Secretary of the Treasury Janet L. Yellen Sends Letter to Congressional Leadership on the Debt Limit

July 23, 2021

WASHINGTON — Today, U.S. Secretary of the Treasury Janet L. Yellen sent a letter to Congressional leadership regarding the debt limit.

The full text of the letter is available here and below.

The Honorable Nancy Pelosi

Speaker

U.S. House of Representatives

Washington, DC 20515

Dear Madam Speaker:

As you know, the Bipartisan Budget Act of 2019 suspended the statutory debt limit through Saturday, July 31, 2021. I am writing to inform you that beginning on Sunday, August 1, 2021, the outstanding debt of the United States will be at the statutory limit.

Today, Treasury is announcing that it will suspend the sale of State and Local Government Series (SLGS) securities at 12:00 p.m. on July 30, 2021. The suspension of SLGS sales will continue until the debt limit is suspended or raised. If Congress has not acted to suspend or increase the debt limit by Monday, August 2, 2021, Treasury will need to start taking certain additional extraordinary measures in order to prevent the United States from defaulting on its obligations.

Increasing or suspending the debt limit does not increase government spending, nor does it authorize spending for future budget proposals; it simply allows Treasury to pay for previously enacted expenditures. The current level of debt reflects the cumulative effect of all prior spending and tax decisions, which have been made by Administrations and

Congresses of both parties over time. Failure to meet those obligations would cause irreparable harm to the U.S. economy and the livelihoods of all Americans. Even the threat of failing to meet those obligations has caused detrimental impacts in the past, including the sole credit rating downgrade in the history of the nation in 2011. This is why no President or Treasury Secretary of either party has ever countenanced even the suggestion of a default on any obligation of the United States.

The period of time that extraordinary measures may last is subject to considerable uncertainty due to a variety of factors, including the challenges of forecasting the payments and receipts of the U.S. government months into the future, exacerbated by the heightened uncertainty in payments and receipts related to the economic impact of the pandemic. Given this, Treasury is not able to currently provide a specific estimate of how long extraordinary measures will last. However, there are scenarios in which cash and extraordinary measures could be exhausted soon after Congress returns from recess. For example, on October 1 alone, cash and extraordinary measures are expected to decrease by about $150 billion due to large mandatory payments, including a Department of Defense-related retirement and health care investment.

In recent years Congress has addressed the debt limit through regular order, with broad bipartisan support. I respectfully urge Congress to protect the full faith and credit of the United States by acting as soon as possible.

Sincerely,

Janet Yellen

Secretary of the Treasury

Identical letter sent to:

The Honorable Kevin McCarthy, House Minority Leader

The Honorable Charles E. Schumer, Senate Majority Leader

The Honorable Mitch McConnell, Senate Minority Leader

cc:

The Honorable Richard Neal, Chairman, House Committee on Ways and Means

The Honorable Kevin Brady, Ranking Member, House Committee on Ways and Means

The Honorable Ron Wyden, Chairman, Senate Committee on Finance

The Honorable Mike Crapo, Ranking Member, Senate Committee on Finance

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