



No. 79

November 17, 2004

S. 2986 – Increasing the Statutory Limit on the Public Debt

Calendar No. 805

Placed directly on the Senate Calendar by unanimous consent on November 16, 2004.

NOTEWORTHY

- On Wednesday, November 17, 2004, the Senate will begin consideration of S. 2986, a bill to increase the statutory limit on the public debt of the United States. Pursuant to a unanimous-consent agreement, there will be six hours of debate, equally divided between the chairman and ranking member of the Finance Committee or their designees, and no amendments will be in order. The vote will occur following the usage or yielding back of the time provided.
- Currently, the debt limit is \$7.384 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 October 14, 2004, 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 November 18, 2004.
- The bill increases the federal debt limit by \$800 billion, for a new limit of \$8.184 trillion. The federal government is expected to be able to operate within this increased debt limit until mid to late summer of 2005.
- It is vital that the Senate and House pass this legislation 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 \$7.384 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 February, 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 May 2003 from \$6.4 trillion to the current \$7.384 trillion. The conference report to the Fiscal Year 2005 Budget Resolution (H. Con. Res. 95) recommended an increase of \$689.9 billion in the debt limit, although that resolution has not been approved by the Senate.

On October 14, 2004, 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 November 18, 2004. 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.

Bill Provisions

The bill increases the federal debt limit by \$800 billion, for a new limit of \$8.184 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 2005. The exact duration will depend on spending levels and tax receipts received by the federal government during the next six to nine months.

Administration Position

At press time, no Statement of Administration Policy was available. However, in a November 16, 2004 letter to Congress, Treasury Secretary Snow stated: “When I wrote to Congress on October 14, 2004 concerning the debt limit, I stated that it was imperative that Congress take action to increase the debt limit by mid-November. I must advise you that the Treasury has now taken all previously used 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

Pursuant to the unanimous-consent agreement, no amendments will be in order to the bill increasing the debt limit.