United States Senate
WASHINGTON, DC 20510

October 15, 2012

The Honorable Timothy Geithner
Secretary, Department of the Treasury
1500 Pennsylvania Ave. NW
Washington, DC 20220

Dear Secretary Geithner:

As the Ranking Members of the Senate Committee on Finance and the Senate Budget Committee, we are responsible for oversight of Treasury debt-management activities and federal fiscal policy. On August 2, 2011, the President signed into law the Budget Control Act, which increased the statutory debt limit by $2.1 trillion. Fourteen months later, the government has added over $1.8 trillion of new debt and is approaching the limit yet again. According to the October 11, 2012 Daily Treasury Statement, total public debt subject to the statutory debt limit was $16,119,122 million, or $274,878 million below the limit of $16,394,000 million. In other words, just over a year later, we've already exhausted 87 percent of the $2.1 trillion increase in federal borrowing authority, averaging more than $4 billion in borrowing a day.

As you recall, your Department determined in January, 2011 that the debt limit in force at that time would likely be reached by May 16, 2011. In May, 2011, your Department also determined that it was necessary to use "extraordinary measures" to manage federal debt until August 2, 2011 when the statutory debt limit was increased. In January, 2012, your Department again determined that exceptional action was needed to continue funding the government, so the President used authority provided by the Budget Control Act of 2011 to increase the statutory debt limit to $16,394,000 million.

Prior to the statutory debt limit increase of August 2, 2011, Senator Hatch requested information from Treasury and members of the Financial Stability Oversight Council regarding the amount of cash available at Treasury, projected cash inflows and outflows, and contingency plans for the possibility of Treasury running out of cash and defaulting on outstanding obligations. The responses to this request were inadequate, and Congress was left to guess about the Treasury's cash position and forecasts of cash positions or rely on guesses made by outside organizations. This lack of transparency from Treasury is unacceptable, especially with regard to issues affecting the full faith and credit of the United States.

Our understanding is that neither the administration nor the Treasury had any formal contingency plan for dealing with the consequences of the U.S. government defaulting on its obligations. That is, there was no "plan B." Based on information provided by the Office of the Inspector General of the Department of the Treasury, it appears that Treasury "organizationally" viewed an option of delaying payments to federal obligees as "the least harmful among the options under review." With more complete information about when the debt limit may next be reached, we hope to aid decision-makers and preempt any need for such a contingency plan in the future.

Barring any change in the statutory debt limit, we request that you provide us with periodic updates of the following information.

1. What is Treasury's forecast of the date upon which Treasury will find it necessary to use extraordinary measures to manage to keep federal debt at or below the statutory debt limit?
2. What is Treasury's forecast of the date upon which the U.S. government will reach the statutory debt limit given use and exhaustion of these extraordinary measures?
3. What are Treasury's plans for asset sales as the government approaches the statutory debt limit?
4. What has changed, in terms of receipts and outlays, planned asset sales, and forecasts of receipts and outlays, since the last update?

Please provide this information on November 1 and December 3 of 2012; and January 2, February 1, and March 1 of 2013. We urge you to consider these to be hard deadlines, and not mere suggestions.

Sincerely,

Orrin G. Hatch
Ranking Member
Senate Finance Committee

Jeff Sessions
Ranking Member
Senate Budget Committee