



MEMORANDUM

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Subject: Enactment of a Change in the Statutory Debt Limit: Prior Instances that Included a Change in Fiscal Policy

This memorandum was prepared for distribution to more than one congressional office. It addresses instances in which the enactment of a change in the statutory debt limit included a change in fiscal policy.¹ The memorandum provides a response to requests for this information from staff during both past and current debates over changing the statutory debt limit. For purposes of this memorandum, a change in fiscal policy is defined as any direct change in spending or revenues or any budget process reform intended to result in some change in spending or revenues.²

We began by reviewing each change in the statutory debt limit since its inception in 1917,³ identifying such laws that included any provisions in addition to the change in the debt limit or the borrowing authority of the Secretary of the Treasury. Of the 103 laws changing the debt limit during this period, 39 laws also included such other provisions. We then examined such provisions to determine whether or not they represented a change in fiscal policy. Based on this review, we identified 20 debt limit laws that also included a change in fiscal policy during the period from 1917 to the present. **Table 1** lists these measures, providing the debt limit change and a brief description of the change in fiscal policy.

When available, we relied on summaries of legislative action, such as those included in the annual CQ Almanac (1947-2011), CRS reports, and the Legislative Information System (LIS), as indicated in the

¹ Bill Heniff Jr., Analyst on Congress and the Legislative Process, assisted in the preparation of this memorandum.

² We did not include, as a fiscal change, legislation that might indirectly affect spending or revenues, but did not directly change spending or revenues. For example, we did not include legislation that rescinded an Executive Order limiting salaries to \$25,000 as a change in fiscal policy (P.L. 78-34, 57 Stat. 63, April 11, 1943). In addition, we did not include four temporary debt limit changes that also suspended (i.e., temporarily delayed), but did not permanently rescind, a sequestration order in 1990 (P.L. 101-412, 104 Stat. 897, October 9, 1990; P.L. 101-444, 104 Stat. 1033, October 19, 1990; P.L. 101-461, 104 Stat. 1078, October 25, 1990; and P.L. 101-467, 104 Stat. 1087, October 28, 1990). We did include subsequent debt limit legislation that permanently rescinded the sequestration order and also contained other fiscal changes (Omnibus Budget Reconciliation Act of 1990, P.L. 101-508, 104 Stat. 1388-560, November 5, 1990). Finally, we did not include, as a fiscal change, budget process reform legislation that did not provide for enforcement mechanisms. For example, we did not include legislation that directed Congress to balance the budget but did not establish any statutory consequences for noncompliance, such as an automatic spending reduction process, as a change in fiscal policy (P.L. 96-5, 93 Stat. 8, April 2, 1979).

³ For 1917-1939, United States Department of the Treasury, 1980 Report of the Secretary of the Treasury, *Statistical Appendix*, Table 32; for 1940-present, Office of Management and Budget, *Budget for Fiscal Year 2013, Historical Tables*, Table 7.3, pp. 142-144.

table below, to determine whether or not the legislation had a direct effect on spending or revenues. When such summaries were not available, we relied on a review of the legislative text.

Debate surrounding increases to the debt limit has often included discussions of fiscal policy. However, in order to provide the requested information in a timely manner, we did not undertake to identify each instance in which a change in the debt limit (specifically, when an increase was necessary to pay current obligations) might have precipitated a subsequent change in fiscal policy in separate legislation. As described above, we limited our review to cases in which both the debt limit change and the fiscal policy change were included in the same legislation. We did not attempt to identify cases in which the debt limit was increased in stand-alone legislation while fiscal policy changes were effected in separate legislation.

Finally, as apparent from the brief descriptions included in the table, fiscal changes can increase or reduce the deficit. Some of the listed measures increased the budget deficit by increasing spending, reducing revenues, or a combination of the two, possibly contributing to the amount by which the debt limit was increased. Other measures, in contrast, reduced the budget deficit by reducing spending, increasing revenues, or a combination of the two, possibly prompted by the need to raise the debt limit. By request, we can provide additional detail on any of the instances listed in the table or further analysis of the issues mentioned in this memorandum.

Table I. Chronology of Debt Limit Changes That Also Included Fiscal Changes

Legislation	Date of Enactment	Debt Limit Change ^a	Brief Description of Fiscal Change ^b
67th Congress			
An Act to reduce and equalize taxation, to provide revenue, and for other purposes (P.L. 67-98)	11-23-1921	Increased limit on notes outstanding by \$0.5 billion (42 Stat. 321)	Included various changes to the individual and corporate income tax, including revisions to the tax rates and the definitions of net income and allowable deductions and credits. The Act also included a war profits and an excess profits tax to be assessed on corporations in tax year 1921. Other items addressed by the legislation included the taxation of estates and trusts, the taxation of telegraph and telephone messages, beverages, tobacco, admissions and dues, stamps, excise taxes, and other special taxes. (Legislative text)
73rd Congress			
To protect the currency system of the United States, to provide for the better use of the monetary gold stock of the United States, and for other purposes. (P.L. 73-87)	01-30-1934	Increased limit on notes outstanding by \$2.5 billion (48 Stat. 343)	Included an appropriation of \$2 billion to a stabilization fund, for the purpose of stabilizing the exchange value of the dollar, presumably in relation to other provisions of the act that required all gold claims being held by the Federal Reserve Board, Federal Reserve bank, and Federal Reserve agent be vested in the United States, with an equivalent amount of dollars being deposited in the accounts of the Federal Reserve Board in exchange. Further, other gold stock could only be held for specified purposes to include industrial, professional, or artistic use. The Act also defined the equivalent exchange between the dollar and gold. (Legislative text)
76th Congress			
To provide for the expenses of national preparedness by raising revenue and issuing bonds, to provide a method for paying for such bonds, and for other purposes. (P.L. 76-656)	06-25-1940	Added new authority for \$4 billion in National Defense Series obligations (54 Stat. 526)	Provided for a surtax on individuals, corporations, and non-resident alien individuals for tax years 1940 to 1944, which was known as the Defense Tax. This tax also applied to a range of other items. The Act also included additional changes to the individual income tax. (Legislative text)

Legislation	Date of Enactment	Debt Limit Change ^a	Brief Description of Fiscal Change ^b
77th Congress			
To increase the debt limit of the United States, to provide for the Federal taxation of future issues of obligations of the United States and its instrumentalities, and for other purposes. (P.L. 77-7)	02-14-1941	Eliminated authority for \$4 billion in National Defense Series obligations and increased overall limit by \$16 billion (55 Stat. 7)	Provided for the taxation of any interest earned on obligations of the United States. (Legislative text)
78th Congress			
To increase the debt limit of the United States. (P.L. 78-333)	06-09-1944	Increased permanent limit by \$50 billion (58 Stat. 272)	Provided a reduction of “the war tax rate on cabarets, roof gardens, and so forth,” from 30% to 20%. (Legislative text)
86th Congress			
To increase for a one-year period the public debt limit set forth in section 21 of the Second Liberty Bond Act and to extend for one year the existing corporate normal-tax rate and certain excise-tax rates, and for other purposes. (P.L. 86-564)	06-30-1960	Increased temporary limit by \$8 billion through June 30, 1961 (74 Stat. 290)	Provided a one-year postponement in scheduled reductions of the corporation income and certain excise tax rates. (<i>CQ Almanac</i> 1960, pp. 362-364)
92nd Congress			
To increase the public debt limit set forth in section 21 of the Second Liberty Bond Act, and for other purposes. (P.L. 92-5)	03-17-1971	Increased permanent limit by \$20 billion and temporary limit by \$30 billion through June 30, 1972 (85 Stat. 5)	Provided a 10% across-the-board increase in Social Security benefits, an increase in the taxable wage base for the Social Security payments from \$7,800 to \$9,000, and an increase in payroll tax rates from 5% to 5.15%, among other changes to Social Security. (<i>CQ Almanac</i> 1971, pp. 421-425)
To provide for a four-month extension of the present temporary level in the public debt limitation, and for other purposes. (P.L. 92-336)	07-01-1972	Extended existing temporary increase (of \$50 billion) through October 31, 1972 (86 Stat. 406)	Provided a 20% across-the-board increase in Social Security benefits, an increase in the taxable wage base for the Social Security payments from \$9,000 to \$10,800 (in 1973) and \$12,000 (in 1974), and an increase in payroll tax rates from 5.2% to 5.5%, among other changes to Social Security. (<i>CQ Almanac</i> 1972, pp. 399-403)

Legislation	Date of Enactment	Debt Limit Change ^a	Brief Description of Fiscal Change ^b
93rd Congress			
To continue the existing temporary increase in the public debt limit through November 30, 1973, and for other purposes. (P.L. 93-53)	07-01-1973	Extended existing temporary increase (of \$65 billion) through November 30, 1973 (87 Stat. 134)	Provided extended benefits to unemployed workers in certain states and an extension of project grants for maternal and child health programs through FY1974. (<i>CQ Almanac</i> 1973, p. 262, 543-544)
99th Congress			
Balanced Budget and Emergency Deficit Control Act of 1985 (P.L. 99-177)	12-12-1985	Increased limit by \$174.9 billion (99 Stat. 1037)	Established annual maximum deficit targets, to achieve a balanced budget by FY1991, enforced by a sequestration process, requiring automatic, largely across-the-board spending cuts to non-exempt programs if the targets were exceeded. (<i>CQ Almanac</i> 1985, pp. 457-466)
100th Congress			
Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (P.L. 100-119)	09-29-1987	Increased limit by \$448 billion (101 Stat. 754)	Revised the annual maximum deficit targets, established by the Balanced Budget and Emergency Deficit Control Act of 1985, to achieve a balanced budget by FY1993, and modified the sequestration process to be triggered by a report by the director of the Office of Management and Budget (instead of by the Comptroller General, which was ruled as unconstitutional). (<i>CQ Almanac</i> 1987, pp. 604-607)
101st Congress			
Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) ^c	11-05-1990	Increased limit by \$915 billion (104 Stat. 1388-560)	Included a five-year deficit reduction package of various tax increases, entitlement cuts, and user fee increases. In addition, the act replaced the annual maximum deficit targets with statutory limits on discretionary spending (for FY1991-FY1995) and a pay-as-you-go (PAYGO) requirement on mandatory spending and revenue legislation, both enforced by sequestration. (<i>CQ Almanac</i> 1990, pp. 111-116)
103rd Congress			
Omnibus Budget Reconciliation Act of 1993 (P.L. 103-66)	08-10-1993	Increased limit by \$530 billion (107 Stat. 565)	Included a five-year deficit reduction package of various tax increases, entitlement cuts, and user fee increases. In addition, the act extended the statutory limits on discretionary spending (through FY1998) and the pay-as-you-go (PAYGO) requirement on mandatory spending and revenue legislation, both enforced by sequestration. (<i>CQ Almanac</i> 1993, pp. 107-123)

Legislation	Date of Enactment	Debt Limit Change ^a	Brief Description of Fiscal Change ^b
104th Congress			
Contract with America Advancement Act (P.L. 104-121)	03-29-1996	Increased limit by \$600 billion (110 Stat. 825)	Included an increase in the Social Security earnings limit and changed eligibility rules related to supplemental security insurance benefits and Social Security payments to stepchildren. (<i>CQ Almanac</i> 1996, pp. 2-25 through 2-28)
105th Congress			
Balanced Budget Act of 1997 (P.L. 105-33)	08-05-1997	Increased limit by \$450 billion (111 Stat. 648)	Included a five-year deficit reduction package of various mandatory spending cuts and revenue increases. In addition, the act extended the statutory limits on discretionary spending (through FY2002) and the pay-as-you-go (PAYGO) requirement on mandatory spending and revenue legislation, both enforced by sequestration. (<i>CQ Almanac</i> 1997, pp. 2-3 through 2-19)
110th Congress			
Housing and Economic Recovery Act of 2008 (P.L. 110-289)	07-30-2008	Increased limit by \$800 billion (122 Stat. 2908)	Included various mortgage relief provisions, including granting Treasury the authority (expiring on December 31, 2009) to stabilize the housing finance system by purchasing obligations and securities of the housing GSEs (Fannie Mae, Freddie Mac, and the Federal Home Loan Banks) in unlimited amounts under terms and conditions determined by Treasury. (<i>CQ Almanac</i> 2008, pp. 4-9, 7-9 through 7-17)
To provide authority for the Federal Government to purchase and insure certain types of troubled assets for the purposes of providing stability to and preventing disruption in the economy. (P.L. 110-343)	10-03-2008	Increased limit by \$700 billion (122 Stat. 3790)	Included various authorities, guidance, and reporting requirements to the Secretary of the Treasury and Office of Management and Budget for implementation of the Troubled Asset Relief Program (TARP). Also included the extension of various tax provisions, provided disaster relief, and included provisions related to the treatment of mental health conditions in group health plans. (<i>CQ Almanac</i> 2008, pp. 4-9, 7-3 through 7-8)
111th Congress			
American Recovery and Reinvestment Act of 2009 (P.L. 111-5)	02-17-2009	Increased limit by \$900 billion (123 Stat. 366)	Included various spending increases and revenue reductions affecting “a wide range of programs.” (<i>CQ Almanac</i> 2010, pp. 4-13, 7-3 through 7-9)
Increasing the statutory limit on the public debt. (P.L. 111-139)	02-12-2010	Increased limit by \$1,900 billion (124 Stat. 8)	Restored a modified version of a pay-as-you-go (PAYGO) requirement on mandatory spending and revenue legislation, enforced by sequestration. (CRS Report R41157; <i>CQ Almanac</i> 2010, pp. 4-10 through 4-13)

Legislation	Date of Enactment	Debt Limit Change ^a	Brief Description of Fiscal Change ^b
112th Congress			
Budget Control Act of 2011 (P.L. 112-25)	08-2-2011	Increased limit by \$2,100 billion in three installments (124 Stat. 251)	Included provisions related to certain federal student aid programs, as well as other measures intended to reduce the deficit over 10 years, including statutory caps on discretionary spending through FY2021, a Joint Select Committee tasked to develop legislation reducing the deficit, and an automatic spending reduction process in the event the Joint Committee did not achieve a certain level of deficit reduction. (CRS Report R41965)

Sources: CRS Report R41814, *Votes on Measures to Adjust the Statutory Debt Limit, 1978 to Present*, by Justin Murray; Office of Management and Budget, *Budget for Fiscal Year 2013, Historical Tables*, Table 7.3; Library of Congress, *Legislative Information System (LIS)*; United States Department of the Treasury, 1980 Report of the Secretary of the Treasury, *Statistical Appendix*, Table 32; and sources as cited.

- a. Prior to July 20, 1939, there were separate limits on bonds, notes, certificates of indebtedness, and bills outstanding. Since then, there has been an overall limit on all types of debt issuances, except for a separate limit on National Defense Series obligations between June 25, 1940 and February 19, 1941. The statutes-at-large citations, which are the same citations included in the Treasury's *Statistical Appendix* and OMB's *Historical Tables*, reference the specific provision in the public law that changes the debt limit.
- b. Legislation may include other provisions unrelated to fiscal change.
- c. This legislation was preceded by four temporary debt limit changes (P.L. 101-412, 104 Stat. 897, October 9, 1990; P.L. 101-444, 104 Stat. 1033, October 19, 1990; P.L. 101-461, 104 Stat. 1078, October 25, 1990; and P.L. 101-467, 104 Stat. 1087, October 28, 1990) that also suspended (i.e., temporarily delayed) a sequestration order in 1990 while Congress and the President were negotiating the deficit reduction package, which permanently rescinded the sequestration order. As noted above, we did not include the suspensions of the sequestration order as a fiscal change, and therefore did not include those temporary debt limit changes on this list.

