

Joint Committee on Taxation
July 23, 1990
JCX-21-90

INCREASING THE PUBLIC DEBT LIMIT
(Scheduled for a Public Hearing before the Subcommittee
on Taxation and Debt Management of the Senate Committee
on Finance on July 24, 1990)

Present Law

The permanent limit on the amount of public debt outstanding is \$3,122.7 billion. This limit 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 19, 1990, the total amount of public debt subject to limit was \$3,091.7 billion. The operating cash balance at that time was \$23.7 billion. On the first day of July, the amount of debt subject to limit was \$3,077.0 billion.

In testimony before the Ways and Means Committee on July 11, 1990, Under Secretary of the Treasury for Finance Robert Glauber reported that "it appears likely that the Treasury will run out of cash and borrowing authority and default on the government's debt obligations in mid-August. It is highly likely that default would occur before Congress returns in September."

In that testimony, Under Secretary Glauber indicated that without Congressional action on the debt limit, the Treasury most likely could not honor payments totaling approximately \$14 billion scheduled for August 3, 1990 (including approximately \$3 billion of military retirement and salary payments and approximately \$11 billion of payments to social security and supplemental security income recipients, railroad retirees and veterans). In addition, the Treasury has \$20 billion of notes maturing on August 15 and approximately \$21 billion of interest payments due on that day.

Administration Projections

Under Secretary Glauber indicated increasing the debt limit to the following amounts would be sufficient to maintain Federal government operations (including peak cash flow needs at the beginning of each September):

Through Fiscal Year 1991	Through Fiscal Year 1992	Through Fiscal Year 1993
(in billions of dollars)		
\$3,509	\$3,881	\$4,053

In the Mid-Session Review of the Budget (July 16, 1990), the Office of Management and Budget presented the following end-of-fiscal-year estimates of total debt subject to limit:

Fiscal Year 1990	Fiscal Year 1991	Fiscal Year 1992	Fiscal Year 1993	Fiscal Year 1994	Fiscal Year 1995
(in billions of dollars)					
\$3,163	\$3,479	\$3,776	\$4,013	\$4,187	\$4,355

Role of RTC Financing

Higher-than-expected interest rates and unanticipated losses in thrift institutions under the responsibility of the Resolution Trust Corporation (RTC) have caused the Administration to revise upward the cost of troubled thrift institution case resolutions by approximately \$55 billion since January. In its Mid-Session Review of the Budget, the Office of Management and Budget estimated that RTC net outlays for fiscal 1991, for both losses and working capital, would be between \$32 billion and \$63 billion.

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.