

Box 2-2.
The Debt Ceiling

As part of the Omnibus Budget Reconciliation Act of 1993, the Congress enacted a new statutory limit on federal debt of \$4.9 trillion. This action should spare lawmakers another vote on this contentious issue for nearly two years.

Debt subject to limit far exceeds debt held by the public (a much more useful measure of what the government owes), mainly because it includes the holdings of Social Security, Medicare, and other government trust funds. CBO's projections of debt subject to limit through 1998 are presented below. Clearly, although this year's deficit reduction package puts a huge dent in projected deficits, it does not halt the accumulation of debt. So long as the government runs any deficit at all, and so long as trust funds' holdings are included in the statutory measure, policymakers will be forced periodically to raise the dollar limit on debt.

Voting explicitly on the debt is an ineffectual way to control federal borrowing. The key choices are made when voting on spending and revenues, which in turn substantially dictate the Treasury's borrowing needs. But the increase in the reconciliation act was hardly the

first time that such a measure has been part of a bigger package that slashed the deficit and revamped the budget process. The original Balanced Budget and Emergency Deficit Control Act of 1985 (better known as Gramm-Rudman-Hollings), its successor in 1987, and the Budget Enforcement Act of 1990 all coincided with interruptions in the debt ceiling.

The latest increase marks the second vote this year on the debt ceiling. In April, a temporary hike in the debt ceiling (to \$4,370 billion) was enacted. This increase was valid only through September 30, 1993. Like many such short-term increases, this temporary measure was meant to bring the budgetary debate to a head and thus spur action on a major deficit reduction effort--which the Congress in fact wrapped up in August.

How long will the new ceiling last? Under the Congressional Budget Office's latest projections, debt subject to limit would just top \$5 trillion at the end of 1995. Thus, the recent increase to \$4.9 trillion is likely to last through most of that fiscal year--probably becoming inadequate in late spring or early summer.

Baseline Projections of Debt Subject to Statutory Limit
(By fiscal year, in billions of dollars)

	1992	1993	1994	1995	1996	1997	1998
Debt Subject to Limit, Start of Year	3,569	3,973	4,308	4,677	5,006	5,345	5,701
Changes							
Deficit	290	266	253	196	190	198	200
Trust fund surplus	96	90	106	117	127	131	134
Other changes ^a	17	-20	10	15	22	26	23
Total	403	336	369	328	339	356	358
Debt Subject to Limit, End of Year	3,973	4,308	4,677	5,006	5,345	5,701	6,058

SOURCE: Congressional Budget Office.

a. Primarily changes in Treasury cash balances, investments by government funds (such as the Bank Insurance Fund) that are not trust funds, and activity of the credit financing accounts.