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SLGS Window Likely to Close.

The federal debt limit, which has been suspended for more than a year, will be reinstated on Sunday, March 15. The limit will be set at the amount of debt outstanding, meaning that the federal government will be immediately at the limit. Unless Congress acts to raise or suspend the debt limit before March 15 (a highly unlikely event), the federal government will begin the “extraordinary measures” necessary to avoid default.

The first extraordinary measure typically undertaken is suspending SLGS subscriptions. If the Treasury follows its recent practice, it is likely to announce sometime in the week of March 9 that it will not accept SLGS subscriptions after noon ET, Friday, March 13. In the past, the Treasury Department has fulfilled all requests for SLGS filed before the deadline.

It is unclear how long the SLGS window will remain closed, but it quite likely could be several months. The window will not reopen until the debt limit is raised or suspended again. The Congress and President will have to negotiate the terms of suspending or raising the debt limit and, if the recent past is any guide, they may not come to an agreement until the country is close to a default. The extraordinary measures, together with cash receipts, provide the Treasury with the ability to pay the government’s obligations in full for an uncertain period of time depending on the pattern of receipts and expenditures. The period of late March and early April is one where the federal government’s receipts are fairly high, so many observers believe that the Treasury can avoid default until sometime in the summer.

NABL will send another alert when we have an announcement from the Treasury Department.

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