

Congressional Closeup by Carl Osgood

Debt Limit Battle Moves Back to House

On June 11, the Senate voted 68 to 29 on a free-standing bill to increase the statutory debt limit by \$450 billion to \$6.4 trillion. Compared to the acrimonious debate that rocked the House the week before, the Senate vote was surprisingly easy, the result of an agreement between Majority Leader Tom Daschle (D-S.D.) and Minority Leader Trent Lott (R-Miss.). The Senate vote, however, in no way settles the matter, given that the House debt limit increase was buried in the supplemental appropriations bill by the House GOP leadership in such a way as to avoid a roll call vote.

The day after the Senate vote, House Minority Leader Dick Gephardt (D-Mo.) sent a letter to House Speaker Dennis Hastert (R-Ill.) calling for a separate vote on a free-standing debt limit bill, though House Democrats support a smaller increase. Gephardt told reporters, "I would support a short increase in the debt limit for the month so that we can work out a new budget." He added that it is the Republican budget "that is driving the need for the debt ceiling increase, and if they don't want to back up their budget decisions with the necessary action to pay for those actions and those decisions, then it's their responsibility."

On June 18, Daschle raised the specter of checks for Social Security, veterans benefits, and civil service retirement bouncing, if the debt limit is not increased. The Treasury Department has said that it will run out of borrowing authority and risk default if the debt limit is not increased by June 28. "It is critical," Daschle said, "that the House act on a debt limit this week." House Majority Leader Dick Armey (R-Tex.) told reporters that

there are not enough votes in the House to pass a debt limit increase. "Sooner or later in the life of every debt limit increase, there comes a time when it gets done," he said. "But everybody must sweat bullets over it before it can get done. It's just a rule."

Competing Prescription Drug Plans in the House

The battle over a Medicare prescription drug benefit began in earnest on June 13, when House Democrats unveiled their plan at a combination press conference/rally on the front steps of the Capitol. Under the Democratic plan, as described by Rep. John Dingell (Mich.), beneficiaries pay a \$25 premium and a \$100 deductible. Medicare then pays 80% of drug costs, until the beneficiary has spent \$2,000 out-of-pocket. After that, Medicare would pay 100% of a beneficiary's drug costs. Dingell called the drug benefit in the Democratic bill a "guaranteed benefit" that does not force beneficiaries into private insurance plans.

The GOP began markup of their plan in the Energy and Commerce and the Ways and Means Committees on June 18. Their plan starts out with a \$35 premium, \$250 deductible, and out-of-pocket expenditures capped at \$4,500 per year. The bill also includes provisions that create a "new competitive structure" for Medicare Plus Choice, and reduce paperwork and regulatory burdens for beneficiaries and providers.

House Minority Leader Dick Gephardt (D-Mo.), at the June 13 press conference, called the GOP plan a "press release" that seeks to protect the pharmaceutical manufacturers and

provide cover for their privatization plans.

Senate Votes To Pass Terrorism Insurance Bill

The Senate finally broke the logjam on terrorism insurance on June 18, with an 84-14 vote on a bill which is supposed to provide a backstop to insurance companies that are not now providing property and casualty coverage of commercial properties for terrorist acts. The bill splits the costs of claims resulting from a terrorist act between the insurance companies and the private sector for one year, which can be extended for another year by the Secretary of the Treasury. The bill includes a \$10 billion deductible, and a \$100 billion cap on government payments.

"The premise of it is," said Senate Banking Committee Chairman Paul Sarbanes, "that over that period of time, the insurance industry will be able to develop the knowledge, the expertise, and the capability to underwrite the terrorist risk."

While no one disagreed on the need for such a measure, the bill had become bogged down over disagreements regarding tort reform. The bill includes a provision prohibiting coverage of punitive damages resulting from lawsuits arising out of a terrorist act, but otherwise places no limit on such damages. Sen. Mitch McConnell (R-Ky.) offered an amendment on behalf of himself and Sen. Phil Gramm (R-Tex.), that would allow punitive damages only if the defendant had already been convicted of a criminal offense related to the plaintiff's injury. McConnell declared that the bill, as written, would "expose American vic-

tims of terrorism to punitive damages, even after the plaintiff has been fully compensated for his or her injuries.” Senate Judiciary Committee Chairman Pat Leahy (D-Vt.) argued that the McConnell amendment “would limit the legal rights of future terrorism victims and their families. That is not fair or just.” McConnell’s amendment was tabled by a straight party-line vote of 50 to 46 on June 13.

Permanent Estate Tax Repeal Fails in Senate

For no reason other than to defeat it, Majority Leader Tom Daschle (D-S.D.) brought to the floor of the Senate, on June 11, a bill to make permanent the repeal of the estate tax included in last year’s tax cut. Under present law, the estate tax repeal expires at the end of 2011, and the Republicans have been clamoring, since last year, to make it permanent. Daschle made clear, from the beginning, that his intention was to kill the bill, by making a point of order against it: that it was in violation of the 1974 Congressional Budget Act. A point of order requires 60 votes to override.

The bill came to the floor under an agreement that allowed three amendments, two Democratic and one Republican. The two Democratic amendments were attempts to, as Budget Committee Chairman Kent Conrad (D-N.D.) put it, make the estate tax more fair, by increasing the exemption for small businesses and family farms. The GOP amendment was to substitute the House-passed version for the underlying bill. All three amendments fell on points of order and Daschle pulled the bill from the floor.

Whether or not to repeal the estate

tax was never really the issue for the Democrats, however. Daschle put the bill on the floor immediately after passage of the debt limit increase, to make the point, that to make permanent the repeal of the estate tax, which only affects a relative handful of taxpayers, anyway, after passing a \$450 billion increase in the debt limit, is the height of fiscal irresponsibility. Budget Committee chairman Kent Conrad (D-N.D.) used the so-called “turnaround” to make the same point. One year ago, the Congressional Budget Office was projecting a \$5.6 trillion surplus over the next ten years. Now, that projection is calling for a \$600 billion deficit over the same period, a turnaround that the Democrats blame on the Republican budget and tax cuts passed, last year. “It just does not make much sense,” Conrad said, “to eliminate this estate tax instead of reforming it.”

Energy Bill Heads Into Difficult Conference

The House on June 12 finally appointed conferees for the energy bill, which was originally passed in the House last August, and finally completed in the Senate in April. The two bills are so different that almost everything is likely to be under dispute, from drilling in the Alaska National Wildlife Refuge, which the Senate rejected, to subsidies for the oil, natural gas, and nuclear industries.

Even before those issues are considered, however, a dispute over who is going to chair the conference has to be resolved. Senate Energy and Natural Resources Committee Chairman Jeff Bingaman (D-N.M.) is claiming that it is the Senate’s turn to chair the conference, given that the House

chaired a 1995 conference on export of Alaskan oil. House Energy and Commerce Committee Chairman Billy Tauzin (R-La.) is claiming that the 1995 bill was not under Energy jurisdiction, therefore, it is the House’s turn to chair.

In the House, the process of appointing conferees became engulfed in a debate about the budget. Rep. Ed Markey (D-Mass.) moved to instruct the conferees to ensure that no provision in the bill creates a deficit in the non-Social Security portion of the budget. Markey said that the subsidies in the bill are fine, but they “should not come out of the Social Security and Medicare trust funds.” The Republicans did not object to Markey’s motion, but that did not prevent the Democrats from launching into invective against GOP budget and energy policies. Rep. Marcy Kaptur (D-Ohio) told the House the bill “provides for a world of opportunity for wasting taxpayer dollars in pursuit of very bad policy.” Markey’s motion was approved by a vote of 412 to 1.

There are other issues of contention between the House and the Senate. The two bills take different approaches to corporate average fuel economy standards for sport utility vehicles (SUVs). The Senate bill includes a provision on ethanol fuels which is not in the House bill. The Senate bill also includes an electricity title, not in the House bill, although Tauzin indicated that he would work with the Senate on that. Tauzin also said that there are 148 features in the Senate bill that are not in the House bill, which just adds to the work of the conference. The difficulties are such that both sides admit that they may not reach agreement before Congress adjourns for the year.