

RON WYDEN, OREGON , CHAIRMAN

| | |
|------------------------------------|---------------------------------|
| DEBBIE STABENOW, MICHIGAN | MIKE CRAPO, IDAHO |
| MARIA CANTWELL, WASHINGTON | CHUCK GRASSLEY, IOWA |
| ROBERT MENENDEZ, NEW JERSEY | JOHN CORNYN, TEXAS |
| THOMAS R. CARPER, DELAWARE | JOHN THUNE, SOUTH DAKOTA |
| BENJAMIN L. CARDIN, MARYLAND | RICHARD BURR, NORTH CAROLINA |
| SHERROD BROWN, OHIO | ROB PORTMAN, OHIO |
| MICHAEL F. BENNET, COLORADO | PATRICK J. TOOMEY, PENNSYLVANIA |
| ROBERT P. CASEY, Jr., PENNSYLVANIA | TIM SCOTT, SOUTH CAROLINA |
| MARK R. WARNER, VIRGINIA | BILL CASSIDY, LOUISIANA |
| SHELDON WHITEHOUSE, RHODE ISLAND | JAMES LANKFORD, OKLAHOMA |
| MAGGIE HASSAN, NEW HAMPSHIRE | STEVE DAINES, MONTANA |
| CATHERINE CORTEZ MASTO, NEVADA | TODD YOUNG, INDIANA |
| ELIZABETH WARREN, MASSACHUSETTS | BEN SASSE, NEBRASKA |
| | JOHN BARRASSO, WYOMING |

JOSHUA SHEINKMAN, STAFF DIRECTOR
GREGG RICHARD, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

July 1, 2021

The Honorable Janet Yellen
Secretary, Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Yellen:

The Bipartisan Budget Act of 2019 suspended the debt limit through July 31, 2021. Absent legislation to raise the limit, Treasury will take certain “extraordinary measures” to finance the federal government, and rely on available operating cash.

Treasury is responsible for providing timely and updated information to the American people and Congress about the state of the Nation’s finances, including projections of near-term balances as a debt limit approaches.

According to the May 5, 2021 Quarterly Refunding Statement: “Treasury is assuming a cash balance of approximately \$450 billion at the expiration of the debt limit suspension on July 31 based on expected outflows under its cash management policies and consistent with its authorities and obligations, including the Bipartisan Budget Act of 2019.”¹

That Statement was released during discussions of the state of Treasury borrowing and debt between Treasury officials and representatives of large private-sector financial institutions at the May 5 meeting of the Treasury Borrowing Advisory Committee (TBAC).

If the debt limit is not raised by July 31, according to the Statement: “Treasury, as it has in the past, may take certain extraordinary measures to continue to finance the government on a temporary basis...Treasury is evaluating a range of potential scenarios...”

Projections of Treasury’s July 31 cash balance have likely evolved between May 5 and the present, based on changes to expected cash inflows and outflows.² Interpretations of how

¹ [Quarterly Refunding Statement of Deputy Assistant Secretary for Federal Finance Brian Smith | U.S. Department of the Treasury](#)

² According to the Office of Inspector General (OIG) of the Treasury Department: “Treasury’s daily cash balance projections are calculated by the Office of the Fiscal Assistant Secretary (OFAS) and updated on a regular basis. These estimates are based on (1) projected receipts, (2) projected cash outlays for government operations, and (3)

Section 301 of the Bipartisan Budget Act of 2019 (P.L. 116-37) governs operating cash available for use by Treasury after July 31, absent an increase at that time in the debt limit, vary.

Some seem to believe that Section 301 would require that Treasury modulate its cash balance down to what it was at the beginning of the suspension period, or not use any excess over that amount to remain under the debt limit after July 31. Others seem to believe that Sec. 301 is satisfied with whatever cash balance Treasury decides it wishes to hold on July 31, so long as the amount is consistent with normal precautionary balances.

How long extraordinary measures can be utilized to avoid breach of the debt limit, should the limit not be raised by August 1, is subject to speculation. Private forecasters have said that Treasury could utilize extraordinary measures and available operating cash to remain below the reinstated limit on August 1, should a limit increase not be enacted by then, into early November. Others reportedly project that Treasury could remain below a reinstated limit sometime after October 1.³

As we near the end of the debt-limit suspension, it is useful to have updated information on the state of the Nation's finances, including projections regarding cash balances and extraordinary measures.

Please respond to my questions below by close of business on Friday, July 9. The questions are intended to gain information that can be useful for Congress and the American people looking forward. They are not intended to invite debate on the usefulness of a statutory debt limit.

1. Please identify if Treasury is still projecting an operating cash balance of approximately \$450 billion on July 31, and also identify the range of possible cash balances on that date within a 98 percent confidence interval.
2. Please identify whether Treasury's legal interpretation of Sec. 301 of the Bipartisan Budget Act of 2019 constrains the operating cash balance that Treasury could use to pay incoming obligations after July 31, absent an increase in the debt limit.
3. Please identify how long Treasury projects so-called extraordinary measures will help allow Treasury to, if necessary, remain below a reinstated debt limit, and also identify the range of possible dates on which such measures will be depleted within a 98 percent level of confidence.

Sincerely,



Ranking Member

projected net cash flows from marketable and non-marketable securities activity. See the letter to the Honorable Orrin G. Hatch from Treasury's OIG dated August 24, 2012, available at https://oig.treasury.gov/sites/oig/files/Audit_Reports_and_Testimonies/OIG-CA-12-006.pdf.

³ <https://www.rollcall.com/2021/05/06/huge-treasury-cash-pile-might-delay-debt-limit-drop-dead-date/>