

## PUBLIC DEBT LIMIT

MARCH 1, 1962.—Ordered to be printed

Mr. BYRD of Virginia, from the Committee on Finance, submitted the following

## REPORT

[To accompany H.R. 10050]

The Committee on Finance, to whom was referred the bill (H.R. 10050) to provide for a further temporary increase in the public debt limit set forth in the Second Liberty Bond Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

## I. SUMMARY OF BILL

H.R. 10050 provides for a further temporary addition of \$2 billion in the debt limitation for the fiscal year 1962.

The present permanent statutory debt limit is \$285 billion. In recent years, however, there have also been temporary 1-year additions in the debt limitation. Last year Congress provided a temporary addition of \$13 billion for the period from July 1, 1961, to June 30, 1962. Thus, the present combined permanent and temporary debt limit for the fiscal year 1962 is \$298 billion.

This bill increases the temporary statutory debt limit for the remainder of the fiscal year 1962 by \$2 billion, or from \$13 to \$15 billion. This will increase the combined permanent and temporary debt limitation from \$298 to \$300 billion. The debt limitations for the current and 2 prior years can be summarized as follows:

[In billions]

	Fiscal year		
	1960	1961	1962
Permanent statutory debt limit.....	\$285	\$285	\$285
Present additional temporary statutory debt limit.....	10	8	13
Proposed further additional, temporary statutory debt limit.....			2
Combined permanent and temporary debt limit.....	\$295	\$298	\$300

1 Actual.

2 \$298,000,000,000 actual, \$2,000,000,000 proposed.

This bill is recommended by the administration.

## II. GENERAL STATEMENT

This bill deals with a request of the administration for a temporary increase of \$2 billion in the debt limit for the remainder of the fiscal year 1962. This would raise the overall debt limit for the remainder of this fiscal year from \$298 to \$300 billion. The President also has requested an increase in the debt limit to \$308 billion for the fiscal year 1963. However, this bill is not concerned with the President's debt limit request for the fiscal year 1963. Moreover, the increase of \$2 billion in the debt limit for the fiscal year 1962, provided by this bill, is not any way intended to reflect either approval or disapproval of the President's request with respect to the fiscal year 1963.

The present permanent limitation on the public debt is \$285 billion. In addition, Congress last June provided a temporary 1-year addition of \$13 billion to the statutory debt limitation for the period from July 1, 1961, to June 30, 1962. As a result the present total combined permanent and temporary debt limitation for the fiscal year 1962 is \$298 billion. Table 1 shows the permanent and temporary debt limitations for selected years since 1946.

TABLE 1.—Statutory debt limitations, selected fiscal years 1946 to date

(In billions)

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1946.....	\$300		\$300
1947.....	275		275
1955.....	275	\$6	281
1957.....	275	3	278
1959.....	283	5	288
1960.....	285	10	295
1961.....	285	8	293
1962 (actual).....	285	13	298
1962 (proposed).....	285	15	300

<sup>1</sup> Includes \$13,000,000,000 already provided by present law.

NOTE.—For details see table in appendix.

In arriving at the present debt ceiling of \$298 billion last year Congress acted upon the Treasury Department estimate of a high point in the debt for this fiscal year of \$295 billion. Over and above this, as has been customary in recent years, it provided a margin of \$3 billion to provide for flexibility in the financing of the debt, both to take into account market operations and variations in tax collections, etc. However, as the Secretary of the Treasury pointed out to your committee, we are currently operating right against the \$298 billion ceiling. The Secretary stated that this situation has arisen from higher Government expenditures than anticipated last year, in large part military expenditures arising from the tension over Berlin.

At the time the present debt ceiling was considered last year the administration estimated budget expenditures of \$4 billion less than the currently anticipated level for the fiscal year 1962 and estimated revenues of \$700 million less than the now anticipated level. As a

result the deficit is now expected to be \$7 billion for the fiscal year 1962, or \$3.3 billion above the level anticipated last year when the current statutory debt limit was established. These expenditure, revenue and deficit data can be summarized as follows:

(In billions)

	Estimate made in June 1961	Current estimate	Excess of current over June 1961 estimate
Fiscal year estimated budget:			
Expenditures.....	\$85.1	\$89.1	+\$4.0
Receipts.....	81.4	82.1	+.7
Deficit.....	3.7	7.0	+3.3

A comparison of present budget expenditures for the fiscal year 1962 with the estimates made last June indicates that the principal increase has occurred in the category "Department of Defense, military functions." The increase in this category has been \$3.05 billion. Other important increases have been: Department of Agriculture, an increase of \$737 million; interest on the public debt, an increase of \$305 million; National Aeronautics and Space Administration, an increase of \$250 million; and Atomic Energy Commission, an increase of \$160 million.

In advocating enactment of this legislation, the Secretary of the Treasury made the following statement before the Senate Committee on Finance:

The debt subject to the limit is now very close to the ceiling. This situation imposes serious operating difficulties on the Treasury for the remainder of the fiscal year 1962. There is no leeway as far as market financing operations are concerned, nor is there a margin to handle the necessary fluctuations in trust fund investments which are carried on mainly through special issues of public debt obligations.

When the debt ceiling becomes too restrictive, it forces the Treasury to obtain some relief through such unusual and costly measures as utilizing the borrowing power of certain Government agencies. This had to be done several times from 1953 to 1958 when the debt limit leeway became virtually exhausted. There have also been other times, including a quite recent occasion, when the Treasury because of a very low margin under the debt ceiling, has been forced, in its own financing operations, to defer some borrowing when it would have been most advantageous.

The table I am submitting to the committee shows our debt projections at semimonthly intervals for the remainder of the fiscal year 1962. The \$2 billion increase we are requesting in the temporary limitation is the smallest increase that would meet essential requirements for the rest of this fiscal year. It will be noted from this table that a \$300 billion ceiling will afford us a margin of only \$2.1 billion in March, and only \$800 million in June.

(The table referred to follows:)

## PUBLIC DEBT LIMIT

*Actual and estimated public debt outstanding, fiscal year 1962, with estimates based on constant operating cash balance of \$3,500,000,000 (excluding free gold)*

[Estimates based on 1963 budget document]

[In billions]

	Operating balance Federal Reserve banks and depositories (excluding free gold)	Public debt subject to limitation	Allowance to provide flexibility in financing and for contingencies	Total public debt limitation required
<b>Actual:</b>				
June 30, 1961.....	\$5.9	\$288.9		
July 15, 1961.....	3.3	289.1		
July 31, 1961.....	5.8	292.2		
Aug. 15, 1961.....	4.2	292.1		
Aug. 31, 1961.....	5.3	293.5		
Sept. 15, 1961.....	3.1	293.2		
Sept. 30, 1961.....	8.1	293.6		
Oct. 15, 1961.....	7.0	296.0		
Oct. 31, 1961.....	5.4	295.5		
Nov. 15, 1961.....	4.7	296.7		
Nov. 30, 1961.....	5.4	296.9		
Dec. 15, 1961.....	2.8	297.0		
Dec. 31, 1961.....	5.7	296.1		
Jan. 15, 1962.....	3.1	296.3		
Jan. 31, 1962.....	3.9	296.4		
Feb. 15, 1962.....	3.0	296.3		
<b>Estimated:</b>				
Feb. 28, 1962.....	3.5	295.8	\$3.0	\$298.8
Mar. 15, 1962.....	3.5	297.9	12.1	300.0
Mar. 31, 1962.....	3.5	293.8	3.0	296.8
Apr. 15, 1962.....	3.5	296.8	3.0	299.8
Apr. 30, 1962.....	3.5	296.1	3.0	299.1
May 15, 1962.....	3.5	296.3	3.0	299.3
May 31, 1962.....	3.5	296.6	3.0	299.6
June 15, 1962.....	3.5	299.2	1.8	300.0
June 30, 1962.....	3.5	294.0	3.0	297.0

<sup>1</sup> Temporarily the full \$3 billion flexibility will not be available on these dates.

It is important to observe that for the purpose of these projections, we have assumed that the Treasury's operating cash balance at the Federal Reserve banks and in Treasury tax and loan accounts in commercial banks would hold steady throughout the periods covered at \$3.5 billion. This is not a large balance in relation to our Government's tremendous cash requirements. It represents less than half of an average month's budget expenditures. It is equal to a little more than one-third of 1 month's total cash payments to the public, not counting cash paid out to redeem public debt obligations. During the past 12 months, the operating cash balance has averaged about \$4.5 billion—giving us a highly desirable degree of flexibility in the conduct of day-to-day Treasury operations.

I believe that a temporary increase in the debt limit to \$300 billion is essential to the orderly and economical management of the Government's finances for the remainder of this fiscal year. I earnestly recommend its favorable consideration and prompt approval by this Committee.