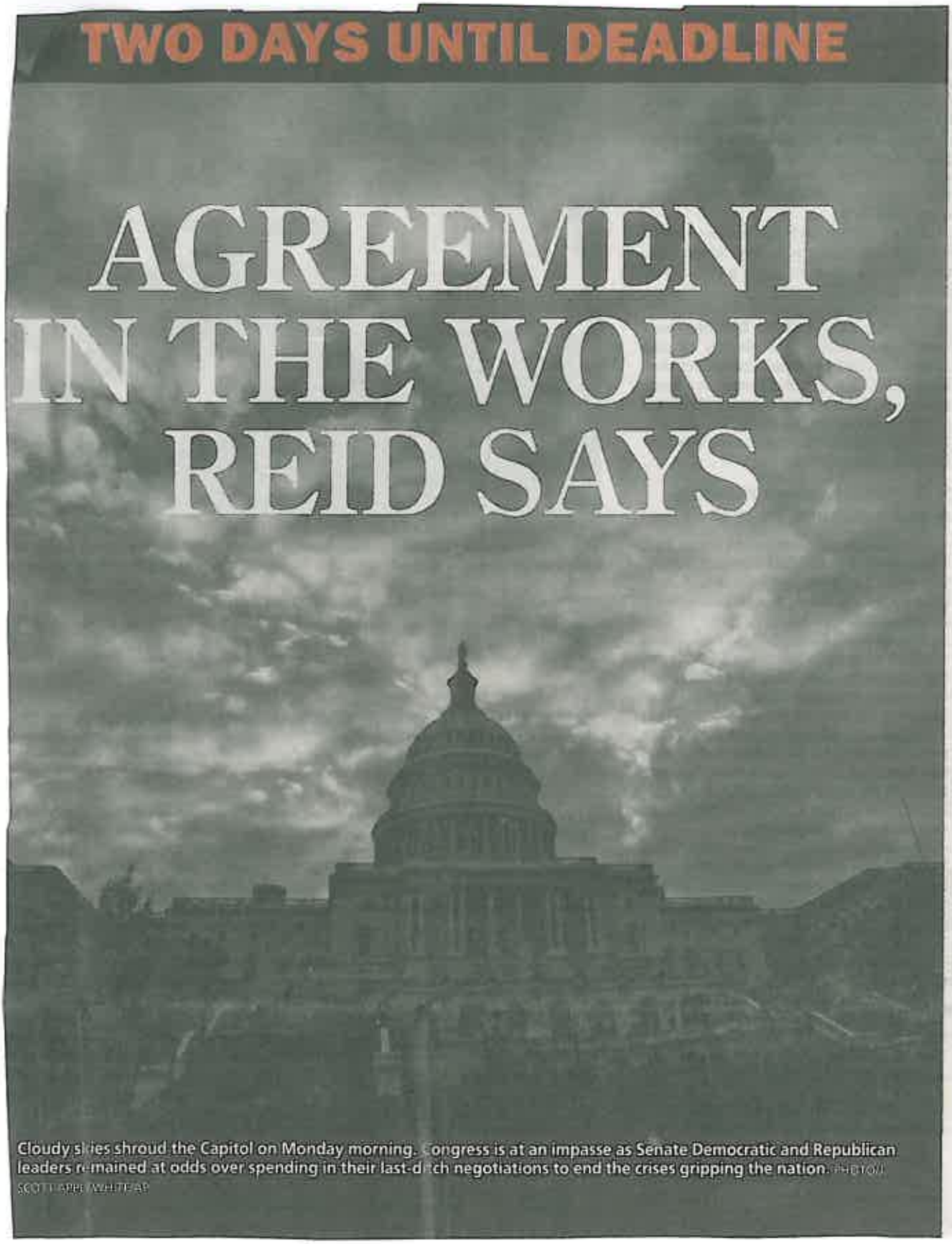
TWO DAYS UNTIL DEADLINE

AGREEMENT IN THE WORKS, REID SAYS



Cloudy skies shroud the Capitol on Monday morning. Congress is at an impasse as Senate Democratic and Republican leaders remained at odds over spending in their last-ditch negotiations to end the crises gripping the nation. PHOTO/ SCOTT APPLEWHITE/AP

House needs to pass any deal

Associated Press

Racing the clock, the Senate's Democratic and Republican leaders closed in on a deal Monday night to avoid an economy-menacing Treasury default and end the two-week partial government shutdown.

"We've made tremendous progress," Senate Majority Leader Harry Reid declared after an intense day of negotiations with Senate Republican Leader Mitch McConnell and other lawmakers. "Perhaps tomorrow will be a bright day," he said, suggesting agreement could be announced soon after weeks of stubborn gridlock.

McConnell also voiced optimism — but the emerging accord generated little if any satisfaction among rebellious House conservatives.

Officials said that under the discussion to date, the $16.7

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PRESIDENT BARACK OBAMA

BUDGET

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trillion federal debt limit would be raised enough to permit the Treasury to borrow normally until mid-February if not a few weeks longer.

The government would reopen with enough money to operate until mid-January at levels set previously, and agencies would be given flexibility in adjusting to reduced funding levels imposed by across-the-board spending cuts.

There was also an increasingly strong likelihood that any agreement would include a one-year delay in a $63 fee imposed on companies by the health care law known as Obamacare for everyone covered under an employer-sponsored plan. Also, individuals seeking subsidies under the health care law to pay for coverage would be subject to stronger income verification measures.

The government has been partly closed since Oct. 1, and the administration says the Treasury will run out of borrowing authority to fully pay the nation's bills on Thursday.

The result has been a partisan showdown that polls show is alienating all sectors of the electorate except tea party supporters — and has been a big political loser for Republicans.

As a midweek deadline for raising the debt limit neared, the stock market turned positive on bullish predictions from the two longtime antagonists at the center of the talks, Reid and McConnell.

Though McConnell expressed optimism about an agreement, his words were not as strong as Reid's. "We've made substantial progress, and we look forward to making more progress in the near future," he said as the Senate adjourned for the evening.

Visiting a charity not far from the White House, President Barack Obama blended optimism with a slap at Republicans. "My hope is that a spirit of cooperation will move us forward over the next few hours," he said. And yet, he added, "If we don't start making some real progress both in the House and the Senate, and if Republicans aren't willing to set aside some of their partisan concerns in order to do what's right for the country, we stand a good chance of defaulting."

Stock prices, which had risen strongly late last week on hopes of an agreement, were down at the start of the day but then pushed higher as the Senate leaders voiced optimism. The Dow Jones industrial average rose 64 points.

Reid and McConnell met twice before midafternoon, their sessions sandwiched around a White House announcement that Obama was calling them and the party leaders in the House for the second time in less than a week to discuss the economy-threatening crises. The meeting was postponed and it was not clear when it might be rescheduled.

Any legislation would require passage in the Senate and also in the House, where a large faction of tea party-aligned lawmakers precipitated the shutdown two weeks ago despite the efforts of McConnell and Republican Speaker John Boehner.

Boehner met with McConnell during the day, then with other House GOP leaders. His spokesman, Michael Steel, later said, "If the Senate comes to an agreement, we will review it with our members." A closed-door session was set for Tuesday.

One conservative with a seat at the GOP leadership table, Oklahoma Rep. James Lankford, said that based on what he had been told, the emerging package contained no policy victories for his party. As for raising the debt limit until February, he said, "That's a lot of dollars."

The two Senate leaders are expected to announce that House and Senate negotiators will seek a deficit-reduction agreement that could ease or eliminate a new round of automatic federal spending cuts scheduled to begin in January. While the current round of these cuts fell on domestic programs and the military, the new reductions would hit primarily the Pentagon.