



# The Debt Limit: History and Recent Increases

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## Summary

Total debt of the federal government can increase in two ways. First, debt increases when the government sells debt to the public to finance budget deficits and acquire the financial resources needed to meet its obligations. This increases *debt held by the public*. Second, debt increases when the federal government issues debt to certain government accounts, such as the Social Security, Medicare, and Transportation trust funds, in exchange for their reported surpluses. This increases *debt held by government accounts*. The sum of *debt held by the public* and *debt held by government accounts* is the total federal debt. Surpluses generally reduce debt held by the public, while deficits raise it.

A statutory limit has restricted total federal debt since 1917 when Congress passed the Second Liberty Bond Act. Congress has raised the debt limit five times since 2001. Deficits each year since 2001 and the persistent increases in debt held by government accounts repeatedly raised the debt to or near the limit in place at the time. Congress raised the limit in June 2002, and by December 2002 the U.S. Department of the Treasury asked Congress for another increase, which was passed in May 2003. In June 2004, the Treasury asked for another debt limit increase. After Congress recessed in mid-October 2004 without acting, the Secretary of the Treasury told Congress that the actions he was taking to avoid exceeding the debt limit would suffice only through mid-November. Congress approved a debt limit increase in a post-election session, which the President signed on November 19, 2004.

In 2005, Congress included debt limit raising reconciliation instructions in the FY2006 budget resolution (H.Con.Res. 95). Approval of the budget resolution in April 2005 triggered the automatic passage of a debt limit increase in the House. With no action having been taken by December 2005, the Secretary of the Treasury sent several letters warning Congress that the Treasury would exhaust its options to avoid default by mid-March 2006. Congress passed an increase in mid-March, which the President signed on March 20.

The House's adoption of the conference report on the FY2008 budget resolution in the spring of 2007 automatically created and deemed passed legislation (H.J.Res. 43) raising the debt limit by \$850 billion to \$9,815 billion. The Senate approved the resolution on September 27, 2007, and it was signed by the President two days later. The 2008 economic slowdown has led to sharply higher estimates of the FY2008 deficit, raising the prospect of another debt limit increase. The budget resolution conference report (S.Con.Res. 70), passed by the Senate on June 4, 2008, and the House the next day, recommends spending levels that would require an increased debt limit in FY2009. House passage of the FY2009 budget resolution automatically created and deemed passed legislation to raise the debt limit (H.J.Res. 92). A debt limit increase was included in the Housing and Economic Recovery Act of 2008 (H.R. 3221) and signed into law (P.L. 110-289) on July 30. The Emergency Economic Stabilization Act of 2008 (H.R. 1424), signed into law on October 3 (P.L. 110-343), raised the debt limit for the second time in 2008. The debt limit now stands at \$11,315 billion. This report will be updated as events warrant.

## Contents

Introduction .....	1
The Debt Limit and the Treasury .....	1
Why Have a Debt Limit? .....	1
A Brief History of the Federal Debt Limit .....	2
Origins of the Federal Debt Limit .....	2
World War II and After .....	3
The Debt Ceiling in the Last Decade .....	3
The Debt Limit Issue in 2002.....	4
Resolving the Debt Limit Issue in 2002.....	6
The Debt Limit Issue in 2003.....	7
The Debt Limit Issue in 2004.....	8
The Debt Limit Issue in 2005, 2006, and 2007 .....	9
The 2008 Economic Slowdown and Federal Debt.....	10
Fiscal Policy Considerations.....	10
Raising the Debt Ceiling in 2008.....	11
Revised Deficit Estimates in 2008.....	12
Concluding Comments .....	13
Further Reading .....	15

## Figures

Figure 1. Components of Federal Debt As Percentage of GDP, FY1980-FY2007 .....	6
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## Tables

Table 1. Components of Debt Subject to Limit, FY1996-FY2007.....	5
Table A-1.Components of Debt Subject to Limit by Month, September 2001-August 2008.....	16

## Appendixes

Appendix. Debt Subject to Limit by Month Since September 2001 .....	16
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## Contacts

Author Contact Information .....	19
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## Introduction

The statutory debt limit applies to almost all federal debt.<sup>1</sup> The limit applies to federal debt held by the public (that is, debt held outside the federal government itself) and to federal debt held by the government's own accounts. Federal trust funds, such as Social Security, Medicare, Transportation, and Civil Service Retirement accounts, hold most of this internally held debt.<sup>2</sup> The government's surpluses or deficits determine essentially all of the change in debt held by the public.<sup>3</sup> The government's on-budget fiscal balance, which excludes a small U.S. Postal Service net surplus or deficit and a large Social Security surplus of payroll taxes net of paid benefits, does not directly affect debt held in government accounts.<sup>4</sup> Increases or decreases in debt held by government accounts result from net financial flows into accounts holding the debt, such as the Social Security Trust Fund. Legal requirements and government accounting practices also affect levels of debt held by government accounts.<sup>5</sup>

## The Debt Limit and the Treasury

Standard methods of financing federal activities or meeting government obligations used by the U.S. Department of Treasury (Treasury) can be hobbled when federal debt nears its legal limit. If the limit prevents the Treasury from issuing new debt to manage short-term cash flows or to finance an annual deficit, the government may be unable to obtain the cash needed to pay its bills or it may be unable to invest the surpluses of designated government accounts (federal trust funds) in federal debt as generally required by law. In either case, the Treasury is left in a bind; the law requires that the government's legal obligations be paid, but the debt limit may prevent it from issuing the debt that would allow it to do so.

The government's income and outlays vary over the course of the year, producing monthly surpluses and deficits that affect the level of debt, whether or not the government has a surplus or deficit for the entire year. The government accounts holding federal debt also can experience monthly deficits and surpluses, even if most of them currently show annual surpluses.

## Why Have a Debt Limit?

The debt limit, as noted above, can hinder the Treasury's ability to manage the federal government's finances. In extreme cases, when the federal debt is very near its statutory limit, the

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<sup>1</sup> About 0.8% of total debt is excluded from debt limit coverage. As of April 2008, total public debt outstanding was \$9.368 trillion; debt subject to limit was \$9.289 trillion or 99.2% of total public debt outstanding. The Treasury defines "Total Public Debt Subject to Limit" as "the *Total Public Debt Outstanding* less the *Unamortized Discount on Treasury Bills and Zero-Coupon Treasury Bonds*, old debt issued before 1917, and old currency called United States Notes, as well as Debt held by the Federal Financing Bank and Guaranteed Debt."

<sup>2</sup> Although there are hundreds of trust funds, the overwhelming majority are very small. The 12 largest trust funds hold 98.8% of the federal debt held in government accounts.

<sup>3</sup> Other means of financing—including cash balance changes, seigniorage, and capitalization of financing accounts used to fund federal credit programs—have relatively little effect on the changes in debt held by the public.

<sup>4</sup> In future years, when some trust funds are projected to pay out more than they take in, funds that the Treasury would use to redeem those intergovernmental debts must be obtained via higher taxes or lower government spending.

<sup>5</sup> Trust fund surpluses by law must be invested in special federal government securities.

Treasury must take unusual and extraordinary measures to meet federal obligations.<sup>6</sup> While the debt limit has never caused the federal government to default on its obligations, it has at times caused great inconvenience and has added uncertainty to Treasury operations.

The debt limit also provides Congress with the strings to control the federal purse, allowing Congress to assert its constitutional prerogatives to control spending.<sup>7</sup> The debt limit also imposes a form of fiscal accountability, which compels Congress and the President to take visible action to allow further federal borrowing when the federal government spends more than it collects in revenues. In the words of one author, the debt limit “expresses a national devotion to the idea of thrift and to economical management of the fiscal affairs of the government.”<sup>8</sup>

## **A Brief History of the Federal Debt Limit**

### **Origins of the Federal Debt Limit**

The statutory limit on federal debt began with the Second Liberty Bond Act of 1917,<sup>9</sup> which helped finance the United States’ entry into World War I.<sup>10</sup> By allowing the Treasury to issue long-term Liberty Bonds, which were marketed to the public at large, the federal government held down its interest costs.<sup>11</sup>

Before World War I, Congress authorized specific loans, such as the Panama Canal loan, or allowed the Treasury to issue specific types of debt instruments, such as certificates of indebtedness, bills, notes and bonds.<sup>12</sup> In other cases, Congress provided the Treasury with limited discretion to choose debt instruments.<sup>13</sup>

With the passage of the Second Liberty Bond Act, Congress enacted aggregate constraints on certificates of indebtedness and on bonds that allowed the Treasury greater ability to respond to changing conditions and more flexibility in financial management. Debt limit legislation in the following two decades also set separate limits for different categories of debt, such as bills, certificates, and bonds.

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<sup>6</sup> U.S. General Accounting Office (GAO), *Analysis of Actions Taken during the 2003 Debt Issuance Suspension Period*, GAO-04-526, May 2004, available at <http://www.gao.gov/new.items/d04526.pdf>.

<sup>7</sup> For a vigorous assertion of the utility of the debt ceiling, see Anita S. Drishnakumar, “In Defense of the Debt Limit Statute,” *Harvard Journal on Legislation*, vol. 42, 2005, pp. 135-185.

<sup>8</sup> Marshall A. Robinson, *The National Debt Ceiling: An Experiment in Fiscal Policy*, Washington, DC: The Brookings Institution, 1959, pp.5.

<sup>9</sup> P.L. 65-43, 40 Stat. 288, enacted September 24, 1917. Currently codified as amended as 31 U.S.C. § 3101.

<sup>10</sup> H. J. Cooke and M. Katzen, “The Public Debt Limit,” *Journal of Finance*, vol. 9, no. 3 (September 1954), pp. 298-303.

<sup>11</sup> Robert D. Hormats, *The Price of Liberty*, (New York: Henry Holt, 2007), ch. 4.

<sup>12</sup> Treasury certificates of indebtedness were short-term, interest-bearing securities. Treasury bills are securities with a maturity of a year or less. Treasury notes are interest-bearing securities that generally have maturities of two to five years. Treasury bonds are interest-bearing securities that generally have maturities of 10 or more years.

<sup>13</sup> Marshall A. Robinson, *The National Debt Ceiling: An Experiment in Fiscal Policy*, (Washington, DC: The Brookings Institution, 1959), pp.1-6.

In 1939, Congress eliminated separate limits on bonds and on other types of debt, which created the first aggregate limit that covered nearly all public debt.<sup>14</sup> This measure gave the Treasury freer rein to manage the federal debt as it saw fit. In particular, the Treasury could choose to issue debt instruments with maturities that would reduce interest costs and minimize financial risks stemming from future interest rate changes given the conditions in financial markets.<sup>15</sup> On the other hand, although the Treasury was delegated greater independence of action, the debt limit on the eve of World War II was much closer to total federal debt than it had been at the end of World War I. For example, the 1919 Victory Liberty Bond Act (P.L. 65-328) raised the maximum allowable federal debt to \$43 billion, far above the \$25.5 billion in total federal debt at the end of FY1919.<sup>16</sup> By contrast, the debt limit in 1939 was \$45 billion, only about 10% above the \$40.4 billion total federal debt of that time.

## World War II and After

The debt ceiling was raised to accommodate accumulating costs for World War II in each year from 1941 through 1945, when it was set at \$300 billion.<sup>17</sup> After World War II ended, the debt limit was reduced to \$275 billion. Because the Korean War was mostly financed by higher taxes rather than by increased debt, the limit remained at \$275 billion until 1954. After 1954, the debt limit was reduced twice and increased seven times, until March 1962 when it again reached \$300 billion, its level at the end of World War II. Since March 1962, Congress has enacted 69 separate measures that have altered the limit on federal debt.<sup>18</sup> Most of these changes in the debt limit were, measured in percentage terms, small in comparison to changes adopted in wartime or during the Great Depression. Some recent increases in the debt limit, however, were large in dollar terms. For instance, in May 2003, the debt limit increased by \$984 billion.

## The Debt Ceiling in the Last Decade

During the four years (FY1998-FY2001) the government ran surpluses, federal debt held by intergovernmental accounts grew by \$855 billion and debt held by the public fell by almost \$450 billion. Since FY2001, however, debt held by the public grew continually due to persistent and substantial budget deficits, as shown in **Table 1**, which shows components of debt in current dollars and as percentages of gross domestic product (GDP).<sup>19</sup> Debt held in government accounts also continued to grow.

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<sup>14</sup> P.L. 76-201. Some authors claimed the aggregate limit was first created in Public Debt Act of 1941 (P.L. 77-7). The 1939 Senate floor debate, however, makes clear that Congress intended to lift categorical debt restrictions. See Senate debate, *Congressional Record*, vol. 84, part 6 (June 1, 1939), pp. 6480, 6497-6501.

<sup>15</sup> This limit did not apply to certain previous public debt issues that constituted a minor portion of the federal debt.

<sup>16</sup> U.S. Bureau of the Census, *Historical Statistics of the United States: Colonial Times to 1970*, H. Doc. 93-78 (Washington: GPO, 1975), Series Y 493-504.

<sup>17</sup> Public Debt Acts of 1941 (P.L. 77-7), 1942 (P.L. 77-510), 1943 (78-34), 1944 (P.L. 78-333), and 1945 (P.L. 79-48).

<sup>18</sup> U.S. Office of Management and Budget, *FY2008 Budget of the U.S. Government: Historical Tables*, Table 7-3.

<sup>19</sup> Until 2001, government publications did not divide debt subject to limit into the portions held by the public and held by government accounts. This discussion and **Table 1** use CRS calculations that approximate the amounts of debt subject to limit held in these two categories for fiscal years prior to 2001.

**Figure 1** shows the components of federal debt as shares of gross domestic product (GDP) from FY1980 through FY2007.<sup>20</sup> Federal debt held by government accounts has grown steadily since 1980. Debt held by the public, which changes in response to total surpluses or deficits, grew as a share of GDP through the mid-1990s. After FY1992, deficits shrank, and from FY1998 through FY2001 the federal government ran surpluses.<sup>21</sup> Those surpluses, along with rapid GDP growth, reduced debt held by the public as a percentage of GDP. When large deficits returned and GDP growth slowed in the early 2000s, debt held by the public as a share of GDP again increased. Smaller deficits in FY2006 and FY2007 led to smaller increases in publicly held debt. The total FY2007 deficit fell to 1.2% of GDP according to the Congressional Budget Office (CBO).<sup>22</sup> As the economy started to slow in the last quarter of (calendar) 2007, most forecasters predicted a sharp increase in the federal deficit for FY2008, which put federal debt on track to exceed the debt limit before the end of FY2009.

## The Debt Limit Issue in 2002

Accumulating debt in government accounts produced most of the pressure on the debt limit that occurred early in 2002. As deficits reemerged in FY2002, increases in debt held by the public added to the pressure on the debt limit in the spring of 2002. During the four fiscal years with surpluses (FY1998-FY2001), the increases in federally held debt and decreases in debt held by the public produced a net increase of \$405 billion in total debt subject to limit. At the beginning of FY2002 (October 1, 2001), debt subject to limit was within \$217 billion of the existing \$5.95 trillion debt limit.<sup>23</sup> Between then and the end of May 2002, debt subject to limit increased by another \$217 billion, divided between a \$117 billion increase in debt held by government accounts and a \$100 billion increase in debt held by the public, putting the debt close to the \$5.95 trillion limit. **Table A-1**, presented in the **Appendix**, shows month-by-month debt totals and accumulations from September 2001 through May 2008.

In the fall of 2001, the Administration recognized that a deteriorating budget outlook and continued growth in debt held by government accounts were likely to lead to the debt limit soon being reached. In early December 2001, it asked Congress to raise the debt limit by \$750 billion to \$6.7 trillion. As the debt moved closer to and reached the debt limit over the first six months of FY2002, the Administration asked Congress repeatedly to increase the debt limit, warning of adverse financial consequences were the limit not raised.

On April 4, 2002, the Treasury held debt below the limit by invoking its legislatively mandated authority to suspend reinvestment of government securities in the G-Fund of the federal employees' Thrift Savings Plan (TSP). This allowed the Treasury to issue new debt and meet the government's obligations. On April 15, debt subject to limit stood at \$5,949,975 million, just \$25

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<sup>20</sup> The data show components of debt compared to the size of the economy. This avoids possible distortions resulting from changing price levels over time and includes changes in per capita incomes. This percentage increases when debt grows faster than GDP and falls when it grows more slowly than GDP.

<sup>21</sup> Federal on-budget receipts and outlays nearly matched in FY1999, and the on-budget surplus in FY2000 was 0.9% of GDP. Prior to FY1999, the federal government last had an on-budget surplus in FY1960. Social Security receipts in excess of benefits comprise most of the off-budget surplus, which has been positive since FY1985.

<sup>22</sup> U.S. Congress, Congressional Budget Office, *An Analysis of the President's Budgetary Proposals for Fiscal Year 2009*, March 2008, available at <http://www.cbo.gov/ftpdocs/89xx/doc8990/03-19-AnalPresBudget.pdf>.

<sup>23</sup> The debt limit was raised from \$5.5 trillion to \$5.95 trillion on August 5, 1997, as part of the Balanced Budget Act of 1997 (P.L. 105-33, 111 Stat. 251).

million below the limit. Once April 15 tax revenues flowed in, the Treasury “made whole” the G-Fund by restoring all of the debt that had not been issued to the TSP over this period and crediting the fund with interest it would have earned on that debt.<sup>24</sup> By the end of April, debt subject to limit had fallen back \$35 billion below the limit.

**Table I. Components of Debt Subject to Limit, FY1996-FY2007**  
(in billions of current dollars and as percentage of GDP)

End of fiscal year	Debt limit	Debt subject to limit					
		Total		Held by government accounts		Held by the public	
		\$ billion	% of GDP	\$ billion	% of GDP	\$ billion	% of GDP
1996	\$5,500	\$5,137.2	65.7%	1,432.4	18.3%	3,704.8	47.4%
1997	5,950	5,327.6	64.2%	1,581.9	19.0%	3,745.8	45.1%
1998	5,950	5,439.4	62.2%	1,742.1	19.9%	3,697.4	42.3%
1999	5,950	5,567.7	60.1%	1,958.2	21.1%	3,609.5	38.9%
2000	5,950	5,591.6	57.0%	2,203.9	22.4%	3,387.7	34.5%
2001	5,950	5,732.8	56.6%	2,436.5	24.1%	3,296.3	32.5%
2002	6,400	6,161.4	58.9%	2,644.2	25.3%	3,517.2	33.6%
2003	7,384	6,737.6	61.4%	2,846.7	25.9%	3,890.8	35.5%
2004	7,384	7,333.4	62.5%	3,056.6	26.0%	4,276.8	36.4%
2005	8,184	7,871.0	64.0%	3,301.0	26.9%	4,570.1	37.2%
2006	8,965	8,420.3	64.2%	3,610.4	27.5%	4,809.8	36.7%
2007	9,815 <sup>a</sup>	9,007.7	65.2%	3,958.4	28.6%	5,049.3	36.5%
Change During FY1998 - FY2001		\$405.2		\$854.6		\$-449.5	
Change During FY2002 - FY2007		\$5,327.6		\$1,581.9		\$3,745.8	

**Source:** U.S. Department of the Treasury, Financial Management Service, *Treasury Bulletin*, June 2001 and December 2006. Bureau of the Public Debt, *Monthly Statement of Public Debt*, August 2007. CRS calculations. Totals may not sum due to rounding.

**Note:** For the fiscal years 1996 through 2000, the amounts held by government accounts and held by the public are approximations. In 2001, the Treasury publications began distinguishing holders of debt subject to limit. The numbers in the table showing this breakdown for FY1996 through FY2000 were calculated by subtracting debts of the Federal Financing Bank, an arm of the Treasury whose debt is not subject to limit, from total debt held by government accounts. This calculation approximates the amount of that debt subject to limit. This approximation overestimates debt by billions of dollars because estimates of unamortized discount are unavailable. This adjusted amount was then subtracted from total debt subject to limit to produce an approximate measure of debt held by the public subject to limit. Because the amount held by government accounts is overestimated, the resulting

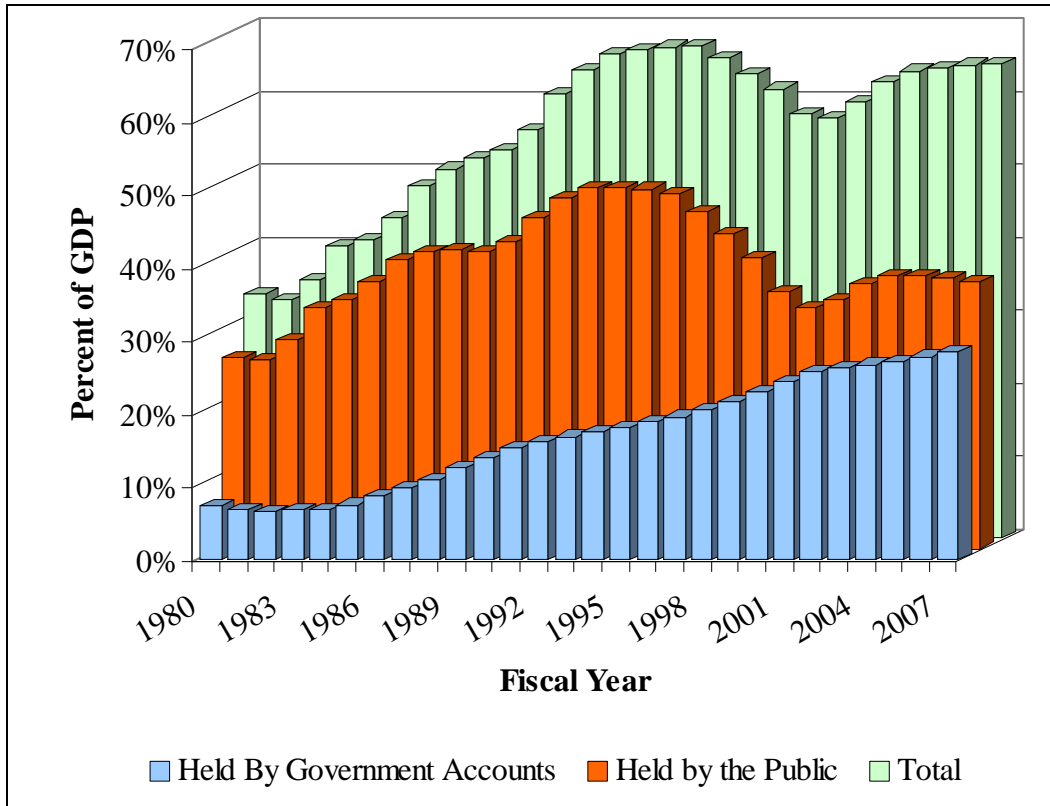
<sup>24</sup> For a short discussion of the Treasury’s previous uses of its short-term ability to avoid breaching the debt limit, see archived CRS Report 98-805, *Public Debt Limit Legislation: A Brief History and Controversies in the 1980s and 1990s*, by Philip Winters; for a comprehensive report see U.S. General Accounting Office, *Debt Ceiling: Analysis of Actions During the 1995-1996 Crisis*, GAO/AIMD-96-130, August 1996.



measure of debt held by the public subject to limit is underestimated. Nevertheless, these approximations reported in the table above suffice to show how the two categories have changed over the time.

- a. Debt limit increased September 29, 2007, to \$9,815 billion. Debt limit increased September 29, 2007, to \$9,815 billion.

**Figure I. Components of Federal Debt As Percentage of GDP, FY1980-FY2007**



Source: OMB, Budget of the United States for FY2008, Historical Tables, February 2007; CBO.

### Resolving the Debt Limit Issue in 2002

By the middle of May 2002, debt subject to limit had again risen to within \$15 million of the statutory limit.<sup>25</sup> At the FY2002 average spending rate, \$15 million equaled about five minutes of federal outlays. The Treasury, for the second time in 2002, used its statutory authority to avoid a default. The Treasury’s financing problems, however, would persist without an increase in the debt limit. On May 14, the Treasury asked Congress to raise the debt limit or enact other statutory changes allowing the Treasury to issue new debt. A Treasury news release stated “absent extraordinary actions, the government will exceed the statutory debt ceiling no later than May 16,” and that

<sup>25</sup> See **Table A-1**, presented in the **Appendix**, for details.

a “debt issuance suspension period” will begin no later than May 16 [2002].... [This] allows the Treasury to suspend or redeem investments in two trust funds, which will provide flexibility to fund the operations of the government during this period.<sup>26</sup>

The Treasury reduced federal debt held by these government accounts by replacing it with non-interest-bearing, non-debt instruments, which enabled it to issue new debt to meet the government’s obligations. The Treasury claimed these extraordinary actions would suffice, at the latest, through June 28, 2002. Without a debt limit increase by that date, the Treasury indicated it would need to take other actions to avoid breaching the ceiling. By June 21, the Treasury had postponed a regular securities auction, but took no other actions. With large payments and other obligations due at the end of June and at the beginning of July, the Treasury stated it would soon exhaust all options to issue debt and fulfill government obligations, putting the government on the verge of a default.

During May and June 2002, Congress took steps to increase the debt limit. The FY2002 supplemental appropriations bill (H.R. 4775) passed by the House on May 24 included, after extended debate, language allowing any eventual House-Senate conference on the legislation to increase the debt limit. However, the Senate’s supplemental appropriations bill (S. 2551; incorporated as an amendment to H.R. 4775, June 3, 2002) omitted debt-limit-increasing language. The Senate leadership expressed strong reluctance to include a debt limit increase in the supplemental appropriation bill. Instead, on June 11, the Senate adopted a bill (S. 2578), without debate, to raise the debt limit by \$450 billion to \$6.4 trillion. At that time, a \$450 billion debt limit increase was thought to provide enough borrowing authority for government operations through the rest of calendar year 2002, if not through the summer of 2003. With the possibility of default looming over it, the House passed the \$450 billion debt limit increase by a single vote on June 27. The President signed the bill into law on June 28 (P.L. 107-199, 116 Stat. 734), ending the 2002 debt limit crisis.<sup>27</sup>

## **The Debt Limit Issue in 2003**

On Christmas Eve, 2002, Kenneth Dam, Deputy Secretary of the Treasury sent a letter to Congress requesting an unspecified increase in the debt limit by late February 2003, signaling that the \$6.4 trillion debt limit would then be reached.<sup>28</sup> The 108<sup>th</sup> Congress, still in the process of organizing itself, did not immediately respond. Through the winter and into the spring, the Treasury repeatedly requested that the debt limit be raised to avoid serious financial problems. By February 20, 2003, the Treasury, as in 2002, used legislatively mandated measures to manage debt holdings of certain government accounts to avoid reaching the debt limit. These actions included the replacement of internally held government debt with non-debt instruments in certain government accounts and not issuing new debt to these accounts. These actions allowed the Treasury to issue additional debt to the public to acquire the cash needed to pay for the government’s commitments or to issue new debt to other federal accounts.

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<sup>26</sup> U.S. Department of the Treasury, Treasury News, *Treasury Statement on the Debt Ceiling*, May 14, 2002.

<sup>27</sup> For additional details, see U.S. General Accounting Office, *Debt Ceiling: Analysis of Actions During the 2002 Debt Issuance Suspension Period*, GAO-03-134, December 2002.

<sup>28</sup> Kenneth Dam, Deputy Secretary of the Treasury, letter to Speaker of the House, Dennis Hastert, December 24, 2002, available at <http://www.treas.gov/press/releases/po3718.htm>.

Through the rest of February and into May, the Treasury held debt subject to limit \$15 million below the debt ceiling.<sup>29</sup> The adoption of the conference report on the FY2004 budget resolution (H.Con.Res. 95; H.Rept. 108-71) on April 11, 2003, in the House triggered the “Gephardt rule” (House Rule XXVII) that deems to have passed legislation (in this case, H.J.Res. 51) raising the debt limit to accommodate the spending and revenue levels approved in the adopted budget resolution.<sup>30</sup>

The Senate received the debt-limit legislation on April 11, but did not act until May 23, after receiving further Treasury warnings of imminent default. On that day, debt subject to limit was \$25 million (or 0.0004%) below the existing \$6.4 trillion limit. The Senate adopted the legislation, after rejecting eight amendments and sent it to the President, who signed it on May 27. This legislation raised the debt limit to \$7.384 trillion (P.L. 108-24, 117 Stat. 710).

## **The Debt Limit Issue in 2004**

In January 2004, CBO estimated that the debt limit, then set at \$7.384 trillion, would be reached the following summer.<sup>31</sup> In June 2004, the Treasury asked Congress to raise the debt limit in order to avoid the disruptions to government finances experienced in the previous two years.<sup>32</sup> In August, and again in September, the Treasury declared that the debt limit would be reached in the first half of October. On October 14, debt subject to limit reached \$7,383.975 billion, just \$25 million below the existing limit. The Treasury employed methods used in the previous two years to keep debt under the legal limit. On October 14, Secretary of the Treasury John Snow informed Congress, just before the election season break, that available measures to avoid breaching the debt limit would be exhausted by mid-November.<sup>33</sup> Without an increase in the debt limit, the Treasury would be unable to meet all of the government’s existing obligations, and the government could default.<sup>34</sup>

Although the House passed a budget resolution for FY2005 in the spring of 2004, it did not reach final agreement with the Senate on the measure. Without a budget resolution passed by Congress, no resolution to raise the debt limit could be deemed passed by the House automatically under the Gephardt rule. Consequently, no measure was available to send to the Senate. As the debt approached the limit through the summer and into the fall, no legislation was moved to raise the debt limit.

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<sup>29</sup> The Treasury reduced the amount of debt held by selected federal accounts while it sold an equal (or smaller) amount of debt to the public. This raised cash needed to pay for ongoing obligations and kept the debt below the limit.

<sup>30</sup> The House Budget Committee has some discretion in setting the debt limit level in the House Joint resolution generated by the Gephardt rule. See CRS Report 98-453, *Debt-Limit Legislation in the Congressional Budget Process*, by Bill Heniff Jr.; and CRS Report RL31913, *Developing Debt-Limit Legislation: The House's "Gephardt Rule"*, by Bill Heniff Jr.

<sup>31</sup> U.S. Congress, Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2005 to 2014*, January 2004.

<sup>32</sup> Alan Fram, “Congress May Duck Debt Limit Raise,” *Oakland Tribune*, June 5, 2004.

<sup>33</sup> John W. Snow, Secretary of the U.S. Treasury, letter to Senate Majority Leader Bill Frist, October 14, 2004, available at <http://www.treas.gov/press/releases/reports/frist.pdf>.

<sup>34</sup> Although not all the possible consequences of a government default are known, it would mean that the government could no longer meet all of its legal obligations. Not only the default, but the efforts to resolve it would arguably have negative repercussions on both domestic and international financial markets and economies.

Earlier, in September 2004, the House had added an amendment to the FY2005 Transportation-Treasury appropriations (H.R. 5025) in an effort to remove the Treasury's flexibility in financing the government as federal debt approached and reached the existing limit. Without that flexibility, the government would be unable to meet its financial obligations as the amount of debt neared the limit. The legislation cleared the House, but the Senate did not act on it.

After the elections, Senator Frist, on November 16, 2004, introduced legislation (S. 2986) to raise the debt by \$800 billion, from \$7,384 billion to \$8,184 billion. The Senate approved the increase on November 17, 2004. The House considered and approved the increase on November 18. The President signed the legislation into law (P.L. 108-415, 118 Stat. 2337) on November 19, 2004. Estimates made at that time anticipated the new limit would be reached between August and December 2005.

Shortly before the increase in the debt limit, the Treasury delayed a debt auction and informed Congress that it would invoke a "debt limit suspension period" as it had in previous years. The increase in the debt limit in mid-November allowed the Treasury to reschedule the debt auction and cancel, before it began, the "debt limit suspension period."

## **The Debt Limit Issue in 2005, 2006, and 2007**

Debt limit increases in 2005, 2006, and 2007 took a less dramatic path than those in President Bush's first term. In 2005, Congress included three reconciliation instructions in the FY2006 budget resolution (H.Con.Res. 95, 109<sup>th</sup> Congress; April 28, 2005), the third of which directed the House Committee on Ways and Means and the Senate Finance Committee to report bills raising the debt limit. The instructions specified a \$781 billion debt limit increase, to \$8,965 billion, with a reporting date of no later than September 30, 2005. Neither committee reported a bill to raise the debt limit.

The adoption of the conference report on the FY2006 budget resolution in late April 2005 also triggered the Gephardt rule (House Rule XXVII), producing a House Joint Resolution (H.J.Res. 47) that also would raise the debt limit by \$781 billion to \$8.965 trillion. Under the rule, the resolution was automatically deemed passed by the House and sent to the Senate. Through the end of the first session of the 109<sup>th</sup> Congress, the Senate had not considered H.J.Res. 47, nor had Congress considered a reconciliation bill raising the debt limit as called for in the budget resolution.

At the end of December 2005, Secretary of the Treasury Snow wrote Congress that the debt limit would probably be reached in mid-February 2006, although the Treasury could take actions that maintain the debt below its limit until mid-March. He therefore requested an increase in the debt limit.<sup>35</sup> In two more letters, sent on February 19 and March 6, Secretary Snow advised Congress that the Treasury was taking measures within its legal discretion to avoid reaching the limit and that these measures would suffice only until the middle of March 2006. Secretary Snow authorized actions used previously by the Treasury, including declaring a debt issuance suspension period. As March began, the government was again close to becoming unable to meet its obligations. During the week of March 13 the Senate took up H.J.Res. 47. On March 16, the

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<sup>35</sup> John W. Snow, Secretary of the Treasury, letter to Senator Max Baucus, December 29, 2005, available at [http://www.ombwatch.org/budget/pdf/snow\\_debtlimit\\_2006.pdf](http://www.ombwatch.org/budget/pdf/snow_debtlimit_2006.pdf).

Senate passed a debt limit increase after rejecting several amendments. The President's signature on March 20, 2006, then raised the debt limit (P.L. 109-182) to \$8.965 trillion.

In mid-May 2007, Congress passed the conference report (H.Rept. 110-153) on the FY2008 budget resolution. The House's Gephardt rule, triggered by the adoption of the conference report on the budget resolution, resulted in the automatic engrossment of a joint resolution (in this case, H.J.Res. 43, 110<sup>th</sup> Congress) raising the debt limit by \$850 billion to \$9,815 billion, and sending it to the Senate. At the end of July 2007, the Treasury asked Congress to raise the debt limit, stating the limit would be reached in early October 2007. In August, the CBO Director said that projections suggested that the limit would be reached in late October or early November. Without an increase, the Treasury indicated that it would take steps within its legal authority to avoid exceeding the debt limit. The Senate Finance Committee approved the House resolution (H.J.Res. 43) without changes on September 12, 2007. The Senate then passed the measure on September 27, which the President signed on September 29, 2007 (P.L. 110-91).

## **The 2008 Economic Slowdown and Federal Debt**

### **Fiscal Policy Considerations**

A serious economic slowdown, which started in the last quarter of 2007 according to many economic forecasters, has led to sharply higher estimates of federal deficit spending in FY2008 and FY2009. The slowdown began with a rapid deceleration of housing prices and a rise in interest rate spreads between private lending rates and benchmark Federal Reserve rates, indicating an increasing reluctance of major financial institutions to lend to each other as well as to firms and individuals. The effects of this slowdown will depend in large part whether market difficulties remain concentrated in the housing and financial sector, or whether the downturn spreads more widely through the economy.

An economic recession affects the federal deficit in several ways. First, falling prices of many assets and equities can sharply reduce federal revenues from capital gains taxes and from the corporate tax. Second, more difficult economic conditions may reduce tax revenues on earned income and other income sources. Third, "automatic stabilizers" such as unemployment insurance and income support programs pay out more money as unemployment rises and the number of households eligible for means-tested benefits rises. An increase in deficit spending provides a fiscal stimulus to the economy, if the output levels of goods and services produced in the nation are below their potential levels. Deficit spending, however, can help accelerate inflation if output levels are near or at potential levels, and in addition, exacerbates long-term fiscal challenges.

Several economists have expressed concerns that inflation, which had been relatively low since the early 1980s, could accelerate due to rising prices of food, energy, and primary commodities. While inflation would reduce the market value of the federal deficit, it would require Treasury to pay higher nominal interest rates on federal debt.

## Raising the Debt Ceiling in 2008

In a March 2008 report, CBO estimated the President's budget would lead to a \$396 billion deficit in FY2008 and a \$342 billion deficit in FY2009.<sup>36</sup> Some private forecasters have predicted that the FY2008 deficit could reach \$500 billion or more.<sup>37</sup> At that rate, a higher federal debt limit could soon become necessary. The House Concurrent Resolution on the Budget (H.Con.Res. 312) recommended policies that would result in a \$10.200 trillion debt in FY2009. The Senate Concurrent Resolution on the Budget (S.Con.Res. 70) recommended policies that would result in a total debt of \$10.278 trillion in FY2009.<sup>38</sup> Implementing either set of policies would require an increase in the federal debt limit. The conference agreement (H.Rept. 110-659) also recommends spending levels that would lead to a debt subject to limit of \$10.207 trillion in FY2009, a level that would require an increase in the statutory debt limit.

The budget conference report passed the Senate on a 48-45 vote on June 4, 2008. The House passed the measure on the next day by a 214-210 vote. The conference report recommends spending levels that would lead to debt levels that would require an increased debt limit in FY2009. House passage of the FY2009 budget resolution automatically created and deemed passed legislation (H.J.Res. 92) that would increase the debt limit from its current level of \$9.815 trillion to \$10.615 trillion. The House passed an amended version of the Housing and Economic Recovery Act of 2008 (H.R. 3221) by a vote of 272-152 that included a debt limit increase to \$10.615 trillion on July 23, 2008. The Senate then passed the measure on July 26 on a 72-13 vote. The President signed the bill on July 30 (P.L. 110-289).

Concern over volatile conditions in financial markets may have put the debt limit increase on a legislative fast track and tamped down debates over debt policy that accompanied previous debt ceiling increases. On July 13, the U.S. Treasury announced that it would seek authority to support government-sponsored mortgage guarantee agencies Fannie Mae and Freddie Mac.<sup>39</sup> In early July, financial markets reacted strongly to some analysts' reports highlighting possible financial vulnerabilities of the two guarantee agencies, prompting the U.S. Treasury to take action and design a series of measures to restore confidence in the agencies' finances.<sup>40</sup> Those measures were incorporated into the Housing and Economic Recovery Act of 2008. In particular, the act contains provisions that would temporarily authorize the Secretary of Treasury to extend a line of credit to mortgage guarantee agencies Freddie Mac and Fannie Mae. The act also created the a new independent agency called the Federal Housing Finance Agency (FHFA), which replaced the Department of Housing and Urban Development Office of Federal Housing Enterprise Oversight (OFHEO) and the Federal Housing Finance Board (FHFB).

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<sup>36</sup> U.S. Congress, Congressional Budget O

<sup>36</sup> Goldman Sachs U.S. Research, "US Dailyoffice, *Analysis of the President's Budgetary Proposals for FY2009*, March 2008.

<sup>37</sup> Goldman Sachs U.S. Research, "US Daily: The Fiscal 2008 Deficit—Likely to Top \$500 Billion," March 25, 2008.

<sup>38</sup> U.S. Congress, House Committee on the Budget, *Report to Accompany H. Con. Res. 312*, 110<sup>th</sup> Cong., 2<sup>nd</sup> sess., H.Rept. 110-543, March 2008, p. 99; U.S. Congress, Senate Committee on the Budget, *Report to Accompany S. Res. 70*, S.Prt. 110-039, March 2008.

<sup>39</sup> Freddie Mac is officially the Federal Home Loan Mortgage Corporation. Fannie Mae is officially the Federal National Mortgage Association.

<sup>40</sup> John Cranford, "Dimensions of a Mortgage Crisis," *CQ Weekly*, July 21, 2008, p. 1970; Jeffrey H. Birnbaum and Christopher Twarowski, "Fannie, Freddie On a Tightrope: Mortgage Giants Navigate Market Volatility, Unique Role," *Washington Post*, July 29, 2008, p. D01.

While CBO indicated that it was more likely than not that such intervention would not be needed, it also estimated a 5% chance of a cost to taxpayers of more than \$100 billion.<sup>41</sup> Because debt subject to limit was just \$339 billion less than the debt ceiling of \$9,815 billion when the Senate passed H.R. 3221, some financial market participants may have worried that the debt limit, without an increase, might have hindered the Treasury Secretary's ability to intervene to support Freddie Mac and Fannie Mae. On September 7, 2008, the FHFA placed Fannie Mae and Freddie Mac in conservatorship, providing FHFA with the full powers to control the assets and operations of the firms.

Since the deprivatization of Fannie Mae and Freddie Mac and the decision of the investment bank Lehman Brothers to file for bankruptcy, the federal government has acted to provide stability to financial markets and has considered even more sweeping measures.<sup>42</sup> On Saturday, September 20, 2008, the U.S. Treasury submitted a proposal to Congress to authorize the Treasury Secretary to buy mortgage-related assets in order to stabilize financial markets. The Treasury proposal would allow Treasury holdings of mortgage-related securities up to \$700 billion and would raise the debt limit to \$11,315 billion.<sup>43</sup> The House introduced the Emergency Economic Stabilization Act of 2008 (H.R. 3997), which incorporated the main tenets of the Treasury proposal including raising the debt limit to \$11,315 billion.<sup>44</sup> On September 29, 2008, however, the House rejected this measure. On October 1, 2008, the Senate voted on, and passed, a different version of the Emergency Economic Stabilization Act of 2008 (H.R. 1424) that included the same debt limit increase.<sup>45</sup> The House passed H.R. 1424 on October 3, 2008 and it was signed into law by the President (P.L. 110-343) on the same day, raising the debt limit to \$11,315 billion.

## **Revised Deficit Estimates in 2008**

The size of the debt may remain a concern in the future due to the size of impending federal deficits necessitating further increases in the debt limit. CBO warns that the current trajectory of federal borrowing is unsustainable and could lead to slower economic growth in the long run as debt rises as a percentage of GDP.

Recently released reports, from both CBO and the Administration, estimate budget deficits will be larger than had been expected. In their September 2008 report, CBO updated their previous estimate on the FY2008 budget deficit. The new estimate, \$407 billion, represented an increase of \$11 billion from their original estimate released in March. In addition, the agency warned that deficits may exceed \$400 billion through FY2010.<sup>46</sup> These figures exclude the cost of enacted and

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<sup>41</sup> Congressional Budget Office, *Cost Estimate for H.R. 3221 "Housing and Economic Recovery Act of 2008" As passed by the Senate on July 11, 2008, with an amendment transmitted to CBO on July 22, 2008*, July 24, 2008, available at <http://www.cbo.gov/ftpdocs/95xx/doc9597/hr3221.pdf>.

<sup>42</sup> For additional information see CRS Report RS22956, *The Cost of Government Financial Interventions, Past and Present*, by Baird Webel, Marc Labonte, and N. Eric Weiss.

<sup>43</sup> U.S. Department of Treasury, "Fact Sheet: Proposed Treasury Authority to Purchase Troubled Assets," Press release hp-1150, Sept. 20, 2008, available at <http://www.treas.gov/press/releases/hp1150.htm>.

<sup>44</sup> U.S. Congress, House Financial Services Committee, Emergency Economic Stabilization Act of 2008 (Amendment to the Senate Amendment to H.R. 3997), available at [http://www.house.gov/apps/list/press/financialsvcs\\_dem/amend\\_001\\_xml.pdf](http://www.house.gov/apps/list/press/financialsvcs_dem/amend_001_xml.pdf).

<sup>45</sup> U.S. Congress, Senate Banking, Housing, and Urban Affairs Committee, Emergency Economic Stabilization Act of 2008 (In the Nature of a Substitute to H.R. 1424), available at [http://banking.senate.gov/public/\\_files/latestversionAYO08C32\\_xml.pdf](http://banking.senate.gov/public/_files/latestversionAYO08C32_xml.pdf).

<sup>46</sup> U.S. Congress, Congressional Budget Office, *The Budget and Economic Outlook: An Update*, Sept. 2008.

proposed federal financial assistance programs and annual tax extenders currently under consideration, including the alternative minimum tax patch, which would likely increase deficits over this period.

The Administration, in its July 2008 *Mid-Session Review*, estimated a FY2009 deficit of \$482 billion, an increase of \$75 billion from their February estimate.<sup>47</sup> The Administration's FY2009 estimate excludes some costs of wars in Iraq and Afghanistan, the cost of the Housing and Economic Recovery Act of 2008 (P.L. 110-289), which became law on July 30, 2008, and the Medicare Improvements for Patients and Providers Act of 2008 (H.R. 6331, P.L. 110-275), which became law on July 15, 2008. Additionally, some military analysts believe that the Pentagon will request as much as \$100 billion or more in early 2009 to replace damaged, destroyed, and depreciated equipment and to fund war costs for the last few months of FY2009.<sup>48</sup>

The Administration projects declines in the deficit beginning in FY2010, in part because of the assumption of a prompt recovery from the economic slowdown of 2008, with economic growth rates sharply higher than those estimated by most private forecasters. To the extent that actual growth rates are less than the Administration's projections, future deficits may be higher than expected.

## Concluding Comments

Since the late 1950s, the federal government increased its borrowing from the public in all years, except in FY1969 following imposition of a war surcharge and in the period FY1997-FY2001. The persistence of federal budget deficits has required the government to issue more and more debt to the public.<sup>49</sup> The accumulation of Social Security and other trust funds, particularly after 1983 when recommendations of the Greenspan Commission were implemented, led to sustained growth in government-held debt subject to limit.<sup>50</sup> The growth in federal debt held by the public and in intergovernmental accounts, such as trust funds, has periodically obliged Congress to raise the debt limit.

Between August 1997, when the debt limit was raised to \$5,950 billion, and the beginning of FY2002 in October 2001, federal budget surpluses reduced debt held by the public. From the end of FY2001, the last fiscal year with a surplus, until the end of FY2007, debt held by the public grew by \$1,729 billion. Federal debt held in intergovernmental accounts has grown steadily throughout the period, rising by \$1,508 billion since the beginning of FY2002.

In early 2001, the 10-year budget forecasts projected large and growing surpluses, indicating rapid reduction in debt held by the public. Some experts expressed concern about consequences of retiring all federal debt held by the public.<sup>51</sup> Most long-term forecasts computed at that time,

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<sup>47</sup> Office of Management and Budget, *Mid-Session Review*, July 2008, available at <http://www.whitehouse.gov/omb/budget/fy2009/pdf/09msr.pdf>.

<sup>48</sup> CRS Report RS22926, *Costs of Major U.S. Wars*, by Stephen Daggett.

<sup>49</sup> The ability to run fiscal deficits gives the federal government useful flexibility in managing its finances, although large deficits may harm economic performance. See CRS Report RL33657, *Running Deficits: Positives and Pitfalls*, by D. Andrew Austin.

<sup>50</sup> Report of the National Commission on Social Security Reform, January 1983, available at <http://www.ssa.gov/history/reports/gspan.html>.

<sup>51</sup> Testimony of Federal Reserve Chairman Alan Greenspan, in U.S. Congress, Senate Committee on the Budget, (continued...)



however, showed large deficits emerging once the baby boomers began to retire. Short-term forecasts projected continuous growth in debt held by government accounts, largely due to the difference between Social Security tax revenues and benefit payments. The combination of falling levels of publicly held debt and rising levels of debt held by government accounts moderated the expected growth of total debt. The moderate growth in total debt those projections had forecast was expected to postpone the need to increase the debt limit until late into the decade, when accumulating debt in government accounts would overtake reductions in debt held by the public.

New budget projections released in early 2002 smashed expectations of large, persistent surpluses, and hopes for reductions in debt held by the public collapsed. The return to large federal deficits accelerated the growth of total debt. Increases in the debt limit would be necessary much sooner than previously expected.

Early in 2003, the FY2003 deficit and the persistent rise in debt held by government accounts drove the federal debt up to the \$6.4 trillion limit in effect at the time. The Treasury avoided breaching the limit into May. Congress adopted a debt limit increase of \$934 billion on May 23, 2003, that provided enough room for the growing federal debt through the fall of 2004. The debt limit increase passed by Congress late in 2004 was expected, at the time, to accommodate the government's debt growth well into 2005, if not into early 2006. In late December 2005, and early in 2006, the Treasury informed Congress that the limit would be reached between mid-February and mid-March 2006. On March 16, 2006, the Senate passed the House-initiated debt limit increase, raising the debt limit to \$8,965 billion. The debt limit crisis was resolved when the President signed the debt limit increase on March 20.

Smaller than expected deficits in FY2006 and FY2007 postponed, but did not end the need for a new, higher debt limit. The House passed legislation in May 2007 (H.J.Res. 43) to raise the debt limit. The Senate passed the measure (P.L. 110-91) on September 27, which the President signed on September 29. Turmoil in some financial markets in August 2007, according to some observers, appeared to constrain contention over the debt limit increase.

The 2008 economic slowdown, which will reduce federal tax revenues and increase some federal outlays, has caused forecasts of federal deficit spending to rise, thus bringing forward the projected date when federal debt reaches its current limit. The House and Senate budget resolutions (H.Con.Res. 312, S.Con.Res. 70), as well as the conference agreement (H.Rept. 110-659), recommend spending levels that would require an increased debt limit. The House passage of the budget conference report on June 5, 2008, under the terms of the Gephardt amendment, caused the automatic engrossment of a joint resolution (H.J.Res. 92, 110<sup>th</sup> Congress) that would raise the debt limit by \$800 billion to \$10,615 billion. The measure was also then sent to the Senate. The House passed an amended version of the Housing and Economic Recovery Act of 2008 (H.R. 3221) that included a debt limit increase to \$10.615 trillion on July 23, 2008. The Senate passed the measure on July 26, and the President signed it on July 30.

While passage of H.R. 3221 provides sufficient borrowing capacity for the FY2009 congressional budgeting process and enables the Secretary of Treasury to intervene aggressively in support of Fannie Mae and Freddie Mac if need be, the debt limit issue will likely return in the near future

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(...continued)

*Outlook for the Federal Budget and Implications for Fiscal Policy*, hearings, 107<sup>th</sup> Cong., 1<sup>st</sup> sess., January 25, 2001, available at <http://www.federalreserve.gov/boarddocs/testimony/2001/20010125/default.htm>.

due to a deteriorating fiscal situation in FY2008 and FY2009, in large part linked to turmoil in financial markets, rising energy and commodity prices, and slowing economic growth rates. The proposals currently under consideration, which contain further federal assistance for the financial markets, also include provisions for another increase in the debt limit.

Over the next decade, without major changes in federal policies, persistent and possibly growing deficits, along with the ongoing growth in the debt holdings of government accounts, would increase substantially the amount of federal debt subject to limit. Unless federal policies change, Congress would repeatedly face demands to raise the debt limit to accommodate the growing federal debt in order to provide the government with the means to meet its financial obligations.

## Further Reading

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## Appendix. Debt Subject to Limit by Month Since September 2001

**Table A-1**, below, provides data on the dollar amount, in current dollars, of federal debt and the changes in these amounts by month between the end of September 2001 (the end of FY2001) and the end of August 2008. The table shows outstanding monthly balances of total federal debt, debt held by government accounts, and debt held by the public. The final row shows the change for each category for the entire period, September 2001 to August 2008.

All three measures of debt subject to limit increased over this period. From the end of September 2001 (the end of FY2001) to the end of September 2007 (the most recently completed fiscal year), total federal debt increased by \$3,275 billion, debt held in government accounts increased by \$1,522 billion, and debt held by the public increased by \$1,753 billion. All three measures experienced periodic reductions in some months. Because federal receipts and outlays are spread unevenly over the fiscal year, debt may rise or fall in a given month, even if debt measures follow an overall increasing trend.

**Table A-1. Components of Debt Subject to Limit by Month, September 2001-August 2008**

(in millions of current dollars)

End of month	Total	Change from previous period	Held by government accounts	Change from previous period	Held by the public	Change from previous period
Sept. 2001	\$5,732,802	—	\$2,436,521	—	\$3,296,281	—
Oct. 2001	5,744,523	\$11,721	2,451,815	\$15,294	3,292,709	\$-3,572
Nov. 2001	5,816,823	72,300	2,469,647	17,832	3,347,176	54,467
Dec. 2001	5,871,413	54,590	2,516,012	46,365	3,355,401	8,225
Jan. 2002	5,865,892	-5,521	2,525,755	9,743	3,340,138	-15,263
Feb. 2002	5,933,154	67,262	2,528,494	2,739	3,404,659	64,521
Mar. 2002	5,935,108	1,954	2,528,318	-176	3,406,789	2,130
Mar. 2002	5,914,816	-20,292	2,549,438	21,120	3,365,378	-41,411
May 2002	5,949,975	35,159	2,553,350	3,912	3,396,625	31,247
June 2002	6,058,313	108,338	2,630,646	77,296	3,427,667	31,042
July 2002	6,092,050	33,737	2,627,980	-2,666	3,464,070	36,403
Aug. 2002	6,142,835	50,785	2,620,946	-7,034	3,521,890	57,820
Sept. 2002	6,161,431	18,596	2,644,244	23,298	3,517,187	-4,703
Oct. 2002	6,231,284	69,853	2,680,812	36,568	3,550,472	33,285
Nov. 2002	6,294,480	63,196	2,680,788	-24	3,613,692	63,220
Dec. 2002	6,359,412	64,932	2,745,787	64,999	3,613,625	-67
Jan. 2003	6,355,812	-3,600	2,753,301	7,514	3,602,511	-11,114
Feb. 2003	6,399,975	44,163	2,750,471	-2,830	3,649,504	46,993

End of month	Total	Change from previous period	Held by government accounts	Change from previous period	Held by the public	Change from previous period
Mar. 2003	6,399,975	0	2,722,812	-27,659	3,677,163	27,659
Apr. 2003	6,399,975	0	2,731,042	8,230	3,668,933	-8,230
May 2003	6,498,658	98,683	2,755,895	24,853	3,742,763	73,830
June 2003	6,625,519	126,861	2,842,361	86,466	3,783,158	40,395
July 2003	6,704,814	79,295	2,835,566	-6,795	3,869,247	86,089
Aug. 2003	6,743,775	38,961	2,829,387	-6,179	3,914,388	45,141
Sept. 2003	6,737,553	-6,222	2,846,730	17,343	3,890,823	-23,565
Oct. 2003	6,826,668	89,115	2,869,493	22,763	3,957,175	66,352
Nov. 2003	6,879,626	52,958	2,879,117	9,624	4,000,509	43,334
Dec. 2003	6,952,893	73,267	2,940,736	61,619	4,012,157	11,648
Jan. 2004	6,966,851	13,958	2,951,219	10,483	4,015,633	3,476
Feb. 2004	7,049,163	82,312	2,953,123	1,904	4,096,040	80,407
Mar. 2004	7,088,648	39,485	2,941,195	-11,928	4,147,453	51,413
Apr. 2004	7,089,700	1,052	2,960,151	18,956	4,129,549	-17,904
May 2004	7,151,523	61,823	2,973,869	13,718	4,177,653	48,104
June 2004	7,229,320	77,797	3,039,987	66,118	4,189,334	11,681
July 2004	7,271,328	42,008	3,033,396	-6,591	4,237,933	48,599
Aug. 2004	7,305,531	34,203	3,037,149	3,753	4,268,382	30,449
Sept. 2004	7,333,350	27,819	3,056,590	19,441	4,276,760	8,378
Oct. 2004	7,383,975	50,625	3,096,207	39,617	4,287,768	11,008
Nov. 2004	7,464,740	80,765	3,087,834	-8,373	4,376,906	89,138
Dec. 2004	7,535,644	70,904	3,158,531	70,697	4,377,114	208
Jan. 2005	7,567,702	32,058	3,171,089	12,558	4,396,615	19,501
Feb. 2005	7,652,726	85,024	3,176,406	5,317	4,476,320	79,705
Mar. 2005	7,715,503	62,777	3,175,460	-946	4,540,042	63,722
Apr. 2005	7,704,041	-11,462	3,185,364	9,904	4,518,677	-21,365
May 2005	7,717,574	13,533	3,207,232	21,868	4,510,342	-8,335
June 2005	7,778,128	60,554	3,280,914	73,682	4,497,214	-13,128
July 2005	7,829,029	50,901	3,278,725	-2,189	4,550,304	53,090
Aug. 2005	7,868,395	39,366	3,284,696	5,971	4,583,699	33,395
Sept. 2005	7,871,040	2,645	3,300,969	16,273	4,570,071	-13,628
Oct. 2005	7,964,782	93,742	3,345,589	44,620	4,619,193	49,122
Nov. 2005	8,028,918	64,136	3,351,093	5,504	4,677,826	58,633
Dec. 2005	8,107,019	78,101	3,424,304	73,211	4,682,715	4,889
Jan. 2006	8,132,290	25,271	3,442,543	18,239	4,689,747	7,032

End of month	Total	Change from previous period	Held by government accounts	Change from previous period	Held by the public	Change from previous period
Feb. 2006	8,183,975	51,685	3,457,409	14,866	4,726,567	36,820
Mar. 2006	8,281,451	97,476	3,443,602	-13,807	4,837,849	111,282
Apr. 2006	8,262,718	-18,733	3,479,623	36,021	4,783,095	-54,754
May 2006	8,263,812	1,094	3,492,648	13,025	4,771,165	-11,930
June 2006	8,330,646	66,834	3,566,186	73,538	4,764,460	-6,705
July 2006	8,352,614	21,968	3,569,550	3,364	4,783,064	18,604
Aug. 2006	8,423,321	70,707	3,576,166	6,616	4,847,155	64,091
Sept. 2006	8,420,278	-3,043	3,622,378	46,212	4,828,972	-18,183
Oct. 2006	8,498,016	77,738	3,650,241	27,863	4,847,775	18,803
Nov. 2006	8,545,715	47,699	3,649,736	-505	4,895,979	48,204
Dec. 2006	8,592,513	46,798	3,724,450	74,714	4,868,063	-27,916
Jan. 2007	8,619,499	26,986	3,737,894	13,444	4,881,605	13,542
Feb. 2007	8,690,921	71,422	3,744,299	6,405	4,946,622	65,017
Mar. 2007	8,760,735	69,814	3,740,127	-4,172	5,020,608	73,986
Apr. 2007	8,753,070	-7,665	3,778,255	38,128	4,974,815	-45,793
May 2007	8,740,892	-12,178	3,792,201	13,946	4,948,691	-26,124
June 2007	8,779,168	38,276	3,867,819	75,618	4,911,348	-37,343
July 2007	8,845,417	66,249	3,873,239	5,420	4,972,178	60,830
Aug. 2007	8,918,493	73,076	3,854,115	-19,124	5,064,377	92,199
Sept. 2007	8,921,343	2,850	3,903,710	49,595	5,017,633	-46,744
Oct. 2007	8,994,639	73,296	3,958,357	54,647	5,036,281	18,648
Nov. 2007	9,065,827	71,188	3,950,468	-7,889	5,115,358	79,077
Dec. 2007	9,144,715	78,888	4,038,566	88,098	5,106,149	-9,209
Jan. 2008	9,155,842	11,127	4,053,199	14,633	5,102,644	-3,505
Feb. 2008	9,275,683	119,841	4,045,007	-8,192	5,230,676	128,032
Mar. 2008	9,358,135	82,452	4,051,685	6,678	5,306,450	75,774
Apr. 2008	9,298,567	-59,568	4,080,887	29,202	5,217,680	-88,770
May 2008	9,324,137	25,570	4,071,992	-8,895	5,252,144	34,464
June 2008	9,492,006	167,869	4,206,942	134,950	5,285,064	32,920
July 2008	9,585,480	93,474	4,182,098	-24,844	5,403,382	118,318
Aug. 2008	9,645,755	60,275	4,166,655	-15,443	5,479,100	75,718
Change, Sept. 2001-Aug. 2008		3,912,953		1,730,134		2,182,819

Source: U.S. Treasury, Bureau of the Public Debt, *Monthly Statement of the Public Debt*, Sept. 2001-Aug. 2008, TreasuryDirect website; CRS calculations.

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