

# ***The Debt Management and Fiscal Responsibility Act***

## **Purpose and Scope**

Reducing the nation's debt—currently close to \$19.4 trillion—and returning public finances to a more solid long-term path is essential. Doing so requires transparency and accountability of federal agencies engaged in managing the country's fiscal affairs.

Treasury, the Federal Reserve, and other financial regulators have withheld crucial information from Congress and the American people regarding aspects of debt management, including contingency plans for what would be done if, cyberattacks, terrorist attacks, severe weather events, or other contingencies lead to delayed payments on Treasury securities. Federal agencies have also withheld information about how to address downgrades of the U.S. sovereign credit rating, such as the first-ever downgrade in 2011. Moreover, sufficient information has not been shared by Treasury about how much cash is in the Treasury's till or when a statutory debt limit will be reached. Impending debt limit breaches have caused bouts of destabilizing uncertainty. So, what should be done?

Congress and the American people should understand, in detail, the fiscal position of the federal government. That requires full transparency and accountability on the part of Treasury, the Federal Reserve, and other financial regulators about debt management, as well as contingency plans. And, a new process is needed when a statutory debt limit is impending—one with transparency, accountability, and shared planning between Congress and the Administration.

## **Legislative Solution**

**The *Debt Management and Fiscal Responsibility Act* requires greater accountability on the part of the federal government with respect to the nation's fiscal position and establishes a new debt limit process that enhances accountability, reduces disruptive risk, and ensures debt reduction solutions.** The legislation requires the Administration to appear before Congress prior to reaching an impending statutory debt limit and provide testimony and detailed reports on: the national debt and its key drivers; recent contingency plans; 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 any debt limit increase requests; and (iii) a mechanism to hold the Administration accountable for its debt management 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 Congress 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 and present:

1. A *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; (iii) contingency plans formulated for any default on U.S. Treasury securities or downgrade of the U.S. credit rating; and (iv) the Administration's plans to meet debt obligations in the event that Congress agrees to raise the debt limit.
2. A *Statement of Intent* on: (i) how the Administration proposes to reduce the debt in the short, medium, and long terms, 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 of major direct spending entitlement programs (including Social Security, Medicare, and Medicaid).
3. A *Progress Report* on the implementation of the *Statement of Intent* proposals by the Administration to reduce U.S. debt levels.

Treasury shall also place on its website the assessment of the debt and plans for addressing debt buildups, and provide relevant materials on the nation's fiscal position when Congress requests the information.