



The House's budget gambit could be costly politically

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The possibility for a government shutdown should policymakers fail to reach an agreement on spending by October 1 is the topic du jour in Washington. The last time a government shutdown occurred over a budget impasse was fiscal year 1996 when Democratic President Bill Clinton went to the mat with a Republican-controlled Congress. There were actually two shutdowns that year, with the second one lasting a record 21 days. Prior to that, brief shutdowns were a fairly regular occurrence.

Calling a temporary inability to fund certain government functions a “shutdown” is a serious exaggeration. A so-called shutdown occurs when policymakers fail to appropriate funds for an upcoming fiscal year, which begins October 1. This “discretionary” funding affects government activities that require an annual appropriation (e.g., the operation of national parks).

Mandatory spending on entitlement programs is relatively unaffected. For example, Social Security checks will continue to be sent out. Moreover, exceptions are made for activities and personnel that are considered “essential” to protecting life and property. That means military bases don't close, the air traffic control system continues to operate, and the borders are still patrolled.

In short, a government shutdown isn't really a shutdown and it isn't the big deal that politicians, pundits, and the media tend to make of it. In terms of politics, a shutdown—or possibility of—is significant. It is less so in terms of policy—unless a potential shutdown is successful in effecting substantive changes. That has rarely been the case. Regardless, it is a substantive change in policy that is the reason for the current budgetary impasse.

With power on Capitol Hill divided between Republicans and Democrats in recent years, showdowns over government spending have become routine. And given the major legislative effort required to keep our plus-size government running, it has become the norm for Congress to fail to complete a budget before the start of the fiscal year.

As a result, Congress has come to rely on continuing resolutions (CRs) that keep the government funded past the beginning of the fiscal year until business can be wrapped up. Because Congress once again didn't finish its appropriations work on time, a continuing resolution is needed to avoid a shutdown.

The calculus of Congress

The Democrats control the White House and the Senate while the Republicans control the House of Representatives. That's been the power arrangement since 2010. On several occasions, House Speaker John Boehner has had to rely on Democratic votes to get key legislation passed. That's because the House Republican leadership has often had trouble corralling votes from a strong conservative contingency that believes the GOP should be taking a more aggressive stance against Democratic support for expansive government.

The House leadership now finds itself, once again, in the same pickle. In exchange for supporting a CR that keeps the government open, a number of conservatives have insisted that the legislation defund the president's signature Affordable Care Act (a.k.a. "Obamacare"). The Republican leadership in the House initially rebuffed conservatives on the belief—correct, in my opinion—that there's virtually no chance the Senate would pass, and the president sign, legislation that defunds Obamacare. However, the Republican leadership caved to the conservatives' demand and on Friday the House passed a CR that defunds Obamacare.

The Democratic Senate can, and will, pass a CR that does not defund Obamacare. That means that the ball will be back in the House's court this week and Republicans will have to make a final decision on whether to allow the government to "shut down" over Obamacare.

The House leadership believes—also correctly, in my opinion—that the public would blame Republicans for the shutdown and thus the GOP could be punished by voters at the polls in 2014.

I, for one, would like to see Obamacare defunded. However, the unfortunate reality is that the media has already determined that the GOP will lose if it tries to shut the government down over it. Therefore, I would argue that getting a CR passed that simply maintains the reduced spending levels under the previously enacted budget caps and sequestration spending cuts is the best possible outcome for Republicans—and those of us who desire reduced levels of government spending.

The House's CR problem

Unfortunately, the CR passed by the House would fund the government above the sequestration-included cap for fiscal 2014 (on an annualized basis because the CR in question expires after three months).

The CR drafted by the House Appropriations Committee and supported by the GOP leadership would provide discretionary funding of \$988 billion. That figure essentially matches funding for fiscal 2013, which included sequestration cuts. Under sequestration, however, funding for fiscal 2014 can't exceed \$967 billion.

So why wouldn't House Republicans simply draft a continuing resolution at the lower \$967 billion figure? The answer appears to be that the GOP would eventually seek to manufacture angst over sequestration's hit to defense spending, which is a Republican sacred cow.

The Congressional Budget Office's score of the House Republican CR shows that defense is funded at \$20 billion above the sequestration-included cap for fiscal 2014. However, non-defense funding is actually \$1 billion below it. Thus, it seems clear that the CR was intentionally written to force the sequestration-defense issue, which would kick-in in January. Indeed, a CR one-pager produced by the House Appropriations Committee—presumably for distribution to the flock—indicates this to be the case.

The one-pager disingenuously claims that "If the next round of FY14 sequester cuts kicks in under current law, ALL of the reductions will come out of national defense." Yes, but that's because the authors of the one-pager *kept non-defense funding at the sequestration-cap and put defense spending \$20 billion over it*. The one-pager also includes a disingenuous chart with a box warning "**Defense** to bear the full weight of FY14 sequester cuts—approximately **\$20B**" and that "Pentagon officials have called them 'dangerous' to our national security."

Further complicating matters is the fact that congressional Democrats want sequestration completely eliminated. Some Democrats have even suggested that they will not support a CR if it does not alleviate sequestration cuts to domestic spending.

That raises an important question: If the Republican House leadership decides to capitulate on defunding Obamacare in order to avoid a shutdown, will they have enough Democratic votes to pass a CR should the conservatives revolt? And in order to secure their votes, what price would House Democrats attempt to extract from the Republican leadership?

The danger here is that by going to the mat over Obamacare, the final CR could end up with *even higher* funding level than the already elevated level passed by the GOP.