

PUBLIC DEBT LIMIT

JUNE 26, 1970.—Ordered to be printed

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

REPORT

[To accompany H.R. 17802]

The Committee on Finance, to which was referred the bill (H.R. 17802) to increase the public debt limit set forth in section 21 of the Second Liberty Bond Act, having considered the same, reports favorably thereon without amendment and recommends that the bill do pass.

I. SUMMARY

Under present law, the permanent debt limitation is \$365 billion. The law also provides for a temporary additional increase of \$12 billion, providing an overall limit of \$377 billion, effective through June 30, 1970. After that date, the overall limitation reverts to \$365 billion.

Both the House and the committee bill makes two changes. First, they provide an increase in the permanent debt limitation from \$365 to \$380 billion. Second, they provide a temporary increase of an additional \$15 billion for the fiscal year expiring June 30, 1971, making an overall limitation of \$395 billion for the fiscal year 1971. Under the bill, after June 30, 1971, the limitation will be \$380 billion.

The actual debt limitations for the years since 1941, together with the proposed limitation under this bill, are shown in table 1, below.

TABLE 1.—STATUTORY DEBT LIMITATIONS, FISCAL YEARS 1941 TO DATE, AND PROPOSED LIMITATION FOR THE FISCAL YEAR 1971

Fiscal year	Statutory debt limitation		Total
	Permanent	Temporary additional	
1941 through Feb 18.....	\$49	.....	\$49
1941: Feb. 19 through June 30.....	65	.....	65
1942 through Mar 27.....	65	.....	65
1942: Mar. 28 through June 30.....	125	.....	125
1943 through Apr. 10.....	125	.....	125
1943: Apr. 11 through June 30.....	210	.....	210
1944 through June 8.....	210	.....	210
1944: June 9 through June 30.....	260	.....	260
1945 through Apr 2.....	260	.....	260
1945 Apr. 3 through June 30.....	300	.....	300
1946 through June 25.....	300	.....	300
1946: June 26 through June 30.....	275	.....	275
1947-54.....	275	.....	275
1955 through Aug. 27.....	275	.....	275
1955: Aug. 28 through June 30.....	275	\$6	281
1956.....	275	6	281
1957.....	275	3	278
1958 through Feb. 25.....	275	.....	275
1958 Feb. 26 through June 30.....	275	5	280
1959 through Sept. 1.....	275	5	280
1959: Sept. 2 through June 29.....	283	5	288
1959: June 30.....	285	5	290
1960.....	285	10	295
1961.....	285	8	293
1962 through Mar. 12.....	285	13	298
1962: Mar. 13 through June 30.....	295	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 through Nov. 30.....	285	24	309
1964: Dec. 1 through June 28.....	285	30	315
1964: June 29 and 30.....	285	39	324
1965.....	285	39	324
1966.....	285	43	328
1967 through Mar. 1.....	285	45	330
1967 Mar. 2 through June 30.....	285	51	336
1968.....	358	.....	358
1969 through Apr. 6.....	358	7	365
1969 after Apr. 6.....	358	.....	358
1970 through June 30.....	365	12	377
Later years.....	365	.....	365
Proposed			
From enactment through June 30, 1971.....	380	15	395
After June 30, 1971.....	380	.....	380

¹ Includes FNMA participation certificates issued in fiscal 1968.

II. GENERAL STATEMENT

A. Revenue and expenditure estimates submitted to committee

1. *Overall fiscal 1970 and 1971 deficits.*—For the fiscal year ending June 30, 1970, revised revenue and expenditure estimates submitted by the administration on May 19 indicate a Federal funds budget deficit of \$11 billion. For the fiscal year 1971, the revised administration estimate shows a Federal funds deficit of \$10 billion.

The staff of the Joint Committee on Internal Revenue Taxation has also released receipts estimates for these fiscal years 1970 and 1971. Combining the staff receipts estimates with the administration's May 19 revised expenditure estimates implies a Federal funds deficit of \$11.3 billion in the fiscal year 1970 and \$12.9 billion in the fiscal year 1971.

Both the administration estimates and the staff estimates, as presented above, take into account administration revenue proposals.

In the fiscal year 1971, where the proposed revenue legislation makes a significant difference, the Federal funds deficit of the administration without the proposed legislation would be \$13.8 billion and the staff estimate would be \$16.8 billion.¹

The receipts, expenditure, and deficit estimates of both the administration and the staff are shown in table 2 below.

TABLE 2.—FEDERAL FUNDS RECEIPTS AND EXPENDITURES, FISCAL YEAR 1969 ACTUAL, AND FISCAL YEARS 1970 AND 1971 ESTIMATES

[In billions of dollars]

	1969 actual	1970 estimates		1971 estimates	
		Staff	Budget ¹	Staff	Budget ¹
Excluding proposed legislation:					
Receipts.....	143.3	146.1	146.4	142.0	145.1
Expenditures.....	148.8	157.6	157.6	158.9	158.9
Surplus or deficit (-).....	-5.5	-11.5	-11.2	-16.8	-13.8
Including proposed legislation:					
Receipts.....	143.3	146.3	146.6	146.0	148.8
Expenditures.....	148.8	157.6	157.6	158.9	158.9
Surplus or deficit (-).....	-5.5	-11.3	-11.0	-12.9	-10.0

¹ Based on data in May 19, 1970, "Revision of the Fiscal Year 1970 and 1971 Budget Estimates" and "Special Analysis B of the Budget of the United States for Fiscal Year 1971" and latest estimates by the Bureau of the Budget. The estimate for 1971, for both receipts and expenditures, have been decreased by \$790,000,000 to reflect \$630,000,000 collections from aviation user charges (a trust fund item) and \$160,000,000 allocation to trust funds from the proposed speedup in excise tax collections.

The estimates shown above for both the fiscal year 1970 and the fiscal year 1971 are based on the Federal funds concept, since this more nearly corresponds with the way in which the debt limitation is computed. However, since the budget is shown on a unified budget basis, the committee, for comparative purposes, has also included table 3 which shows the unified budget receipts, expenditures, and deficit estimates of the administration and of the staff for the fiscal years 1970 and 1971.

TABLE 3.—UNIFIED BUDGET RECEIPTS AND EXPENDITURES, FISCAL YEAR 1969 ACTUAL, AND FISCAL YEARS 1970 AND 1971 ESTIMATES

[In billions of dollars]

	1969 actual	1970 estimates		1971 estimates	
		Staff	Budget ¹	Staff	Budget ¹
Excluding proposed legislation:					
Receipts.....	187.8	195.8	196.2	196.4	199.8
Expenditures.....	184.6	198.2	198.2	205.6	205.6
Surplus or deficit (-).....	3.2	-2.4	-2.0	-9.2	-5.8
Including proposed legislation:					
Receipts.....	187.8	196.0	196.4	201.1	204.3
Expenditures.....	184.6	198.2	198.2	205.6	205.6
Surplus or deficit (-).....	3.2	-2.2	-1.8	-4.5	-1.3

¹ Based on data in May 19, 1970, "Revision of the Fiscal Year 1970 and 1971 Budget Estimates."

Note: The unified budget receipts and expenditures are the totals of the Federal funds and trust funds adjusted to take into account interfund transfers and intragovernmental transactions.

¹ This involves only a staff estimate of receipts. The expenditure estimate is that of the administration.

2. *Changes from February estimates.*—For the fiscal year 1970, the administration's May 19 revision represents a shift from a unified budget surplus of \$1.5 billion estimated in the February budget to a deficit of \$1.8 billion as shown below.

(In billions of dollars)

	February budget	Change	Revised estimate
Receipts.....	199.4	-3.0	196.4
Outlays.....	197.9	+3	198.2
Surplus or deficit (-).....	1.5	-3.3	-1.8

For fiscal year 1971 also, the administration's May 19 revision represented a shift from a unified budget surplus estimated in February to a deficit; namely, from a surplus of \$1.3 billion to a deficit of \$1.3 billion. The changes in the unified budget are as follows:

(In billions of dollars)

	Budget estimate	Change	Revised estimate
Receipts.....	202.1	+2.2	204.3
Outlays.....	200.8	+4.8	205.6
Surplus or deficit (-).....	1.3	-2.6	-1.3

The revised administration estimates of expenditures for the fiscal year 1971 show an increase in outlays of \$4.8 billion over the February estimates, or from \$200.8 to \$205.6 billion. The detail of these changes submitted by the administration is shown in table 4. Of the \$4.8 billion increase, the largest increases are represented by the Federal pay increases, accounting for \$1.4 billion of the increase, and a higher estimate of the interest cost on the public debt, an increase of \$1 billion. Other increases are represented by the increase in unemployment insurance benefits caused by higher than anticipated unemployment (\$500 million), withdrawal of State-local construction deferral (\$500 million), higher farm price supports (\$300 million) and higher Farmers Home Administration net lending (\$300 million). The reductions arise from the new postal rate proposals (\$400 million) and from items such as the delay in the initiation of the family assistance program (\$400 million).

TABLE 4.—Changes in administration estimates from February budget for 1971 budget outlays

	In billions
February budget estimates.....	\$200. 80
Changes in uncontrollable programs:	
Interest on the public debt.....	+1. 00
Unemployment insurance benefits.....	+ . 50
Cash assistance grants, medicaid and medicare.....	+ . 20
Farm price supports.....	+ . 30
Veterans compensation and pensions.....	+ . 20
Disaster relief.....	+ . 10
Subtotal, changes in uncontrollable programs.....	+2. 30
Other changes:	
Federal comparability (enacted Apr. 15, 1970) and postal pay raises.....	+1. 40
New postal rate proposals.....	- . 40
Increased postage for Federal mail.....	+ . 10
Withdrawal of voluntary State-local construction deferral.....	+ . 50
Housing and construction incentives.....	+ . 15
Environmental quality—revision in proposal and reestimate of budget program.....	+\$0. 20
Labor-HEW appropriation bill for 1970 as enacted—effect on 1971 outlays.....	+ . 20
Education appropriations—to main aim consistency with 1970 bill as enacted.....	+ . 20
School desegregation.....	+ . 15
Veterans education (GI bill).....	+ . 20
School lunch and child nutrition, as enacted.....	+ . 20
Coal mine health and safety bill, as enacted.....	+ . 10
Federal employee health benefits.....	+ . 10
Farmers Home Administration, net lending.....	+ . 30
Model cities—slower pace of outlays (no change in program level).....	- . 15
Highway trust fund.....	- . 05
Delay in initiation of family assistance program.....	- . 40
All other changes, net.....	- . 30
Subtotal, other changes.....	+2. 50
Total changes.....	+4. 80
Current estimate, 1971 outlays.....	205. 60

3. *Receipt estimates for the fiscal year 1971.*—The administration's estimates show an increase in receipts from the February budget for the fiscal year 1971 of \$2.2 billion. The major difference between the administration and the staff estimates of receipts, accounting for the \$3.2 billion difference between the administration estimate of \$204.3 billion and the staff estimate of \$201.1 billion (including proposed legislation) arises from the staff's lower estimates of receipts from corporate income taxes (\$1.8 billion lower), individual income taxes (\$900 million lower), and social insurance taxes and contributions (\$500 million lower). Most of the difference in the estimates is accounted for by the staff assumption of somewhat lower income levels than the administration. The administration estimates in both the February and May projections assume a gross national product for the calendar year 1970

of \$985 billion, personal income of \$800 billion, and corporate profits of \$89 billion. The staff estimates for calendar year 1970 assume a GNP of \$980 billion, personal income of \$797 billion, and corporate profits of \$85 billion.

A comparison of the administration and staff estimates for the fiscal years 1970 and 1971 showing both Federal funds receipts and unified budget receipts is shown in table 5.

TABLE 5—FEDERAL FUNDS AND TRUST FUNDS ESTIMATED RECEIPTS FOR FISCAL YEARS 1970 AND 1971, INCLUDING PROPOSED LEGISLATION¹

[In millions of dollars]

Source	Estimates for 1970		Estimates for 1971	
	Staff	Budget ²	Staff	Budget ²
Federal funds:				
Individual income taxes.....	91,800	92,200	89,600	90,500
Corporation income taxes.....	34,400	34,000	32,200	34,000
Excise taxes.....	10,550	10,666	13,101	12,869
Estate and gift taxes.....	3,600	3,500	5,100	5,100
Customs.....	2,370	2,460	2,300	2,460
Miscellaneous receipts.....	3,579	3,660	3,681	3,795
Total.....	146,299	146,486	145,982	148,724
Trust funds:				
Social insurance taxes and contributions.....	44,600	44,800	48,800	49,300
Excise taxes.....	5,100	5,074	6,299	6,251
Miscellaneous receipts.....	21	21	19	19
Total.....	49,721	49,895	55,118	55,570

¹ Receipts from the public only, intragovernmental transactions not included.

² As revised, by the Bureau of the Budget, May 19, 1970. In addition, the trust fund receipts for 1971 include \$630,000,000 from aviation user tax revenues and an allocation of \$160,000,000 from the proposed speedup in excise tax collections.

4. *Proposed revenue legislation.*—The administration's revised estimate of the Federal funds deficit of \$10 billion and the unified budget deficit of \$1.3 billion for the fiscal year 1971 assume substantial receipts from proposed legislation. The administration estimates Federal funds budget receipts of \$3.8 billion from proposed legislation. Of this, \$1.5 billion is expected from the speedup in the collection of estate and gift taxes, \$1.6 billion from a tax on lead used in gasoline, and \$650 million from an extension of the present excise tax rates on automobiles and telephones for an additional year.²

Details of the estimated receipts from proposed legislation under both the administration and staff estimates are shown in table 6 for Federal funds receipts.

TABLE 6.—PROPOSED LEGISLATION IN FEDERAL FUNDS REVENUE ESTIMATES,¹ FISCAL YEAR 1971

[In millions of dollars]

Proposal	Revenue estimates	
	Staff	Budget ²
Speedup in collection of estate and gift taxes.....	1,500	1,500
Tax on lead used in gasoline.....	1,800	1,600
Extension of present excise tax rates on automobiles and telephones.....	650	650
Inland waterways user tax.....	4	4
Total.....	3,934	3,754

¹ Trust fund receipts from proposed legislation are estimated by the staff at \$760,000,000 and by the Bureau of the Budget at \$759,000,000, yielding total estimated receipts from proposed legislation of \$4,694,000,000 and \$4,513,000,000, respectively.

² Latest estimates by the Bureau of the Budget.

³ The present automobile and telephone excise taxes of 7 and 10 percent, respectively, are scheduled drop to 5 percent on Jan. 1, 1971. The administration's proposal would delay these scheduled reductions for 1 year.

B. Treasury proposal

The Treasury Department proposed an \$18 billion increase in the temporary debt ceiling from its present level of \$377 billion to \$395 billion, effective July 1, 1970. The Treasury Department also indicated that the permanent ceiling of \$380 billion contained in the House version of the bill is a ceiling the Treasury could live with.

As is customary, the Treasury Department recommended that the committee follow the procedure of estimating the necessary increase in the public debt limit by adding a \$3 billion allowance for contingencies to the peak debt levels expected throughout the years in question.

In recent years, the semimonthly projection of the debt which the Treasury has supplied the committee usually has been based upon the assumption of a \$4 billion cash balance in the Treasury. The Treasury indicated, however, that as the size of the budget has grown, a cash balance of \$4 billion has become less and less adequate. This is indicated by table 7, which the Treasury supplied the committee, showing that the average cash balance has fallen, substantially since the early 1960's as a percentage of total withdrawals. In view of this, the Treasury Department proposed that the assumed cash balance used in calculating the needed size of the debt limitation be increased from \$4 billion to \$6 billion.

TABLE 7.—RELATION OF AVERAGE CASH BALANCE TO WITHDRAWALS FROM TREASURER'S ACCOUNT BY FISCAL YEARS

(Dollar amounts in billions)

Fiscal year—	Treasurer's average operating balance (excluding gold)	Total withdrawals	Average balance as a percentage of total withdrawals
1962	\$4,934	\$112,188	4.4
1963	6,010	118,477	5.1
1964	5,664	124,066	4.6
1965	6,293	126,395	5.0
1966	5,086	142,190	3.6
1967	4,526	164,591	2.7
1968	5,145	184,581	2.8
1969	5,043	201,491	2.5

Source: U.S. Treasury Department.

The Treasury Department presented, as an example of the need for more leeway, the fact that on April 14, 1970, the actual debt subject to limit reached \$375.9 billion and that at that time the cash balance had been drawn down to only \$2.4 billion. In view of the temporary debt ceiling of \$377 billion, this meant that on April 14, 1970, the margin for contingencies was \$1.9 billion below the \$3 billion level, while the cash balance was \$3.6 billion below the \$6 billion desired level.

Table 8 presents the Treasury Department's projection of the debt on a semimonthly basis for the fiscal year 1971 based upon an assumed cash balance of \$6 billion, with a \$3 billion margin for contingencies. On this basis the debt limitation required on April 15, 1971, is \$394.8 billion. On three other occasions, on December 15, 1970, January 15,

1971, and March 15, 1971, it is estimated that the debt based upon the assumptions indicated will amount to some \$392 or \$393 billion. Again on June 15, 1971, it is estimated that the debt will be close to the \$392 billion level.

TABLE 8.—ESTIMATED DEBT SUBJECT TO LIMIT IN THE FISCAL YEAR 1971

[In billions of dollars]

	Debt with \$6 cash balance	With \$3 margin for contingencies		Debt with \$6 cash balance	With \$3 margin for contingencies
1970:			1971:		
June 30.....	369.0	372.0	Jan. 15.....	389.3	392.3
July 15.....	375.6	378.6	Jan. 31.....	382.6	385.6
July 31.....	375.4	378.4	Feb. 15.....	385.8	388.8
Aug. 15.....	380.8	383.8	Feb. 28.....	385.3	388.3
Aug. 31.....	380.2	383.2	Mar. 15.....	390.3	393.3
Sept. 15.....	385.5	388.5	Mar. 31.....	387.7	390.7
Sept. 30.....	376.6	379.7	Apr. 15.....	391.8	394.8
Oct. 15.....	382.1	385.1	Apr. 30.....	382.1	385.1
Oct. 31.....	381.3	384.3	May 15.....	386.3	389.3
Nov. 15.....	384.9	387.9	May 30.....	385.6	388.6
Nov. 30.....	384.2	387.2	June 15.....	388.7	391.7
Dec. 15.....	389.9	392.9	June 30.....	378.8	381.8
Dec. 31.....	386.3	389.3			

Source: U.S. Treasury Department.

C. Basis for committee action

The committee recognizes that it is difficult for the public to see why a large increase in the debt limitation is required when the budget estimates which are shown, namely, the estimates for the unified budget, indicate either a surplus or a relatively small deficit. The difficulty, of course, is that the debt limitation, in most respects, is based upon the Federal funds budget rather than the unified budget which is the budget generally presented to the public. The unified budget shows the deficit or surplus, however, not just in the Federal funds accounts as such, but also takes into account the various trust funds which the Federal Government holds in what, for the most part, can be considered as a fiduciary capacity. As a result, while the unified budget may represent the appropriate way to view the budget from the standpoint of its overall economic impact or in viewing its financing insofar as the public is concerned, it does not reflect the cost of managing what is strictly the Federal funds as distinct from trust funds. To concentrate only on the unified budget when considering the Federal Government's debt ignores the debt owed these trust funds by the Federal Government.

In view of the considerations outlined above, the committee agrees with the House that it is appropriate to take into account the Federal funds—for the most part as does the present statutory debt limitation—in arriving at a statutory debt limitation representing the Federal Government's debt obligations, not only to the public but also to the trust funds as well. In view of this, the committee has endorsed the request by the Committee on Ways and Means that the Bureau of the Budget develop a new section for inclusion in the basic budget document (the budget referred to in the case of the fiscal year 1971 is House Document 240 Part I of the 91st Cong.) which will develop the Federal funds deficit or surplus in much the same way as the present document develops the unified budget. It is the committee's

understanding that the Bureau of the Budget has agreed to this request and that this new section will be placed toward the forefront of the budget document so that the Federal funds concept will receive adequate attention by the public.

The significance of the Federal funds deficit in this respect is shown by the fact that while the unified budget deficit is estimated by the administration at \$1.3 billion for the fiscal year 1971, the Federal funds deficit is estimated by the administration at \$10 billion. The committee believes that this lack of understanding as to the importance of the Federal funds deficit is responsible for most of the difficulty on the part of the public in recognizing the need for a substantial increase in the statutory debt limitation.

While the Federal funds deficit is expected by the administration to amount to \$10 billion for the fiscal year 1971, the increase in the Federal funds deficit from approximately the middle of April 1970, to the middle of April 1971, is expected to be substantially higher than this. Since the debt limitation is based upon the highest debt, at any time during the year, it is necessary to provide a limitation high enough to accommodate the debt expected in the middle of April 1971.

From approximately April 1, 1970, to April 1, 1971, the administration expects the Federal funds deficit, based upon its estimates of expenditures and revenue (including proposed receipts legislation) to amount to \$13.2 billion. The larger deficit based upon experience from April to April than for the year from July to July arises from the fact that expenditures are likely to be concentrated in this particular 12-month period. The payment of retroactive Government wage increases, for example, occurs in this period. In addition, with an approximate \$6 billion decline in defense expenditures from fiscal year 1970 to fiscal year 1971, it is anticipated that second-half defense expenditures will be lower than during the first half. Also, the Administration believes that interest expenditures will be relatively heavier in the first half of the fiscal year than the second half when lower interest rates are anticipated.

Adding the anticipated Federal funds deficit of \$13.2 billion for the period from April 1, 1970, to April 1, 1971, to the actual debt on April 15, 1970, of \$374.9 billion suggests a statutory debt requirement of \$388.1 billion on April 15, 1971. However, the cash balance on hand on April 15, 1970, was only \$2.2 billion instead of the normal \$6 billion. In addition, the figures presented above do not take the \$3 billion allowance for contingencies into account. Increasing the cash balance by \$3.8 billion and adding the \$3 billion contingency allowance indicates a \$6.8 billion further increase in the statutory debt limitation requirement above the \$388.1 billion and brings the total to \$394.9 billion on April 15, 1971. This can be summarized as follows:

	<i>Billions</i>
Debt on Apr. 15, 1970.....	\$374.9
Estimated Federal funds deficit from April 1970 to April 1971.....	13.2
Restoration of cash balance to \$6,000,000,000 level (from Apr. 15, 1970, level of \$2,200,000,000).....	3.8
Allowance for contingencies.....	3.0
Statutory debt requirement on Apr. 15, 1971.....	394.9

It should be noted that the above computation of the statutory debt requirement for the fiscal year 1971 is based upon administration estimates of expenditures and receipts and assumes the enactment of all proposed revenue legislation.

As indicated earlier in this report, the staff of the Joint Committee on Internal Revenue Taxation presented to the committee an estimate of receipts for the fiscal year 1971 which in terms of the Federal funds budget is \$2.8 billion below that of the administration.³ In addition, neither the committee nor the Congress has yet considered the revenue legislation proposed by the administration as listed in table 6 of this report. This table indicates that should these proposals not be enacted, there would be a loss in revenue of at least \$3.8 billion in the Federal funds budget. Additionally, there is the possibility that expenditure requirements may not be held to the levels indicated in the May 19 revision. All three of these factors suggest that even the full allowance of the administration's request for a temporary increase in the debt limitation to \$395 billion in a stringent limitation in view of the present budgetary situation. In view of these considerations, the committee's bill provides the \$395 billion temporary limitation requested by the administration for the fiscal year 1971.

Both the House and the committee bill also increase from \$365 billion to \$380 billion, the permanent debt limitation. The \$380 billion is a conservative approximation of the debt likely to be outstanding at the end of the fiscal year 1971. This is indicated by the fact that the debt actually expected to be outstanding at the end of the fiscal year 1970 is \$371 to \$372 billion. Adding the administration's Federal funds deficit of \$10 billion to this indicates a debt level at the end of the year of \$381 to \$382 billion. The committee agreed with the House that it would be unrealistic to provide a permanent debt limitation much below the debt expected on this conservative basis at the end of the fiscal year 1971. Both the House and committee version of the bill therefore, provide for the increase in the permanent debt limitation from \$365 to \$380 billion.

D. Results of delaying the enactment of an adequate debt ceiling

The committee believes it has the responsibility to point out to the Senate some of the real complications which would develop in the event of any delay in enacting a public debt limit sufficient for the Government's needs during the next fiscal year. If provision is not made for a new debt limitation, the present limitation of \$377 billion will expire and on July 1 the overall limitation will fall to \$365 billion. On that date, the debt subject to limitation is expected to exceed \$365 billion by approximately \$6 billion. While there would be no question concerning the legality of the outstanding debt in such a situation, the Treasury Department would be unable to issue any new securities. This prohibition would apply to issues designed to replace maturing issues as well as to securities of overall debt.

As a result, savings bonds could not be issued and payroll savings plans would be disrupted. In addition, the Treasury cash balance

³ The deficit shown under the staff estimate is \$2.8 billion above that of the administration rather than the \$3.6 billion figure previously published, because the administration receipts estimates previously classified \$700 million of airport and airway system receipts as Federal fund receipts rather than as trust fund receipts. See footnote No. 1 on table 2 for further detail.

would be depleted rapidly. Substantial amounts of Treasury bills become due on a weekly basis during July and an additional amount would mature at the end of July. If new bills cannot be issued to replace these issues, the Treasury cash balance would be exhausted by July 9, a day on which \$3.1 billion of Treasury bills mature.

Once the cash balance is exhausted, the Government would be compelled to delay full payment (or resort to partial payments) of contract obligations, Government salaries, various loan and benefit programs, and grants to States and local governments when they become due. The economic hardships resulting from such action would, of course, be most severe in those areas where there are large concentrations of Federal employees or employees engaged in production under large Government contracts.

III. APPENDIX

TABLE I.—*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 87, 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 cer- tificates 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. 13, amending sec. 5, increased authority for cer- tificates 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 outstanding (established revolving authority) to...	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 limita- tion 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 au- thority 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.	
May 26, 1938: 52 Stat. 447, amending secs. 1 and 21, consoli- dating in sec. 21 authority for bonds, certificates of indebt- edness, 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 limi- tation on bonds without changing total authorized outstand- ing of bonds, certificates of indebtedness, bills, and notes...	² 45, 000, 000, 000

See footnotes at end of table.

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

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 secs. 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 sec. 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 \$49, 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 to.....	2 65, 000, 000, 000
Eliminated separate authority for \$4,000,000,000 of National Defense Series obligation.	
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
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, 1958, 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

See footnotes at end of table.

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

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 to....	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 further 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 June 24, 1963....	² 305, 000, 000, 000
3. Beginning June 25, 1963, and ending June 30, 1963....	² 300, 000, 000, 000
May 29, 1963: 77 Stat. 50, amending sec. 21, for period—	
1. Beginning May 29, 1963, and ending June 30, 1963....	² 307, 000, 000, 000
2. Beginning July 1, 1963, and ending Aug. 31, 1963....	² 309, 000, 000, 000
Aug. 27, 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. On 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
June 24, 1965: 79 Stat. 172, amending sec. 21, for the period beginning July 1, 1965, and ending on June 30, 1966, temporarily increasing the debt limit to.....	² 328, 000, 000, 000
June 24, 1966: 80 Stat. 221, amending sec. 21, for the period beginning July 1, 1966, and ending on June 30, 1967, temporarily increasing the debt limit to.....	² 330, 000, 000, 000
Mar. 2, 1967: 81 Stat. 4, amending sec. 21, for the period beginning Mar. 2, 1967, and ending on June 30, 1967, temporarily increasing the debt limit to.....	² 336, 000, 000, 000
June 30, 1967; 81 Stat. 99—	
1. Amending sec. 21, effective June 30, 1967, increasing limitation to.....	² 358, 000, 000, 000
2. Temporarily increasing the debt limit by \$7,000,000,000 for the period from July 1 to June 29 of each year, to make the limit for such period.....	² 365, 000, 000, 000
April 7, 1969: 83 Stat. 7—	
1. Amending sec. 21, effective Apr. 7, 1968, increasing debt limitations to.....	365, 000, 000, 000
2. Temporarily increasing the debt limit by \$12,000,000,000 for the period from Apr. 7, 1969 through June 30, 1970, to make the limit for such period.....	377, 000, 000, 000

¹ Limitation on issue.

² Limitation on outstanding.

TABLE II—PUBLIC DEBT SUBJECT TO LIMITATION AT END OF FISCAL YEARS 1938-70

[In millions of dollars]

Fiscal year	Public debt subject to limitation at end of year	Fiscal year	Public debt subject to limitation at end of year
1938.....	36,882	1955.....	273,915
1939.....	40,317	1956.....	272,361
1940.....	43,219	1957.....	270,188
1941.....	49,494	1958.....	276,013
1942.....	74,154	1959.....	284,398
1943.....	140,469	1960.....	286,065
1944.....	208,077	1961.....	288,862
1945.....	268,671	1962.....	298,212
1946.....	268,932	1963.....	306,099
1947.....	257,491	1964.....	312,164
1948.....	251,542	1965.....	317,581
1949.....	252,028	1966.....	320,102
1950.....	256,652	1967.....	326,471
1951.....	254,567	1968.....	350,743
1952.....	258,507	1969.....	356,932
1953.....	265,522	1970 ¹	372,966
1954.....	270,790		

¹ Debt subject to limitation June 22, 1970.

Source: Table 1, Annual Report of the Secretary of the Treasury on the State of the Finances, 1967, p. 439, through 1967; table FD-8, Treasury Bulletin, April 1970, p. 28, for 1968 and 1969, Daily Treasury Statement for June 22, 1970.

IV. CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 21 OF THE SECOND LIBERTY BOND ACT (31 U.S.C. 757b)

SEC. 21. 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 **[\$365,000,000,000]** *\$380,000,000,000* outstanding at any one time. 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.