The debt limit—commonly called the debt ceiling—is the maximum amount of debt that the Department of the Treasury can issue to the public or to other federal agencies. The amount is set by law and has been increased over the years to finance the government’s operations. On October 14, 2021, lawmakers raised the debt limit by $480 billion to a total of $28.9 trillion. \(^1\) On October 18, the Treasury announced a continuation of the “debt issuance suspension period” during which, under current law, it could take “extraordinary measures” to borrow additional funds without breaching the debt ceiling. \(^1\) The debt issuance suspension period began on August 1, 2021.

The Treasury has already reached the new debt limit of $28.9 trillion, so it currently has no room to borrow under its standard operating procedures, other than to replace maturing debt. To avoid breaching the limit, the Treasury is using the extraordinary measures that allow it to continue to borrow additional amounts for a limited time.

How long those extraordinary measures last will be heavily influenced by transactions scheduled over the coming weeks. For example, the Treasury has announced that it will implement a provision of the Infrastructure Investment and Jobs Act (Public Law 117-58) by transferring $118 billion to the Highway Trust Fund on December 15. \(^2\)

The Congressional Budget Office projects that, if the debt limit remained unchanged and if the Treasury made that transfer in full, the government’s ability to borrow using extraordinary measures would be exhausted soon after it made the transfer. In that case, the Treasury would most likely run out of cash before the end of December. If that occurred, the government would be unable to pay its obligations fully, and it would delay making payments for some activities, default on its debt obligations, or both.

The Secretary of the Treasury may have the authority to defer all or part of the transfer to the Highway Trust Fund. If payments were made to the Highway Trust Fund only in the amounts needed for immediate use, the government would be able to pay its obligations for a few weeks longer than it would if the payments were made in full—until sometime in January.

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What Constitutes Debt Subject to the Statutory Limit?

Debt subject to the statutory limit (commonly referred to as debt subject to limit) consists of debt held by the public and debt held by government accounts. \(^3\) Debt held by the public is mostly in securities that the Treasury issues to raise cash to fund operations that cannot be covered by federal revenues. Such debt is held by outside investors, including the Federal Reserve System. Debt held by government accounts is issued to the federal government’s trust funds and other federal accounts for internal transactions; it is not traded in capital markets. Trust funds for Social Security, Medicare, military retirement, and civil service retirement and disability hold most of that debt. The Highway Trust Fund also holds such debt.

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1. The increase was enacted in the Promoting Physical Activity for Americans Act, Public Law 117-50.


3. For more information about different measures of federal debt, see Congressional Budget Office, Federal Debt: A Primer (March 2020), www.cbo.gov/publication/56165.
As of October 31, 2021, $22.6 trillion of the $28.9 trillion in outstanding debt subject to limit was held by the public (including the Federal Reserve); the remaining $6.3 trillion was held by government accounts.

**What Extraordinary Measures Are Still Available to the Treasury?**

Since August 1, 2021, the Treasury's extraordinary measures have consisted of suspending the issuance of new state and local government securities and savings bonds, suspending investments of the Thrift Savings Plan's G Fund, limiting investments of the Civil Service Retirement and Disability Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHBF), and suspending payments to those two funds.  

During the coming weeks, the Treasury could take any of the following measures:

- Continue to suspend the investments of the Thrift Savings Plan's G Fund. Otherwise rolled over or reinvested daily, those investments totaled $225 billion in Treasury securities as of October 31, 2021.
- Suspend the investments of the Exchange Stabilization Fund. Otherwise rolled over daily, such investments totaled $23 billion as of October 31, 2021.
- Suspend the issuance of new securities for the CSRDF and the PSRHBF, which total about $3 billion each month.
- Redeem, in advance, securities held by the CSRDF and the PSRHBF in amounts equal in value to benefit payments that are due in the near future. CBO estimates that such payments amount to about $7 billion per month.
- Exchange Federal Financing Bank securities, which do not count against the debt limit, for Treasury securities held by the CSRDF. Approximately $9 billion in securities was available to be exchanged as of October 31, 2021.

Those measures would provide the Treasury with additional room to borrow by limiting the amount of debt that otherwise would be outstanding. By statute, the CSRDF, the PSRHBF, and the G Fund would eventually be made whole (with interest) after the debt limit was raised.

The Treasury's cash balance can also extend the time that the department is able to continue financing government operations without issuing debt. On October 31, 2021, the Treasury had more than $275 billion in cash. That balance, combined with the room made available for borrowing by taking the measures listed above, should allow the Treasury to finance the government's normal operations until mid- to late December without an increase in the debt ceiling.

**What Is the Schedule for Cash Flows and Debt Issuance?**

Over the coming months, the size and timing of governmental cash flows, as well as transactions between the Treasury and other parts of the government, will determine the point at which the extraordinary measures would be exhausted.

Certain large flows of cash into and out of the Treasury follow a regular schedule that directly affects the amount of debt held by the public, the largest component of debt subject to limit. The following are typical payment amounts and dates for large government expenditures (although the actual date of a disbursement may shift by a day or two in either direction if a normal payment date falls on a weekend or federal holiday):

- Payments to Medicare Advantage and Medicare Part D plans (about $35 billion) are made on the first day of the month.
- Social Security benefits (about $22 billion) are disbursed on the third day of the month, and subsequent payments (about $20 billion each) are made on three Wednesdays each month.
- A large share of the pay for active-duty members of the military and most benefit payments for civil service and military retirees, veterans, and recipients of Supplemental Security Income (about $25 billion) are disbursed on the first day of the month.
- Interest payments (amounts vary) are made around the 15th and the last day of the month.

In addition, the Treasury announced that it would transfer $118 billion to the Highway Trust Fund on December 15, 2021.
Deposits into the Treasury (mostly tax revenues) are relatively steady throughout each month except for a few dates on which tax receipts are particularly large. Corporate income taxes are paid quarterly and for most corporations are next due on December 15, 2021. Payments of estimated individual income taxes are due on January 18, 2022.

When Would the Extraordinary Measures and Cash Be Exhausted, and What Would Happen Then?

CBO estimates that if the debt limit was not raised above the amount established on October 14, 2021, and the Treasury transferred $118 billion to the Highway Trust Fund on December 15, the department—after using all available extraordinary measures—would probably be unable to make its usual payments soon thereafter. At that point, it would not be authorized to issue additional debt that increases the amount outstanding. (It would be able to issue additional debt only in amounts equal to those resulting from maturing debt or cleared by taking the extraordinary measures.) That restriction would ultimately lead to delays of payments for some government activities, a default on the government’s debt obligations, or both.7

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This report was prepared in response to interest expressed by the Congress; it is an update to a series of reports about federal debt and the statutory limit, the previous editions of which are available at https://go.usa.gov/xnFS3. In keeping with the Congressional Budget Office’s mandate to provide objective, impartial analysis, the report makes no recommendations.


CBO seeks feedback to make its work as useful as possible. Please send comments to communications@cbo.gov.

Phillip L. Swagel
Director