

**DESCRIPTION OF THE “DEBT REDUCTION  
RECONCILIATION ACT OF 2000”**

Scheduled for Markup

By the

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Prepared by the Staff

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## **DEBT REDUCTION RECONCILIATION ACT OF 2000**

### **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>1</sup> 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.

### **Description of Proposal**

The proposal would establish an account in the Treasury to be called the Public Debt Reduction Payment Account ("the Account"). Under the proposal, an amount of money would be deposited into the Account out of any money in the Treasury not otherwise appropriated. The amount of money to be deposited would be equal to the value of the Congressional Budget Office's ("CBO") projection submitted pursuant to section 202(e)(2) of the Congressional Budget Act of 1974 of the fiscal year 2000 surplus in excess of the amount of fiscal year 2000 surplus specified in the concurrent budget resolution for fiscal year 2001. Amounts appropriated to the Account may only be expended to redeem or buy at maturity public debt held by the public. The proposal would provide that the Account has off-budget status. The proposal 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 CBO, or any other agency of

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<sup>1</sup> 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.

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 proposal 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 reduced by an amount of money equal to the value of the CBO's projection submitted pursuant to section 202(e)(2) of the Congressional Budget Act of 1974 of the fiscal year 2000 surplus in excess of the amount of fiscal year 2000 surplus specified in the concurrent budget resolution for fiscal year 2001.

The proposal would require the Secretary of the Treasury to make three reports to Congress 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. A second report would be due no later than October 31, 2000. In this report, the Secretary would account for money used from the Account to reduce debt held by the public during fiscal year 2000. The third report would be due no later than October 31, 2001. 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, 2001.

#### **Effective Date**

The proposal would be effective on the date of enactment.