

House Freedom Caucus weighs options to avoid impending stand-off over debt ceiling

Insiders foresee three possible options as House Freedom Caucus plans to announce demands over debt ceiling



Option 1: H.R.3167

Representative Richard Schweikert (R-AZ) introduced a bill that calls for the treasury secretary to issue GDP-linked bonds to pay down the national debt if the debt ceiling is reached. The bill would acquiesce to raising the debt ceiling by \$1.5 trillion, but would also allow the president to authorize the sale of government assets in order to manage debt payments.



Option 2: Budget cuts

If the first option fails, the Freedom Caucus may accept the idea of attaching the debt ceiling to the budget resolution, but demand that associated mandatory spending cuts be increased to \$250 billion. The House Budget Committee originally settled on cutting \$150 billion, largely from welfare programs. Moderate Republicans have voiced concern over making further cuts.



Option 3: AHCA repeal

The third option would attach the debt ceiling rise to a repeal-only health care bill. This option seems least likely, as Senate Majority Leader Mitch McConnell (R-KY) said that he is committed to the current format of the bill. This reaffirmation came on July 1st after President Trump tweeted that Republicans should repeal the AHCA first and replace it at a later date.

The CBO and the Treasury look to resolve debt ceiling before October deadline



In a report released by The Congressional Budget Office in June, the office said “that if the debt limit remains unchanged... the Treasury will most likely run out of cash in early to mid-October.” The deficit for the current year is a projected \$693 billion, \$134 billion more than the office predicted in January 2017.



The Treasury has been using “extraordinary measures” since this spring to avoid breaching the debt ceiling. Secretary of the Treasury Steve Mnuchin said his ability to avoid a shutdown was expiring sooner than anticipated due to slow tax revenue intake. This may be caused by expectations of future tax cuts among taxpayers.

Sources: Niv Elis, “Freedom Caucus backs three debt ceiling options,” The Hill, July 10, 2017; Jonathan Swan, “Scoop: Freedom Caucus plan for the debt ceiling,” Axios, July 10, 2017; Associated Press, “Correction: Congress-Health Overhaul-The Latest story,” AP, July 1, 2017; Congressional Budget Office, “Federal Debt and the Statutory Limit, June 2017,” CBO, June 2017; Alan Rappeport, “Deadline Is Set for Congress to Raise Debt Ceiling,” NYT, June 29, 2017.