

FULL FAITH AND CREDIT ACT

APRIL 30, 2013.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

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

R E P O R T

together with

DISSENTING VIEWS

[To accompany H.R. 807]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 807) to require that the Government prioritize all obligations on the debt held by the public in the event that the debt limit is reached, having considered the same, report favorably thereon with an amendment and recommend that the bill as amended do pass.

The amendment is as follows:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Full Faith and Credit Act”.

SEC. 2. PAYMENT OF PRINCIPAL AND INTEREST ON PUBLIC DEBT AND SOCIAL SECURITY TRUST FUNDS.

(a) **IN GENERAL.**—In the event that the debt of the United States Government, as defined in section 3101 of title 31, United States Code, reaches the statutory limit, the Secretary of the Treasury shall, in addition to any other authority provided by law, issue obligations under chapter 31 of title 31, United States Code, to pay with legal tender, and solely for the purpose of paying, the principal and interest on obligations of the United States described in subsection (b) after the date of the enactment of this Act.

(b) **OBLIGATIONS DESCRIBED.**—For purposes of this subsection, obligations described in this subsection are obligations which are—

- (1) held by the public, or
- (2) held by the Old-Age and Survivors Insurance Trust Fund and Disability Insurance Trust Fund.

(c) OBLIGATIONS EXEMPT FROM PUBLIC DEBT LIMIT.—Obligations issued under subsection (a) shall not be taken into account in applying the limitation in section 3101(b) of title 31, United States Code, to the extent that such obligation would otherwise cause the limitation in section 3101(b) of title 31, United States Code, to be exceeded.

(d) REPORT ON CERTAIN ACTIONS.—

(1) IN GENERAL.—If, after the date of the enactment of this Act, the Secretary of the Treasury exercises his authority under subsection (a), the Secretary shall thereafter submit a report each week providing an accounting relating to—

(A) the principal on mature obligations and interest that is due or accrued of the United States, and

(B) any obligations issued pursuant to subsection (a).

(2) SUBMISSION.—The report required by paragraph (1) shall be submitted to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate.

(3) TERMINATION.—The report requirement under paragraph (1) shall cease to apply after the date of the enactment of the first increase in the limitation in section 3101(b), United States Code, after the date of the enactment of this Act.

I. SUMMARY AND BACKGROUND

A. Purpose and Summary

The bill, H.R. 807, as ordered reported by the Committee on Ways and Means on April 24, 2013, requires the Secretary of the Department of the Treasury (Treasury) to issue new debt when the statutory debt is reached to pay principal and interest on debt held by the public and provide Treasury access to Social Security Trust Funds notwithstanding the debt limit. In addition, the legislation requires the Secretary to submit to Congress a weekly accounting of the principal on mature obligations and interest that is due or accrued and any obligations issued pursuant to the new authority.

B. Background and the Need for Legislation

The consequences of the U.S. Government failing to make timely and complete payment on Treasury debt, that is, a default, could be severe. A default could push the country back into recession, which would worsen our debt problem, hinder an already stagnant economic recovery and threaten our ability to make any of the payments we owe. The legislation removes the risk of default by providing a mechanism to ensure that principal and interest on debt obligations are paid. Furthermore, it defines interest so Treasury can and must make the interest payments necessary to ensure that Social Security benefits can be paid in full.

C. Legislative History

Background

H.R. 807 was introduced on February 25, 2013, and was referred to the Committee on Ways and Means.

Committee Action

The Committee on Ways and Means marked up the bill on April 24, 2013, and ordered the bill, as amended, favorably reported.

Committee Hearings

The debt limit has been discussed at several Committee hearings during the 113th Congress. The Committee held a January 22, 2013 “Hearing on the Debt Limit,” which examined the Congress’s borrowing power and operation of the debt limit. Additionally, the

Oversight Subcommittee held an April 10, 2013 hearing, “Examining the Government’s Ability to Continue Operations When at the Statutory Debt Limit,” which reviewed the government’s ability to prioritize its obligations and continue operations should the U.S. Treasury reach its statutory debt limit and exhaust extraordinary measures.

II. EXPLANATION OF THE BILL

Present Law

The Constitution grants Congress sole authority over the fiscal powers to tax, spend and borrow:

The Congress shall have Power to lay and collect Taxes, Duties, Imposts, and Excises, to pay the Debts and provide for the common Defense and general Welfare of the United States . . . To borrow Money on the credit of the United States.¹

Congress exercises its borrowing authority by placing restrictions on public debt. Until World War I, Congress typically authorized limited amounts of debt, with defined maturity and redemption terms, for specific projects. Upon America’s entry into World War I, Congress passed the Second Liberty Bond Act of 1917 to ensure liquidity necessary to meet obligations as presented. The Act delegated control over day-to-day borrowing activity, subject to various limitations to the Executive branch. In 1939, Congress enacted legislation creating the first aggregate debt limit, then \$45 billion.

It is important to note that because the power to borrow resides in Congress, the debt limit is not actually a limitation on the executive’s power to borrow. Instead, the statute containing the debt ceiling is a grant of authority to the President that he would not otherwise have. When that authority runs out, it is the Constitution that prevents the President from attempting to borrow on the credit of the United States.

The current debt limit is \$16.4 trillion. This consists of both debt held by the public and debt held by the government, both carrying the full faith and credit guarantee. Debt held by the public consists of securities the Treasury Department has issued to investors, and currently amounts to \$11.5 billion. The balance is debt held by the government in the form of non-marketable Treasury securities, the majority of which, \$2.7 trillion, is held by the Social Security Trust Funds.

According to the Treasury Department, the U.S. Government reached the current debt limit of \$16.4 trillion on December 31, 2012. Since that time, Treasury has employed “extraordinary measures” to avoid exceeding the debt limit. These measures temporarily forestall the need to exceed the ceiling by shuffling funds among accounts, as well as suspending certain payments and programs. On January 23, 2013, the U.S. House of Representatives passed, and on February 4 President Obama signed into law, a temporary debt limit suspension to ensure the complete and timely payment of U.S. obligations through May 18, 2013. After this date, the aggregate debt limit will be amended to reflect the total

¹U.S. Const., art. 1, § 8, cl. 1–2, 5.

amount borrowed, which may lead the Department of Treasury to again utilize extraordinary measures.

Reasons for Change

To permanently end the risk of the United States experiencing a sovereign default and ensure that the Social Security Trust Funds can be accessed to pay full benefits while the debt limit is reached, it is necessary to require the Treasury Secretary to roll over existing debt and honor principal and interest commitments by issuing debt outside of the limit solely for these purposes.

Explanation of Provision

The provision provides that in the event the debt of the United States Government reaches the statutory limit, the Treasury Secretary shall issue debt to the extent necessary to pay principal and interest on certain obligations as defined. Obligations for which debt shall be issued are limited to those obligations held by the public or the Social Security Trust Funds. Obligations issued pursuant to this authority are exempt from the statutory debt limit. Section 2 also requires a weekly report from the Treasury Secretary if authority under subsection 2(a) is exercised that accounts for obligations due and amounts issued.

Effective Date

The provision becomes effective upon enactment.

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. 807.

The bill, "H.R. 807, the Full Faith and Credit Act," was ordered favorably reported as amended to the House of Representatives by a roll call vote of 22 yeas to 14 nays (with a quorum being present). The vote was as follows:

Votes of the Committee

In compliance with the Rules of the House of Representatives, the following statement is made concerning the vote of the Committee on Ways and Means during the markup consideration of H.R. 807 "Full and Faith and Credit Act."

The bill, H.R. 807, was ordered favorably reported, as amended, to the House of Representatives by a roll call vote of 22 yeas to 14 nays (with a quorum being present). The vote was as follows:

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Camp	X	.....	.....	Mr. Levin .....	.....	X	.....
Mr. Johnson	X	.....	.....	Mr. Rangel .....	.....	X	.....
Mr. Brady	X	.....	.....	Mr. McDermott .....	.....	X	.....
Mr. Ryan	X	.....	.....	Mr. Lewis .....	.....	X	.....
Mr. Nunes	X	.....	.....	Mr. Neal .....	.....	.....	.....
Mr. Tiberi	X	.....	.....	Mr. Becerra .....	.....	X	.....
Mr. Reichert	X	.....	.....	Mr. Doggett .....	.....	X	.....
Mr. Boustany	X	.....	.....	Mr. Thompson .....	.....	X	.....
Mr. Roskam	X	.....	.....	Mr. Larson .....	.....	X	.....
Mr. Gerlach	X	.....	.....	Mr. Blumenauer .....	.....	.....	.....
Mr. Price	X	.....	.....	Mr. Kind .....	.....	X	.....

Representative	Yea	Nay	Present	Representative	Yea	Nay	Present
Mr. Buchanan	X	.....	.....	Mr. Pascrell .....	.....	X	.....
Mr. Smith .....	.....	.....	.....	Mr. Crowley .....	.....	X	.....
Mr. Schock	X	.....	.....	Ms. Schwartz .....	.....	X	.....
Ms. Jenkins	X	.....	.....	Mr. Davis .....	.....	X	.....
Mr. Paulsen	X	.....	.....	Ms. Sanchez .....	.....	X	.....
Mr. Marchant	X	.....	.....		
Ms. Black	X	.....	.....		
Mr. Reed	X	.....	.....		
Mr. Young	X	.....	.....		
Mr. Kelly	X	.....	.....		
Mr. Griffin	X	.....	.....		
Mr. Renacci	X	.....	.....		

Votes on Amendments

The vote on the amendment by Mr. Ryan to the amendment in the nature of a substitute, which clarifies the exemption of new obligations applies solely to any incremental debt issued that is in excess of debt subject to the limit, preventing Treasury from using the new authority to borrow money for new spending, was agreed to by a voice vote.

IV. BUDGET EFFECTS OF THE BILL

A. Committee Estimate of Budgetary Effects

In compliance with clause 3(d) of rule XIII of the Rules of the House of Representatives, the following statement is made concerning the effects on the budget of the revenue provisions of the bill, H.R. 807 as reported: The Committee agrees with the estimates prepared by the Congressional Budget Office (CBO), which are included below.

B. Statement Regarding New Budget Authority and Tax Expenditures Budget Authority

The bill as reported is in compliance with clause 3(c)(2) of rule XIII of the Rules of the House of Representatives. Further, the bill involves no new or 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 CBO, the following statement by CBO is provided.

CBO estimates that enacting H.R. 807, by itself, would result in no costs or savings to the federal government because it would not change any of the government's tax or spending policies. Therefore, pay-as-you-go procedures do not apply. In addition, CBO estimates that the bill would not significantly add to the Treasury's administrative costs.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, April 26, 2013.

Hon. DAVE CAMP,
*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. 807, the Full Faith and Credit Act.

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

Sincerely,

ROBERT A. SUNSHINE
(For Douglas W. Elmendorf, Director).

Enclosure.

H.R. 807—Full Faith and Credit Act

H.R. 807 would allow the Department of the Treasury to issue debt to pay principal and interest on debt held by the public and debt held by the Old-Age and Survivors Insurance Trust Fund and Disability Insurance Trust Fund, if the statutory limit on debt is reached. The bill would require the Treasury to provide a weekly report to the House Committee on Ways and Means and Senate Committee on Finance outlining the exempted transactions until a new debt limit is enacted.

CBO estimates that enacting H.R. 807, by itself, would result in no costs or savings to the federal government because it would not change any of the government's tax or spending policies. Therefore, pay-as-you-go procedures do not apply. In addition, CBO estimates that the bill would not significantly add to the Treasury's administrative costs.

H.R. 807 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Jared Brewster. This estimate was approved by Peter H. Fontaine, Assistant Director for Budget Analysis.

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

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 concluded that it was appropriate and timely to enact the sections included in the bill, as reported. Under the No Budget No Pay Act, the debt limit will reset on May 19, after which Treasury is likely to again use extraordinary measures and new borrowing will be prohibited. Without the new authority, the U.S. could risk defaulting on its debt and the consequences of a U.S. default on a debt payment could be very serious. At the very least it would hinder an already stagnant economic recovery, and, in a worst-case scenario, lead the country back into a recession. Failure to make a debt payment will increase our borrowing costs and threaten our ability to make any of the other payments we owe. If signed into law, this legislation would prevent such an unacceptable situation.

The legislation removes the risk of default and provides transparency to ensure the Congress can hold the Executive Branch accountable when using the new authority.

B. Statement of General Performance Goals and Objectives

With respect to clause 3(c)(4) of rule XIII of the Rules of the House of Representatives, the Committee advises that the bill contains no measure that authorizes new or additional funding compared with the current law baseline, so no statement of general performance goals and objectives for which any measure authorizes funding is required.

C. Duplication of Federal Programs

No provision of H.R. 807, the “Full Faith and Credit Act,” establishes or reauthorizes a program of the Federal Government known to be duplicative of another Federal program, a program that was included in any report from the Government Accountability Office to Congress pursuant to section 21 of Public Law 111–139, or a program related to a program identified in the most recent Catalog of Federal Domestic Assistance.

D. Disclosure of Directed Rule Makings

The Committee estimates that H.R. 807 specifically directs no specific rule makings within the meaning of 5 U.S.C. 551 to be completed.

E. Information Relating to Unfunded Mandates

This information is provided in accordance with section 423 of the Unfunded Mandates Act of 1995 (Pub. L. No. 104–4).

The bill does not impose a Federal mandate on the private sector. The bill does not impose a Federal intergovernmental mandate on State, local, or tribal governments.

F. Applicability of House Rule XXI 5(b)

Clause 5(b) of rule XXI of the Rules of the House of Representatives provides, in part, that “A bill or joint resolution, amendment, or conference report carrying a Federal income tax rate increase may not be considered as passed or agreed to unless so determined by a vote of not less than three-fifths of the Members voting, a quorum being present.” The Committee has carefully reviewed the sections of the bill, and states that the bill does not involve any Federal income tax rate increases within the meaning of the rule.

G. Congressional Earmarks, Limited Tax Benefits, and Limited Tariff Benefits

With respect to clause 9 of rule XXI of the Rules of the House of Representatives, the Committee has carefully reviewed the provisions of the bill, and states that the provisions of the bill do not contain any congressional earmarks, limited tax benefits, or limited tariff benefits within the meaning of the rule.

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

H.R. 807 makes no changes to current law.

VII. DISSENTING VIEWS

The Democratic Members of the Committee strongly oppose this legislation, which is simply a plan to default on the full faith and credit of the United States. We are further concerned that just by entertaining the idea that the United States will no longer pay all of its bills on time and in full, the Majority is damaging our reputation and our economic recovery. Rather than continuing to play with fire on the economy, we urge the Majority to stop blocking a conference on the budget so that the House and Senate can sit down on a bipartisan basis and work to get our fiscal house in order.

This legislation would require the Department of the Treasury to pay Chinese and other foreign bondholders first, before our troops in harm's way if they are paid at all, before the doctors and hospitals that care for our seniors on Medicare if they are paid at all, before our veterans if they are paid, and before our American small businesses if they are paid. Let us be clear—under this legislation, the United States would no longer pay all of its bills on time and in full, and American families would pay the price.

That is reckless and indefensible. The Department of the Treasury and other experts have also said it is impossible. Treasury pays 80 to 100 million bills a month and its computer system is designed to pay the bills in the order they come in. It has no way to “prioritize” some legal obligations of the United States over others.

Economists across the political spectrum have warned that to default would do catastrophic damage to our economy. To put it in context, the short-term reduction in federal spending and the resulting fiscal shock from a default would be about 2½ times as large as the contraction that would have been caused by the recent “fiscal cliff.” At our Ways and Means hearings on this topic, MIT Economist Simon Johnson warned that a default could reduce GDP by 20 to 30 percent and double the unemployment rate.

Apparently proponents of this legislation have forgotten that the last time Republicans turned our nation toward default, in the summer of 2011, the damage was serious and lasting.

- Aug. 2011 was the single worst month for job creation in the last three years.
- The Dow Jones Industrial Average plunged 2,000 points in July and August of 2011.
- The Treasury was forced to spend \$1.3 billion more in interest payments, according to a Government Accountability Office estimate. The Bipartisan Policy Center estimates the higher costs will be almost \$19 billion over the next decade.

- And of course, who could forget that the U.S. credit rating was downgraded for the first time in our history.

We want to be clear: prioritization by any name is default. We oppose this legislation and urge our Republican colleagues to avoid repeating their mistakes.

SANDER LEVIN.

