

Joint Committee on Taxation
July 10, 1990
JCX-18-90

INCREASING THE PUBLIC DEBT LIMIT
(Scheduled for a Public Hearing before the Committee on Ways
and Means on July 11, 1990)

Present Law

The permanent limit on the amount of public debt outstanding is \$3,122.7 billion. It was enacted on November 8, 1989. At that time, the newly enacted debt limit conformed with the budget resolution for fiscal year 1990, and was expected to provide enough borrowing authority through the fiscal year.

Current Situation

As of the close of business on July 6, 1990, the amount of public debt outstanding was \$3,092 billion. The operating cash balance at that time was \$12.7 billion. On the first day of July, the amount of debt outstanding was \$3,077 billion.

In a letter to Chairman Rostenkowski, Secretary of the Treasury Nicholas Brady stated that unless the present public debt limit is increased before the August recess, "it appears likely that ... the Treasury will run out of cash and borrowing authority and default on the Government's obligations in mid-August. However, a significant increase in the level of RTC spending above the current estimate could accelerate the need for an increase in the debt limit to early August. In any case, it is highly likely that default would occur before Congress returns in September."

Two factors primarily require an earlier than expected increase in the debt limit. The pace for settling the affairs of failed savings and loan associations has accelerated in recent months, and completion of the arrangements for each associations involves incurrence of additional public debt.

The second factor is the sluggish economy which continues to grow but at a significantly slower pace than the Administration's projections in the recent past, and smaller amounts of additional revenues are generated as a result.

In his announcement of the hearings, Chairman Rostenkowski said, "It is critical that we pass an increase in the public debt limit before we adjourn for the August recess. In addition, the Administration needs to inform us

of RTC's further financing needs. Specifically, we need to know (1) why additional financing above that provided in FIRREA last year is necessary; (2) how much additional financing is needed; (3) when the current amount of authorized RTC financing will be exhausted; and (4) what form the additional financing should take."

Status of Congressional Budget Resolutions

The House of Representatives adopted a budget resolution (H. Con. Res. 310) for fiscal year 1991 which prescribes \$3,315.85 billion as the appropriate debt limit through fiscal year 1991.

The Senate adopted an amended version of H. Con. Res. 310 for fiscal year 1991 which would increase the public debt limit through the fiscal year to \$3,323.4 billion. The Senate insisted on its amendment and requested a conference with the House of Representatives.