106TH CONGRESS
2d Session

HOUSE OF REPRESENTATIVES

REPT. 106–862
Part 1

DEBT RELIEF LOCK-BOX RECONCILIATION ACT FOR FISCAL YEAR 2001

SEPTEMBER 18, 2000.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means, submitted the following

R E P O R T

together with

ADDITIONAL VIEWS

[To accompany H.R. 5173]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 5173) to provide for reconciliation pursuant to sections 103(b)(2) and 213(b)(2)(C) of the concurrent resolution on the budget for fiscal year 2001 to reduce the public debt and to decrease the statutory limit on the public debt, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

CONTENTS

The amendment is as follows:

79–006

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the "Debt Relief Lock-box Reconciliation Act for Fiscal Year 2001".

SEC. 2. FINDINGS AND PURPOSE.

(a) FINDINGS.—The Congress finds that—

(1) fiscal discipline, resulting from the Balanced Budget Act of 1997, and strong economic growth have ended decades of deficit spending and have produced budget surpluses without using the social security surplus;

(2) fiscal pressures will mount in the future as the aging of the population increases budget obligations;

(3) until Congress and the President agree to legislation that saves social security and medicare, the social security and medicare surpluses should be used to reduce the debt held by the public;

(4) until Congress and the President agree on significant tax reductions, amounts dedicated for that purpose shall be used to reduce the debt held by the public;

(5) strengthening the Government's fiscal position through public debt reduction increases national savings, promotes economic growth, reduces interest costs, and is a constructive way to prepare for the Government's future budget obligations; and

(6) it is fiscally responsible and in the long-term national economic interest to use a portion of the nonsocial security and nonmedicare surpluses to reduce the debt held by the public.

(b) PURPOSE.—It is the purpose of this Act to—

(1) reduce the debt held by the public by $240,000,000,000 in fiscal year 2001 with the goal of eliminating this debt by 2012;

(2) decrease the statutory limit on the public debt; and

(3) ensure that the social security and hospital insurance trust funds shall not be used for other purposes.

TITLE I—DEBT REDUCTION LOCK-BOX

SEC. 101. ESTABLISHMENT OF PUBLIC DEBT REDUCTION PAYMENT ACCOUNT.

(a) IN GENERAL.—Subchapter I of chapter 31 of title 31, United States Code, is amended by adding at the end the following new section:

"§ 3114. Public debt reduction payment account

"(a) There is established in the Treasury of the United States an account to be known as the Public Debt Reduction Payment Account (hereinafter in this section referred to as the 'account').

"(b) The Secretary of the Treasury shall use amounts in the account to pay at maturity, or to redeem or buy before maturity, any obligation of the Government held by the public and included in the public debt. Any obligation which is paid, redeemed, or bought with amounts from the account shall be canceled and retired and may not be reissued. Amounts deposited in the account are appropriated and may only be expended to carry out this section.

"(c) There is hereby appropriated into the account on October 1, 2000, or the date of enactment of this Act, whichever is later, out of any money in the Treasury not otherwise appropriated, $42,000,000,000 for the fiscal year ending September 30, 2001. The funds appropriated to this account shall remain available until expended.

"(d) The appropriation made under subsection (c) shall not be considered direct spending for purposes of section 252 of Balanced Budget and Emergency Deficit Control Act of 1985.

"(e) Establishment of and appropriations to the account shall not affect trust fund transfers that may be authorized under any other provision of law.

"(f) The Secretary of the Treasury and the Director of the Office of Management and Budget shall each take such actions as may be necessary to promptly carry out this section in accordance with sound debt management policies.

"(g) Reducing the debt pursuant to this section shall not interfere with the debt management policies or goals of the Secretary of the Treasury.".

(b) CONFORMING AMENDMENT.—The chapter analysis for chapter 31 of title 31, United States Code, is amended by inserting after the item relating to section 3113 the following:

"3114. Public debt reduction payment account.".

SEC. 102. REDUCTION OF STATUTORY LIMIT ON THE PUBLIC DEBT.

Section 3101(b) of title 31, United States Code, is amended by inserting "minus the amount appropriated into the Public Debt Reduction Payment Account pursuant to section 3114(c)" after "$5,950,000,000,000".

SEC. 103. OFF-BUDGET STATUS OF PUBLIC DEBT REDUCTION PAYMENT ACCOUNT.

Notwithstanding any other provision of law, the receipts and disbursements of the Public Debt Reduction Payment Account established by section 3114 of title 31, United States Code, shall not be counted as new budget authority, outlays, receipts, or deficit or surplus for purposes of—

(1) the budget of the United States Government as submitted by the President,

(2) the congressional budget, or

(3) the Balanced Budget and Emergency Deficit Control Act of 1985.

SEC. 104. REMOVING PUBLIC DEBT REDUCTION PAYMENT ACCOUNT FROM BUDGET PRONOUNCEMENTS.

(a) IN GENERAL.—Any official statement issued by the Office of Management and Budget, the Congressional Budget Office, or any other agency or instrumentality of the Federal Government of surplus or deficit totals of the budget of the United States Government as submitted by the President or of the surplus or deficit totals of the congressional budget, and any description of, or reference to, such totals in any official publication or material issued by either of such Offices or any other such agency or instrumentality, shall exclude the outlays and receipts of the Public Debt Reduction Payment Account established by section 3114 of title 31, United States Code.

(b) SEPARATE PUBLIC DEBT REDUCTION PAYMENT ACCOUNT BUDGET DOCUMENTS.—The excluded outlays and receipts of the Public Debt Reduction Payment Account established by section 3114 of title 31, United States Code, shall be submitted in separate budget documents.

SEC. 105. REPORTS TO CONGRESS.

(a) REPORTS OF THE SECRETARY OF THE TREASURY.—(1) Within 30 days after the appropriation is deposited into the Public Debt Reduction Payment Account under section 3114 of title 31, United States Code, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate confirming that such account has been established and the amount and date of such deposit. Such report shall also include a description of the Secretary's plan for using such money to reduce debt held by the public.

(2) Not later than October 31, 2002, the Secretary of the Treasury shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate setting forth the amount of money deposited into the Public Debt Reduction Payment Account, the amount of debt held by the public that was reduced, and a description of the actual debt instruments that were redeemed with such money.

(b) REPORT OF THE COMPTROLLER GENERAL OF THE UNITED STATES.—Not later than November 15, 2002, the Comptroller General of the United States shall submit a report to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate verifying all of the information set forth in the reports submitted under subsection (a).

TITLE II—SOCIAL SECURITY AND MEDICARE LOCK-BOX

SEC. 201. PROTECTION OF SOCIAL SECURITY AND MEDICARE SURPLUSES.

(a) PROTECTION OF SOCIAL SECURITY AND MEDICARE SURPLUSES.—Section 201 of the concurrent resolution on the budget for fiscal year 2001 (H. Con. Res. 290, 106th Congress) is amended as follows:

(1) In the section heading, by inserting "**AND MEDICARE**" before "**SURPLUSES**".

(2) By striking subsection (c) and inserting the following new subsection:

"(c) LOCK-BOX FOR SOCIAL SECURITY AND HOSPITAL INSURANCE SURPLUSES.—

"(1) CONCURRENT RESOLUTIONS ON THE BUDGET.—It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth a surplus for any fiscal year that is less than the surplus of the Federal Hospital Insurance Trust Fund for that fiscal year.

"(2) SUBSEQUENT LEGISLATION.—(A) Except as provided by subparagraph (B), it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

"(i) the enactment of that bill or resolution as reported;

"(ii) the adoption and enactment of that amendment; or

"(iii) the enactment of that bill or resolution in the form recommended in that conference report,

would cause the on-budget surplus for any fiscal year to be less than the projected surplus of the Federal Hospital Insurance Trust Fund (as assumed in the most recently agreed to concurrent resolution on the budget) for that fiscal 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 fiscal year.

"(B) Subparagraph (A) shall not apply to social security reform legislation or medicare reform legislation.".

(3) By redesignating subsections (e) and (f) as subsections (g) and (h), respectively, and inserting after subsection (d) the following new subsections:

"(e) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—The concurrent resolution on the budget for each fiscal year shall set forth appropriate levels for the fiscal year beginning on October 1 of such year and for at least each of the 4 ensuing fiscal years of the surplus or deficit in the Federal Hospital Insurance Trust Fund.

"(f) DEFINITIONS.—As used in this section:

"(1) The term 'medicare reform legislation' means a bill or a joint resolution to save Medicare that includes a provision stating the following: 'For purposes of section 201(c) of the concurrent resolution on the budget for fiscal year 2001, this Act constitutes medicare reform legislation.'.

"(2) The term 'social security reform legislation' means a bill or a joint resolution to save social security that includes a provision stating the following: 'For purposes of section 201(c) of the concurrent resolution on the budget for fiscal year 2001, this Act constitutes social security reform legislation.'.".

(4) In the first sentence of subsection (h) (as redesignated), by striking "(1)".

(5) At the end, by adding the following new subsection:

"(i) EFFECTIVE DATE.—This section shall cease to have any force or effect upon the enactment of social security reform legislation and medicare reform legislation.".

(b) PROTECTION OF SOCIAL SECURITY AND MEDICARE SURPLUSES.—(1) If the budget of the United States Government submitted by the President under section 1105(a) of title 31, United States Code, recommends an on-budget surplus for any fiscal year that is less than the surplus of the Federal Hospital Insurance Trust Fund for that fiscal year, then it shall include proposed legislative language for social security reform legislation or medicare reform legislation.

(2) Paragraph (1) shall cease to have any force or effect upon the enactment of social security reform legislation and medicare reform legislation as defined by section 201(f) of the concurrent resolution on the budget for fiscal year 2001 (H. Con. Res. 290, 106th Congress).

(c) CONFORMING AMENDMENT.—The item relating to section 201 in the table of contents set forth in section 1(b) of the concurrent resolution on the budget for fiscal year 2001 (H. Con. Res. 290, 106th Congress) is amended to read as follows:

"Sec. 201. Protection of social security and medicare surpluses.".

SEC. 202. REMOVING SOCIAL SECURITY FROM BUDGET PRONOUNCEMENTS.

(a) IN GENERAL.—Any official statement issued by the Office of Management and Budget, the Congressional Budget Office, or any other agency or instrumentality of the Federal Government of surplus or deficit totals of the budget of the United States Government as submitted by the President or of the surplus or deficit totals of the congressional budget, and any description of, or reference to, such totals in any official publication or material issued by either of such Offices or any other such agency or instrumentality, shall exclude the outlays and receipts of the old-age, survivors, and disability insurance program under title II of the Social Security Act (including the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund) and the related provisions of the Internal Revenue Code of 1986.

(b) SEPARATE SOCIAL SECURITY BUDGET DOCUMENTS.—The excluded outlays and receipts of the old-age, survivors, and disability insurance program under title II of the Social Security Act shall be submitted in separate Social Security budget documents.

I. SUMMARY AND BACKGROUND

A. Purpose and Summary

The bill, H.R. 5173, the Debt Relief Lock-Box Reconciliation Act for Fiscal Year 2001, provides for reconciliation pursuant to sections 103(b)(2) and 213(b)(2)(C) of the concurrent resolution on the budget for fiscal year 2001 to reduce the publicly held debt and to decrease the statutory limit on the public debt.

The purpose of H.R. 5173 is to reduce the publicly held debt by $240 billion in fiscal year 2001 and to protect the projected Social Security and Medicare Hospital Insurance Trust Fund surpluses.

The bill establishes an off-budget account in the U.S. Treasury, called the Public Debt Reduction Payment Account and deposits $42 billion of the projected on-budget surplus in the account in fiscal year 2001. Funds in the account could be used only to reduce the debt held by the public. H.R. 5173 would reduce the statutory debt limit by $42 billion. The reduction in the debt limit emphasizes Congress's intent to reverse years of increasing debt and rising debt limits. The bill also would require the Secretary of the Treasury and U.S. Comptroller General of the United States to report to Congress on how the funds were used to reduce the debt.

To protect fiscal year 2001 surpluses that are projected in the Social Security and the Medicare Hospital Insurance Trust Funds, the bill provides a point of order in the House of Representatives or the Senate against any bill, amendment, or resolution that would reduce the Medicare Hospital Insurance Trust Fund's surplus in any fiscal year. An exception is made for legislation that saves Social Security or Medicare.

B. Background and Need for Legislation

The gross federal debt consists of debt held by the public and debt held by government accounts, including the Social Security trust funds. Almost all of this debt is subject to a "debt limit," which was first established in statute in 1917. This limit represents the maximum amount the U.S. Treasury may borrow without receiving additional authority from Congress. The current statutory debt limit is $5.95 trillion. The outstanding debt subject to the limit was $5.568 trillion at the end of 1999. Of this amount, $3.633 trillion was held by the public, and $1.973 trillion was held by government accounts. Although the debt held by the public has decreased in recent years, the gross federal debt continues to rise because of increases in the government-held debt.

Under present law, any budget surpluses remaining at the end of the fiscal year are used to reduce the debt held by the public. Thus, spending throughout the fiscal year limits the amount available for public debt reduction. Present law includes several mechanisms to limit spending, such as pay-as-you-go scorekeeping rules and discretionary spending limits. Although these tools have effectively controlled spending in the past, they have been less effective in controlling spending during an era of budget surpluses. The current legislation is needed to help prevent additional surpluses from being spent as they arise, making it more likely that these surpluses will be used to reduce the debt held by the public. Increased efforts to limit spending are particularly important as estimates of the on-budget surplus continue to increase.

Under present law, surpluses in the Social Security and Medicare Trust Funds are available to pay for government operating expenses not related to the Social Security and Medicare programs. The current legislation will make it more difficult to use these surpluses to finance other government expenses, making it more likely that Congress will balance the budget without using the Social Security and Medicare surpluses. As a result, these surpluses will automatically be used to pay down the public debt until legislation is passed to save Social Security and Medicare.

C. Legislative History

The bill, H.R. 5173, was introduced by Mr. Fletcher et al. on September 14, 2000. The Committee marked up the bill on September 14, 2000, and approved the bill with a Chairman's amendment in the nature of a substitute, by a rollcall vote of 33–0.

II. EXPLANATION OF THE BILL

A. 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 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 Concur-

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

rent 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.

B. Reasons for Change

The U.S. economy continues its healthy growth. As a result, what were reasonable projections of the Federal Government's surplus have been revised upwards. In particular, the non-social security, non-Medicare (part A) portion of the Federal budget is in surplus. Although government bookkeeping provides that revenues unspent by the government by the close of a fiscal year result in a reduction in debt held by the public, the Committee believes the reduction of the debt held by the public is a priority of the Congress and should not be left as a residual after other policy initiatives. The Committee believes the Congress should pro-actively set aside a portion of the non-social security, non-Medicare surplus for this purpose. Accordingly, the Committee believes that to help enforce fiscal discipline $42 billion from the projected non-Social Security and non-Medicare surpluses for fiscal year 2001 should be appropriated to a newly established account from which the Secretary of the Treasury should draw funds to retire debt held by the public.

The Committee also believes it is important to reduce the statutory limit on the public debt to mark the progress the Federal Government has made in maintaining fiscal discipline.

The bill also contains language directing the Secretary of the Treasury and the Director of the OMB to use the money to pay down the debt in a manner consistent with sound debt management. In its management of the public debt, Treasury generally adheres to three goals: (1) ensuring adequate cash balances to the government can pay its day-to-day operating expenses, (2) financing the debt at the lowest cost to taxpayers, and (3) promoting efficient capital markets. The bill provides Treasury with maximum flexibility in using the funds to pay down the debt so that none of these goals are compromised.

In addition to dedicating $42 billion of the projected on-budget surplus for debt reduction, the Committee also believes that the Social Security and Medicare Trust Fund surpluses should be used to reduce the publicly-held debt until legislation to save these programs is enacted. In the past, these surpluses were used to finance government operating expenses unrelated to Social Security and Medicare. However, fiscal discipline and a strong economy have allowed Congress to balance the budget without using the Social Security and Medicare surpluses. The Committee believes that the Social Security and Medicare surpluses should not be used to finance other government operating expenses. Instead, these surpluses should be used to pay down the publicly-held debt or to pay for Social Security and Medicare reform.

C. Explanation of Provisions

Debt reduction lock-box

H.R. 5173 establishes an account in the Treasury to be called the Public Debt Reduction Payment Account ("the Account"). Under the bill, $42 billion is 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 provides that the establishment of the Account and the appropriation of funds to the Account do not affect trust fund transfers that are authorized under any other provision of the law.

The amounts appropriated to the Account will not be considered direct spending for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985. In addition, the bill provides 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 provides 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 exclude the outlays and receipts of the Account. The outlays and receipts of the Account are to be submitted in separate budget documents.

The bill reduces 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 is reduced by $42 billion.

The bill requires 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 is due within 30 days after the appropriation is deposited into the Account. This report requires the Secretary to 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 is due no later than October 31, 2002. This report requires the Secretary to provide a detailed accounting of the debt redeemed from amounts deposited into the Account. The proposal further requires that the Comptroller General verify the accuracy of the Secretary's report not later than November 15, 2002.

Social Security and Medicare lock-box

The bill provides 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 provides 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 is not applicable to social security reform legislation or Medicare reform legislation.

The bill requires 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 requires 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 are 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 are effective on the date of enactment and cease to have any force or effect upon the enactment of Social Security reform legislation and Medicare reform legislation.

III. VOTES OF THE COMMITTEE

In compliance with clause 3(b) of rule XIII of the Rules of the House of Representatives, the following statements are made concerning the votes of the Committee on Ways and Means in its consideration of the bill, H.R. 5173.

MOTION TO REPORT THE BILL

The bill, H.R. 5173, as amended, was ordered favorably reported by a rollcall vote of 33 yeas to 0 nays (with a quorum being present). The vote was as follows:

Representatives	Yea	Nay	Present	Representatives	Yea	Nay	Present
Mr. Archer	X			Mr. Rangel	X		
Mr. Crane	X			Mr. Stark	X		
Mr. Thomas	X			Mr. Matsui			
Mr. Shaw	X			Mr. Coyne	X		
Mrs. Johnson	X			Mr. Levin	X		
Mr. Houghton	X			Mr. Cardin	X		
Mr. Herger	X			Mr. McDermott	X		
Mr. McCrery	X			Mr. Kleczka	X		
Mr. Camp	X			Mr. Lewis (GA)			
Mr. Ramstad	X			Mr. Neal			
Mr. Nussle	X			Mr. McNulty			
Mr. Johnson	X			Mr. Jefferson			
Ms. Dunn	X			Mr. Tanner	X		
Mr. Collins	X			Mr. Becerra			
Mr. Portman	X			Mrs. Thurman	X		
Mr. English	X			Mr. Doggett	X		
Mr. Watkins	X						
Mr. Hayworth	X						
Mr. Weller	X						
Mr. Hulshof	X						
Mr. McInnis	X						
Mr. Lewis (KY)	X						
Mr. Foley	X						

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimates of Budgetary Effects

In compliance with clause 3(d)(2) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the bill, H.R. 5173, as reported.

The Committee has provided the estimate of the Congressional Budget Office, which is below.

B. Statement Regarding New Budget Authority and Tax Expenditures

Budget authority

In compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no new or increased budget authority.

Tax expenditures

In compliance with clause 2(c)(2) of rule XIII of the Rules of the House of Representatives, the Committee states that the bill involves no increased tax expenditures.

C. Cost Estimate Prepared by the Congressional Budget Office

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, requiring a cost estimate prepared by the Congressional Budget Office ("CBO"), the following statement by CBO is provided.

U.S. Congress,
Congressional Budget Office,
Washington, DC, September 18, 2000.

Hon. Bill Archer,
Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.

Dear Mr. Chairman: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5173, the Debt Relief Lock-box Reconciliation Act for Fiscal Year 2001.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Paul Cullinan.

Sincerely,

Dan L. Crippen, *Director.*

Enclosure.

H.R. 5173.—Debt Relief Lock-box Reconciliation Act for Fiscal Year 2001

H.R. 5173 would establish the Public Debt Reduction Payment Account, a new account in the Treasury of the United States, and would appropriate $42 billion into that account for fiscal year 2001. Transactions of the new account would be off-budget, and funds in the account would be used to retire or purchase outstanding federal debt held by the public. The bill would also reduce the statutory limit on the public debt by $42 billion. In addition, H.R. 5173 would create additional procedures—so-called "lockboxes"—to deter legislation that would result in total budget surpluses that were less than the combined surpluses of the Social Security and Medicare Hospital Insurance programs. The bill also would prohibit the Office of Management and Budget (OMB), the Congressional Budget Office, and any other federal agency from including in budgetary totals the outlays and receipts of the Social Security program.

This bill would not affect the total spending, receipts, or surplus of the federal government. This bill is intended to increase the off-budget surplus by reducing the on-budget surplus. Whether it would affect the allocation of the budget surplus between the on-budget and off-budget categories would depend on the budgetary treatment chosen by OMB.

H.R. 4601 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would have no effect on the budgets of state, local, or tribal governments.

Budgetary implications

Although H.R. 5173 would have no overall budgetary effect, the bill could change the on-budget and off-budget surpluses depending on OMB's treatment of the transactions. If the treatment parallels the budgetary treatment of subsidiary appropriations to the Postal Service and interest payments to the Social Security trust funds, the on-budget outlays would be offset by off-budget receipts or collections. In that case, the bill would reduce the on-budget surplus, increase the off-budget surplus, but leave the total federal surplus unaffected. (It is possible, however, that OMB would choose an alternative approach, which could result in no change in either the on-budget or off-budget surplus.)

To the extent that any on-budget surplus is not used for additional spending or for reductions in taxes, it would automatically be used to reduce the federal debt. This bill, therefore, would help reduce the public debt by reducing the reported on-budget surplus, but only if it inhibits the use of some of that surplus for spending increases or tax reductions.

Budgetary treatment

For Congressional scorekeeping purposes, CBO would record payments from the general fund of the Treasury to the off-budget Public Debt Reduction Payment Account as direct spending. H.R. 5173, however, specifies that the appropriation to the amount would not be classified as direct spending. Therefore, once the bill is enacted into law, pay-as-you-go procedures would not apply to the appropriation. However, that language does not affect the treatment of the bill for Congressional scorekeeping purposes.

The CBO staff contact for H.R. 5173 is Paul Cullinan. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

V. OTHER MATTERS TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

With respect to clause 3(c)(1) of rule XIII of the Rules of the House of Representatives (relating to oversight findings), the Committee advises that it was the result of the Committee's oversight review concerning the statutory limit on the public debt that the

Committee concluded that it is appropriate and timely to enact the provisions included in the bill as reported. On January 20, 1999, the Committee on Ways and Means held a public hearing on "the Outlook for the State of the U.S. Economy in 1999" which discussed the benefits of using budget surpluses to reduce the debt held by the public. On September 29, 1999, the Committee on Ways and Means held a public hearing on "Treasury's Debt Buyback Proposal" which discussed Treasury's debt management policies.

B. Summary of Findings and Recommendations of the Committee on Government Reform

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that no oversight findings or recommendations have been submitted to this Committee by the Committee on Government Reform with respect to the provisions contained in the bill.

C. Constitutional Authority Statement

With respect to clause (3)(d)(1) of rule XIII of the Rules of the House of Representatives (relating to Constitutional Authority), the Committee states that the Committee's action in reporting this bill is derived from Article I of the Constitution, Section 8 ("The Congress shall have the Power To lay and collect Taxes, Duties, Imposts and Excises * * *"), and from the 16th Amendment to the Constitution.

VI. CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 31, UNITED STATES CODE

* * * * * * *

SUBTITLE III—FINANCIAL MANAGEMENT

* * * * * * *

CHAPTER 31—PUBLIC DEBT

SUBCHAPTER I—BORROWING AUTHORITY

SUBCHAPTER I—BORROWING AUTHORITY

§ 3101. Public debt limit

(a) * * *

(b) The face amount of obligations issued under this chapter and the face amount of obligations whose principal and interest are guaranteed by the United States Government (except guaranteed obligations held by the Secretary of the Treasury) may not be more than $5,950,000,000,000 *minus the amount appropriated into the Public Debt Reduction Payment Account pursuant to section 3114(c)* outstanding at one time, subject to changes periodically made in that amount as provided by law through the congressional budget process described in Rule XLIX of the Rules of the House of Representatives or otherwise.

* * * * * * *

§3114. Public debt reduction payment account

(a) There is established in the Treasury of the United States an account to be known as the Public Debt Reduction Payment Account (hereinafter in this section referred to as the "account").

(b) The Secretary of the Treasury shall use amounts in the account to pay at maturity, or to redeem or buy before maturity, any obligation of the Government held by the public and included in the public debt. Any obligation which is paid, redeemed, or bought with amounts from the account shall be canceled and retired and may not be reissued. Amounts deposited in the account are appropriated and may only be expended to carry out this section.

(c) There is hereby appropriated into the account on October 1, 2000, or the date of enactment of this Act, whichever is later, out of any money in the Treasury not otherwise appropriated, $42,000,000,000 for the fiscal year ending September 30, 2001. The funds appropriated to this account shall remain available until expended.

(d) The appropriation made under subsection (c) shall not be considered direct spending for purposes of section 252 of Balanced Budget and Emergency Deficit Control Act of 1985.

(e) Establishment of and appropriations to the account shall not affect trust fund transfers that may be authorized under any other provision of law.

(f) The Secretary of the Treasury and the Director of the Office of Management and Budget shall each take such actions as may be necessary to promptly carry out this section in accordance with sound debt management policies.

(g) Reducing the debt pursuant to this section shall not interfere with the debt management policies or goals of the Secretary of the Treasury.

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CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2001

[H. Con. Res. 290, 106th Congress]

SECTION 1. CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2001.

(a) * * *

(b) TABLE OF CONTENTS.—

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TITLE II—BUDGET ENFORCEMENT AND RULEMAKING

Subtitle A—Budget Enforcement

SEC. 201. LOCK-BOX FOR SOCIAL SECURITY *AND MEDICARE* SURPLUSES.

(a) * * *

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【(c) POINT OF ORDER.—

【(1) IN GENERAL.—It shall not be in order in the House of Representatives or the Senate to consider any revision to this resolution or a concurrent resolution on the budget for fiscal year 2002, or any amendment thereto or conference report thereon, that sets forth a deficit for any fiscal year.

【(2) DEFICIT LEVELS.—For purposes of this subsection, a deficit shall be the level (if any) set forth in the most recently agreed to concurrent resolution on the budget for that fiscal year pursuant to section 301(a)(3) of the Congressional Budget Act of 1974.】

(c) LOCK-BOX FOR SOCIAL SECURITY AND HOSPITAL INSURANCE SURPLUSES.—

(1) CONCURRENT RESOLUTIONS ON THE BUDGET.—It shall not be in order in the House of Representatives or the Senate to consider any concurrent resolution on the budget, or conference report thereon or amendment thereto, that would set forth a surplus for any fiscal year that is less than the surplus of the Federal Hospital Insurance Trust Fund for that fiscal year.

(2) SUBSEQUENT LEGISLATION.—(A) Except as provided by subparagraph (B), it shall not be in order in the House of Representatives or the Senate to consider any bill, joint resolution, amendment, motion, or conference report if—

(i) the enactment of that bill or resolution as reported;

(ii) the adoption and enactment of that amendment; or

(iii) the enactment of that bill or resolution in the form recommended in that conference report,

would cause the on-budget surplus for any fiscal year to be less than the projected surplus of the Federal Hospital Insurance Trust Fund (as assumed in the most recently agreed to concurrent resolution on the budget) for that fiscal 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 fiscal year.

(B) Subparagraph (A) shall not apply to social security reform legislation or medicare reform legislation.

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(e) CONTENT OF CONCURRENT RESOLUTION ON THE BUDGET.—The concurrent resolution on the budget for each fiscal year shall set forth appropriate levels for the fiscal year beginning on October 1 of such year and for at least each of the 4 ensuing fiscal years of the surplus or deficit in the Federal Hospital Insurance Trust Fund.

(f) DEFINITIONS.—As used in this section:

(1) The term "medicare reform legislation" means a bill or a joint resolution to save Medicare that includes a provision stating the following: "For purposes of section 201(c) of the concurrent resolution on the budget for fiscal year 2001, this Act constitutes medicare reform legislation.".

(2) The term "social security reform legislation" means a bill or a joint resolution to save social security that includes a provision stating the following: "For purposes of section 201(c) of the concurrent resolution on the budget for fiscal year 2001, this Act constitutes social security reform legislation.".

【(e)】 *(g)* SOCIAL SECURITY LOOK-BACK.—If in fiscal year 2001 the Social Security surplus is used to finance general operations of the Federal Government, an amount equal to the amount used shall be deducted from the available amount of discretionary spending for fiscal year 2002 for purposes of any concurrent resolution on the budget.

【(f)】 *(h)* WAIVER AND APPEAL.—Subsection (c)【(1)】 may be waived or suspended in the Senate only by an affirmative vote of three-fifths of the Members, duly chosen and sworn. An affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

(i) EFFECTIVE DATE.—This section shall cease to have any force or effect upon the enactment of social security reform legislation and medicare reform legislation.

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VII. ADDITIONAL VIEWS

H.R. 5173 does very little of substance. Essentially, it would put into law the non-binding opinion that $42 billion in federal debt should be retired next year, using money from the non-Social-Security non-Medicare budget. I agree that debt reduction is a priority. The American people want to sustain their prosperity with a prudent fiscal policy. They are willing to give up the instant gratification of big immediate tax cuts in order to reduce the debt that they will pass on to their children. For these reasons, I voted for the bill.

However, claiming that this bill is much more than a symboled exercise seriously misleads the American people. Technically, the bill appropriates $42 billion into a new account for debt reduction. But, what if the Congress, as constitutionally it is entitled to do, enacts laws that use all the projected budget surplus money for tax cuts or spending, and the $42 billion is not left for debt reduction? The appropriation still occurs, of course, but in that case the Treasury Department would have to borrow the money to fund the appropriation in this bill that is supposed to be used to retire debt.

Clearly, that would be a shell game—borrowing the money to retire debt. What really produces debt reduction is discipline in terms of spending and refraining from enacting the too-large tax cuts that Republicans have put forward. When we do that, debt is paid down automatically. There is no need for legislation to make it happen. In other words, we do not need to say we are for debt reduction, we just need to vote responsibly on tax and spending bills.

The votes that really count for debt reduction are the votes on tax cuts and spending bills. Among the votes that have occurred so far this year, the votes to sustain the President's vetoes of large tax cuts have been the most consistent with the stated purpose of this legislation. By sustaining these vetoes, the Congress made sure that there would be surplus funds for debt reduction. It is puzzling why, on the same day that Republican Leaders were demanding that anti-debt-reduction votes be made on big tax cuts, they were announcing their new plan to appropriate money for debt reduction.

I hope that the one-week-old Republican emphasis on debt reduction is not ephemeral. I hope that the Republicans have reconsidered the merits and decided that paying off the debt by 2012, as the President proposes in his budget, is indeed the best course of action for the country over enacting imprudent tax cuts. I hope that they are not simply pushing a one-year plan until November because public opinion polls place debt reduction well ahead of big tax cuts on the priority list of most Americans.

Despite these hopes, I must remain skeptical. For two years, the Republican Leadership of this Committee and this House has placed as their top priority a near trillion dollar tax cut, in which the lion's share of the benefits go to the top income earners.

This year Republican tactics changed, but their policy did not. They pursued a tax-cut-bill-a-week plan which, when added up, constituted almost $1 trillion over 10 years. When higher debt service costs are counted, this cost exceeds their original tax cut that so clearly was rejected by the American public. Now, the American people are expected to believe the Republicans are serious when, in the same week that they took to the floor to advocate this fiscally irresponsible tax-cutting program, they argue that they have changed their ways and now support a debt reduction plan that is incompatible with their previous tax cuts.

Thus, while I support the legislation, I remain highly suspect that the motive now is to distract attention from the Republican tax policies which they have pursued for nearly 20 months in this Congress. The fact that the legislation's debt reduction mechanism is for one year only is evidence of this. If this bill is more than a gimmick, why limit the debt reduction to one year?

If this legislation is just an opportunity for Republicans to put out press releases, then I must protest that this Committee and the Congress should not spend any of our limited remaining time on it. There are so many important, substantive matters that this Committee and this Congress so far have left undone. The new fiscal year begins in two weeks, and yet Congress has enacted only 2 of 13 appropriations bills. We still have not passed a bipartisan prescription drug benefit that can become law. We still have not done anything to help build new schools and decrease classroom size. The Patients' Bill of Rights is stuck in conference. This Congress has not passed any legislation that would strengthen Social Security and Medicare in the future.

As I have said when this Committee has considered similar legislation before, it is difficult to vote against a piece of legislation that does so little.

Clearly, the other body feels this way because they have not even bothered to take up the debt reduction legislation that this Committee and the House passed months ago.

Despite my support for H.R. 5173, it is important to record my objections to some of its components. H.R. 5173 expresses as "findings" several provocative opinions with which I disagree. One is that "fiscal discipline" resulting from the 1997 Balanced Budget Act has a major role in producing budget surpluses without using the Social Security surplus.

According to Congressional Budget Office (CBO) estimates, the 1997 legislation is doing very little to create surpluses compared to the 1993 budget legislation passed without a single Republican vote. The 1993 Democratic-sponsored budget legislation reduced the 1998 deficit by $122 billion according to CBO. (1998 is the last year for which an official estimate was done.) In contrast, CBO reports that for 1998, the 1997 legislation increased the deficit by $21 billion. This is not surprising; the bill was front-loaded with tax cuts. For 1999, CBO estimated that the 1997 bill reduced deficits by only $4 billion.

Furthermore, CBO estimates show that legislation enacted by the 105th and 106th Congresses, both Republican-controlled Congresses, have reduced the year 2000 surplus by $68 billion, primarily as a result of appropriations bills.

Bipartisan legislation would be easier to craft without this kind of provocation that ignores the facts.

H.R. 5173 has a second component, called a "lock box" for Social Security and Medicare. Again, this takes the form of a promise, this time with fingers crossed behind the back.

The promise comes not as a real bipartisan budget agreement, but as points of order against consideration of future budget resolutions and legislation that would result in a budget surplus, excluding Social Security, that is less than the Medicare Hospital Insurance surplus.

Budget points of order have their uses. However, the House Committee on Rules, with only a majority vote from the House, waives these kinds of rules when they are inconvenient. Perhaps new rules can be a little more effective in the Senate. However, these points of order are flawed.

One point of order, which would be added by H.R. 5173, seems to be an attempt to make it out of order to have an economic recession. There is an inadequate allowance for economic recessions under this rule. If we had an economic recession that reduced budget surpluses too much, it then would be out of order to admit what was happening in a budget resolution. Another point of order would create a legislative sprint race. The first spending or tax-cut bills to get across the budget finish line would be okay under this new rule, but too bad for that last bill that used up too much of a projected budget surplus. Because appropriations bills usually are considered late in the legislative calendar, I wonder which of the annual appropriations bills is likely to be held hostage by this point of order.

Another peculiarity of these points of order is that they stop short of taking Medicare truly off-budget, even though some of the rhetoric surrounding this legislation would lead one to believe that this bill would do so.

Why are fingers crossed behind the back? It is because the "lock box" in this bill has a trap door. The key to the trap door is the magic word "reform." The points of order no longer would apply to legislation that describes itself as is either Social Security or Medicare "reform," no matter how much of a budget deficit might be created by this legislation.

Finally, the bill reduces the statutory ceiling on the debt. Many people may not realize it, but Treasury securities held by Social Security, Medicare, and other trust funds count against the statutory debt ceiling. Too low a debt ceiling works against protecting and strengthening these trust funds.

Lowering the debt ceiling does not reduce the debt. It is just a recipe for getting more quickly to the kind of debt ceiling crisis we had 5 years ago when the Republicans threatened to "shut down the government." All that happened was that the Nation's credit rating and the government's ability to pay Social Security benefits were put at risk. This legislation would be better for leaving out the debt ceiling provision.

I have many concerns about specific parts of this legislation, but the need to protect and preserve Social Security and Medicare and save our children from a massive Federal debt run up primarily under Presidents Reagan and Bush is vitally important. Therefore, I must vote for any legislation, even if merely symbolic, which promotes this goal. I can only hope that if this bill moves forward, corrections will be made, and that somehow the long-term actions of the Republicans someday will match the nice words they have written in this legislation.

CHARLES B. RANGEL.

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