



MEMORANDUM

TO: Karen Keene, Director of Federal Affairs, CSAC

FROM: Joe Krahn, Tom Joseph, and Hasan Sarsour
CSAC Washington Representatives

CC: Matt Cate, Executive Director, CSAC
DeAnn Baker, Director of Legislative Affairs, CSAC

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SUBJECT: Analysis of the Bipartisan Agreement to Fund the Government and Lift the Debt Ceiling

Over two weeks into the government shutdown and with only hours remaining before the U.S. Treasury was slated to default on the \$16.7 trillion national debt, Congress cleared, and President Obama signed, legislation (HR 2775) to immediately reopen the government and lift the debt ceiling. The Senate voted 81-18 on Wednesday evening to pass the bill, with the support of Senators Dianne Feinstein (D-CA) and Barbara Boxer (D-CA). A few hours later, the House cleared the measure by a vote of 285-144, with all 198 Democrats voting yes, along with 87 Republicans.

The bipartisan agreement, struck by Senate Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY), will fund the federal government through January 15, 2014, at the current post-sequestration spending level of \$986 billion. The short-term package is designed to keep pressure on lawmakers to negotiate a broader fiscal plan, including ways to restructure or possibly avoid future spending cuts under sequestration.

Moreover, the deal would suspend the debt limit until February 7, ensuring that the federal government, for the time being, avoids a calamitous financial default. Under the plan, an increase in the nation's borrowing authority would be subject to a congressional disapproval process. However, the president would still have the authority to veto such a measure. In addition, the U.S. Treasury would retain its ability to use "extraordinary measures" to potentially delay the need for another debt ceiling increase.

Furthermore, under the terms of the agreement, congressional leaders would be required to convene a budget conference committee, which would be responsible for resolving differences between the two chamber's budget resolutions (H Con Res 25, S Con Res 8), as well as setting final

fiscal year 2014 spending levels. Incidentally, this would be the first bicameral budget conference since 2009.

Other Key Provisions

Passage of the three-month continuing resolution paves the way for hundreds of thousands of furloughed federal employees to return to work. Notably, all federal employees will receive back pay retroactive to October 1. Meanwhile, states that used their own funds to implement operations normally paid by the federal government will be reimbursed for those expenses.

Additionally, the deal includes minor revisions to the *Affordable Care Act (ACA)*, instead of the wholesale changes sought by conservative Republicans. Specifically, the agreement would require the Department of Health and Human Services (HHS) to verify the income qualifications of people who apply for tax subsidies under the law. After six months, the HHS Inspector General will be required to issue a report to Congress regarding the law's safeguards to prevent fraud.

It should be noted that the legislation would also extend until January 15 funding for the Supplemental Nutrition Assistance Program (SNAP), otherwise known as CalFresh, and the Temporary Assistance for Needy Families (TANF) program. It also clarifies that HHS will use the same formula to distribute funding to states under the Low-Income Heating Assistance Program (LIHEAP).

Finally, the deal provides an additional \$636 million to help fight wildfires in the West, once existing federal funds are exhausted. It also would lift an existing \$100 million cap (per state) on emergency relief funding, allowing up to \$450 million to go to states dealing with a natural disaster.

Outlook

For the time being, the agreement reopens the federal government and delays the need for another debt ceiling increase. However, Congress will once again be confronted with the very same issues in the coming months, as lawmakers appointed to the conference committee will have to determine final spending levels for fiscal year 2014.

It is likely that Democrats will continue to push for a top-line spending figure of \$1.058 trillion, as called for in the Senate's budget resolution. Party leaders would also like to replace the sequester's across-the-board spending cuts with new revenue. Republicans, on the other hand, will look to preserve the \$967 billion discretionary spending level set for fiscal year 2014 under the 2011 Budget Control Act (PL 112-25), and will push back against anything that resembles a tax increase.

It should be noted that there is a nearly \$90 billion difference between the two budgets, and the conferees will only have until December 13 to report back to Congress. If the committee fails, the government could shut down again in mid-January. However, if the two sides can settle on the spending level for the remainder of fiscal year 2014, negotiators are also likely to consider an overhaul of the tax code and potential changes to entitlement programs.