U.S. Senate
Republican Policy
Committee

Legislative Notice

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H.J. Res. 47 – Increasing the Statutory Limit on the Public Debt

Expected to be discharged from the Finance Committee and placed on the Senate Calendar by unanimous consent.

NOTEWORTHY

- This week, the Senate is expected to consider H.J. Res. 47, a measure to increase the statutory limit on the public debt of the United States. A unanimous-consent agreement with respect to time for debate and amendments is anticipated.

- Currently, the debt limit is $8.184 trillion. This limit applies to all federal debt held by the public as well as federal debt held by the government for various trust funds.

- On February 16, 2006, the Treasury Department notified Congress that the government had reached the debt limit and that the Department was implementing statutorily authorized accounting steps to prevent the limitation from being breached. Current projections indicate that the government will exhaust its available measures to manage federal debt under the existing debt limit by mid March.

- The resolution increases the federal debt limit by $781 billion, for a new limit of $8.965 trillion. The federal government is expected to be able to operate within this increased debt limit until mid to late summer of 2007.

- This legislation was automatically passed by the House last year under the so-called "Gephardt Rule" (House Rule XXVII) and the FY 2006 Budget Resolution (H. Con. Res. 95). It is vital that the Senate pass this legislation without amendments so that it can proceed quickly to the President for enactment. If Congress fails to increase the debt limit, the government could default on its outstanding debt, which has never occurred in the nation's history.

Background

Under current law, the federal debt is limited to $8.184 trillion. This limit applies to all federal debt, such as Treasury bonds and notes, held by the public. It also includes federal debt held by the government, primarily for trust funds such as the Social Security, Medicare, Transportation, and Civil Service Retirement trust funds.

Since January, the Bush Administration has been regularly advising the Congress on the status of the debt limit and urging that it be increased. The debt limit was last increased in November 2004 from $7.384 trillion to the current $8.184 trillion.[1] The conference report to the Fiscal Year 2006 Budget Resolution (H. Con. Res. 95) recommended an increase of $781 billion.

On February 16, 2006, the Treasury Department notified Congress that the government had reached the debt limit and that the Department was implementing accounting steps to prevent the limitation from being breached. These steps, which are authorized by existing law, include permission for the Secretary of the Treasury to halt investment of amounts in the Government Securities Investment Fund ("G-Fund") of the Federal Employees Retirement System and the Civil Service Retirement and Disability Fund (CSRDF) in Treasury debt securities on a temporary basis. Such actions have been taken previously by the current and prior administrations, and the law requires that the Treasury Department restore all funds (including interest) to protect the beneficiaries of the G-Fund and the CSRDF once the debt limit is increased.

Current projections indicate that the government will exhaust its available measures to manage federal debt under the existing debt limit by mid March. Thereafter, if the debt limit is not increased, the government could default on its outstanding debt – an event that has never occurred in the nation's history.

Resolution Provisions

The resolution increases the federal debt limit by $781 billion, for a new limit of $8.965 trillion. According to estimates by the Treasury Department, the federal government will be able to operate within this increased debt limit until mid to late summer of 2007. The exact duration will depend on spending levels and tax receipts received by the federal government during the next six to nine months.

[1] Public Law 108-415, November 19, 2004.

Administration Position

At press time, no Statement of Administration Policy was available. However, in a March 6, 2006 ,letter to Congress, Treasury Secretary Snow stated: "When I wrote to Congress on December 29, 2005, concerning the debt limit, I stated that it was imperative that Congress take action to increase the debt limit as soon as possible. I must advise you that the Treasury has now taken all prudent and legal actions to avoid reaching the statutory debt limit. I, therefore, strongly urge Congress to pass a debt limit increase immediately. I know you share the President's and my commitment to maintaining the full faith and credit of the U.S. Government."

Possible Amendments

While an agreement had not been reached at press time with respect to the number of amendment to the resolution that will be in order, several amendments are possible. Note that any amendment adopted to the resolution will require that the measure be returned to the House for further consideration, thereby delaying the increase in the debt limit.

Traditional Paygo. Senators Conrad and Feingold are expected to offer an amendment to the resolution that would reinstate the traditional "pay-as-you-go" rules for both mandatory spending and tax relief. The amendment is likely to require that any mandatory spending increase or tax reduction be offset, even if included as part of the Congressional Budget Resolution. The current Senate budget-process rules include a paygo mechanism that provides a 60-vote point of order against legislation that would increase the deficit beyond the level assumed in the FY 2006 Budget Resolution. This amendment would be subject to a point of order under section 306 of the Budget Act, which prohibits consideration of matters within the jurisdiction of the Budget Committee, except when it is a measure reported by the Committee or an amendment thereto. (A similar Paygo amendment (SA 3013) to the FY 2007 Budget Resolution was defeated on March 14, 2006.)

Study on Foreign Ownership of U.S. Debt. Senator Baucus is expected to offer an amendment that would require the Secretary of the Treasury, in consultation with the Federal Reserve Board of Governors and appropriate agencies, to prepare a study of the economic effects of the holding of United States publicly-held debt by foreign governments, foreign central banks, other foreign institutions, and foreign individuals.

Notice Regarding Public Debt. Senator Lautenberg is expected to offer an amendment that would require that the instructions to individual federal income tax returns include a statement concerning the amount by which the deficit increased the national debt and each taxpayer's pro-rata share of the debt increase. The notice would apply to any fiscal year in which the unified budget deficit exceeds 2 percent of the nation's Gross Domestic Product.