



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

August 26, 2013

The Honorable John A. Boehner
Speaker
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Speaker:

I am writing to provide additional information regarding the Treasury Department's ability to continue to finance the government, and the extraordinary measures we have undertaken in order to avoid default. On May 17, I wrote to inform you that the U.S. government had reached the statutory debt limit and had begun to implement extraordinary measures. As I stated in that letter, Congress should act as soon as possible to protect America's good credit by extending normal borrowing authority well before any risk of default becomes imminent.

Based on our latest estimates, extraordinary measures are projected to be exhausted in the middle of October. At that point, the United States will have reached the limit of its borrowing authority, and Treasury would be left to fund the government with only the cash we have on hand on any given day. The cash balance at that time is currently forecasted to be approximately \$50 billion.

Operating the government with no borrowing authority, and with only the cash on hand on a given day, would place the United States in an unacceptable position. The government makes approximately 80 million payments a month, including social security checks, military salaries, Medicare reimbursements, and many others. A cash balance of approximately \$50 billion would be insufficient to cover net expenditures for an extended period of time. And, on certain days, net expenditures could exceed such a cash balance.

Moreover, it is not possible for us to estimate with any precision the date on which Treasury would exhaust its cash in this situation. The rate at which cash will be drawn down depends on factors that are inherently variable and irregular, including the unpredictability of tax receipts, changes in expenditure flows under sequestration, and the willingness of investors to re-invest in, or "roll over," Treasury securities. If investors should become unwilling to loan the United States money, the United States could face an immediate cash shortfall. Indeed, such a scenario could undermine financial markets and result in significant disruptions to our economy.

Extending borrowing authority does not increase government spending; it simply allows the Treasury to pay for expenditures Congress has previously approved. Protecting the full faith and credit of the United States is the responsibility of Congress because only Congress can extend the nation's borrowing authority. Failure to meet that responsibility would cause irreparable harm to the American economy.

As I have stated previously, Congress should act as soon as possible to meet its responsibility to the nation and to remove the threat of default. Under any circumstance—in light of its schedule, the inherent variability of cash flows, and the dire consequences of miscalculation—Congress must act before the middle of October.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with the first name "Jacob" and last name "Lew" clearly distinguishable.

Jacob J. Lew

Identical letter sent to:

The Honorable Nancy Pelosi, House Democratic Leader
The Honorable Harry Reid, Senate Majority Leader
The Honorable Mitch McConnell, Senate Republican Leader

cc: The Honorable Dave Camp, Chairman, House Committee on Ways and Means
The Honorable Sander M. Levin, Ranking Member, House Committee on Ways and Means
The Honorable Max Baucus, Chairman, Senate Committee on Finance
The Honorable Orrin G. Hatch, Ranking Member, Senate Committee on Finance
All other Members of the 113th Congress