

Public Debt Limit

JCX-2-81

Present law

Present law contains a statutory limit on the amount of debt the federal government may issue. This includes not only debt issued to finance the unified budget deficit, but also debt sold to trust funds and debt issued by off-budget federal entities.

The current debt ceiling is \$935.1 billion. This consists of a permanent limit of \$400 billion and a temporary limit of \$535.1 billion. The temporary limit expires on September 30, 1981.

Administration request

The Administration has requested an increase in the debt ceiling to \$985 billion through September 30, 1981. It has stated that this request is based on budget estimates in the Carter Administration's budget, not on the Reagan Administration's program.

Need for additional debt ceiling

The current \$935.1 billion debt ceiling originated in the first budget-resolution and was consistent with the spending and revenue totals in that resolution. Since then, estimated spending for fiscal year 1981 has increased from \$613.3 billion to \$662.7 billion and estimated revenues have declined from \$613.8 billion to \$607.5 billion. Thus, the \$935.1 billion debt ceiling is now expected to be adequate only through mid-February.

Once the debt ceiling is reached, the federal government will not be able to issue more debt. Once the operating cash balance is exhausted, it would have to default on its obligations, which could permanently increase such things as interest costs on the federal debt. Also, even when no actual default occurs, forcing the Treasury to operate with an inadequate debt limit makes it adopt inefficient debt management practices, which increases interest and other costs.

Ways and Means Committee action

On Tuesday, February 3, 1981, the Ways and Means Committee approved the Administration's request by reporting out H.R. 1553 to increase the temporary limit to \$585 billion, which increases the overall debt ceiling to \$985 billion through September 30, 1981.

Note: A detailed explanation of the public debt limit is contained in the Joint Committee on Taxation's pamphlet "Background and Issues Relating to the Public Debt Limit" which was distributed to each Member's office on January 30, 1981. Additional copies may be obtained from the Joint Committee office (Room 1015 Longworth House Office Building -- x53621).

