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Debt limit fight could threaten military pay, base services

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WASHINGTON — For the second time this year, a budget showdown between the White House and Republicans in Congress threatens to halt military paychecks, veterans benefits and base services, all while the wars overseas continue unabated.

Treasury officials have said that Congress must approve an extension in the federal debt limit by Aug. 2 or risk potentially crippling shortfalls in money available to cover government obligations.

The country hit the current debt ceiling of \$14.3 trillion in May, but creative bookkeeping and funding transfers have allowed federal operations to continue as leaders of the two political parties spar over how to move ahead.

In the past, debt limit votes have been fairly routine for lawmakers, but Republicans in Congress this term have insisted on spending curbs before agreeing to any additional increases. Democrats have accused them of rejecting reasonable compromise plans, thereby threatening an unprecedented default by the U.S. government.

White House officials have not outlined exactly which bills will go unpaid, but White House Press Secretary Jay Carney has repeatedly included military paychecks and veterans benefits in his list of threatened items.

Earlier this year, Treasury Secretary Timothy Geithner said that a failure to reach an agreement will mean that “a broad range of government payments would have to be stopped, limited or delayed, including military salaries and retirement benefits.”

But critics and outside experts remain skeptical that the White House will target military paychecks for cuts. Pamela Villarreal, senior fellow at the National Center for Policy Analysis, said officials will have some flexibility in deciding which bills to pay, “and a lot of what we’re hearing right now is just political.”

According to the Bipartisan Policy Center, a think tank in Washington, the government will have about \$173 billion in revenue for August. But it will also have nearly \$307 billion in payment obligations, leaving a massive shortfall of about \$134 billion.

Payments to cover Social Security benefits, Medicare and Medicaid, and debt owed on Treasury securities like bonds would total about \$128 billion, forcing the administration's hand on most of the fiscal decisions. Experts agree that defaulting on those obligations could have serious long-term effects on the country's credit rating and public reputation, potentially plunging the economy into an unprecedented financial nightmare.

That leaves about \$44 billion to cover more than \$178 billion in other bills. Villarreal notes that military paychecks for August will total \$2.9 billion, and veterans benefits roughly the same -- only a small fraction of the available cash.

"Nobody wants to disenfranchise the troops, so I think it's highly unlikely we'll see anything happen to military pay," she said. "I think some of this talk is designed just to scare people."

Still, the cuts will have to come from somewhere. If military and veterans payouts are protected, the Treasury might have to stop payments for unemployment benefits, defense vendor obligations or federal salaries. That last item, Villarreal said, would undoubtedly cause a partial government shutdown, similar to the situation threatened in April.

During that budget fight, Pentagon officials said equipment and operations for troops serving in overseas war zones would not be affected by a partial shutdown. But non-essential defense civilian employees would have been temporarily furloughed, while essential ones would work without pay. Military commissaries would be closed, temporary-duty travel cancelled and other base services forced to shut down or operate with fewer hours and personnel.

Veterans Affairs officials said a partial shutdown would not stop any disability or education benefits from being sent out, or close any veterans hospitals. But new benefits claims would be completely stopped, veterans burials could be halted, and VA hotlines and regional offices would operate on an extremely limited basis.

Officials at the Departments of Defense and Veterans Affairs said they are monitoring the situation but have not yet made any announcements about possible program cuts or payout stoppages.

A pair of bills pending before Congress would mandate that military pay continue even in the case of a government shutdown or fiscal crisis, in response to troops' fears after the April threat.

Neither measure has advanced since then, but lawmakers have made another push at adopting the rule in recent days as the debt ceiling negotiations have faltered. In addition, 52 House Republicans sent a letter to the White House on Thursday demanding that military pay -- along with Social Security checks, Medicare payments and all interest payments -- remain unaffected if a deal is not reached.

On Wednesday, White House Spokesman Jay Carney said that the president had not made any decision on spending priorities because "we believe and take leaders in Congress at their word that action will be taken to prevent that from happening."