

# Great! But, How Do We Pay For It?

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Promising benefits and results makes for popular campaign themes. Paying for them is quite another matter.

Excitement and trepidation fill the air in Washington, D.C. these days. Expectations are high for a new pace of action next year. Irrespective of enthusiasm brought on by a change in administration, fiscal deadlines always drive action in the nation's capital. Whatever else may happen that will not change in the Trump era.

There may well be more questions than answers at this stage. However, one of the most fascinating story lines to be written in 2017 will be whether and how the fiscal divide in Washington works out on specific issues and in the aggregate. President-elect Trump campaigned on infrastructure spending, stronger national defense, tax cuts, better veterans care and promises to protect Medicare and Social

Security – all of which cost money. Set against the fiscal conservative mantra of Congressional conservatives and the long-held belief among the conservative base that the last Republican trifecta in D.C. lost its way on spending discipline – you have a recipe for some thorny intra-party negotiations. For an in-depth discussion of this phenomenon read Tim Alberta's article in the *National Review* - "[Conservatism in the Era of Trump](#)."

The 'deal maker who gets results' is an essential element of the President-elect's persona. However, all of those plucked from Congress for the new Administration are solid fiscal conservatives, and Rep. Mick Mulvaney's (R-SC) appetite for fiscal discipline has not tolerated anyone's sacred cows.

## Key Players

### Administration

Mike Pence  
*Vice President*

Tom Price  
*Secretary of Health and Human Services*

Steve Mnuchin  
*Secretary of the Treasury*

Mick Mulvaney  
*Director of the Office of Management and Budget*

Elaine Chao  
*Secretary of Transportation*

Rick Dearborn  
*Trump Administration Transition Staffer*

### Senate

Budget Committee  
Mike Enzi (R-WY)  
*Chairman*

Bernie Sanders (I-VT)  
*Ranking Member*

Appropriations Committee  
Thad Cochran (R-MS)  
*Chairman*

Patrick Leahy (D-VT)  
*Ranking Member*

### House

Budget Committee  
Tom Price (R-GA)\*  
*Chairman*

John Yarmuth (D-KY)  
*Ranking Member*

Appropriations Committee  
Rodney Frelinghuysen (R-NJ)  
*Chairman*

Nita Lowey (D-NY)  
*Ranking Member*

\*If Rep. Price is confirmed at HHS, a new Budget Committee Chairman will be necessary. Reps. Todd Rokita (R-IN), Tom McClintock (R-CA), Diane Black (R-TN) are potential replacements.

With majorities in both houses, Republicans can pass budget resolutions and reconciliation measures without any Democratic support, as long as they remain united. But a slim, two-vote margin in the Senate gives leverage to potential Republican holdouts who may demand concessions for their votes. However, Senator Bernie Sanders will be Ranking Member on the Senate Budget Committee next year. If his Presidential Campaign sets the tone for his leadership of the Budget Committee for Senate Democrats, it will make closing the Republican ranks that much easier.

## Two Congressional Budgets and Reconciliation

### Key Dates

March 15, 2017\*  
Debt Limit Suspension Ends

April 28, 2017  
CR Expires

April 28, 2017  
Next BCA Sequester

September 30, 2017  
Fiscal Year 2017 ends

\*Extraordinary Measures are expected to push action date into the late summer, early fall

The Republican Congressional Leadership is pursuing an ambitious strategy to adopt two conferenced budget resolutions next year. Adopting both would pave the way for two separate reconciliation vehicles, which are protected from the Senate filibuster. [You can refer to our Reconciliation Refresher here.](#)

The first budget resolution and corresponding reconciliation instruction is intended to deliver the long-promised repeal of the Affordable Care Act (a.k.a. Obamacare). Unlike most budget debates, this one will not be focused

as much on setting spending priorities for the upcoming fiscal year since FY 2017 will be nearly one-third done by the time the resolution would be adopted. The House is expected to consider the FY2017 Budget Resolution the week of January 9<sup>th</sup>. Key committees are holding time the week of January 30<sup>th</sup> to mark-up their reconciliation instructions. The Senate, under tight time restrictions for debate on a budget resolution, should be expected to move soon after the House, although the Senate will be consumed at the same time by the large number of contentious Cabinet nominations.

The second budget resolution for Fiscal Year 2018 will likely begin in April. There are a lot of competing priorities for the second reconciliation vehicle and those decisions are not likely to be made until the first process concludes. Tax reform is high on the list for round two, but this would also likely be the first significant debate on budget priorities, including domestic discretionary vs. defense spending, and the first real test of Republican's commitment to fiscal discipline. Democrats will surely focus their aim at these tensions between fiscal and political considerations, and sharpen their arguments on income inequality, which were the hallmark of Senate Budget Committee Ranking Member Bernie Sanders' Presidential campaign.

President Elect Trump's transition team has yet to indicate their plans or timing for the first federal budget proposal from the 45<sup>th</sup> President.

## Appropriations

The second Continuing Resolution for FY2017 expires on April 28th, 2017 (the 100th day of President Trump's Administration). Nothing has been finalized yet, but there is a desire among Congressional leaders to tackle this issue well in advance of the deadline and some hope that the Trump Administration will support proper completion of the work product (as opposed to another CR). Much will depend on how everything else shakes out on the way to this decision point.

The intraparty dispute over the topline appropriations number for FY2017 (1070 billion), which sank the Budget Resolution last year, will not be an issue when it is considered in January. However, that détente may prove fleeting before resolution is achieved for the FY2017 appropriations process, much less the FY2018 process that will begin in April 2017. Unlike budget resolutions and reconciliation vehicles, appropriations bills are vulnerable to Senate filibusters and are often the means by which members of both parties vent their frustrations on contentious issues of the day. Controversies over the Confederate flag, among others, slowed the House appropriations process earlier in the FY 2017 process and Democrats in both chambers will surely avail themselves of opportunities to make their Republican colleagues weigh in on controversial issues generated by the political whirlwind of the new Trump administration.

Neither the House nor the Senate completed the appropriations process under unified Republican congressional control in 2016, but the Obama White House could take the blame for that, in part. Democrats should be expected to gin-up expectations that Republicans should get their work done with complete control in Washington, at the same time they will hold out for budget allocations that protect their key domestic spending priorities.

The next Budget Control Act sequester cliff coincides with the expiration of the current Continuing Resolution and will prove another fiscal discipline flash point next year.

## The Debt Limit

The federal debt limit is suspended until March 15, 2017. It is widely expected that 'extraordinary measures' could be used to delay having to increase or suspend it again until mid-summer to early fall. President-elect Trump's team has not said much on this subject to date.

Since debt limit suspensions became the vogue, here is how the process unfolded: on the date the suspension expired the Treasury Secretary would announce a new dollar amount for the debt limit, invoke extraordinary measures and suggest the date by which Congress must act. That date could fluctuate based on incomes and outlays from the Treasury.

Managing the debt limit is one of the unpleasant responsibilities of the party in control of the White House. The debt limit issue has been attacked by fiscal conservatives over the past eight years, but, ultimately, the Obama White House and Republican Congressional leaders negotiated deals that gained sufficient support in both parties to get a majority for passage. Congressional Democrats, like their Republican colleagues in recent years, will not be eager to make life easier for the Republican majority. If conservatives like those in the House Freedom Caucus do not cooperate with their leadership this year, Democratic votes will be critical and the focus will be on the price of their support. Without concessions, and the fundamental necessity of managing this issue in an orderly fashion – the debt limit debates of the next four years hold the potential for some of the most interesting kabuki dances.

#### Bonus Material – Roll Call Votes

2015 Deal [House](#) [Senate](#)

2013 Deal [House](#) [Senate](#) (a.k.a. Ryan-Murray)