

PUBLIC DEBT LIMIT

JUNE 15, 1965.—Ordered to be printed

Mr. LONG of Louisiana, from the Committee on Finance, submitted the following

REPORT

[To accompany H.R. 8464]

The Committee on Finance, to whom was referred the bill (H.R. 8464) to provide, for the period beginning on July 1, 1965, and ending on June 30, 1966, a temporary increase in the public debt limit set forth in section 21 of the Second Liberty Bond Act, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

The permanent statutory limit on the Federal debt is fixed at \$285 billion. Over the years this has been raised temporarily for specific periods (see app. I). The present \$324 billion temporary limit, enacted a year ago, expires June 30, 1965.

The administration requested that the current temporary limit be extended and raised \$5 billion to \$329 billion. The House of Representatives passed H.R. 8464 raising the limit to \$328 billion for the period July 1, 1965, to June 30, 1966.

The Secretary of the Treasury, in his testimony before the Finance Committee, accepted and requested the \$328 billion limit for fiscal year 1966, as approved by the House of Representatives. The bill, as reported by the Finance Committee, is identical to the House bill.

The Secretary of the Treasury testified that the increase in the limit for the coming year basically is necessitated by the Federal deficit which is being incurred this year. Requirements for cash balance in the Treasury and elbowroom for debt management are contributing factors.

In accepting the \$328 billion limit, which is \$1 billion less than the administration's request, the Secretary of the Treasury advised the committee as follows:

As you are aware, the President's January budget, in estimating fiscal year 1966 receipts at \$94.4 billion, has already taken into account the \$1¾ billion cut in excise taxes proposed for July 1.

On the basis of recent experience, and with continued gains in economic activity, that revenue estimate, still assuming only the proposed July 1 reductions in excises, has been raised by \$1.6 billion.

Further allowance must now also be made for the additional cut in excise taxes of \$1¾ billion on January 1, 1966, which was passed by the House of Representatives recently and upon which your committee has reported.

Enactment of that additional cut will offset an estimated \$600 million of the \$1.6 billion improvement in the revenue outlook. As a result, we now estimate receipts in fiscal year 1966 at \$95.4 billion, \$1 billion higher than projected in the President's January budget.

I am informed by the Director of the Bureau of the Budget that, at this stage in the appropriations process, there is no sound basis for changing the expenditure estimate for fiscal 1966 in the January budget, and that the estimated spending total of \$99.7 billion still represents a fair appraisal of the spending outlook.

Consequently, we now anticipate a deficit in fiscal 1966 of \$4.3 billion, as compared with \$5.3 billion in the President's budget.

The latest available daily Treasury statement shows that as of June 9, 1965, the Federal debt subject to the limit was \$319.3 billion. Figures submitted by the Treasury indicate the outstanding debt under the limit on June 30 will be \$317 billion plus.

The Treasury has prepared a table of estimates showing estimated debt limit requirements at each midmonth and month end during fiscal year 1966. The table appears as appendix II, but it is difficult to follow with clarity.

Appendix II shows \$7 billion in constant allowances—\$4 billion for operating cash balance, and \$3 billion for flexibility needed in debt management and for contingencies. But the last column in the table reflects the constant \$4 billion figure instead of the estimated actual cash balance.

For example, the committee has reason to expect an actual cash balance on June 30, 1965, of approximately \$11 billion instead of the \$4 billion constant figure. This \$11 billion estimate of actual balance is \$4 billion in excess of the \$7 billion in combined constant allowances.

The \$313.2 billion in the last column of appendix II is reached by reducing the estimated outstanding debt on June 30, 1965, by the \$4 billion excess of estimated actual cash balance over the \$7 billion in combined constant allowances for that date.

Despite the lack of clarity in the Treasury's tabular presentation (app. II), we know that the statutory limit must not be allowed to revert to the permanent \$285 billion ceiling, and that the present temporary limit must be extended and raised.

Action is essential before the end of the current fiscal year to establish a new public debt limit adequate to accommodate our needs in the period ahead. We cannot permit the credit of the United States

to come under shadow or allow doubts to arise over the authority of the Treasury in an orderly way to finance the Government's requirement.

APPENDIX I.—Statutory debt limitations, specified fiscal years 1946 through 1965, and proposed limitation for the fiscal year 1966

[In billions]

Fiscal year	Statutory debt limitation		
	Permanent	Temporary additional	Total
1946.....	\$300		\$300
1947-54.....	275		275
1955.....	275	\$6	281
1957.....	275	3	278
1959.....	283	5	288
1960.....	285	10	295
1961.....	285	8	293
1962 until Mar. 13.....	285	13	298
1962 from Mar. 13.....	285	15	300
1963 through Mar. 31.....	285	23	308
1963: Apr. 1 through May 28.....	285	20	305
1963: May 29 through June 30.....	285	22	307
1964: July through November.....	285	24	309
1964: December through June 28.....	285	30	315
1964: June 29 and 30.....	285	39	324
1965.....	285	39	324
	PROPOSED		
1966.....	285	43	328

Debt limitation under sec. 21 of the Second Liberty Bond Act, as amended—History of legislation

Sept. 24, 1917:		
40 Stat. 288, sec. 1, authorized bonds in the amount of.....	1	\$7, 538, 945, 400
40 Stat. 290, sec. 5, authorized certificates of indebtedness outstanding revolving authority.....	2	4, 000, 000, 000
Apr. 4, 1918:		
40 Stat. 502, amending sec. 1, increased bond authority to.....	1	12, 000, 000, 000
40 Stat. 504, amending sec. 5, increased authority for certificates outstanding to.....	2	8, 000, 000, 000
July 9, 1918: 40 Stat. 844, amending sec. 1, increased bond authority to.....	1	20, 000, 000, 000
Mar. 3, 1919:		
40 Stat. 1311, amending sec. 5, increased authority for certificates outstanding to.....	2	10, 000, 000, 000
40 Stat. 1309, new sec. 18 added, authorizing notes in the amount of.....	1	7, 000, 000, 000
Nov. 23, 1921: 42 Stat. 321, amending sec. 18, increased note authority to outstanding (established revolving authority).....	2	7, 500, 000, 000
June 17, 1929: 46 Stat. 19, amending sec. 5, authorized bills in lieu of certificates of indebtedness; no change in limitation for the outstanding.....	2	10, 000, 000, 000
Mar. 3, 1931: 46 Stat. 1506, amending sec. 1, increased bond authority to.....	1	28, 000, 000, 000
Jan. 30, 1934: 48 Stat. 343, amending sec. 18, increased authority for notes outstanding to.....	2	10, 000, 000, 000
Feb. 4, 1935:		
49 Stat. 20, amending sec. 1, limited bonds outstanding (establishing revolving authority to).....	2	25, 000, 000, 000
49 Stat. 21, new sec. 21 added, consolidating authority for certificates and bills (sec. 5) and authority for notes (sec. 18); same aggregate amount outstanding.....	2	20, 000, 000, 000
49 Stat. 21, new sec. 22 added, authorizing U.S. savings bonds within authority of sec. 1.		

See footnotes at end of table, p. 5.

*Debt limitation under sec. 21 of the Second Liberty Bond Act, as amended—
History of legislation—Continued*

May 26, 1938: 52 Stat. 447, amending secs. 1 and 21, consolidating in sec. 21 authority for bonds, certificates of indebtedness, Treasury bills, and notes (outstanding bonds limited to \$30,000,000,000). Same aggregate total outstanding.....	2 45, 000, 000, 000
July 20, 1939: 53 Stat. 1071, amending sec. 21, removed limitation on bonds without changing total authorized outstanding of bonds, certificates of indebtedness, bills, and notes.....	2 45, 000, 000, 000
June 25, 1940: 54 Stat. 526, amending sec. 21, adding new paragraph: “(b) In addition to the amount authorized by the preceding paragraph of this section, any obligations authorized by sections 5 and 18 of this Act, as amended, not to exceed in the aggregate \$4,000,000,000 outstanding at any one time, less any retirements made from the special fund made available under section 301 of the Revenue Act of 1940, may be issued under said sections to provide the Treasury with funds to meet any expenditures made, after June 30, 1940, for the national defense, or to reimburse the general fund of the Treasury therefor. Any such obligations so issued shall be designated ‘National Defense Series’ ”.....	2 4, 000, 000, 000
Feb. 19, 1941: 55 Stat. 7, amending sec. 21, limiting face amount of obligations issued under authority of act outstanding at any one time..... Eliminated separate authority for \$4,000,000,000 of National Defense Series obligations.	2 65, 000, 000, 000
Mar. 28, 1942: 56 Stat. 189, amending sec. 21, increased limitation to.....	2 125, 000, 000, 000
Apr. 11, 1943: 57 Stat. 63, amending sec. 21, increased limitation to.....	2 210, 000, 000, 000
June 9, 1944: 58 Stat. 272, amending sec. 21, increased limitation to.....	2 260, 000, 000, 000
Apr. 3, 1945: 59 Stat. 47, amending sec. 21 to read: “The face amount of obligations issued under authority of this Act, and the face amount of obligations guaranteed as to principal and interest by the United States (except such guaranteed obligations as may be held by the Secretary of the Treasury), shall not exceed in the aggregate \$300,000,000,000 outstanding at any one time”.....	2 300, 000, 000, 000
June 26, 1946: 60 Stat. 316, amending sec. 21, adding: “The current redemption value of any obligation issued on a discount basis which is redeemable prior to maturity at the option of the holder thereof shall be considered, for the purposes of this section, to be the face amount of such obligation,” and decreasing limitation to.....	2 275, 000, 000, 000
Aug. 28, 1954: 68 Stat. 895, amending sec. 21, effective Aug. 28, 1954, and ending June 30, 1955, temporarily increasing limitation by \$6,000,000,000 to.....	2 281, 000, 000, 000
June 30, 1955: 69 Stat. 241, amending Aug. 28, 1954, act by extending until June 30, 1956, increase in limitation to.....	2 281, 000, 000, 000
July 9, 1956: 70 Stat. 519, amending act of Aug. 28, 1954, temporarily increasing limitation by \$3,000,000,000 for period beginning July 1, 1956, and ending June 30, 1957, to.....	2 278, 000, 000, 000
Effective July 1, 1957, temporary increase terminates and limitation reverts, under act of June 26, 1946, to.....	2 275, 000, 000, 000
Feb. 26, 1958: 72 Stat. 27, amending sec. 21, effective Feb. 26, 1958, and ending June 30, 1959, temporarily increasing limitation by \$5,000,000,000.....	2 280, 000, 000, 000

See footnotes at end of table, p. 5.

*Debt limitation under sec. 21 of the Second Liberty Bond Act, as amended—
History of legislation—Continued*

Sept. 2, 1958: 72 Stat. 1758, amending sec. 21, increasing limitation to \$283,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation-----	2 288, 000, 000, 000
June 30, 1959: 73 Stat. 156, amending sec. 21, effective June 30, 1959, increasing limitation to \$285,000,000,000, which, with temporary increase of Feb. 26, 1958, makes limitation on June 30, 1959-----	2 290, 000, 000, 000
Amending sec. 21, temporarily increasing limitation by \$10,000,000,000 for period beginning July 1, 1959, and ending June 30, 1960, which makes limitation beginning July 1, 1959-----	2 295, 000, 000, 000
June 30, 1960: 74 Stat. 290, amending sec. 21 for period beginning on July 1, 1960, and ending June 30, 1961, temporarily increasing limitation by \$8,000,000,000-----	2 293, 000, 000, 000
June 30, 1961: 75 Stat. 148, amending sec. 21, for period beginning on July 1, 1961, and ending June 30, 1962, temporarily increasing limitation by \$13,000,000,000-----	2 298, 000, 000, 000
Mar. 13, 1962: 76 Stat. 23, amending sec. 21, for period beginning on Mar. 13, 1962, and ending June 30, 1962, temporarily futher increasing limitation by \$2,000,000,000-----	2 300, 000, 000, 000
July 1, 1962: 76 Stat. 124 as amended by 77 Stat. 50, amending sec. 21, for period—	
1. Beginning July 1, 1962, and ending Mar. 31, 1963-----	2 308, 000, 000, 000
2. Beginning Apr. 1, 1963, and ending May 28, 1963-----	2 305, 000, 000, 000
3. Beginning May 29, 1963, and ending June 30, 1963---	2 307, 000, 000, 000
July 1, 1963: 77 Stat. 50, amending sec. 21, for period beginning on July 1, 1963, and ending on Aug. 31, 1963-----	2 309, 000, 000, 000
Sept. 1, 1963: 77 Stat. 131, amending sec. 21, for the period beginning on Sept. 1, 1963, and ending on Nov. 30, 1963---	2 309, 000, 000, 000
Nov. 26, 1963: 77 Stat. 342, amending sec. 21, for the period—	
1. Beginning on Dec. 1, 1963, and ending June 29, 1964--	2 315, 000, 000, 000
2. Of June 30, 1964-----	2 309, 000, 000, 000
June 29, 1964: 78 Stat. 225, amending sec. 21, for the period beginning June 29, 1964, and ending June 30, 1965, temporarily increasing the debt limit to-----	2 324, 000, 000, 000

¹ Limitation on issue.

² Limitation on outstanding.

³ Limitation on issues less retirement.

PUBLIC DEBT LIMIT

APPENDIX II.—*Estimated public debt subject to limitation (based on constant minimum operating cash balance of \$4,000,000,000)*

[Fiscal year 1966, in billions]

	Operating cash balance (excluding free gold)	Public debt subject to limitation	Allowance to provide flexibility in financing and for contingencies	Total public debt limitation required
1965:				
June 30.....	\$4	\$310.2	\$3	\$313.2
July 15.....	4	313.1	3	316.1
July 31.....	4	314.3	3	317.3
Aug. 15.....	4	314.7	3	317.7
Aug. 31.....	4	315.7	3	318.7
Sept. 15.....	4	318.8	3	321.8
Sept. 30.....	4	313.1	3	316.1
Oct. 15.....	4	316.2	3	319.2
Oct. 31.....	4	318.7	3	321.7
Nov. 15.....	4	319.7	3	322.7
Nov. 30.....	4	319.6	3	322.6
Dec. 15.....	4	321.3	3	324.3
Dec. 31.....	4	319.6	3	322.6
1966:				
Jan. 15.....	4	322.8	3	325.8
Jan. 31.....	4	321.5	3	324.5
Feb. 15.....	4	321.6	3	324.6
Feb. 28.....	4	321.9	3	324.9
Mar. 15.....	4	325.9	3	328.9
Mar. 31.....	4	319.5	3	322.5
Apr. 15.....	4	323.0	3	326.0
Apr. 30.....	4	319.0	3	322.0
May 15.....	4	318.3	3	321.3
May 31.....	4	320.1	3	323.1
June 15.....	4	322.8	3	325.8
June 30.....	4	315.2	3	318.2