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U.S. to Hit Debt Ceiling in February

Wed Feb 5, 12:08 PM ET

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By JEANNINE AVERSA, Associated Press Writer

WASHINGTON - The government is expected to hit the \$6.4 trillion ceiling on the national debt around Feb. 20, the Treasury Department ([news](#) - [web sites](#)) said Wednesday, renewing its call for Congress to boost the government's borrowing authority.



[AP Photo](#)

Treasury asked Congress late last year to increase the government's ability to borrow, setting the stage for a political fight in Congress. Treasury, however, hasn't said exactly how much of an increase in the current statutory debt ceiling it wants.

Late last year Treasury warned Congress the government would hit the debt ceiling in late February, but didn't specify a date.

Treasury's announcement comes as the government's financial situation is deteriorating, with considerably more red ink being projected for the next few years than the \$158 billion deficit seen in the 2002 fiscal year, which ended Sept. 30.

President Bush ([news](#) - [web sites](#))'s budget — which includes a bold tax-cut package — projects deficits of \$307 billion this year and \$304 billion next year — surpassing the record \$290 billion deficit of 1992 under the first President Bush.

If Congress doesn't boost the government's borrowing authority, Treasury can juggle funds for a while at least to dodge a default on the national debt. Treasury moved billions of dollars around to do just that on two occasions last year.

"If the statutory debt ceiling is not raised, the Treasury will have to begin to use a number of stopgap devices — some costly — to manage debt subject to limit, which have been previously utilized under established legal authority," Treasury said Wednesday.

But such shifting of funds would allow the government to pay its bills through the beginning of April, the department said.

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"Treasury will continue to work with Congress to ensure the government's ability to finance its operations," Treasury said.

Peter Fisher, Treasury's undersecretary for domestic finance, didn't believe the Feb. 20 and April timeframes would be changed by a war with Iraq or congressional passage of the president's new tax proposal.

"I doubt that any contingency is going to change this date much," Fisher said. "I think we discussed last year at some length, the timing of these dates is really at this point driven by our cash flow."

Last June, Congress boosted the old debt limit by \$450 billion, from \$5.95 trillion to the current \$6.4 trillion. However, at that time, Treasury had sought a larger increase and warned that Congress would need to again increase the government's borrowing authority.

Boosting the debt limit is more a matter of politics than economics.

Economists and others doubt that Congress will not eventually raise the limit. A federal default is considered unimaginable because it would rattle the bond markets, force interest rates higher, weaken the world economy and deliver a jarring political blow to President Bush.

Currently, national debt subject to the \$6.4 trillion debt limit stands at \$6.3 trillion.

Democrats said the need for the government to borrow more reflects Bush's handling of the struggling economy and underscored how the 10-year, \$1.35 trillion tax-cut that he engineered in 2001 forced the government back into the red.

Republicans blamed the 2001 recession and the costs of fighting terrorism for the need to extend the debt limit.

With the government squeezed for cash, Treasury said it would bring back 3-year notes, selling them on a quarterly basis beginning in May. The last time the government sold the 3-year note was in May 1998. Treasury also plans to sell 5-year notes more often each quarter.

Treasury also will auction \$42 billion in 5-year and 10-year notes next week.

It will sell \$24 billion worth of 5-year notes, maturing on Feb. 15, 2008, next Tuesday; and will sell \$18 billion worth of 10-year notes, maturing on Feb. 15, 2013, next Wednesday.

A committee of securities dealers that advises Treasury on financing matters in a meeting Tuesday discussed, among other things, bringing back the 30-year bond, the 52-week bill and the 7-year note, according to minutes of the meeting released Wednesday.

Treasury officials, however, said they don't foresee at this point resurrecting the 30-year bond, which the government stopped selling in 2001.

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