



Congress faces double wrangling – fed budget, debt ceiling

US Treasury Secretary Jack Lew presented Congress with an even clearer possible doomsday scenario, citing October 17 as the day the Treasury would run out of money to meet its obligations should Congress fail to raise the debt ceiling. As lawmakers wrestle with that bull, they are also head-to-head over the federal budget.

By: Katie Perkowski – September 26, 2013

Washington – With a now all-too-familiar backdrop of political firefight on Capitol Hill, Congress has a clearer picture of when the US Treasury will run out of the money necessary to meet its financial obligations – October 17. Should Congress fail to increase the debt ceiling, the US would default on its loans, sending fragile global financial markets into chaos.

The debate over whether to raise the US debt ceiling, or the amount of money the government can borrow, is taking place simultaneously to the federal budget debate, as lawmakers must pass a budget by September 30 to avoid a so-called shutdown.

The concern over a federal government shutdown is often thrown into the spotlight, but experts say a shutdown would not prove nearly as damaging as the US defaulting on its financial obligations.

Congress must approve a \$986 billion stop-gap bill, also known as a continuing resolution (CR), a process it has grown accustomed to during President Barack Obama's term in office, before the next fiscal year begins on October 1. If it doesn't, national parks and museums could close, airport Transportation Security Agents (TSA) could be faced with furloughs and the processing of tourist visa applications to the US could come to a halt, among other things.

'Shutdown' an exaggeration

Tad DeHaven, an economist and budget analyst at the Cato Institute, a Washington-based thinktank, called the term "shutdown" a serious exaggeration.

Mandatory spending on entitlement programs like Social Security, he said, would be relatively unaffected by a shutdown, and exceptions would be made for activities and personnel considered to be essential.

"That means military bases don't close, the air traffic control system continues to operate and the borders are still patrolled," he wrote in a recent op-ed piece.

If Congress fails to agree on a budget, another sequester – automatic, across-the-board spending cuts – would then come into play. Sequestration cuts took place in April this year because of Congress' failure to agree on a budget in the past.

Although those cuts did not seem to hurt the overall economy greatly, Americans at the bottom of the income ladder, a group Obama and Democrats would like to help through economic reforms, felt the sting the most.

Debt ceiling countdown

On Wednesday, Treasury Secretary Jack Lew urged Congress to pass a measure that would raise the current \$16.7 trillion debt limit. By October 17, he said, the Treasury estimates that it would only have about \$30 billion left to meet the country's commitments, downgraded from its previous August estimate of \$50 billion and painting an even grimmer picture.

"This amount would be far short of net expenditures on certain days, which can be as high as \$60 billion," Lew said in a letter sent to key House and Senate leaders. "If we have insufficient cash on hand, it would be impossible for the United States of America to meet all of its obligations for the first time in our history."

The Congressional Budget Office (CBO) estimates that the Treasury will exhaust its borrowing authority, along with its cash balance, between October 22 and the end of the month, although the date could fall outside of that range, the CBO stated.

Lew warned that the debt limit impasse in 2011 caused "significant harm to the economy" and a credit rating downgrade, and if history were to repeat itself, possibly greater harm could be inflicted to the already fragile economy.

"And if the government should ultimately become unable to pay all of its bills, the results could be catastrophic," he said.

Extending the nation's borrowing authority, Lew argued, does not increase government spending, but allows the Treasury to pay for expenses that Congress has already approved. He therefore urged leaders to act immediately on the matter.

No priority payments

Previously, GOP leaders in the House passed legislation that included a provision that would prioritize certain payments – a plan that Lew called "ill-advised."

"Any plan to prioritize some payments over others is simply default by another name," he said. "The United States should never have to choose, for example, whether to pay Social Security to seniors, pay

benefits to our veterans, or make payments to state and local jurisdictions and health care providers under Medicare and Medicaid."

"There is no way of knowing the damage any prioritization plan would have on our economy and financial markets," Lew added, and honoring just some of its commitments would be "irresponsible" for a nation that "honors all of its commitments."

Eye of storm: Obamacare

At the center of the Capitol Hill chaos is the Affordable Care Act, coined by Republicans as Obamacare, the president's signature piece of legislation that aims to provide health insurance to those who would otherwise be unable to afford it. The program is set to begin open enrollment on October 1.

The broad-sweeping law, opponents argue, will put small businesses out of business, create more part-time positions as companies try to avoid having to provide insurance, and elevate federal spending and government dependence.

GOP leaders, during this round of budget talks to approve the latest CR, have tied any resolution hand-in-hand with defunding Obamacare. The House last week passed a funding bill that included language that would get rid of Obamacare funding. The Senate, however, will strip that bill of the anti-Obamacare language, and pass its own "clean" version.

The House will then face a decision on whether to cause a government shut down in defiance of Obamacare, and polls show that should a shutdown occur, the American public would place the blame on the GOP, a reality that could backfire on the party in the next election cycle.

Senate is set to vote on the spending bill on Saturday.

Republicans are also expected to tie any vote on raising the debt ceiling through 2014 to the defunding or delaying of Obamacare for one year, a move that they would likely use to buy more time and ultimately stop Obamacare's fruition in the future altogether.