



Legislative Bulletin.....May 8, 2013

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H.R. 807 – Full Faith and Credit Act

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Note: This legislation is endorsed by RSC Chairman Scalise (R-LA), and past RSC chairmen Price (R-GA), Jordan (R-OH), and Hensarling (R-TX). It is also supported by Budget Committee Chairman Ryan (R-WI) and Ways and Means Committee Chairman Camp (R-MI). The RSC Steering Committee voted to include this bill as a signature RSC initiative.

Order of Business: The bill is scheduled to be considered beginning on Wednesday, May 8, subject to a structured rule ([H. Res. 202](#)). One clarifying amendment, offered by Mr. Camp (R-MI), was made in order by the Rules Committee.

Summary: In the event the debt limit is reached, this bill would allow the Treasury Department to borrow outside the debt limit to pay principal and interest, thus assuring against a sovereign default. Because retired principal would be replaced by new principal, the net effect of this authority is to allow the Treasury Department to borrow funds to pay interest. As a safeguard, the bill requires weekly reporting from the Treasury Department to Congress on the use of this authority. Furthermore, there is no plausible scenario in the 10-year budget window under which this bill would free the president from requesting a debt ceiling increase.

Social Security: The bill’s definition of interest includes interest owed to the Social Security Trust Fund. Ensuring that interest payments to the Social Security Trust Fund will be made in turn ensures that Social Security payments to beneficiaries will continue to be made. After the debt limit has been raised, the debt issued outside the debt limit would come back under the debt limit.

The iteration of the bill being considered is an amendment in the nature of a substitute, which was added in the Ways and Means Committee markup of the bill, has the support of Chairman Scalise (R-LA) and the bill’s sponsor, Rep. McClintock (R-CA) (as well as the members listed above). The original iteration stipulated that revenue would be prioritized to make interest payments. This approach would require Treasury to “hoard” cash for days on which interest

payments were greater than incoming revenue. The potential uncertainty created by this process is addressed by the amendment in the nature of a substitute.

Additional Background: During 2011 negotiations over the debt limit, the Obama Administration repeatedly raised the threat of default. This bill ensures that in future debt limit negotiations, demagogic threats of sovereign default will be off the table. It also prevents market instability that could be caused by threats of default, which protects American families and businesses, protects the United States global position as an economic leader, and protects the United States credit rating.

RSC Bonus Fact: The United States government owes 2.25 times as much to American seniors through the Social Security Trust Fund ([\\$2.7 trillion](#)) than it owes to China ([\\$1.2 trillion](#)).

Committee Action: The Ways and Means Committee held a hearing on preventing default (April 10, 2013) and a markup of H.R. 807 (April 26, 2013).

Administration Position: The administration has issued a [veto threat](#) for H.R. 807.

What Is the Constitutional Authority for the Legislation?: By Mr. McClintock : Congress has the power to enact this legislation pursuant to the following: Article 1, Section 8, Clauses 1 and 2 of the United States Constitution, which confer on Congress the power to collect and manage revenue for the payment of debts owed by the United States and to borrow money on the credit of the United States. Article 1, Section 8, Clauses 1 and 2 United States Constitution: ``The Congress shall have the power to lay and collect taxes, duties, imports and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imports and excises shall be uniform throughout the United States; To borrow money on credit of the United States;''

Outside Organizations: As of press time, the following organizations have issued letters of support for H.R. 807:

Americans for Prosperity issued a letter of support and score alert.

Heritage Action issued a [letter of support and score alert](#).

Americans for Tax Reform issued a letter of support.

National Taxpayers Union issued a letter of support.

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