More Facts, Ma’am: Sergeant Joe Friday probably never said that, but you know what I'm getting at. With the debt limit debate getting close to the final days, you may wonder what happens if we actually go "over the cliff" and do not extend the debt limit by the supposedly magic August 2nd date? The following information is gleaned from a presentation made to the Republican caucus by a former Bush Administration deputy secretary at the Treasury Department who now works with a think tank called the "Bipartisan Policy Center" in DC:

There is general agreement that the federal government will have exhausted all alternative funding sources and will run out of cash on or about August 2nd. This date is largely driven by $23 billion worth of Social Security checks that are scheduled to go out on that day. At that point, the US government is on a cash basis with no ability to borrow more money. That means that it can only spend the same amount of money that comes in. And, this is not an annual issue, it is a daily issue. If $20 billion comes in on Thursday, then you can send $20 billion out. If only $10 billion comes in on Friday, then only that much can go out on Friday.

If you look at the period from August 3rd through August 31st, revenue to the government is projected to be $203 billion. Committed and appropriated spending during the same period is projected to be $363 billion, which results in a shortfall of $160 billion. This shortfall is greater than the annual projected deficit because the federal government's big months for receiving cash come when estimated tax payments are due from individuals and corporations. Those are the months of January, April, June, and September. Other months have lower revenues.

The US government will not default on its debt. That would affect the ability of the US government to borrow money for years, and maybe decades, in the future and be very, very costly. So, it is assumed that interest payments on the debt will be made on time. That is $29 billion for August. So, that means you have to cut the $160 billion out of the remaining $334 billion. That is a reduction of 48% of all federal spending in August.

Previous debt limit and government shutdowns have never gone "over the cliff", so there is no precedent for how to prioritize what 48% to cut. There is also no guidance in law or the Constitution that legal scholars believe would control that decision. There is a general thought that the Treasury Department may just pay them on a "first come, first served" basis, literally paying the morning bills until they run out of cash and can’t pay others.

It would be a day-by-day thing, but if you look at that $334 billion of non-interest spending in August, here is the breakdown of the larger items:

Social Security - $49 billion
Medicare/Medicaid - $50 billion
Unemployment Benefits - $13 billion
Defense Vendor Payments - $32 billion
Higher Education Pell Grants - $20 billion
Federal Salaries - $14 billion
Food/Nutrition Services - $9 billion
Housing Assistance to the Poor - $7 billion
Veterans - $3 billion
Special Ed Payments to K-12 Schools - $4 billion
Military Pay - $3 billion
IRS Refunds - $4 billion
FBI and Courts - $1 billion

Just this list adds up to $209 billion. There is a disproportionate amount of education spending because much of the year's funding comes out in August so that schools and students have it for the beginning of the school year. If you eliminate the rest of government (Congress, national parks, State Department, Department of Defense programs except for pay, every other federal department or program, etc.), you still have to get rid of $31 billion of that list. Not easy to do. And, of course, if you use a first come, first serve system, you don't get to choose who gets paid and who doesn't. It becomes a day-by-day thing and nearly random.

I will have a lot to say about these facts soon.