

## House Republicans Begin to Frame the Debt Ceiling Debate

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Speaker of the House Kevin McCarthy (Photo credit: Roll Call)

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House Republicans are beginning to frame the upcoming debate over raising the debt ceiling. Republicans returned from their recent retreat committed to negotiating a reduction in federal spending in exchange for an increase in the debt ceiling. The recent failure of two banks – Silicon Valley Bank and Signature Bank – have not deterred Republicans from pushing for a negotiation. In fact, some Republicans argued that the bank failures and potential for greater economic instability strengthens their case about the need to reduce spending inflation, which they argue is negatively impacting the economy and consumers.

The clock is ticking on when an agreement will need to be reached. In January, the U.S. Treasury Department announced that the U.S. is fast approaching its \$31.4 trillion borrowing limit, prompting "extraordinary measures" to prevent the U.S. from defaulting on its obligations. House Speaker Kevin McCarthy and President Biden have met once to start discussing parameters, but those discussions have not occurred since February 1st and only recently has a dialogue been re-started, prompting a possible meeting when lawmakers return to Washington in mid-April after a 2-week recess.

### **What is being negotiated?**

To successfully pass a legislative measure to raise the debt ceiling, U.S. House Republican leadership is considering parallel measures to reduce national spending. These provisions include work requirements

for able-bodied adults, which is estimated to saving around \$1 trillion over the next 10 years; slowing the growth of Social Security and Medicare, without out right cuts to the programs; and scaling back state Medicaid programs to pre-pandemic levels.

### **What about efforts to boost the economy and combat inflation?**

Following spending increases from the beginning of the COVID-19 pandemic in the spring of 2020 to the passage of the Inflation Reduction Act, inflation has spread across the country and affected almost all Americans and every aspect of their daily lives. To address this, some Republicans are considering including an economic growth package in the debt ceiling measure to jump start the economy, slow down inflation, reduce interest rates, tamp down high energy costs and extend portions of 2017 Tax Cuts and Jobs Act.

### **What's the timeline?**

While President Biden has released his budget, House Republicans have yet to fully commit to a date on releasing their own budget. They continue to stress the need for an open process for the annual appropriations cycle, committing to passing all 12 appropriations bills by the end of the summer. Significant work remains and many questions have been left unanswered, but leaders in both parties and at each end of Pennsylvania Avenue stand committed to avoiding default and lifting the debt ceiling.

### **What are Republicans proposing?**

Speaker McCarthy recently sent a letter to President Biden highlighting his priorities as discussions surrounding the debt limit restart. The Speaker identified 5 pillars: 1) reducing excessive non-defense spending, 2) reclaiming unspent Covid funds, 3) strengthening work requirements for entitlement programs, 4) enacting measures to lower energy costs, and 5) securing the border from the flow of deadly fentanyl. Several of these measures have already been or will soon be brought to the House floor independent of the debt limit discussion. The House has already passed their signature piece of legislation, HR 1, an effort to reduce growing energy costs for families, reform the permitting system, and expand energy production opportunities. The House will soon bring a border security package to the House floor, potentially as early as late-April.

With the clock ticking toward a potential default, the exchange of proposals – and rhetoric – is sure heat up.