DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

October 1, 2015

The Honorable Nancy Pelosi
Democratic Leader
U.S. House of Representatives
Washington, DC 20515

Dear Madam Leader:

I am writing to follow up on my previous letters regarding the debt limit and to provide additional information regarding the Department of the Treasury's ability to continue to finance the government.

In recent letters, I projected that the extraordinary measures we have been employing to preserve borrowing capacity would not be exhausted before late October 2015 and that they likely would last for at least a brief additional period of time. I cautioned, however, that Treasury's estimates regarding the debt limit are subject to inherent variability, given the challenges of forecasting the timing and amount of thousands of daily government transactions.

Over the past ten days, we have received quarterly corporate and individual tax receipts and additional information about the activities of certain large trust funds, including military retirement trust funds. The tax receipts were lower than we previously projected, and the trust fund investments were higher than projected—resulting in a net decrease of resources available to the United States government.

Based on this new information, we now estimate that Treasury is likely to exhaust its extraordinary measures on or about Thursday, November 5. At that point, we would be left to fund the government with only the cash we have on hand, which we currently forecast to be below $30 billion. This amount would be far short of net expenditures on certain days, which can be as high as $60 billion. Moreover, given certain payments that are due in early to mid-November, we anticipate that our remaining cash would be depleted quickly. Without sufficient cash, it would be impossible for the United States of America to meet all of its obligations for the first time in our history.

Again, Treasury's estimates are subject to inherent variability and could change as we receive additional information about daily receipts, investments, and expenditures. Over the last several weeks, the trend in our projected net resources has been negative, which has reduced the amount of time that we expect to be able to finance the government. The ultimate date that Treasury exhausts extraordinary measures, however, could be sooner or later than November 5. We will continue to update Congress as we receive additional information.

Finally, in my previous letter, I noted that Treasury's cash balance already had fallen below $150 billion. Maintaining this minimum prudent balance helps protect against potential market interruptions, but it does not increase the debt limit or alter the time we can continue to pay the nation's bills. Treasury's cash balance rose temporarily after the September 15 tax deadline. Today, we anticipate that it will again fall below the minimum balance, and we expect it will continue to fall until Congress raises the debt limit.

Protecting the full faith and credit of the United States is the responsibility of the United States Congress. There is no way to predict the catastrophic damage that default would have on our economy and global financial markets. Moreover, we have learned from previous debt limit impasses that failing to act until the last minute and engaging in partisan brinksmanship can cause serious harm to business and consumer confidence, raise short-term borrowing costs for taxpayers, and negatively impact the credit rating of the United States. To remove these unnecessary and avoidable threats, I respectfully urge Congress to take action as soon as possible and raise the debt limit well before Treasury exhausts its extraordinary measures.

Sincerely,

Jacob J. Lew

Identical letter sent to:

The Honorable John A. Boehner, Speaker of the House
The Honorable Mitch McConnell, Senate Majority Leader
The Honorable Harry Reid, Senate Democratic Leader

cc: The Honorable Paul Ryan, Chairman, House Committee on Ways and Means
The Honorable Sander M. Levin, Ranking Member, House Committee on Ways and Means
The Honorable Orrin G. Hatch, Chairman, Senate Committee on Finance
The Honorable Ron Wyden, Ranking Member, Senate Committee on Finance
All other Members of the 114th Congress