

## **Deal reached to avert government shutdown**

After weeks of lurching, Congress moved swiftly on Thursday toward a deal extending the payroll-tax holiday and unemployment benefits, averting a partial government shutdown in the process.

An abrupt shift by Democrats ended the stalemate. By late Thursday, congressional leaders had almost resolved how to extend the payroll-tax cut and federal unemployment insurance as well as prevent doctors who accept Medicare from taking a pay cut. A temporary deal lasting two months, in case a deal for a one-year package doesn't completely gel in time, was also in the works.

Negotiations now focus on how to pay for those measures.

"The more difficult challenge is, how you deal with offsets?" said Sen. Ben Cardin, D-Md., a Finance Committee member.

Senate Democrats are eyeing a Saturday vote on the package.

The breakthrough moved the stalled omnibus spending bill. The White House and Senate Majority Leader Harry Reid, D-Nev., had blocked passage of the measure that rolls up the nine remaining fiscal year 2012 spending bills until a payroll deal was reached. The current stopgap measure funding most government agencies expires at midnight on Friday.

Democratic conferees finally signed the appropriations package on Thursday night after withholding their John Hancocks to gain leverage in the payroll-tax cut debate. The House was set to take up the report on Friday after the House Rules Committee met late on Thursday night to set the parameters of its debate. House Appropriations Committee Chairman Harold Rogers, R-Ky., got the omnibus ball rolling earlier on Thursday when he acceded to White House and Democratic requests to reopen the mammoth measure.

The shift was striking. On Wednesday, Reid and Senate Minority Leader Mitch McConnell, R-Ky., exchanged shots and parliamentary maneuvers aimed at driving talking points on the Senate floor while the administration planned for the possibility of a shutdown. By Thursday morning, the two leaders were confidently predicting Congress would complete both bills and head home for Christmas with a few days to spare and the government still open.

The change appeared to reflect an abrupt decision on Wednesday by Democratic leaders and President Obama to jettison a political fight they had picked with Republicans over the payroll-tax cut and focus on compromising. In a fight in which Republicans oppose Democrats' efforts to extend unemployment benefits and the temporary payroll-tax cut - expiration of which would slap the average worker with \$1,000 tax hike - Democrats calculated that they win politically. Because many Republicans agree with that assessment, GOP leaders have said they are on board - as long as they approve of how the measures are paid for.

The latest developments mean that a deal was always achievable and likely. Democrats just postponed it by forcing votes on proposals that linked the payroll tax holiday to a surtax on incomes of more than \$1 million a year. Democrats knew Republicans would balk and believed that on the campaign trail next year they could paint GOP opposition to a tax increase on millionaires as coming at the expense of the middle class.

Democratic leaders, long expected to eventually drop the surtax, finally did so during a Wednesday meeting with Obama.

"That's gone," Senate Finance Chairman Max Baucus, D-Mont., said on Thursday.

After returning from the White House, Reid requested a meeting with McConnell and House Speaker John Boehner, R-Ohio, GOP leadership aides said. A Democratic aide said Republicans rejected prior requests by Reid this week for similar meetings. After that meeting and further conversations with McConnell, Reid instructed his staff to begin working with McConnell's staff on a bill designed to win Senate GOP support, leadership aides in both parties said.

Boehner changed Reid's calculations when he filed a bill on Wednesday night that would allow him to bring to the floor the remaining spending measures without an official conference report.

By Thursday morning, Reid, less than a day after saying that multiple issues with the omnibus remained - echoing a White House refrain - called the issues "resolvable" and "really small," while requesting the House not move its new spending bill, which was actually three separate bills that included all the contents of the conference report.

While the outlines of the looming deal were set by Reid and McConnell, Baucus said the Finance Committee is "putting together" the deal.

Specifics of the pending agreement were fluid on Thursday, but Democrats signaled they would accept some changes to the federal unemployment insurance program included in a House-passed bill. A Senate Democratic leadership aide said Democrats will likely accept provisions that tighten requirements and give states opportunities to experiment with job training. But more onerous changes, such as requirements that beneficiaries at least pursue a high school diploma or GED and submit to drug tests, will not be included, the aide said.

The aide said Democrats do not want a provision requiring a White House decision on the controversial Keystone XL pipeline in the compromise bill, but GOP aides said McConnell was pushing hard for its inclusion, and some staffers said the sides were exploring whether the language can be tweaked to give the White House more flexibility.

The Democratic leadership aide said the bill will be mostly paid for with mandatory savings provisions that do not affect health care. Most of those provisions, such as an increase in fees that Fannie Mae and Freddie Mac charge lenders to guarantee mortgages, and sale of new radio spectrum, were discussed by the congressional super committee and are relatively noncontroversial.

Democrats said a provision imposing a means test on Medicare recipients will not be included in the compromise bill.

But cuts to hospitals are still in the mix to cover the cost of putting off a 27 percent cut to Medicare doctors' pay, even though many Democrats loathe the idea. House Republicans have insisted the "doc fix" be paid for with other health care funding. House Republicans passed legislation with a two-year "doc fix" this week, partly covering the cost by slashing more than \$21 billion in Medicare payments to hospitals.

Hospitals have lobbied Senate offices hard against the reductions, but options that are acceptable to both sides of the aisle are slim. A one-year doc fix also costs \$21 billion. Some of the cuts have the backing of the independent experts on the Medicare Payment Advisory Commission, which also gives Congress political cover. Democratic aides say it

is likely any compromise measure to put off the doctors' pay cut will include hospital reductions.