

The Florida Senate
BILL ANALYSIS AND FISCAL IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

Prepared By: The Professional Staff of the Committee on Governmental Oversight and Accountability

BILL: SM 176

INTRODUCER: Senator Avila

SUBJECT: Balancing the Federal Budget

DATE: February 20, 2023

REVISED: _____

| | ANALYST | STAFF DIRECTOR | REFERENCE | ACTION |
|----|----------------------|----------------|-----------|------------------|
| 1. | <u>Limones-Borja</u> | <u>McVaney</u> | <u>GO</u> | <u>Favorable</u> |
| 2. | _____ | _____ | <u>RC</u> | _____ |

I. Summary:

SM 176 is a memorial to Congress urging the members of Congress to reduce the current national debt and enact legislation requiring a balanced federal budget.

Memorials have no force of law, as they are mechanisms for formally petitioning the federal government to act on a particular subject.

The memorial does not have a fiscal impact on the state or local governments.

II. Present Situation:

The National Debt

The national debt is the amount of money the federal government has borrowed to cover the outstanding balance of expenses incurred over time. The current national debt is \$31.46 trillion.¹ The federal debt is made up of debt held by the public² and intragovernmental debt.^{3,4}

¹ U.S. Department of Treasury, *The National Debt Explained*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#the-national-debt-explained> (last visited Jan. 23, 2023).

² Debt held by the public is all the debt that the federal government owes to those outside of the federal government. Committee for a Responsible Federal Budget, *Gross Debt Versus Debt Held by the Public*, <https://www.crfb.org/papers/qa-gross-debt-versus-debt-held-public#:~:text=The%20gross%20federal%20debt%20is,the%20public%20and%20intragovernmental%20debt>. (last visited Jan. 26, 2023).

³ “Intragovernmental debt” is debt that one part of the government owes to another part. Committee for a Responsible Federal Budget, *Gross Debt Versus Debt Held by the Public*, <https://www.crfb.org/papers/qa-gross-debt-versus-debt-held-public#:~:text=The%20gross%20federal%20debt%20is,the%20public%20and%20intragovernmental%20debt>. (last visited Jan. 26, 2023).

⁴ U.S. Department of Treasury, *Breaking Down the Debt*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#:~:text=How%20much%20the%20government%20pays,over%20the%20past%20ten%20years>. (last visited Jan. 23, 2023).

To pay for this deficit,⁵ the federal government borrows money by selling marketable securities such as treasury bonds,⁶ bills,⁷ notes,⁸ floating rate notes,⁹ and treasury inflation-protected securities.^{10,11} The national debt enables the federal government to pay for important programs and services even if it does not have the funds immediately available. Decreases in federal revenue coupled with increased government spending further increases the national debt.

The Growing National Debt

The U.S. has carried debt since its inception. Recent notable events that have triggered large spikes in the debt include the Afghanistan and Iraq Wars, the 2008 Great Recession, and the Covid-19 pandemic. Tax cuts, stimulus programs, increased government spending, and decreased tax revenue generally account for sharp rises in the national debt.¹²

The federal government is charged interest for the use of lenders' money depending on the total national debt and the various securities' interest rates. As of December 2022, it costs \$210 billion to maintain the national debt, which is 15 percent of the total federal spending.¹³

Debt Limit

The debt limit is the total amount of money that the United States government is authorized to borrow to meet its existing legal obligations, including Social Security and Medicare benefits, military salaries, interest on the national debt, tax refunds, and other payments.¹⁴ Once the debt limit is reached, the federal government cannot increase the amount of outstanding debt, losing the ability to pay bills and fund government programs and services. However, the Department of Treasury can use extraordinary measures authorized by Congress to temporarily suspend certain

⁵ "Deficit" is the amount of money the federal government spends minus the amount of money it collects from taxes. Center on Budget and Policy Priorities, Policy Basics: Deficits, Debt, and Interest, <https://www.cbpp.org/research/federal-budget/deficits-debt-and-interest#:~:text=The%20deficit%20drives%20the%20amount,all%20government%20deficits%20and%20surpluses> (last visited Feb. 1, 2023).

⁶ "Treasury bonds" are government securities that pay interest every six months and mature in 20 or 30 years. Treasury Direct, *Treasury Bonds*, <https://www.treasurydirect.gov/marketable-securities/treasury-bonds/> (last visited Jan. 23, 2023).

⁷ "Bills" are short-term government securities with maturities ranging from a few days to 52 weeks. Treasury Direct, *Treasury Bills*, <https://www.treasurydirect.gov/marketable-securities/treasury-bills/> (last visited Jan. 23, 2023).

⁸ "Notes" are government securities that are issued with maturities of 2, 3, 5, 7, and 10 years and pay interest every six months. Treasury Direct, *Treasury Notes*, <https://www.treasurydirect.gov/marketable-securities/treasury-notes/> (last visited Jan. 23, 2023).

⁹ "Floating rate notes" are government securities issued for a term of two years and pay varying amounts of interest quarterly until maturity. Treasury Direct, *Floating Rate Notes*, <https://treasurydirect.gov/marketable-securities/floating-rate-notes/> (last visited Jan. 23, 2023).

¹⁰ "Treasury inflation-protected securities" are marketable securities whose principal is adjusted by changes in the Consumer Price Index. Treasury Direct, *Treasury Inflation Protected Securities*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#the-national-debt-explained> (last visited Jan. 23, 2023).

¹¹ See supra note 1.

¹² U.S. Department of Treasury, *The Growing National Debt*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#:~:text=Over%20the%20past%20100%20years,to%20pay%20down%20its%20debt> (last visited Jan. 30, 2023).

¹³ U.S. Department of Treasury, *Maintaining the National Debt*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#:~:text=Over%20the%20past%20100%20years,to%20pay%20down%20its%20debt> (last visited Jan. 30, 2023).

¹⁴ U.S. Department of Treasury, *Debt Limit*, <https://home.treasury.gov/policy-issues/financial-markets-financial-institutions-and-fiscal-service/debt-limit> (last visited Jan. 23, 2023).

intragovernmental debt, allowing it to borrow to fund programs or services for a limited amount of time after it has reached the debt ceiling.¹⁵

The U.S. hit the debt limit on January 19, 2023, and the Department of Treasury has been undertaking a set of extraordinary measures to ensure all of its obligations are met. The Department of Treasury estimates that those measures will only be sufficient to last through early June. Unless Congress raises or suspends the debt limit before June, the federal government will lack the funds to pay for all its obligations.¹⁶ If the debt limit is not suspended or raised, the federal government would have to temporarily default on many of its obligations, including Social Security payments, salaries for federal civil employment, military and veterans' benefits, and much more.¹⁷

State Balanced Budget Requirements

Balanced budget requirements (BBRs) are constitutional or statutory rules that prohibit states from spending more than they collect in revenue.¹⁸ A strong balanced budget requirement meets one or more of the following:

- Requires the governor to sign a balanced budget;
- Prohibits the state from carrying over a deficit into the following year or biennium; or
- Requires the legislature to pass a balanced budget.¹⁹

Although there is no agreed upon definition for BBRs, all states except North Dakota and Wyoming have some form of BBRs. The design and stringency varies across states.

Florida's requirement is prescribed in article VII, section 1 of the Florida Constitution. The constitution requires that "[p]rovision shall be made by law for raising sufficient revenue to defray the expenses of the state for each fiscal period."²⁰ Section 216.221, F.S., provides that all appropriations shall be maximum appropriations, based on the collection of sufficient revenue. In addition, "[i]t is the duty of the Governor, as chief budget officer, to ensure that revenues collected will be sufficient to meet the appropriations and that no deficit occurs in any state fund."²¹

Section 215.98, F.S., provides that the "Legislature shall not authorize the issuance of additional state tax-supported debt if such authorization would cause the designated benchmark debt ratio

¹⁵ U.S. Department of Treasury, *The Debt Ceiling*, <https://fiscaldata.treasury.gov/americas-finance-guide/national-debt/#:~:text=Over%20the%20past%20100%20years,to%20pay%20down%20its%20debt>. (last visited Jan. 30, 2023).

¹⁶ Brookings Institute, *How worried should we be if the debt ceiling isn't lifted?* <https://www.brookings.edu/2023/01/25/how-worried-should-we-be-if-the-debt-ceiling-isnt-lifted/> (last visited Jan. 30, 2023).

¹⁷ Committee for a Responsible Federal Debt, *Q&A: Everything You Should Know About the Debt Ceiling*, <https://www.crfb.org/papers/qa-everything-you-should-know-about-debt-ceiling#what%20happens> (last visited Jan. 30, 2023).

¹⁸ Tax Policy Center, *What are state balanced budget requirements and how do they work?* [https://www.taxpolicycenter.org/briefing-book/what-are-state-balanced-budget-requirements-and-how-do-they-work#:~:text=Balanced%20Budget%20Requirements%20\(BBRs\)%20are,reduced%20spending%20and%20smaller%20deficits](https://www.taxpolicycenter.org/briefing-book/what-are-state-balanced-budget-requirements-and-how-do-they-work#:~:text=Balanced%20Budget%20Requirements%20(BBRs)%20are,reduced%20spending%20and%20smaller%20deficits). (last visited Jan. 27, 2023).

¹⁹ *Id.*

²⁰ FLA. CONST. art VII, s. 1(d).

²¹ Section 216.221(1), F.S.

of debt service to revenues available to pay debt service to exceed 7 percent unless” it finds that the additional debt is necessary to address a critical state emergency.²²

Senate Memorial

A memorial is an official legislative document addressed to Congress, the President of the United States, or some other governmental entity that expresses the will of the Legislature on a matter within the jurisdiction of the recipient. A memorial requires passage by both legislative houses, but does not require the governor’s approval, nor is it subject to a veto. Memorials often express the Legislature’s desire that Congress take action on a certain matter or request that Congress propose an amendment to the United States Constitution.²³

III. Effect of Proposed Changes:

The Memorial contains 11 whereas clauses. The clauses outline the impact of the current national debt and urge Congress to take immediate action to address the national debt and balance the federal budget.

Copies of the memorial will be sent by Florida’s Secretary of State to the President of the United States, the President of the United States Senate, the Speaker of the United States House of Representatives, and each member of the Florida delegation to the United States Congress.

Legislative memorials are not subject to the governor’s veto power. Memorials have no force of law, as they are mechanisms for formally petitioning the federal government to act on a particular subject.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

Not applicable. The bill does not require counties and municipalities to spend funds, reduce the counties’ or municipalities’ ability to raise revenue, or reduce the percentage of state tax shared with counties or municipalities.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

D. State Tax or Fee Increases:

None.

²² Section 215.98(1), F.S.

²³ Office of Bill Drafting Services, *Manual for Drafting Legislation*, The Florida Senate, at 137-138. (2009).

E. Other Constitutional Issues:

None identified.

V. Fiscal Impact Statement:

A. Tax/Fee Issues:

None.

B. Private Sector Impact:

None.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Statutes Affected:

None.

IX. Additional Information:

A. Committee Substitute – Statement of Changes:

(Summarizing differences between the Committee Substitute and the prior version of the bill.)

None.

B. Amendments:

None.