



SENATE REPUBLICAN

POLICY COMMITTEE

## Legislative Notice

No. 32

September 27, 2007

# H.J. Res. 43 – Increasing the Statutory Limit on the Public Debt

Calendar No. 384

*On September 24, 2007, the Finance Committee reported H.J. Res. 43, without amendment, by a voice vote. S. Rept. 110-184.*

### Noteworthy

- Today, the Senate will consider H.J. Res. 43, a measure to increase the statutory limit on the public debt of the United States. The unanimous consent agreement provides for ninety minutes of debate and that no amendments be in order. A vote on the resolution will occur as part of a stacked series of votes this evening.
- Currently, the debt limit is \$8.965 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 July 30, 2007, the Treasury Department notified Congress that the government would likely reach the statutory debt limit in early October 2007, and the Department could take actions to avoid the statutory debt limit, but these actions could create unnecessary uncertainty for financial markets and result in costs to the government.
- The resolution increases the federal debt limit by \$850 billion, for a new limit of \$9.815 trillion. Given that there are many variables that affect the government's borrowing needs, there is a reasonable probability that this will enable the federal government to operate within this increased debt limit into 2009.
- This legislation was automatically passed by the House on May 17, 2007 under the so-called "Gephardt Rule" (House Rule XXVII) and the FY08 Budget Resolution (S. Con. Res. 21). 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.

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## **Background**

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Under current law, the federal debt is limited to \$8.965 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 July, the Bush Administration has been regularly advising Congress on the status of the debt limit and urging that it be increased. The debt limit was last increased in March 2006 from \$8.184 trillion to the current \$8.965 trillion.<sup>1</sup> The conference report to the FY08 Budget Resolution (S. Con. Res. 21) recommended an increase of \$850 billion.

On July 30, 2007, the Treasury Department notified Congress that the government would likely reach the statutory debt limit in early October 2007. If this occurs, the Department could take actions to avoid the statutory debt limit, but these actions could create unnecessary uncertainty for financial markets and result in costs to the government. 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.

Given that there are many variables that affect the government’s borrowing needs, there is a reasonable probability that this will enable the federal government to operate within this increased debt limit into 2009. The exact duration will depend on spending levels and tax receipts received by the federal government. 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.

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## **Provisions**

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The resolution increases the federal debt limit by \$850 billion, for a new limit of \$9.815 trillion.

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<sup>1</sup>Public Law 109-182, March 20, 2006.

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## **Administration Position**

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At press time, no Statement of Administration Policy was available. However, in a September 19, 2007 letter to Congress, Treasury Secretary Henry M. Paulson stated: “On July 30, 2007, I wrote to Congress requesting an increase in the statutory debt limit. At that time, I noted that the Treasury Department projected that the statutory debt limit, currently \$8,965 billion, would be reached in early October. With data now available regarding September’s corporate and individual estimated income tax payments, I can update and narrow our projection. We now expect to reach the debt limit on Monday, October 1, 2007.” Secretary Paulson also wrote, “In light of current developments in financial markets, which would be exacerbated by uncertainty in the Treasuries market, I urge the Senate to pass the legislation reported by the Finance Committee to increase the debt limit as soon as possible.”

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## **Possible Amendments**

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The unanimous consent agreement provides that no amendments are in order.