The President and Congress Come to Terms on America’s Budget

By Justin Fisk [1]  
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In late October, outgoing Speaker of the House John Boehner of Ohio announced his intention to “clean the barn” as much as possible before his successor took the gavel. In keeping his promise, Boehner succeeded in brokering a bipartisan, two-year budget deal to avoid a government shutdown and prevent a government default on its debt.

Speaker Boehner launched secret negotiations with House Minority Leader Nancy Pelosi of California, Senate Majority Leader Mitch McConnell of Kentucky and Senate Minority Leader Harry Reid of Nevada to craft a two-year budget deal that suspends the $18.1 trillion debt ceiling until March 2017, after which the debt ceiling will be reset. The deal, known as the Bipartisan Budget Act of 2015, was passed by the House and Senate in the final days of October, and signed into law by President Obama Nov. 2, just one day before the government deadline to raise the debt ceiling and avoid defaulting on government debt.

The budget deal increased sequester-enacted spending caps for defense and non-defense programs by $50 billion in fiscal year 2016 and $30 billion in fiscal year 2017, and also provided $32 billion in increased spending for an emergency war fund.

To offset the increased spending caps for defense and discretionary programs, the budget deal included cost-saving provisions for certain programs, some of which—including the following—will have an impact on state governments.

- **Crop Insurance**—The budget deal renegotiates the financial terms and conditions of the Standard Reinsurance Agreement for crop insurance, cutting about $3 billion over 10 years from crop insurance programs. Though largely opposed by lawmakers from farm states, congressional leaders promised the chairmen of the House and Senate Agriculture Committees that the omnibus spending bill for fiscal year 2016 would not touch crop insurance, according to Congressional Quarterly.

- **Health Care**—The deal extends a 2 percent cut in Medicare payments, first enacted under the sequester. However, it also postpones a 52 percent premium increase for Medicare Part B enrollees next year, which would have impacted about eight million people, including people in poverty whose premiums are paid by state governments. The premium will instead increase 15 percent. Lastly, the budget bill eliminates a provision in the Affordable Care Act that would require businesses with more than 200 employees to automatically enroll new full-time employees in a health benefit plan.

- **Fraud**—The budget deal tightens eligibility requirements and provides more resources to deter fraud related to Social Security disability payments by increasing federal-state disability investigative teams with the goal of expanding their presence to all 50 states by 2022. Currently, there are 37 investigative units in 31 states.
Most Republicans opposed the budget bill. “It is an affront to open, accountable and limited government,” the Freedom Caucus said in a press release. “It plunges our nation into debt to the tune of nearly $20 trillion, busts the spending caps enacted by Congress just a few years ago, perpetuates our looming entitlement crisis by pilfering money from Social Security, and contains budget and accounting gimmicks that are manifestly fraudulent.”

Despite the opposition, the fears of interest rate hikes and a potential global recession as a result of a government default sparked many in Congress to vote in favor of the budget bill. In October, Treasury Secretary Jack Lew wrote a letter to Congress urging them to increase the debt ceiling.

“Operating the United States government with no borrowing authority, and with only the cash on hand on a given day, would be profoundly irresponsible,” Lew wrote. “The creditworthiness of the United States is an essential component of our strength as a nation. Protecting that strength is the sole responsibility of Congress, because only Congress can extend the nation’s borrowing authority.”

In a rare show of bipartisanship, Congress passed the bill Oct. 30. Eighteen Republicans in the Senate and 79 Republicans in the House joined Democrats in both chambers to send the bill to the president.

Congress will still need to pass either twelve appropriation bills or an omnibus spending package by Dec. 11 in order to prevent a government shutdown. Newly elected House Speaker Paul Ryan of Wisconsin warned the White House and congressional Democrats, "This is the legislative branch, and the power of the purse rests within the legislative branch. And we fully expect that we are going to exercise that power."

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