TECHNICAL EXPLANATION OF H.R. 4866 THE ADEBT RELIEF RECONCILIATION ACT FOR FISCAL YEAR 2001@

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of the

JOINT COMMITTEE ON TAXATION

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EXPLANATION OF H.R. 4866 THE DEBT RELIEF 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,[1] currently representing less than $100 billion, the Congress has established a public debt limit that represents the maximum amount of money the Government is allowed to borrow without receiving additional authority from Congress. Debt subject to the public debt limit generally includes debt owed to the public which comprises all Federal securities held by individuals, corporations, State and local governments, foreign governments, and other foreign persons, and debt held by the Government which 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 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 by $7.5 billion for fiscal year 2001 (sec. 103(b)(1)).

Description of the Bill

The bill would establish an account in the Treasury to be called the Public Debt Reduction Payment Account (Athe Account@). Under the bill, $25 billion would be deposited into the Account out of any money in the Treasury not otherwise appropriated for the 2001 fiscal year. Amounts appropriated to the Account may only be expended to redeem or buy at maturity public debt held by the public. The bill would provide that the Account has off-budget status. The bill

[1] Debt not subject to the public debt limit comprise unamortized discount on Treasury bills and zero-coupon Treasury bonds, certain old debt, debt held by the Federal Financing Bank, and certain guaranteed debt.

would further 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.

In addition, 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 $25 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.

Effective Date

The bill would be effective on the date of enactment.