

June 10, 2021

# Political

## The Brewing Debt Limit Crisis

**Executive Summary:** Below, we preview the potential this summer for a prolonged negotiation over raising the nation's debt limit which expires on July 31<sup>st</sup>.



### Issue

Democrats have hoped to raise the debt limit in an Infrastructure+Reconciliation bill, avoiding the need for prolonged debate over the nation's debt ceiling. That wish may not come to pass if a Reconciliation bill takes longer than expected (likely) or if there are not enough votes to move a Reconciliation bill (which may also be the case).



### Impact

Republicans have tried to re-position themselves as stewards of spending in Washington, many decrying the \$5+ Trillion which has been added to the nation's debt in the last year alone. This gives Republicans less of an incentive to raise the debt ceiling without extracting concessions on future spending.



# Next Steps

10 years ago, negotiations over raising the debt limit led to what became known as “*sequestration*”—an attempt to curtail spending if it exceeded certain budgetary caps. Sequestration caps expired this fiscal year, but there are already calls by lawmakers to enact new spending constraints. Senator Rick Scott (R-FL), not coincidentally the Chairman of the National Republican Senatorial Committee (NRCC), the campaign arm of Senate Republicans, is calling for fiscal discipline in exchange for raising the debt ceiling, implicitly threatening to make spending and raising the debt ceiling a campaign issue. Other Republicans are advocating other constraints in exchange for a debt ceiling increase. Because of pandemic-related spending by the Treasury, it remains unclear how long Treasury’s use of so-called “*extraordinary measures*” can prolong the need to raise the nation’s debt ceiling past the July 31<sup>st</sup> official deadline.

## More Information, Below

Fights over raising the debt ceiling have been relatively muted in the last several years, but that is not always the case as political fights during President Obama's term provided in high relief. Remember the Tea Party summer of 2011?

President Trump enjoyed a united Republican Congress for ½ his term and pandemic-related spending rendered the issue politically unpalatable last year.

That will not be the case this summer if Republicans have their way—and if Democrats cannot shepherd a debt ceiling increase in a timely fashion in Reconciliation legislation.

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