involve complex issues. But this approach can succeed because its goals are aligned with the public's widely held view that health legislation should move the nation closer to accessible, affordable, quality health care for all Americans.

In contrast, continuing to pursue ACA repeal would return us to a path resulting in millions losing coverage, millions more paying more for health care, and a weakening of key protections for consumers. Reports that some Senate Republicans are working with the White House to promote a bill introduced by Senators Bill Cassidy and Lindsey Graham are particularly concerning, as that legislation shares the most damaging components of prior repeal bills.[9]

The Cassidy-Graham legislation would replace the ACA's Medicaid expansion and its marketplace subsidies with a single block grant that would shrink over time and then disappear altogether. In addition, like the House-passed and earlier Senate bills, it would alter Medicaid fundamentally by imposing a cap on federal funding for state Medicaid programs that would compel states to cut Medicaid by growing amounts over time. The bill would also weaken various protections for people with pre-existing conditions. Moreover, Senators Cassidy and Graham are reportedly considering adding to the bill the so-called "Cruz amendment," which would allow insurers to charge sharply higher premiums to people with pre-existing conditions or deny them coverage altogether.

If Republicans in Congress and the Trump administration pursue a version of this legislation, they will again be seeking to pass highly partisan legislation that violates their health care promises and would harm millions of Americans.

Entitlement and Tax Legislation

The House is expected to move in early September to consider a fiscal year 2018 budget resolution, which would provide a framework for budget and tax legislation to follow this year and a broader fiscal policy blueprint for the coming decade. The Senate is also expected to move this fall on its version of the budget resolution, which has not yet emerged.

The budget resolution that the House Budget Committee adopted in July calls for deep cuts in Medicaid and other basic assistance programs that help low- and moderate-income families make ends meet, including programs that help students from these families afford college. It also contains massive cuts over time in non-defense discretionary spending. At the same time, the House budget plan calls for raising defense funding substantially and would pave the way for tax cuts.

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[9] See Judith Solomon *et al.*, "Cassidy-Graham Amendment Would Cut Hundreds of Billions from Coverage Programs, Cause Millions to Lose Health Insurance," Center on Budget and Policy Priorities, July 27, 2017, https://www.cbpp.org/research/health/cassidy-graham-amendment-would-cut-hundreds-of-billions-from-coverage-programs-cause; Matt Broaddus and Edwin Park, "Cassidy-Graham Would Deeply Cut and Drastically Redistribute Health Coverage Funding Among States," Center on Budget and Policy Priorities, August 24, 2017, https://www.cbpp.org/research/health/cassidy-graham-would-deeply-cut-and-drastically-redistribute-health-coverage-funding.

The House budget plan initiates a fast-track process, known as budget reconciliation, to achieve a first tranche of entitlement cuts this fall through legislation that wouldn't require bipartisan support. The plan calls for various congressional committees to produce *at least* $203 billion in entitlement cuts over the coming decade. These cuts would be fast-tracked — they could pass with a simple majority in the Senate (and thus, without a single Democratic vote), using the same process that GOP leaders have used to try to undo the ACA. The budget also allows for fast-track consideration of deficit-neutral tax policy changes, meaning that the House budget would permit still larger entitlement cuts in order to pay for more tax cuts. The House budget plan thus would set the stage for Robin-Hood-in-reverse policies that would widen income disparities and increase poverty, even while cutting taxes for those at the top of the economic ladder and large, profitable corporations.

There is also a risk that Congress will approve a budget resolution that paves the way for deficit-*increasing* tax cuts. The House Budget Committee issued a "Policy Statement on Tax Reform" alongside its budget plan highlighting its tax-cutting priorities, which include several expensive provisions favoring high-income households and large corporations. These include repealing the Alternative Minimum Tax, cutting the corporate tax rate, and setting a special, lower rate for "pass-through" business income. The policy statement provided no similar specificity for proposed offsets, suggesting that Congress may find it easier to approve tax cuts that increase the deficit than to craft a deficit-neutral tax plan.

If this happens, then either debt levels will rise further as a share of the economy or large budget cuts — very possibly in key investment areas or in basic nutrition assistance, health care, education, or other areas important to millions of Americans of modest means — will likely follow, to offset the tax-cut costs. Those budget cuts would almost certainly fall primarily on low- and middle-income people (since they are the main beneficiaries of many government programs), while the tax-cut benefits would likely flow heavily to those who are affluent. Thus, households with low or moderate incomes ultimately would likely be left worse off.[10]

Congress should reject any budget resolution that opens the door for tax cuts to be paid for either by adding to budget deficits or by cutting important programs. Instead, any changes in tax policy should, at a minimum, be *revenue neutral*. Any reductions in tax rates or other tax changes that lose revenue should be fully offset through other revenue-raising measures, such as by narrowing the more than $1 trillion a year in "tax expenditures," many of which are inefficient, low-priority, or special-interest tax breaks.[11]

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[10] *Ibid.*

[11] This should be measured relative to current law; see Chye-Ching Huang and Brandon DeBot, "Current Policy Baseline Would Hide $439 Billion in Tax Cuts Worth at Least $40,000 a Year for the Top 0.1 Percent," Center on Budget and Policy Priorities, August 16, 2017, https://www.cbpp.org/research/federal-tax/current-policy-baseline-would-hide-439-billion-in-tax-cuts-worth-at-least-40000.