



The Debt Limit and Fiscal Reforms

The debt limit was reinstated on January 2, 2025, and “extraordinary measures” are projected to run out in late summer of 2025. The debt limit must be increased or suspended, preferably well in advance of the deadline. At the same time, the debt limit can serve as a reminder of our unsustainable fiscal path, and increases in the limit have often gone hand-in-hand with reforms to improve the fiscal trajectory. Other times, policymakers have actually *worsened* the fiscal situation along with legislation to address the debt limit.

The Debt Limit Has Been Used to Both Improve and Worsen the Fiscal Situation in the Past

| Title of Bill/Package, Year | Debt Limit Change | Notable Attachments and Context |
|---|--|---|
| Gramm-Rudman-Hollings Act, 1985 | Increased by \$175B | Set targets for balanced budget, enforced by sequestration |
| Gramm-Rudman-Hollings II, 1987 | Increased to \$2.8T | Built on GRH with additional deficit reduction requirements, enforced by sequestration |
| Omnibus Budget Reconciliation Act, 1990 | Increased by \$915B | Nearly \$500 B in deficit reduction over five years, established statutory PAYGO, and spending caps |
| Omnibus Budget Reconciliation Act, 1993 | Increased by \$600B | Reduced deficits by ~ \$500 B over five years, extended 1990 spending caps, raised taxes on high earners |
| Contract with America Advancement Act, 1996 | Increased by \$600B | Passed with POTUS line-item veto power to strike certain narrow programs and tax benefits |
| Balanced Budget Act, 1997 | Increased by \$450B | Put in place ~ \$125 B of net deficit reduction over five years and \$425 B over ten years |
| Statutory PAYGO Act, 2010 | Increased by \$1.9T | Reinstated statutory PAYGO, informally led to establishment of Simpson-Bowles Fiscal Commission |
| Budget Control Act (BCA), 2011 | Let POTUS increase by \$2.1T in tranches, subject to Congressional disapproval | \$917 B in deficit reduction over ten years with interest, mostly with discretionary spending caps, established the “Super Committee” to save at least \$1.2 T with interest |
| No Budget, No Pay Act, 2013 | Effectively suspended to 5/18/13 | Required each chamber to pass a budget, enforced by withholding compensation of Members of Congress |
| Default Prevention Act, 2013 | Suspended to 2/7/14 | Ended a government shutdown and coincided with an agreement to create bicameral budget conference to reconcile budget resolution for FY 2014 |
| Bipartisan Budget Act, 2015 | Suspended to 3/15/17 | Cost ~ \$76 B with interest removing gimmicks, increased BCA caps for 2016 and 2017 |
| Bipartisan Budget Act, 2018 | Suspended to 3/1/19 | Cost \$420 B with interest, increased BCA caps for 2018 and 2019 |
| Bipartisan Budget Act, 2019 | Suspended to 7/31/21 | Cost \$1.7 T (\$360 B directly) with interest, by increasing caps for 2020 and 2021 (increases were built into baseline) |
| S.J.Res.33, 2021 | Increased by \$2.5T | No attachments |
| Fiscal Responsibility Act, 2023 | Suspended to 1/1/25 | \$1.5 T in deficit reduction with interest over ten years, mostly through two-year discretionary spending caps |