



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

September 25, 2013

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

Dear Mr. Speaker:

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

As I have written previously, Treasury's estimates are subject to inherent variability due to a variety of factors, such as the impact of sequestration and the challenges of forecasting the timing and amount of daily government transactions. On August 26, I wrote to inform you that the extraordinary measures we are employing to preserve borrowing capacity would be exhausted in the middle of October. We estimated that, at that point, we would have approximately \$50 billion to fund the government—an amount insufficient to cover net expenses for a meaningful period of time.

Since August, we have received quarterly corporate and individual tax receipts and additional information regarding the activities of certain large trust funds, including military retirement trust funds. Treasury now estimates that extraordinary measures will be exhausted no later than October 17. We estimate that, at that point, Treasury would have only approximately \$30 billion to meet our country's commitments. This amount would be far short of net expenditures on certain days, which can be as high as \$60 billion. If we have insufficient cash on hand, it would be impossible for the United States of America to meet all of its obligations for the first time in our history.

The House of Representatives recently passed legislation that includes an ill-advised provision to prioritize payments, which would not protect the full faith and credit of the United States. Any plan to prioritize some payments over others is simply default by another name. The United States should never have to choose, for example, whether to pay Social Security to seniors, pay benefits to our veterans, or make payments to state and local jurisdictions and health care providers under Medicare and Medicaid. There is no way of knowing the damage any prioritization plan would have on our economy and financial markets. It would represent an irresponsible retreat from a core American value: We are a nation that honors all of its commitments.

The debt limit impasse that took place in 2011 caused significant harm to the economy and a downgrade to the credit rating of the United States. The drawn-out dispute caused business uncertainty to increase, consumer confidence to drop, and financial markets to fall. If Congress were to repeat that brinksmanship in 2013, it could inflict even greater harm on the economy. And if the government should ultimately become unable to pay all of its bills, the results could be catastrophic.

The President remains willing to negotiate over the future direction of fiscal policy, but he will not negotiate over whether the United States will pay its bills for past commitments. Extending borrowing authority does not increase government spending; it simply allows the Treasury to pay for expenditures Congress has already approved. As such, I respectfully urge Congress to act immediately to meet its responsibility by extending the nation's borrowing authority.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jacob J. Lew', written in a cursive style.

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 113<sup>th</sup> Congress