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CONTACT: [Aaron Fobes](#) , [Julia Lawless](#)
(202) 224-4515

Hatch Calls for Clarity on Nation's Debt with Bill Requiring Accountability, Transparency

WASHINGTON – In a speech prepared for the record, Finance Committee Chairman Orrin Hatch (R-Utah) outlined the Debt Management and Fiscal Responsibility act, a bill he authored that would require more accountability and transparency on the nation's debt.

The complete speech as prepared for delivery is below:

Mr. President, the total outstanding federal debt has risen by more than \$8.7 trillion during President Obama's tenure, to almost \$19.4 trillion today.

That is the highest level of federal debt in U.S. history and, relative to the size of the economy, is at a level not seen since the years surrounding World War II. Such debt levels pose significant risks to financial stability and the economy, as the nonpartisan Congressional Budget Office has repeatedly made clear for many years now.

Unfortunately, President Obama's failure to address the debt leaves those risks in place and leaves a legacy of burden on future generations, who will be saddled with almost twice as much federal debt today than when the President took office.

And, according to CBO projections, federal deficits and debt are on an upward trajectory. As we all know, the main drivers of our debt are entitlement programs that are, at this point, essentially on autopilot.

As the nation confronts its astronomical debt, it is imperative that those charged with managing the debt do so with transparency and accountability. I am sure that all of my colleagues agree that, if we are going to saddle future workers with outsized debt, then, at the very least, Congress and the American people are entitled to know how debt management decisions are made.

That, of course, requires the cooperation of the U.S. Treasury Department, as well as its fiscal agents at the Federal Reserve. As our debt has exploded, the Federal Reserve has simultaneously ballooned its balance sheet, in part by increasing its holdings of U.S. debt securities by nearly \$2 trillion since President Obama took office. Like it or not, what the Fed does with its debt purchases and holdings carries many implications for the Treasury debt market.

At the same time, both Treasury and the Fed have been unacceptably opaque regarding federal debt management practices, cash management, and contingency planning. This has been a pattern that has repeated itself over and over under the Obama Administration.

When we've approached the federal debt limit, the Obama Treasury has repeatedly withheld vital information.

When the U.S. sovereign credit rating was downgraded for the very first time in 2011, Treasury, the Fed, and other financial regulators withheld vital information.

When members of Congress have asked Treasury, the Fed, and other agencies for contingency plans for dealing with any kind of default resulting from any number of causes, they have withheld vital information.

When members of Congress have simply needed to know the amount of the federal government's operating cash balance—which is managed by Treasury—the Obama Administration has withheld that vital information.

For years now, since at least 2011, I have, as either the Chairman or Ranking Member of the Senate committee with oversight jurisdiction over the management of our debt, repeatedly requested basic information about our nation's finances and, at almost every turn, have been stonewalled. Often, the stonewalling has come with the excuse that the information I've been seeking is "market sensitive," an ironic designation given that much of the information I and others have been seeking has been shared with large financial institutions—actual participants in the markets.

Let me get a little more specific.

Beginning almost exactly five years ago—in July of 2011—I began asking the administration for information regarding contingency plans formulated by Treasury, the Fed, and other agencies that would outline what they would do in the event of delayed payments, a default, or a credit-rating downgrade.

I made my initial request in the weeks surrounding the debate over the debt limit in 2011 when there was clear evidence that various agencies had formulated these kind of contingency plans. In addition, I asked questions about how much cash was in the till at Treasury, and how much they were projecting would be available in future days and weeks.

Rather than giving a full and fair accounting to Congress and the American people, the administration withheld this vital information and, instead, opted to engage in a political battle over the statutory debt limit, apparently believing that their position in that debate would be strengthened if lawmakers and their constituents were unaware of the fiscal state of the country or what plans were in place.

Before anyone jumps to the conclusion that my inquiries were politically motivated and that I was trying to strengthen the hand of congressional Republicans in debt-limit debates, let me be clear: My requests for contingency plans were not and have not been limited to debt limit impasses.

Instead, I have sought to find out what Treasury and others would do if timely payments could not be made for ANY reason.

Delayed payments could occur under a variety of circumstances, not only in the event of a debt-limit impasse. A cyberattack, a terrorist attack, a prolonged power outage in financial centers, or a natural disaster could all result in delayed payments. And, while any such event would surely be catastrophic, they are all within the realm of possibility. Quite frankly, it would

be imprudent risk management and, really, fiscal malpractice to not plan for those types of contingencies.

And, indeed, we know that agencies in the federal government have made such plans, in consultation with representatives of large financial institutions—or, as my friends on the other side would say: Wall Street.

We know they've developed these plans because investigations and subpoenas issued by the House Financial Services Committee have made clear that Treasury, the Fed, and Wall Street are routinely engaged in contingency planning and have been doing so for the entire time I've been submitting my inquiries.

Frankly, if no contingency plans existed, the American people would have ample cause to be concerned—if not completely outraged—at the recklessness of our debt managers. Given that we know these plans exist, however, they should be similarly outraged and concerned with the fact that the administration refuses to share any relevant information about the plans.

Rather than reveal pertinent information to Congress and the American people, Treasury and the Fed have continually insisted on keeping the plans secret, usually refusing to acknowledge they even exist.

I have received the same basic response to all of my inquiries. To paraphrase, I have been told that we should never default on our debt because of the debt limit and that Congress has an obligation to make sure the debt-limit is always raised, without discussion, in order to prevent such a default.

However, once again, Mr. President, delayed payments could result in a variety of scenarios, and a debt-limit impasse is just one of them.

The reason for this lack of transparency is simple: Leaders in the Obama Administration clearly believe that their political position in a debate over a debt-limit increase will be stronger if the American public believes that they don't have any plans for dealing with delayed payments or a default.

This secrecy with regard to such a serious matter of public interest is simply absurd, bordering on embarrassing, and the American people deserve better.

Mr. President, enough is enough.

Yesterday, I sent letters to the Treasury Department and the Federal Reserve, once again asking for more information about how the country's debt and cash-balance information is being handled.

In addition, I introduced a bill titled The Debt Management and Fiscal Responsibility Act.

This is a nonpartisan bill, and I welcome members from both sides of the aisle to sign on as cosponsors. The aim of the bill is simple: to provide greater accountability on the nation's debt, contingency planning for debt disruptions, and a more certain debt limit process.

Specifically, the bill takes the existing, opaque, and chaotic process followed by Treasury and others as they manage the federal debt, and replaces it with a transparent, consistent, and constructive process. It requires greater information sharing between federal regulators and Congress with regard to the debt, along with more administrative accountability for debt management practices. In addition, the legislation provides a more orderly and informed process for dealing with periods during which our debt approaches the statutory limit.

The bill also establishes a requirement that the Treasury Secretary report to and appear before Congress whenever a statutory debt limit is impending, to work and communicate with

Congress in order to responsibly address the debt, and to make Treasury's information on the debt readily available to the public in a single online repository.

If enacted, this legislation will bring Treasury, Congress, and the American people together on equal informational footing to ensure that federal debt and fiscal management occurs in the open, where everyone shares the same information.

After all, if, as we've repeatedly been told by Secretary Lew, Treasury has "the best information" when it comes to the state of our debt, then policymakers outside the Executive Branch, as well as the American people, should have access to that same information.

Once again, Mr. President, our current debt of nearly \$19.4 trillion is outsized in absolute terms and relative to the size of our economy. It is a threat to our government, our financial system, and our economy.

I don't know anyone without a political ax to grind who believes differently.

We cannot continue to roll the dice with the future of our children and grandchildren.

One of the first steps we can take toward fiscal sustainability is greater transparency and accountability from those in the federal government that we have assigned to be agents of the American people for management of our fiscal affairs.

The bill that I introduced today—The Debt Management and Fiscal Responsibility Act—enables that accountability and transparency, and will help put an end to the politicization of debt management and to the ongoing practice of selective disclosure of vital debt information.

Put simply, it will give Congress and the American people a clear-eyed account of the debt so that we can focus on returning public finances to a more solid long-term path.

I hope all of my colleagues will support this important legislation.

With that, I yield the floor.

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