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The Debt Limit: The Ongoing Need for Increases

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Summary

Increases in total federal debt are driven by both government deficits that require that the government sell debt to raise cash (which increase *debt held by the public*) to meet its obligations and by the surpluses credited to (and the accounting for) debt-holding federal accounts, mostly the federal trust funds such as the Social Security, Medicare, Transportation, and Civil Service trust funds (which increase *debt held by government accounts*).

Surpluses generally reduce debt held by the public. The surpluses over the four fiscal years 1998-2001 reduced debt held by the public by $448 billion. More than offsetting this debt reduction, the surpluses credited to debt-holding government accounts (which generally must invest the surpluses in federal debt), increased their holdings by $853 billion over the same period. The combination ($853 billion minus $448 billion) raised total federal debt by $405 billion. During 2002, debt subject to limit increased enough to reach the then current statutory debt limit, $5.95 trillion, in early April and again in May 2002. Congress passed and the President signed legislation (P.L. 108-24) increasing the limit to $6.4 trillion in June 2002.

With the expected return of deficits and the continued growth in federal trust fund debt holdings, in December 2002, the Administration began warning Congress that the debt limit would need to be increased again; this time in the first half of 2003. As the limit was approached in February 2003, the Administration resorted to measures at its disposal to avoid breaching the limit. The adoption (April 11, 2003) of the conference report (H.Rept. 108-71) on the budget resolution (H.Con.Res. 95) for FY2004 generated legislation (H.J.Res.51) — deemed passed by the House — increasing the debt limit by $984 billion to $7.4 trillion. The increase would be the largest dollar increase in the debt limit ever enacted.

The Senate received the legislation on April 11, 2003did not begin its debate on the measure until May 23. The Senate rejected eight proposed amendments before passing the debt limit increase on May 23. The President signed the resolution into law on May 27 (P.L. 108-24). The limit was expected to provide sufficient borrowing authority for the Treasury into the summer or fall of 2004.

By the spring of 2004, the Treasury was again asking for an increase in the debt limit. Congress did not take any action to raise the debt limit before recessing in mid-October 2004. With no debt limit increase, the Secretary of the Treasury notified Congress in mid-October that he was taking allowed actions to avoid exceeding the debt limit. He also stated that these actions would suffice only through mid-November, when the Treasury would exhaust its ability to finance all federal activities.

This report will be updated as events warrant.

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The statutory debt limit applies to almost all federal debt.[1] It 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, with most of the internal debt held by federal trust funds such as the Social Security, Medicare, Transportation, and Civil Service Retirement trust funds. The government's surpluses or deficits determine (almost exclusively) the change in debt held by the public.[2] Debt held in government accounts, on the other hand, is unaffected by the government's overall budget balance. The increases or decreases in debt held by government accounts are the product of government accounting practices and the reported surpluses (or deficits) of the accounts holding the debt.

Nearing or reaching the debt limit interferes with the Treasury's regular methods of financing federal activities or meeting government obligations. 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 show annual surpluses. If the Treasury cannot issue new debt (the effect of reaching the limit), the government may be unable to obtain the cash needed to pay its bills (under a short-term cash flow problem or from an annual deficit) or it may be unable to invest the surpluses of designated government accounts (the federal trust funds) in federal debt as generally required by law. In either case, the Treasury is in a bind; it is required by law to continue meeting the government's legal obligations, but the debt limit may prevent it from issuing the debt that would allow it to do so.

During the four years of surpluses, FY1998 through FY2001, the federal debt held by the government's own accounts grew by $855 billion over the four years of budget surpluses, FY1998 through FY2001, and continues to grow; debt held by the public fell by $450 billion over the same period, but has been growing rapidly since FY2001 because of the persistent, large budget deficits (see **Table 1**). The growth in the components of debt are shown graphically in **Figure 1**. The estimates are for future years are from CBO's September 2004 budget report; the actual data for the

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[1] Less than 0.5% of total the debt is excluded from debt limit coverage. On August 30, 2004, total debt was $7,323,795 million; debt subject to limit was $7,305,531 million or 99.8% of total debt.

[2] Other means of financing, including cash balance changes, seigniorage, and capitalization of financing accounts used to fund federal credit programs, has relatively little effect on the changes in debt held by the public.

fiscal years 1980 through 2003 are from OMB.[3] The CBO baseline estimates are one possible measure of extending current policy into the future. Changes to current policy, such as making permanent the tax cuts that are still scheduled to expire, will make the future measures of debt differ from those shown in **Figure 1**.

Table 1. Components of Debt Subject to Limit, FY1996-FY2004

(in billions of dollars)

End of Fiscal Year (or period)	Debt Limit	Debt Subject to Limit		
		Total	Held by Government Accounts	Held by the Public
1996	$5,500.0	$5,137.2	$1,432.4	$3,704.8
1997	5,950.0	5,327.6	1,581.9	3,745.8
1998	5,950.0	5,439.4	1,742.1	3,697.4
1999	5,950.0	5,567.7	1,958.2	3,609.5
2000	5,950.0	5,591.6	2,203.9	3,387.7
2001	5,950.0	5,732.8	2,436.5	3,296.3
2002	6,400.0	6,161.4	2,644.2	3,517.2
2003	7,384.0	6,737.6	2,846.7	3,890.8
2004	7,384.0	7,333.4	3,056.6	4,276.8
October 2004	7,384.0	7,383.975	3,096.2	4,287.8
Change During the Period of Surplus, FY1998 — FY2001		405.2	854.6	-449.5
Change Since FY2001 (through October 2004)		1,651.2	659.7	991.5

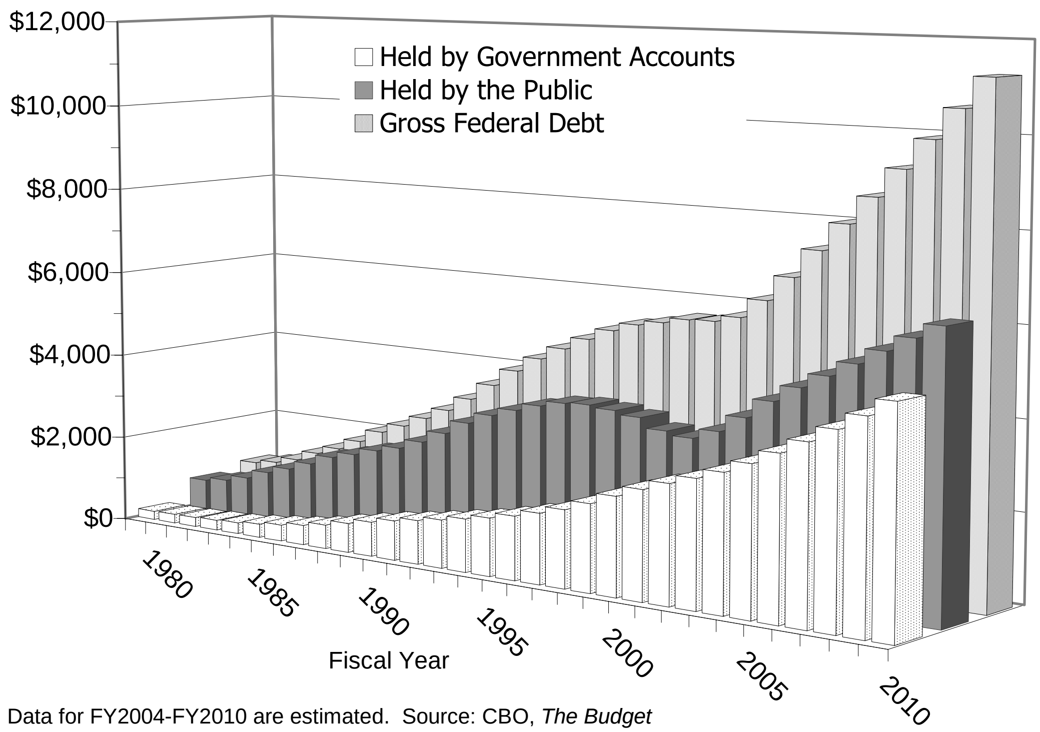
Source: U.S. Department of the Treasury, Financial Management Service, *Treasury Bulletin*, June 2001 and March 2002. Bureau of the Public Debt, *Monthly Statement of Public Debt*, September 2003 and August 2004. CRS calculations.

Note: For the fiscal years 1996 through 2000, the amounts held by government accounts and held by the public are approximations. The Treasury began producing the split into holders of debt subject to limit in its publications in 2001. The numbers in the table showing this split for 1996 through 2000 were calculated by subtracting Federal Financing Bank debt (an arm of the Treasury; its debt is not subject to limit) from total debt held by government accounts to approximate the amount of that debt subject to limit (a second subtraction, for unamortized discount, is unavailable, leaving the approximate amount too large by billions of dollars). 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 too large, the resulting measure of debt held by the public subject to limit is too small. The approximations provide adequate information to reveal the pattern of change in the two categories over the time shown in the table.

[3] CBO. *The Budget and Economic Outlook: An Update*, Sept. 2004; OMB, *Historical Tables, Budget of the U.S. Government, FY2005*, Feb. 2004.

As can be seen in **Figure 1**, debt held by government accounts has grown steadily since 1980, a substantial portion as the result of changes in the financing of Social Security that were adopted in 1983. Debt held by the public (which changes in response to total surpluses or deficits) grew through FY1997, and fell as the government had surpluses from FY1998 through FY2001, before growing once again with the return of deficits in FY2002 and the expected deficits through (at least) FY2010.[4]

Figure 1. Components of Federal Debt
(in billions of dollars)



Data for FY2004-FY2010 are estimated. Source: CBO, *The Budget and Economic Outlook: An Update*, Sept. 2004 and OMB, *Historical Tables, Budget of the U.S. Government for FY2005*, Feb. 2004.

The Situation in 2002

The ongoing increases in debt held by government accounts produced most of pressure on the debt limit early in 2002. The re-emergence of deficits in FY2002, which led to increases in debt held by the public, added to the pressure on the debt

[4] Once the Social Security system begins drawing on its holdings of debt, total debt held by government accounts is very likely to begin falling while, without substantial policy changes, debt held by the public will grow rapidly as the government seems likely to experience growing and persistent deficits.

limit later in the first six months of 2002.[5] 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 then $5.95 trillion debt limit.[6] 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 very close to the $5.95 trillion limit. **Table 2** shows debt by month for FY2002 (and through October 2004) and the month-to-month changes.

In the fall of 2001, the Administration recognized that the deterioration in the budget outlook and continued growth in debt held by government accounts was likely to lead to the debt limit being reached sooner rather than later. 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 repeatedly requested that Congress adopt an increase in the debt limit and warned Congress of the adverse financial consequences of not raising the limit.

On April 4, 2002, the Treasury, to avoid exceeding the limit, used authority provided through existing legislation to suspend reinvestment of government securities in the G-Fund of the federal employees' Thrift Savings Plan (TSP). The Treasury exchanged between $5 billion and $35 billion in federal securities for the same amount of credit balances. This action lowered the amount of existing debt subject to limit and allowed the Treasury to issue new debt and meet the government's obligations. On April 16, after the influx of April 15 tax revenues, 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.[7] (As the Treasury awaited the influx of tax payments due on April 15, the debt subject to limit stood at $5,949,975 million, less than $25 million below the limit.) By the end of April, debt-subject-to-limit had fallen $35 billion below the limit. The Treasury continued to issue debt during May, ending the month with debt subject to limit $15 million below the statutory limit (see **Table 2**).

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[5] 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 calculated amounts that approximate the amounts of debt subject to limit held in these two categories for fiscal years prior to 2001.

[6] The previous increase in the debt limit was on August 5, 1997, as part of the Balanced Budget Act of 1997 (P.L. 105-33). The limit was then raised from $5.5 trillion to $5.95 trillion.

[7] For a short discussion of the Treasury's previous uses of its short-term ability to avoid breaching the debt limit, see 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, Aug. 1996.

Table 2. Components of Debt Subject to Limit by Month in FY2002-FY2004

(in millions of 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
March 2002	5,935,108	1,954	2,528,318	-176	3,406,789	2,130
April 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
March 2003	6,399,975	0	2,722,812	-27,659	3,677,163	27,659
April 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
March 2004	7,088,648	39,485	2,941,195	-11,928	4,147,453	51,413
April 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
Change in FY2004		506,682		226,714		319,585
Change, Sept 2001-Oct 2004		1,651,173		659,686		991,487

Source: U.S. Treasury, Bureau of the Public Debt, *Monthly Statement of the Public Debt*, Sept. 2001-Aug. 2004.

Resolving the Debt Limit Issue in 2002

By mid-May 2002, federal debt subject to limit effectively reached the statutory limit of $5,950 billion. The previous brush with the debt limit took place from early to mid-April. That earlier episode was short-term and resolved itself with the large tax payments received on and after April 15. When the debt limit was again reached in mid-May 2002, the Treasury, for the second time in 2002, used its available statutory authority to temporarily avoid a default on the government's obligations.

The situation that began in mid-May was more serious than the earlier episode. It required the Treasury to resort to the financing actions used earlier and, if it had lasted long enough, possibly could have led to additional actions that had not yet been used. The situation could not be relieved without an increase in the debt limit. On May 14, the Treasury issued another request to Congress to raise the debt limit or produce some other statutory change that would allow the Treasury to issue new debt. The Treasury, in a news release, stated that, "absent extraordinary actions, the government will exceed the statutory debt ceiling no later than May 16."[8] The release went on to state that

> 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.[9]

By reducing the amount of federal debt held by these government accounts (and replacing it with non-interest bearing, non-debt instruments), the Treasury was again able to issue debt to meet the government's obligations. The Treasury also stated that these "extraordinary" actions would suffice only, at the longest, through June 28, 2002. By that date, without an increase in the debt limit, the Treasury indicated that it would need to take other actions to avoid breaching the ceiling.[10] By the end of June and into the first days of July, with large payments and other obligations due, the Treasury stated that it would be out of all available options to issue debt and fulfill government obligations. The situation would then put the government on the verge of a default.

Congress took action over May and June 2002, that eventually led to an increase in the debt limit. The House-passed supplemental appropriations for FY2002 (H.R. 4775; May 24, 2002) included, after extended debate, language allowing any eventual House-Senate conference on the legislation to add an increase in the debt limit. The Senate did not add debt-limit-increasing language to its version of the supplemental appropriations bill, S. 2551 (incorporated as an amendment to H.R. 4775, June 3, 2002). The Senate leadership indicated a strong reluctance to include a debt limit increase in the supplemental appropriation bill. Instead, the Senate adopted a bill, S.

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[8] U.S. Department of the Treasury, Treasury News, *Treasury Statement on the Debt Ceiling*, May 14, 2002.

[9] Ibid.

[10] By June 21, 2002, the Treasury had postponed a regular auction of securities but had not announced any other actions.

2578, raising the debt limit by $450 billion (to $6.4 trillion) without debate on June 11. At that time, a $450 billion increase in the debt limit was thought to provide enough borrowing authority for government operations through at least the rest of calendar year 2002 and possibly into the summer of 2003. With the warning of possible imminent default looming over it, the House passed the $450 billion increase in the debt limit (by one vote) on June 27. The President signed the bill into law on June 28 (P.L. 107-199), ending the 2002 debt limit crisis.

The Situation and Action Taken in 2003

On Christmas Eve, 2002, the Treasury sent a letter to Congress requesting an unspecified increase in the debt limit by late February 2003, indicating that the $6.4 trillion debt limit would be reached about then. The 108th Congress, just getting organized early in 2003, did not act on the near-term need to raise the limit. Through the winter and into the spring, the Treasury repeatedly requested that the debt limit be raised to avoid a serious financial problem. By February 20, 2003, the Treasury had resorted to its management of the debt holdings of certain government accounts, as it had in 2002. These actions included the replacement of internally held government debt with non-debt instruments and not issuing new debt to these accounts, which allowed the Treasury to issue additional debt to the public to acquire the cash it needed to pay for the government's commitments (or to issue new debt to other federal accounts).

Through the rest of February and into May, the Treasury held debt subject to limit $15 million below the limit.[11] 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 passed legislation (H.J.Res. 51) raising the debt limit by enough — $984 billion — to meet the financing needs for the policies contained in the budget resolution.[12]

The Senate received the debt-limit legislation on the same day, but did not consider the legislation until May 23, after receiving further warnings of imminent default from the Treasury. After rejecting eight proposed amendments, the Senate adopted the legislation unchanged, sending it on to the President. The President signed the legislation on May 27, raising the debt limit to $7.384 trillion (P.L. 108-24). On the day the Senate cleared the increase in the debt limit, debt subject to limit was $25 million below the $6.4 trillion limit.

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[11] 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.

[12] 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.

The Situation in 2004

In its January 2004 report, *The Budget and Economic Outlook: Fiscal Years 2005 to 2014*, CBO estimated that the current debt limit, $7.384 trillion, would be reached sometime between July and September of 2004. By the spring of 2004, the Treasury was asking Congress to raise the debt limit to avoid the disruptions in government financing that have occurred in recent years. In August and again in September, the Treasury indicated that the debt limit would be reached in early to mid-October. On October 14, debt subject to limit reached $7,383.975 billion, $25 million below the existing limit. The Treasury, using the same methods employed in the past to avoid exceeding the debt limit, has held the debt subject to limit at that same level ever since. The Secretary of the Treasury informed Congress on October 14, before the break for the election, that the accounting actions he began taking on that day to avoid exceeding the debt limit, will be exhausted by mid-November. Without an increase in the debt limit, the Treasury will be unable to meet all of the government's existing obligations, and the government could find itself in default.

The conference report on the FY2005 budget resolution (H.Rept. 108-498; S.Con.Res. 95: May 19, 2004) included, for the House, a debt limit increase to $8.074 trillion. The increase would be deemed passed, under the Gephardt rule, once the conference report was passed by both the House and Senate. The House adopted the conference agreement on May 19, while the Senate did not consider the resolution. With the debt essentially at the limit, Congress is expected to consider raising the debt limit, either as a separate piece of legislation or as an amendment to an expected omnibus appropriations, when it returns for its post-election session.

Earlier, in September 2004, the House adopted an amendment to the FY2005 Transportation-Treasury appropriations (H.R. 5025) that would prevent the Secretary of the Treasury from taking the debt limit delaying actions (through accounting procedures) that have been and are currently being used. If these or similar restrictions on the Treasury's actions should become law, the Treasury would have no means of delaying the financial effects of reaching the debt limit. The government quickly would be in peril of defaulting on its existing obligations. The House passed the legislation, with the amendment, on September 23, 2004. The Senate has not taken action on its version of the appropriation (S. 2806).

Senator Frist introduced legislation (S. 2986) on November 16, 2004 that would raise the debt by $800 billion, from $7,384 billion to $8,184 billion. Early estimates expect that the new limit (if adopted) will be reached between August and December 2005. The Senate approved the increase the evening of November 17, 2004. The House is expected to consider the increase on November 18.

Also on November 16, the Secretary of the Treasury sent a letter to Congress informing them that the Treasury was invoking a "debt issuance suspension period" as allowed by law. The period runs from November 17, 2004 until December 2, 2004 (and can be extended). The action allows the Treasury to suspend new investment (in Treasury securities) in the Civil Service Retirement and Disability Fund (CSRDF) or to reduce the fund's holding of Treasury debt by limited amounts.[13] This allows the Treasury to sell additional securities to the public or to invest amounts credited to other trust funds in securities without exceeding the debt limit. The securities sold to the public would provide the cash the government might need to meet its obligations.

The Treasury delayed an auction of debt instruments in mid-November due to its efforts to avoid exceeding the debt limit. With the announcement of the debt issuance suspension period, the Treasury may reschedule the postponed auction or auctions.

Concluding Comments

Between the increase in the debt limit in August 1997, to $5.95 trillion, and the beginning of FY2002, the surpluses in the budget resulted in reductions in debt held by the public. Since the beginning of FY2002 (and through October 2004), the reappearance of deficits increased debt held by the public by $972 billion. Debt held by government accounts has grown steadily throughout the period. These increases raised the debt-subject-to-limit to the current limit of $7.384 trillion in October 2004.

In early 2001, the 10-year budget forecasts had large and growing surpluses that indicated rapid reduction in debt held by the public. The same 2001 forecasts projected continuous, steady growth in debt held by government accounts. The combination of the shrinkage in debt held by the public and growth in debt held by government accounts moderated the forecasted growth in total debt. The estimates indicated that the moderate growth in total debt would delay the need to increase the debt limit late into the decade (the continued increases in debt held by government accounts would eventually overwhelm the reductions in debt held by the public, triggering the need to increase the debt limit). When the expectations of large surpluses collapsed, late in the fall of 2001, so did the expectations of reductions in debt held by the public. The return to substantial deficits meant that total debt began another period of fairly rapid growth, making an increase in the debt limit necessary much sooner than previously expected.

The persistence of deficits over most of the last half century requiring the government to borrow from the public, plus the constant growth in government held debt, particularly after FY1983, increased debt subject to limit. The growth has periodically put pressure on Congress to raise the debt limit. The need to raise the debt limit in FY2002, the year after four years of surpluses during which debt held by the public fell, was driven primarily by the continuous increases in debt held by government accounts and secondarily by the return of government budget deficits in FY2002. The debt financing of the deficit in FY2003 plus the constant rise in debt held by government accounts drove the debt against the then existing $6.4 trillion debt limit early in 2003. The Treasury was able to avoid actually breaching the limit

[13] The beneficiaries of this fund are held harmless. Once normal financing is restored, the fund is made whole, receiving the securities and interest it would have accumulated during the debt issuance suspension period.

into May. Congress adopted a debt limit increase of $934 billion on May 23, 2003, that was expected to provide enough room for the estimated growth in both publicly held and government account held debt through the summer or fall of 2004 (which it has).

Congress again faces responding to the continuing growth in federal debt with another increase in the debt limit. The increase is necessary, not to allow increases in future spending, but to pay for the already existing obligations of the government.