Joint Committee on Taxation
May 7, 1987
JCX-6-87

PUBLIC HEARING ON INCREASE IN THE PUBLIC DEBT LIMIT
(Before the Committee on Finance, May 8, 1987)

Present Law

The temporary limit on the public debt limit is $2,300 billion, and it expires after May 15, 1987. The limit then reverts to the permanent public debt limit of $2,111 billion.

Current Situation of the Public Debt Limit

At the close of business on Monday, May 4, 1987, the outstanding public debt subject to the limit was $2,263.1 billion, and the operating cash balance was $46.0 billion.

Treasury has estimated that the outstanding public debt on May 15, 1987, may be $2,270 billion, and the cash balance at that time may be in the range of $25-30 billion.

On May 21 and 28, 1987, 3- and 6-month bills totalling $14.64 and $14.68 billion, respectively, will mature. In the absence of a prior increase in the public debt limit, Treasury would have to refund those maturing obligations from its current operating cash balance. Treasury has stated that it will not have sufficient funds on hand to refund the amount of bills due on May 28.

Current Budget Legislative Situation

On May 6, 1987, the Senate completed action on its budget resolution (S.Con.Res. 48) which would increase the permanent limit to $2,585.6 billion through FY 1988 and $2,804.1 billion through FY 1989.

The House-passed budget resolution for FY 1988 (H.Con.Res. 93) would increase the permanent limit to $2,565.1 billion through FY 1988 and $2,776.4 billion through FY 1989.

Probable Treasury Requests

1. Increase the permanent public debt limit to $2,800 billion, possibly enough through FY 1989, or to $2,573 billion through FY 1988--the President's budget request plus $5 billion as an allowance for contingencies.

2. Increase by $75 billion, to $325 billion, authority to issue bonds to the public above the 4-1/4% interest rate limit.

3. Provide statutory authority to disinvest trust funds in order to pay cash benefits on schedule and subsequently to restore any interest losses to the trust funds.