



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

January 22, 2014

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 December 19, 2013 letter regarding the debt limit.

As you know, the Continuing Appropriations Act, 2014 suspended the statutory debt limit through February 7, 2014. When that suspension period ends, the United States will again reach the debt limit. The best course of action would be for Congress to act before February 7 to ensure orderly financing of the government. In the absence of Congressional action, Treasury would be forced to use extraordinary measures to continue to finance the government on a temporary basis.

When I previously wrote to you in December, I estimated that Treasury would exhaust extraordinary measures in late February or early March. Based on our best and most recent information, we believe that Treasury is more likely to exhaust those measures in late February. While this forecast is subject to inherent variability, we do not foresee any reasonable scenario in which the extraordinary measures would last for an extended period of time.

The length of time that the extraordinary measures can extend the nation's borrowing authority is significantly shorter than it was in 2011 and 2013. This is in large part because the government experiences large net cash outflows in the month of February, due to tax refunds. For example, in 2013, the government experienced net cash outflows of approximately \$230 billion in the month of February, as compared to average net outflows of \$45 billion in the other months of the year. Moreover, this year the payment of tax refunds will be particularly concentrated in the weeks after February 7 due to the delayed start of the tax filing season, which was caused by the government shutdown.

In addition, the amount of borrowing capacity that can be provided by the extraordinary measures is significantly more limited than in 2011 and 2013. In February, we estimate that they could free up only about \$200 billion, compared to \$330 billion in 2013. The difference results largely because some of the extraordinary measures are only available at certain times of the year. For example, Treasury's statutory authority to suspend the reinvestment of Treasury securities held by certain federal trust funds is of particular value when a large amount of securities mature in June of each year; the value of that suspension authority is much less in February. The significantly smaller amount of headroom that can be freed up now will quickly be exhausted by the large obligations of the government that occur in the month of February.

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. No Congress in our history has failed to meet that responsibility. I respectfully urge Congress to provide certainty and stability to the economy and financial markets by acting to raise the debt limit before February 7, 2014, and certainly before late February.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with a large initial "J" and "L".

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