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POLITICS

Congress and White House Reach Tentative Budget Deal

By **DAVID M. HERSZENHORN** OCT. 26, 2015

WASHINGTON — After five years of bitter clashes, Republican congressional leaders and President Obama on Monday night appeared to settle their last budget fight by reaching a tentative deal that would modestly increase spending over the next two years, cut some social programs, and raise the federal borrowing limit.

The accord, which must be approved by the House and the Senate, would avert a potentially cataclysmic default on the government's debt and dispenses with perhaps the most divisive issue in the capital just before Speaker John A. Boehner is expected to turn over his gavel to Representative Paul D. Ryan of Wisconsin.

Shortly before midnight, House Republicans posted the text of the 144-page bill, which was labeled a "discussion draft" but appeared to reflect the tentative agreement as described by congressional aides throughout the day.

The agreement would raise spending by \$80 billion over two years, not including a \$32 billion increase included in an emergency war fund. Those increases would be offset by cuts in spending on Medicare and Social Security disability benefits, as well as savings or revenue from an array of other programs, including selling oil from the nation's strategic petroleum reserves. The Medicare savings would come from cuts in payments to doctors and other health care providers.

The \$80 billion increase amounts to little more than 1 percent per year of the nearly \$4 trillion annual federal budget, but carries the politically charged significance of breaking through agreed-upon spending caps that Republicans had praised as a rare display of responsible cost-control and Democrats criticized as a wrongheaded drag on economic growth.

Nonetheless, the deal would represent a major breakthrough after years of gridlock in Congress, especially on fiscal issues, as each side compromised on core issues. It frees Mr. Obama from budget battles as he looks to secure his legacy in the remainder of his second term, and gives clean starts to Mr. Ryan as speaker and to Republicans trying to persuade voters that they can be an effective governing majority.

For Mr. Boehner, the deal would deliver on his pledge to clean up “the barn” by dispensing of potential crises in a way that he hoped would silence critics who said he overpromised and underdelivered. Mr. Boehner was repeatedly caught in spending fights between hard-line conservatives in his own party and a White House eager to blame Republicans for any impasse, such as the government shutdown in 2013.

With Mr. Boehner’s backing, the House moved with rare bipartisanship — employing an even rarer legislative maneuver — toward resolving another issue on the speaker’s final to-do list: reauthorization of the 81-year-old Export-Import Bank, the government’s lender of last resort for American exporters. The House voted, 246 to 177, to wrest a bill that would revive the bank’s charter from a hostile committee chairman and set it up for House passage on Tuesday.

About a fourth of Republicans joined all Democrats who were present in support of advancing the bill over the opposition of deep-pocketed conservative groups and the House Financial Services Committee’s chairman, Representative Jeb Hensarling of Texas.

Opponents say the bank amounts to corporate welfare. Supporters argue that it promotes job creation by assisting export industries and earns money for the Treasury in the process. The bank has not been able to conduct new business since its charter lapsed in June.

The Senate approved a similar measure as part of a transportation bill that still must be negotiated with the House, and the majority leader, Mitch McConnell of Kentucky, opposes taking up the new bank measure. But House passage of the bill would strengthen proponents in the negotiations over the transportation measure.

An official briefed on the terms of the spending agreement said the deal fulfilled all of Mr. Boehner's goals in the talks by securing long-term changes in social programs, offsetting spending increases with corresponding cuts or savings; increasing military spending; achieving a net reduction in the deficit; and locking in an agreement on spending for the 2017 fiscal year.

Democrats, too, said they had achieved their goals, particularly lifting the prior spending caps and by assuring roughly equal increases to military and nonmilitary programs.

The Treasury Department had said that the government would default on its debt if the statutory borrowing limit was not raised by Nov. 3. And a temporary spending measure, which kept the government from shutting down at the start of October, will run out on Dec. 11.

The tentative agreement reached Monday night would solve each of those problems. It would keep the government financed through Sept. 30, 2017, well after Mr. Obama leaves office. And, the debt limit would be raised — technically suspended, allowing the Treasury to borrow whatever it needs — until March 2017.

And while the annual spending caps would be raised for two years, the 10-year spending caps enacted in 2011 would remain in place. Those caps will frame spending negotiations between Mr. Obama's successor and leaders of the next Congress.

Rank-and-file House Republicans, in particular, have been resistant to authorizing an increase in the debt limit without some accompanying adjustments to mandatory federal spending programs. They have voiced opposition even as financial experts warned of the potentially devastating economic consequences of a default, and noted that raising the limit merely covers previous expenses and does not authorize any new spending.

Mr. Obama has repeatedly said that he would not negotiate over raising the debt limit and Republican congressional leaders have generally acknowledged that they would be forced to increase the government's borrowing authority one way or another.

Critics of the deal, who said Mr. Boehner was pushing through one last measure negotiated solely by the leadership, quickly began venting their anger on Twitter using the hashtag #zombiebudget.

Representative Justin Amash, Republican of Michigan, who is a member of the hard-right House Freedom Caucus, had posted his annoyance earlier in the day, saying, "It's another 'govern by crisis' deal that doesn't reflect the will of the House but rather the will of the speaker."

Mr. Boehner, who announced his resignation last month after years of being hounded by hard-line lawmakers on his party's right, had said he hoped to clear the way for his successor by dispensing with some tough issues. But talks seemed to falter after the majority leader, Representative Kevin McCarthy, abandoned his bid for speaker, and House Republicans wrestled with the question of who would lead their deeply fractured conference.

That question was resolved last week when Mr. Ryan, the powerful chairman of the Ways and Means Committee and one of his party's leading voices on fiscal matters, announced that he would seek the speakership provided his colleagues rallied behind him. They did.

Mr. Ryan is set to be chosen as the Republican nominee for speaker on Wednesday and formally installed during a vote on the House floor on Thursday.

An accord to lift the debt ceiling and settle the spending impasse before then would free Mr. Ryan to begin his speakership without a pending crisis, and potentially empower him to pursue some of the bold ideas he has put forward previously on tax and budget policy that helped catapult him to prominence and led to his being chosen as the Republican vice-presidential nominee in 2012.

Mr. Ryan played a crucial role in the last major spending deal, which he

brokered along with Senator Patty Murray, Democrat of Washington.

The current negotiations were largely conducted at the staff level, involving senior aides to Mr. Boehner, Mr. McConnell, Representative Nancy Pelosi, the House Democratic leader, and Senator Harry Reid of Nevada, the Democratic leader, as well as White House staff members.

While the four Congressional leaders and Mr. Obama never met face-to-face in this round, aides said that there were frequent phone calls among the individual leaders as talks developed. Mr. Boehner's resignation, announced on Sept. 25, lent additional urgency to the talks, as it became clear that negotiations could prove far more difficult once a new speaker was in place.

Aides said that the Social Security Disability Insurance program would be amended, in part to tighten and standardize eligibility requirements that now vary by state. That change was projected to save the government \$5 billion.

In addition, the accord calls for eliminating a provision of the Affordable Care Act, not yet in force, that would require businesses with more than 200 employees to automatically enroll their workers for health insurance.

The emerging deal would also reallocate funds among Social Security program trust funds to ensure solvency of the disability insurance program. Such reallocations have occurred regularly over the decades but Republicans had opposed any new reallocation without changes to reduce costs of the program.

The prospective agreement would also prevent expected increases in out-of-pocket costs for millions of Medicare Part B beneficiaries. The increases would have been caused by the rare absence of a cost-of-living increase in Social Security for some beneficiaries, because of unusually low inflation.

Mr. Obama and Democratic leaders had insisted that any increases in military spending be matched with equal increases in spending on nonmilitary programs. The deal under consideration appears to meet that goal, as Republicans had previously agreed to increases in military spending.

Correction: October 27, 2015

An earlier version of this article stated incorrectly the name of the committee that is chaired by Representative Jeb Hensarling of Texas. It is the House Financial Services Committee, not the Banking Committee. Julie Hirschfeld Davis and Jackie Calmes contributed reporting.

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