H.R. 3442 - THE DEBT MANAGEMENT AND FISCAL RESPONSIBILITY ACT

INTRODUCED BY REP. KENNY MARCHANT (TX-24)

PURPOSE AND SCOPE

Reducing the nation's debt—currently $19 trillion and rising—and returning public finances to a more solid long-term path is essential. Conflicts over the debt limit commonly lead to bouts of destabilizing uncertainty, lower growth, and increasingly high and unresolved debt levels. So what should be done?

First, Congress and the American people should understand, in detail, the scale of the national debt and its causes. Currently, when the Administration requests a debt limit increase from Congress, it does so without any corresponding comprehensive assessment of the national debt, its key drivers, risks, or consequences to the economy. Instead, the Administration generally requests a "clean" debt limit increase that does nothing to get a handle on the debt.

Second, a new debt management plan should be enacted. The existing debt limit approach does not take a clear-eyed account of the debt or require debt reduction proposals. Moreover, the approach has failed to stabilize, much less improve, America's debt burden.

What is needed is a debt limit framework that encourages, rather than discourages, fiscal responsibility.

LEGISLATIVE SOLUTION

The Debt Management and Fiscal Responsibility Act establishes a new debt limit framework that enhances accountability, reduces disruptive risk, and ensures integrated debt reduction solutions. The legislation requires the Administration to appear before Congress prior to each potential debt limit increase and provide testimony and detailed reports on: the national debt and its key drivers; explicit short, medium, and long-term debt reduction proposals; and progress on debt reduction.

The requirements instill: (i) transparency and informed perspectives on the debt, its risks, and economic impact; (ii) shared legislative-executive responsibility for clearly defined debt reduction proposals in conjunction with debt limit increase requests; and (iii) a mechanism to hold the Administration accountable for its debt reduction record. By making the debt limit process more constructive, this legislation establishes a more credible framework to address the national debt.

HOW IT WORKS

The Treasury Secretary shall appear before the House Ways and Means Committee and the Senate Finance Committee not more than 60 days and not less than 21 days prior to any date on which the Treasury Secretary anticipates that the nation will reach the debt limit (not the expiration of extraordinary measures). Before the Committees, the Treasury Secretary shall present the following:

1. Debt Report to Congress on: (i) the state of the national debt; (ii) the historical levels of the debt, current amount and composition of the debt, and future debt projections; and (iii) the Administration's plans to meet debt obligations in the event that Congress agrees to raise the debt limit.
2. Statement of Intent on: (i) how the Administration proposes to reduce the debt in the short-term (the current and following fiscal years), medium-term (three to five years) and long-term (ten years and beyond), and proposals to adjust the debt-to-GDP ratio; (ii) the impact that an increased debt limit would have on future government spending, debt service, and position of the U.S. dollar as the international reserve currency; and (iii) projections of fiscal health and sustainability to major direct spending entitlement programs (including Social Security, Medicare, and Medicaid).
3. Progress Report on the implementation of the Statement of Intent proposals by the Administration to reduce U.S. debt levels. A Progress Report is not required upon the Administration's initial debt limit increase request.

The Department of Treasury shall also place on its website the Debt Report, Statement of Intent, and Progress Report to serve as a repository of information made available to the public in understanding U.S. government debt.

WAYS AND MEANS
CHAIRMAN KEVIN BRADY