



# Syria Vote Complicates Congressional Fiscal Debate



By David Lawder

WASHINGTON, Sept 1 (Reuters) - A vote in Congress over whether to launch U.S. attacks against Syria is expected to wreak collateral damage - leaving too little time on Capitol Hill to deal with fast-approaching fall deadlines to fund government agencies and raise the debt limit.

That increases the likelihood that U.S. lawmakers will agree to a short-term government funding measure to get them through the fall, postponing for another day any broader deal or big showdowns.

The House of Representatives had previously scheduled only nine legislative days in September after they return from summer recess on Sept. 9, prompting analysts to view this as barely enough to pass government funding legislation in time to avoid a federal shutdown as the new fiscal year starts Oct. 1.

But now much of that time is likely to be eaten up with a contentious debate over authorizing the use of military force to punish Syria, analysts say.

With Republicans and Democrats still deeply divided on how to shrink U.S. debt and federal deficits, the odds for a comprehensive agreement that replaces "sequester" spending cuts and lifts the debt ceiling have fallen dramatically.

"Syria has really scrambled an incredibly crowded calendar," said Chris Krueger, a political analyst with Guggenheim Securities in Washington. "I think you have to say that the chance of a short-term extension has increased."

The U.S. Treasury said last week that an increase in the \$16.7 trillion federal borrowing limit will be needed by mid-October to ensure that the government can continue to meet its payment obligations.

Many House Republicans have pledged to use the need to increase the debt ceiling as leverage to demand cuts to federal benefits programs and for delays or the withholding of funds from "Obamacare," President Barack Obama's signature healthcare reforms.

But now that Obama has asked Congress to approve limited strikes against Syria, the fiscal questions will have to wait, at least for a while.

#### PROVIDING COVER FOR DISAGREEMENT

The focus on Syria, however, could provide a convenient excuse for Republicans to agree to short-term extensions that provide two or three months' worth of government funding and borrowing capacity.

"Ironically, this crisis over Syria could give everyone a little cover because we're not close to a deal to kill sequester or to raise the debt ceiling. Lawmakers could claim, with justification, that they've been preoccupied with Syria," said Greg Valliere, chief political strategist at Potomac Research in Washington.

"On the budget, it increases the likelihood of stop-gap stuff," he added.

Denying government funding or borrowing could send a confusing message to U.S. allies and financial markets, analysts say. The bruising debt-limit fight of summer 2011, for instance, caused steep stock market falls and prompted ratings agency Standard and Poor's to strip the United States of its top-tier credit rating.

While stop-gap government funding measures have become routine in recent years, markets have also become unnerved by disruptions to government programs and agencies prompted by last-minute decisions.

One House Republican aide said the Syria situation "would make it a lot harder for to vote against a debt-ceiling increase given that we're the party that tends to be more hard-line security and military supporters in the Reagan tradition."

Some lawmakers entering a classified briefing on the Syria situation on Sunday in Washington acknowledged that the Syria vote would complicate the fiscal agenda, but said dealing with urgent military action was a higher priority.

"I don't know how it's going to complicate other things, but this is the most important thing that we will deal with," said Representative Juan Vargas, a Democrat from southern California.

Representative Bennie Thomson, a Democrat from Mississippi, said he hoped that the Syria debate wouldn't spill over into the debt limit, adding "Congress should be able to multi-task."

In addition, proposals for short-term funding and debt-ceiling extensions prompted by the Syria time crunch could also be accompanied by demands by conservatives for delays in the implementation of key

parts of the Obamacare health reforms, such as the Oct. 1 launch of insurance exchanges for individual coverage, Guggenheim's Krueger said.

Last week, some 80 House Republicans sent a letter to House Speaker John Boehner saying they would not support an extension of government funding known as a continuing resolution unless it denied funds needed to implement the Obamacare provisions.

Short-term extensions also would provide more uncertainty for financial markets, prolonging the risk to investors of a government shutdowns or default at a time when investors are already in turmoil over the possibility of a wider conflict in the Middle East.

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