

PROVIDING A TEMPORARY INCREASE IN THE PUBLIC DEBT LIMIT

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

R E P O R T

[To accompany H. R. 11740]

The Committee on Finance, to whom was referred the bill (H. R. 11740) to provide a temporary increase in the public debt limit, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

GENERAL STATEMENT

Section 21 of the Second Liberty Bond Act, as amended, provides a limit of \$275 billion on the amount of public-debt securities which may be outstanding at any one time. In an act approved August 28, 1954 (Public Law 686, 83d Cong., 2d sess.), the public-debt limit was increased from \$275 billion to \$281 billion, or by \$6 billion, for the period beginning on the date of enactment of that act and ending on June 30, 1955. In an act approved June 30, 1955 (Public Law 124, 84th Cong., 1st sess.), this temporary \$6 billion increase in the public-debt limit was extended for 1 year, or until June 30, 1956.

The Secretary of the Treasury has again requested a 1-year temporary increase in the debt limit, but this time has requested a \$3 billion, instead of a \$6 billion, increase, or has requested an increase from \$275 billion to \$278 billion, instead of to \$281 billion. H. R. 11740 carries out the request of the Secretary. It provides that a public-debt limit of \$278 billion is to apply for the period from July 1, 1956, to June 30, 1957. At the end of this period the debt limit would revert to \$275 billion.

In his appearance before your committee, as in his appearance before the House Ways and Means Committee, the Secretary of the Treasury made the following statement:

I am appearing before you today to ask for a temporary increase in the public-debt limit from \$275 billion to \$278 billion for the fiscal year 1957. Because of our improved

fiscal position, we are following the suggestion that the temporary increase granted by Congress for 2 years past be cut in half.

We succeeded in living within the \$281 billion limit set a year ago, but by a narrow margin. On several days, we were within \$700 million of the debt ceiling, and, at times, our operating cash balance was less than enough to cover 10 days' expenditures. This is closer than is prudent in handling the Government's huge operations efficiently.

However, I am in full sympathy with the desire of the Congress to keep a limit on Government spending.

We hope to finish this fiscal year with a budget surplus of about \$1.8 billion and the debt under \$273 billion. We still face, however, a heavy seasonal swing in receipts, which means borrowing in the first half of the fiscal year for repayment from heavy tax receipts in the second half.

This swing is gradually being reduced by the shift in time of payment of corporation taxes, provided by the 1954 legislation.

Taking these facts into account, I believe we can operate under a \$278 billion ceiling, though it will take careful management. If this becomes impossible, we shall advise the Congress promptly.

Your committee is gratified that the temporary increase this year is \$3 billion rather than \$6 billion. The request for a smaller temporary increase results from a budgetary surplus for the fiscal year 1956 and from the fact that corporate taxpayments are gradually being spread more evenly over the year which makes it unnecessary to borrow in the forepart of the fiscal year to the same extent as previously. This arises from the system of declarations of estimated tax adopted for larger corporations which calls for quarterly taxpayments, with payments for calendar year corporations in September and December, as well as the payments in the following March and June. This quarterly payment system is going into effect gradually, and will be two-fifths effective in 1956 and three-fifths effective in 1957, thus gradually spreading corporate taxpayments more evenly over the year. Your committee hopes that a continuation of the temporary increases in the limit will not be necessary next year because of a continued budgetary surplus and because the corporate taxpayments will be further accelerated next year.

This bill is reported unanimously by your committee.

