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Harvey Relief Bill Could Help Congress Raise Debt Ceiling

Congress faces a September deadline for the high-stakes fiscal legislation



Treasury Secretary Steven Mnuchin speaks at a daily briefing at the White House on July 31. PHOTO: TING SHEN/XINHUA/ZUMA PRESS

By Kate Davidson and Kristina Peterson

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WASHINGTON—Widespread support on Capitol Hill for Hurricane Harvey relief aid—with an initial package expected to total \$5.9 billion—could help ease passage of high-stakes fiscal legislation facing Congress this month, lawmakers and analysts said.

As Texas and Louisiana began to regroup after the storm’s record rainfalls, both Democrats and Republicans said they hoped for a speedy passage of emergency-relief funding to help storm victims rebuild.

“We have people who are in trouble, and they need help,” said Rep. Tom Rooney (R., Fla.), referring to storm victims. “We’re the government. That’s our job.”

The White House requested \$7.9 billion late Friday for the first installment of Harvey relief in a letter to congressional leaders. Lawmakers return to Washington next week following their

August recess.

Congress is facing a deadline at the end of the month to increase the debt limit and pass a funding extension to keep the government running.

Some GOP lawmakers have balked at raising the debt ceiling in the past. GOP leaders are likely to pair the first installment of Harvey aid with legislation to raise the debt ceiling, easing its passage and then take up a stopgap government-spending measure later in the month, a House Republican lawmaker said Friday.

Treasury Secretary Steven Mnuchin has urged lawmakers to raise the debt ceiling by Sept. 29 to ensure that the government has enough cash to continue paying its bills in full and on time. The Treasury has employed cash-conservation measures since March, when a new limit was set at nearly \$20 trillion.

Mr. Mnuchin, in an interview with The Wall Street Journal on Thursday, said he continues to hold discussions with congressional leaders in both parties about raising the debt ceiling.

“Everybody agrees that we will get the debt limit raised,” he said.

Mr. Mnuchin said the decision of whether to attach a debt-limit increase to a Harvey relief bill would be up to Congress.

“At the end of the day, I just want it raised,” he said of the debt limit.

Mr. Mnuchin emphasized the “significant difference” between a government shutdown—which he previously said may be appropriate in some circumstances—and a debt-limit breach.

“Congress has every right to control government funding, and if they don’t approve additional funding the government would shut down,” he said Thursday. “That’s very, very different from a default on government debt or not paying the government’s bills.”

Failure to increase the debt limit could cause the government to miss payments to bondholders and result in a default on government debt, an unprecedented event that could trigger chaos in the financial markets.

President Donald Trump, a Republican, has said he might shut down the government if Congress doesn’t allocate money toward building a wall on the U.S.-Mexico border, which is opposed by Democrats and some Republicans. The most recent government shutdown in 2013 led to a brief interruption in government services and delayed paychecks and benefits for federal workers.

Analysts said this week that they viewed a disaster-relief bill moving through Congress as lowering both the chances of the government shutting down and there being an impasse over the

debt ceiling.

“Allowing a partial government shutdown when federal-relief efforts are under way would pose greater political risks than under normal circumstances, raising the probability that lawmakers will find a way to resolve disagreements,” Goldman Sachs economist Alec Phillips said in a note to clients this week.

Goldman lowered its odds of a government shutdown to 35% from 50%, assessing that a combined package that included disaster relief, a short-term spending measure and debt-limit increase “would be more likely to pass and less likely to be vetoed, in our view,” Mr. Phillips said.

Analysts also said that if Congress approved a generous disaster-relief bill for storm-ravaged communities in Texas and Louisiana, it could add new urgency to raising the borrowing limit, because the Treasury might exhaust its emergency cash-conservation steps sooner than anticipated.

Evercore ISI analysts Terry Haines and Ernie Tedeschi called Harvey “an incremental plus, not game-changing.” They lowered their odds of a shutdown to 15% from 20% and kept odds of a debt-ceiling impasse at 5%.

It isn’t yet clear whether lawmakers will combine all three measures into one piece of legislation or decouple the debt-limit increase from a short-term spending bill. Also unclear is whether a debt-limit suspension would last until the end of the year, or further into 2018.

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Few Republicans voice objections to providing federal assistance to Harvey victims, though some have said that any aid should be focused on providing disaster relief and not extend to spending they view as extraneous.

Rep. Jim Jordan (R., Ohio), a former chairman of the House Freedom Caucus, a group of about three dozen of the most conservative House Republicans, said he would be wary of any plan to lump together major fiscal legislation.

“It’s better to do all these pieces of legislation separately,” Mr. Jordan said in an interview Thursday. “When you start throwing things together in a big, giant bill, extra things get thrown on that don’t always benefit taxpayers.”

Like many conservatives, Mr. Jordan is pressing to pair any increase in the debt limit with measures to reduce spending or to roll back regulations.

Meanwhile, Democrats in both chambers have supported passing relief funds for Harvey victims.

“Congress must act in a unified way to ensure that officials have all the tools they need to conduct search and rescue, treat the injured, and help communities rebuild,” House Minority Whip Steny Hoyer (D., Md.) said in a statement.

Democrats may also have reason to resist the GOP’s spending plans, Capital Alpha analyst Charles Gabriel said, adding that a shutdown or “some other attention-focusing moment” may be necessary to forge a broad bipartisan deal to tackle many fiscal challenges this fall.

“And, of course, the randomness that is Donald Trump demands a discount to best-laid plans, as well,” he said in a note to clients, pegging the likelihood of a fiscal face-off at five on a scale of one to 10.

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