



MEMORANDUM

From: Smith-Free

Date: September 26, 2023

RE: The Big Casino – Sizing Up a Possible Shutdown

"I don't know what to say to my fellow Republicans other than you are gonna eat a shit sandwich, and you probably deserve to eat it."

Rep. Chip Roy (R-TX) in a recent FOX News interview

"Pain is inevitable. Suffering is optional."

Haruki Marukami

Welcome to the end of the 2023 fiscal year and a potential shutdown of the federal government beginning as early as midnight Saturday.

Monday was the quiet before the storm. Because of the Yom Kippur holiday – the Jewish day of atonement (insert your own awkward, tangentially-related budget joke here) – both the House and Senate were out of session. Members began filtering back into town last night, and events/gossip/chatter will quickly accelerate this morning. While Sen. Schumer is lining up a stopgap funding resolution to consider by the end of the week, Speaker McCarthy continues to probe with the House GOP a potential way forward for House action. As of this morning, the current thinking is the House will try to pass four appropriations bills this week – Defense, Agriculture, State and Foreign Operations, and Homeland Security. The House's recent track record points to it likely failing in this endeavor. More importantly, under even a best-case scenario the passage of those bills does not avert a shutdown, but only represents a piecemeal approach that would leave untouched the other eight bills necessary to fund the full federal apparatus.

On a Republican Conference call over the weekend, Speaker McCarthy said he wants to pass a Continuing Resolution that includes a broader border security package and a national debt commission that would then allow additional time for the House and Senate to work out their spending differences. This package is DoA in the Senate, so in the alternative would Speaker McCarthy allow a Senate-passed CR to have a vote in the House? At this juncture that seems unlikely because it almost certainly would be followed by a move by House GOP backbenchers to oust him from the speakership.

As the week unfolds, we intend to send out updates as events dictate. To follow all the twists and turns, many of which will be overtaken by events almost soon as they unfold, will not be as helpful we think as offering some perspective, analysis, and color commentary which we hope you find helpful. Below are some general points to consider as of Tuesday morning.

Smith-Free Group

- Assuming a shutdown, how the federal agencies define “essential” for purposes of funding and continuing operations will be crucial. From all signs so far, the Biden Administration wants to employ a narrow definition of “essential” to limit federal activities and to try to exert maximum pressure on what it will argue from the White House bully pulpit are recalcitrant, irresponsible Hill Republicans. This is the approach the Clinton White House took to great success in its budget battles with Gingrich Republicans in the mid-1990s.
- Many lawmakers were not serving during the 35-day shutdown in 2019 and have not seen a stoppage firsthand. The number of staff and policymakers who remember the drama of the Clinton-Gingrich budget imbroglio from a quarter-century ago is even smaller. This points to a lack of institutional memory that will contribute to the likelihood of some representatives and staff relearning lessons from recent history: we have characterized in notes to clients as “a need to touch the hot stove”.
- At the same time, Republicans will point to the budget fights of the 1990s as helping to lay the groundwork for the three years of balanced budgets soon thereafter and will argue the short-term pain of a shutdown is necessary to make desperately needed fiscal reform.
- Authorization for many federal programs, and not just their funding, expires on September 30th. Many of these are routinely extended during such budget negotiations, but it is not clear that will be the case this year. These programs include:
 - Myriad health programs including public health and pandemic preparedness, Medicaid disproportionate share hospital cuts, telehealth authorizations and PEPFAR relief for AIDS victims abroad.
 - National Flood Insurance Program.
 - USDA programs under the “Farm Bill” umbrella.
 - Aspects of the Federal Aviation Administration including trust fund and related tax provisions.
 - Federal counter-drone authorities

Upcoming Dates

Sept. 27	Second GOP presidential debate.
Oct. 14	Louisiana gubernatorial primary.
Nov. 7	Kentucky and Mississippi general election.
Nov. 18	Louisiana gubernatorial runoff (if necessary).
Nov. 23	Thanksgiving.
Dec. 25	Christmas.
Jan. 15	Iowa GOP caucuses.