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House Republicans Draft Their Debt-Ceiling Playbook

GOP's opening move will be a "menu" of mandatory spending cuts for Obama to consider. Here's what it looks like.

by [Tim Alberta](#)

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Republicans are dropping John Boehner's dollar-for-dollar demand, instead calling for President Obama to trade entitlement reform for a debt-ceiling boost. (AP Photo/Susan Walsh)

With an anxious eye toward the coming debt-ceiling negotiations, House Republicans are drafting what members call a “menu” of mandatory spending cuts to offer the White House in exchange for raising the country’s borrowing limit.

This menu is more a matrix of politically fraught options for the Obama administration to consider: Go small on cuts and get a short extension of the debt ceiling. Go big—by agreeing to privatize Social Security, for example—and get a deal that will raise the ceiling for the rest of President Obama’s term.

It’s a strategy meant to show the GOP is ready to deal. But even conservatives admit that this gambit might do little to help them avoid blame should the negotiations reach a crisis stage.

Obama says he will not negotiate the debt ceiling, warning that Congress should not threaten the credit-worthiness of the United States by bartering over the borrowing limit. And while House Republicans think he’s bluffing, they fear Obama will stall until the last minute and then strike a bipartisan deal with the Senate, forcing the lower chamber to either accept an unfavorable agreement or take the heat for a default on the nation’s obligations and a downgrade on the U.S. credit rating.

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There has been no communication between the White House and House GOP leadership about the coming debt-ceiling discussions, according to Republicans. But ever since Congress granted Obama a short-term extension in January—a move that conservatives supported with the express purpose of strengthening their hand for the next round of negotiations—Republicans have been engaged in intensive preparations for the coming debt-ceiling showdown.

House Speaker John Boehner is now working with several leading conservatives—including Rep. Steve Scalise of Louisiana, chairman of the Republican Study Committee, and House Budget Committee Chairman Paul Ryan of Wisconsin—to draft the options menu.

It is based on what's known as the Ryan budget, according to Rep. Tom Price, R-Ga., a far-right spending plan passed by the House that's been written off by Democrats as nothing more than a political document that decimates support for the poor and hurts the middle class. And it will outline what Obama will have to agree to for whatever length extension he wants.

For a long-term deal, one that gives Treasury borrowing authority for three and a half years, Obama would have to agree to premium support. The plan to privatize Medicare, perhaps the most controversial aspect of the Ryan budget, is the holy grail for conservatives who say major deficit-reduction can only be achieved by making this type of cut to mandatory spending. "If the president wants to go big, there's a big idea," said Scalise.

For a medium-sized increase in the debt limit, Republicans want Obama to agree to cut spending in the SNAP food-stamp program, block-grant Medicaid, or tinker with chained CPI.

For a smaller increase, there is talk of means-testing Social Security, for example, or ending certain agricultural subsidies.

While the menu includes plenty of variables, the underlying strategic goal is to reduce mandatory spending—whatever the scope of the deal. Even at the smallest end of the spectrum—another months-long extension of debt-limit—there is talk of pushing back the eligibility age for Social Security by an equal number of months.

The debt ceiling caps the amount of debt the U.S. Treasury is authorized to sell, and that debt is used to pay off bills the United States has already incurred based on spending already approved by Congress. An administration official said the White House is willing to discuss deficit reduction, but not as part of a debate about the debt limit.

BOEHNER'S DOLLAR-FOR-DOLLAR RULE IS OUT

The menu concept's focus on adjustments to mandatory spending programs marks a strategic shift from Boehner's previous demand for a dollar in spending cuts for every dollar in new debt.

The dollar-for-dollar rule was meant to produce immediate savings and reduce the short-term deficit. But now, thanks to sequestration,

discretionary spending has been slashed to the point where even conservatives say there aren't significant savings to be found.

"Dollar for dollar is difficult," Price said. "The discretionary spending itself is \$1 trillion a year, and if you're running a \$1 trillion deficit annually, it's tough to find the savings solely in discretionary spending to match the increase in debt limit."

Hence the emphasis on the mandatory side of the ledger, where Republicans see a bounty of bloated programs--Medicare, Medicaid, and Social Security. While slashing mandatory spending wouldn't immediately shrink the deficit, conservatives argue it would put the U.S. on a path to a balanced budget, and that's their stated goal.

"Could you squeeze another penny or two from discretionary? Perhaps you could," said Rep. Rob Woodall, R-Ga., who heads the RSC's budget and spending task force. "But certainly you can't get the big dollars you need for the big deal out of discretionary."

MORE THAN JUST OPTICS?

Republicans are eager to look like they are giving the White House plenty of options, convinced that it is in their interest to appear engaged and flexible at the negotiating table. But this menu, they insist, is more than a political plan to win the optic's war.

Having gone through the bruising 2011 debt-ceiling fight—"a turbulent time," Scalise recalled, in an understatement—Republicans say they want to avoid another round of all-or-nothing dialogue. And while many members are interested in striking a "grand bargain," most see that outcome as increasingly unlikely.

"Past experience being what it is, we're preparing for a president that does not want a big deal," Woodall said. "Maybe he wants a medium-sized deal; there are some options there. Maybe he wants a really small deal—he just wants to push the ceiling back until the end of the year. Whatever the issue, we're not talking at all about how to obstruct those negotiations. We're talking about how to be a part of those negotiations."

Republicans say the beauty of their menu is flexibility. "If what makes it easier to find the deal is to go in and pick and choose among a dozen different programs and just grab a little bit from all 12, instead of a lot from one them, then that works just fine," Woodall said.

According to a senior House leadership aide, this is known as the "kitchen sink" approach—putting every option and potential combination on the bargaining table, and daring the other side to walk away. Even tax reform—something that does not drastically reduce spending, but is a conservative policy goal—is said to be on the medium-term section of the GOP menu.

ANOTHER NEW YEAR'S EVE SHOWDOWN

At this point, it's unclear when Treasury will hit its debt ceiling, a date lawmakers refer to as "X-date."

After the January extension, the deadline for raising the debt limit has steadily moved back, thanks to lower spending levels and higher tax revenues. And it could continue to do so. Lawmakers are already looking to mid-October and November, and one member even said he wouldn't be surprised if the negotiations wound up butting up against December's holiday recess, again.

No matter the actual date, Republicans expect Obama to wait until the last minute to negotiate.