

**DESCRIPTION OF H.R. \_\_\_\_, THE  
“DEBT RELIEF LOCK-BOX RECONCILIATION ACT  
FOR FISCAL YEAR 2001”**

Scheduled for a Markup  
Before the  
House Committee on Ways and Means  
On  
September 14, 2000

Prepared by the Staff  
of the  
JOINT COMMITTEE ON TAXATION



September 13, 2000  
JCX-95-00

## INTRODUCTION

The House Committee on Ways and Means has scheduled a markup on September 14, 2000, on H.R. \_\_\_\_, (the “Debt Relief Lock-box Reconciliation Act for Fiscal Year 2001”). The bill includes provisions that would use the Social Security and Medicare surpluses for debt reduction until reform legislation is passed. The bill would also reserve additional on-budget surpluses for debt reduction.

This document,<sup>1</sup> prepared by the staff of the Joint Committee on Taxation, provides a description of present law and the provisions of the bill.

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<sup>1</sup> This document may be cited as follows: Joint Committee on Taxation, *Description of H.R. \_\_\_\_, the Debt Relief Lock-box Reconciliation Act for Fiscal Year 2001* (JCX-95-00), September 13, 2000.

**DESCRIPTION OF H.R. \_\_\_\_, THE DEBT RELIEF LOCK-BOX  
RECONCILIATION ACT FOR FISCAL YEAR 2001**

**Present Law**

The public debt outstanding comprises the total face amount or principal of marketable and non-marketable securities currently outstanding. With the exception of certain debt,<sup>2</sup> currently representing less than \$100 billion, the Congress has established a public debt limit that represents the maximum amount of money the Federal Government is allowed to borrow without receiving additional authority from the Congress. Debt subject to the public debt limit generally includes debt owed to the public that comprises all Federal securities held by individuals, corporations, State and local governments, foreign governments, and other foreign persons, and debt held by the Federal Government that comprises Federal securities held by Government trust funds, revolving funds, and special funds.

The statutory limit on the public debt currently is \$5.95 trillion. It was set at this level in the Balanced Budget Act of 1997 (P.L. 105-33), enacted into law on August 5, 1997.

With the approval of the President, the Secretary of the Treasury may use money received from the sale of bonds or notes of the United States and other money in the general fund of the Treasury to make purchases, redemptions, or refunds of bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the United States Government at or before maturity of such instruments of indebtedness.

By June 1 of each year, the Secretary of the Treasury must submit a report to the Congress regarding the Treasury's public debt activities.

The Concurrent Resolution on the Budget for Fiscal Year 2001 requires that the House Committee on Ways and Means report to the House a reconciliation bill that reduces the debt held by the public for fiscal year 2001 (sec. 103(b)(2)). In addition, the Concurrent Resolution permits adjustments in the amount of debt reduction if the amount of the on-budget surplus exceeds the on-budget surplus set forth in the Congressional Budget Office's March 2000 budget and economic outlook.

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<sup>2</sup> Debt not subject to the public debt limit includes unamortized discount on Treasury bills and zero-coupon Treasury bonds, certain old debt, debt held by the Federal Financing Bank, and certain guaranteed debt.

## Description of the Bill

### Debt Reduction Lock-Box

The bill would establish an account in the Treasury to be called the Public Debt Reduction Payment Account (the Account). Under the bill, \$42 billion would be appropriated on the later of October 1, 2000, or the date of enactment and deposited into the Account from the General Fund for the 2001 fiscal year. Amounts appropriated to the Account may only be expended to pay at maturity, or to redeem or buy before maturity, any obligation of the Federal government held by the public and included in the public debt. Any such obligation paid, redeemed, or bought would be canceled and could not be reissued.

The bill would provide that the establishment of the Account and the appropriation of funds to the Account would not affect trust fund transfers that are authorized under any other provision of the law.

The amounts appropriated to the Account would not be considered direct spending for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985. In addition, the bill would provide that the Account has off-budget status for purposes of the budget submitted by the President, the Congressional budget, and the Balanced Budget and Emergency Deficit Control Act of 1985.

The bill would provide that any official statement regarding surplus or deficit totals of the Federal Government issued by the Office of Management and Budget, the Congressional Budget Office, or any other agency of the Federal Government would exclude the outlays and receipts of the Account. The outlays and receipts of the Account would be submitted in separate budget documents.

The bill would reduce the statutory limit on the public debt by the amount deposited into the Account. That is, the current statutory debt limit of \$5.95 trillion would be expected to be reduced by \$42 billion.

The bill would require the Secretary of the Treasury to make two reports to the House Committee on Ways and Means and Senate Committee on Finance related to the Account. The first report would be due within 30 days after the appropriation is deposited into the Account. This report would confirm the establishment of the account and provide a description of the Secretary's plan for using the money deposited into the account to retire debt held by the public. The second report would be due no later than October 31, 2002. This report would provide a detailed accounting of the debt redeemed from amounts deposited into the Account. The proposal would further require that the Comptroller General verify the accuracy of the Secretary's reports not later than November 15, 2002.

## **Social Security and Medicare Lock-Box**

The bill would provide a point of order in the House of Representatives or the Senate against consideration of any concurrent budget resolution or conference report or amendment to a concurrent budget resolution that would set forth an on-budget surplus for any fiscal year that is less than the projected surplus of the Federal Hospital Insurance Fund for that fiscal year (as assumed in such resolution).

In addition, the bill would provide a point of order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if the enactment of such bill, etc., would cause the on-budget surplus for any fiscal year to be less than the projected surplus of the Federal Hospital Insurance Trust Fund for such year or increase the amount by which the on-budget surplus for any fiscal year would be less than such trust fund surplus for that year.

The point of order under the bill would not be applicable to social security reform legislation or Medicare reform legislation.

The bill would require any official Federal Government statement of the Federal or congressional budget surplus or deficit totals to exclude the outlays and receipts of the Old-Age, Survivors, and Disability Insurance Program under the Social Security Act. The bill would require such receipts and outlays to be submitted in separate social security documents.

### **Effective Date**

The provisions of the bill relating to the Public Debt Reduction Payment Account would be effective on the later of October 1, 2000, or the date of enactment. The provisions of the bill relating to the Social Security and Medicare lock box would be effective on the date of enactment and would cease to have any force or effect upon the enactment of Social Security reform legislation and Medicare reform legislation.