CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 12, 2000

H.R. 4601
Debt Reduction Reconciliation Act of 2000

As ordered reported by the House Committee on Ways and Means on June 8, 2000

H.R. 4601 would establish the Public Debt Reduction Payment Account, a new account in the Treasury of the United States, and would appropriate into that account an amount equal to any increase in the on-budget surplus projected by the Congressional Budget Office (CBO) for fiscal year 2000. The increase would be measured relative to the $24.4 billion on-budget surplus specified in the concurrent resolution on the budget for fiscal year 2001. Transactions of the new account would be off-budget, and funds in the account would be used to retire or purchase outstanding federal debt held by the public. The bill would also reduce the statutory limit on the public debt by the same amount that is appropriated to this account.

This bill would have no effect on the total spending, receipts, or surplus of the federal government. Whether it would affect the allocation of the budget surplus between the on-budget and off-budget categories would depend on the budgetary treatment chosen by the Office of Management and Budget (OMB).

H.R. 4601 could reduce the on-budget surplus and increase the off-budget surplus in fiscal year 2000 by the same amount. Because CBO has not yet completed its summer budget update, we do not yet have a specific estimate of the budgetary impact of the bill. CBO has stated that it anticipates an on-budget surplus of at least $40 billion for the current fiscal year, which would indicate that at least $16 billion would be transferred to the Public Debt Reduction Payment Account.

H.R. 4601 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would have no effect on the budgets of state, local, or tribal governments.

Budgetary Implications

Although H.R. 4601 would have no budgetary effect relative to the current CBO baseline estimates, the bill could change the on-budget and off-budget surpluses if CBO's forthcoming budget update projects an increase in the on-budget surplus. In that case, the bill would appropriate the increase to an off-budget account, leaving the on-budget surplus at the level assumed in the budget resolution and increasing the off-budget surplus—but the total federal surplus would not be affected by the bill. That budgetary treatment would parallel the budgetary treatment of subsidy appropriations to the Postal Service and interest payments to the Social Security trust funds—that is, on-budget outlays precisely offset by off-budget receipts or collections. (It is possible, however, that OMB would choose an alternative approach, which would result in no change in either the on-budget or off-budget surplus.)

Any increase in the on-budget surplus, if not used for additional spending or for reductions in taxes, would automatically be used to reduce the federal debt. This bill, therefore, would help reduce the public debt only to the extent that, by reducing the reported on-budget surplus, it inhibits the use of some of that surplus for spending increases or tax reductions.

Budgetary Treatment

For Congressional scorekeeping purposes, CBO would record payments from the general fund of the Treasury to the off-budget Public Debt Reduction Payment Account as direct spending. H.R. 4601, however, specifies that the appropriation to the account would not be classified as direct spending. Therefore, once the bill is enacted into law, pay-as-you-go procedures would not apply to the appropriation. However, that language does not affect the treatment of the bill for Congressional scorekeeping purposes.

The CBO staff contact for H.R. 4601 is Paul Cullinan. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.