The Debt Management Act

Purpose & Scope

The *Debt Management Act* (*DMA*) provides a framework for structural deficit reduction, which is needed to help ensure the full faith and credit of the United States.

Should the Administration request a debt limit increase in the future, *DMA* would allow Congress to point to "Debt Reports," "Statements of Intent," and "Progress Reports" provided by the Treasury Secretary to evaluate whether the Administration is taking appropriate steps to address the structural deficit and not simply allow the President to ask for a debt limit increase without associated long-term fiscal planning.

DMA expands the focus of debt ceiling increase requests from the expiration date to solving the structural deficit. *DMA* requires the Administration to complement debt limit increase requests with reports on the national debt and progress on deficit reduction. By bringing greater transparency to the national debt and structural deficit, *DMA* establishes a more credible and consistent process to address debt limit increase requests. In particular, *DMA* allows the general public and Congress to monitor whether and how the Administration addresses the challenges stated in the "Debt Report to Congress," as well as whether the Administration implements measures provided in the "Statement of Intent" toward improving the nation's finances by way of "Progress Reports."

The bill requires the Treasury Secretary to report to Congress prior to each potential debt limit increase and provide detailed reports on: the national debt and its key drivers; explicit measures for short, medium, and long-term structural deficit reduction; debt-to-GDP ratio reduction proposals; and a progress report on deficit reduction measures.

Legislative Solution

DMA requires the Treasury Secretary to appear before the House Ways and Means Committee and the Senate Finance Committee, respectively, not more than 60 days and not less than 21 days prior to any date that the Treasury Secretary anticipates the nation will reach the debt limit.

Before the Committees, the Treasury Secretary shall present the following:

(1) **Debt Report to Congress** on: (1) the state of the national debt; (2) the historical trajectory of the debt, major drivers and quantitative contributions to the current debt, debt projections and (3) how, if the debt limit is to be raised, the President plans to honorably meet existing debt obligations, including principal and interest.

(2) **Statement of Intent** on: (1) how the Administration proposes to reduce the structural deficit in the short-term (the following fiscal year), medium-term (approximately three to five years) and long-term (approximately ten years); (2) the impact that an increased debt limit will have on future government spending, service provision, and status of the U.S. dollar as the international reserve currency; (3) projections of fiscal health and resilience to long-term entitlement program pressures (e.g., Social Security, Medicare, Medicaid) given the proposed measures to reduce the structural deficit and the requested increase in public debt; and (4) debt-to-GDP ratio reduction measures based on current trends, with the exclusion of extreme events (i.e., military, economic, and natural catastrophes).

(3) **Progress Report** on the implementation of preceding "Statement of Intent" proposals by the Administration to reduce the structural deficit. A "Progress Report" is not required upon the President's initial debt limit increase request.

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