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 or suspended over the years to allow for the additional borrowing needed to finance the government’s operations. On December 16, 2021, lawmakers raised the debt limit by $2.5 trillion to a total of $31.4 trillion. On January 19, 2023, that limit was reached, and the Treasury announced a “debt issuance suspension period” during which, under current law, it can take well-established “extraordinary measures” to borrow additional funds without breaching the debt ceiling.

The Congressional Budget Office projects that, if the debt limit remains unchanged, the government’s ability to borrow using extraordinary measures will be exhausted between July and September 2023—that is, in the fourth quarter of the current fiscal year. The projected exhaustion date is uncertain because the timing and amount of revenue collections and outlays over the intervening months could differ from CBO’s projections. In particular, income tax receipts in April could be more or less than CBO estimates. If those receipts fell short of estimated amounts—for example, if capital gains realizations in 2022 were smaller or if U.S. income growth slowed by more in early calendar year 2023 than CBO projected—the extraordinary measures could be exhausted sooner, and the Treasury could run out of funds before July.

If the debt limit is not raised or suspended before the extraordinary measures are exhausted, the government would be unable to pay its obligations fully. As a result, the government would have to delay making payments for some activities, default on its debt obligations, or both.

What Is the Current Situation?
The Treasury has already reached the current debt limit of $31.4 trillion, so it has no room to borrow under its standard operating procedures, other than to replace maturing debt. To avoid breaching the limit, the Treasury has begun using the extraordinary measures (described below) that allow it to continue to borrow additional amounts for a limited time.

Continued use of those measures, along with regular cash inflows, would, in CBO’s estimation, allow the Treasury to finance the government’s activities until the summer without an increase in the debt ceiling, a delay in payments, or a default.

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. Debt held by the public is mostly in the form of 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 individual investors in the United States and other countries), the Federal Reserve System, mutual funds, financial institutions, and foreign governments. Debt held by government accounts is issued to the federal government’s trust funds and other federal accounts for internal transactions. Trust funds for Social Security, military retirement, civil service retirement and disability, and Medicare account for most of that debt.

1. That increase in the debt limit was enacted in a joint resolution, Public Law 117-73.

2. In recent years, the Congress has addressed the debt limit by either raising the maximum amount the Treasury may issue or suspending the debt limit for a defined period of time.

3. For more information about the various measures of federal debt, see Congressional Budget Office, Federal Debt: A Primer (March 2020), www.cbo.gov/publication/56165.
Of the total amount of outstanding debt subject to the statutory limit, about three-quarters is debt held by the public; the remaining one-quarter is debt held by government accounts.

What Extraordinary Measures Are Available to the Treasury?

Unless lawmakers enact legislation to raise or suspend the debt limit, the Treasury must continue to take any (or all) of the extraordinary measures listed below to fund ongoing government activities for the next several months. Even then, those measures are limited.  

- Suspend the investments of the Thrift Savings Plan’s G Fund. Otherwise rolled over or reinvested daily, those investments totaled $169 billion as of January 31, 2023.
- Suspend the investments of the Exchange Stabilization Fund. Otherwise rolled over daily, such investments totaled $17 billion as of January 31, 2023.
- Suspend the issuance of new securities for the Civil Service Retirement and Disability Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHBHF), which total about $4 billion each month, and suspend semiannual interest payments to those funds, which are expected to total $12 billion on June 30, 2023.
- Redeem, in advance, securities held by the CSRDF and the PSRHBHF in amounts equal in value to benefit payments that are due in the near future. CBO estimates that such payments amount to about $8 billion per month.
- Exchange Federal Financing Bank securities for Treasury securities held by the CSRDF. Approximately $10 billion in securities was available to be exchanged as of January 31, 2023.

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

The Treasury can also use its cash balance to extend the time that the department is able to continue financing government operations without issuing debt. On January 31, 2023, the Treasury had nearly $568 billion in cash. CBO estimates that the cash balance, combined with the room made available for borrowing by taking the measures listed above, would allow the Treasury to finance the government’s operations until sometime in the fourth quarter of fiscal year 2023 without increasing or suspending the debt limit.

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. (The actual date of a disbursement may shift by a day or two in either direction if a payment date falls on a weekend or federal holiday.)

- Social Security benefits are disbursed four times a month, on the third day of the month and on three Wednesdays each month (roughly $25 billion per week, totaling about $100 billion each month).
- Payments to Medicare Advantage health care plans and Medicare Part D prescription drug plans (about $40 billion in total) are made on the first day of the month.
- A large share of the pay or benefits for active-duty members of the military, civil service and military retirees, veterans, and recipients of Supplementary Security Income (about $25 billion) is disbursed on the first day of the month.

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4. In addition to taking those measures, the Treasury has stopped issuing State and Local Government Series securities. That suspension does not provide additional borrowing capacity but allows the Treasury to substitute one form of public debt for another.
5. The G Fund is a component of the Thrift Savings Plan that is invested solely in one-day Treasury securities.
6. The Exchange Stabilization Fund is an emergency reserve fund operated by the Treasury, normally used to stabilize foreign exchange rates.
7. The Federal Financing Bank (FFB), a government corporation under the general supervision of the Secretary of the Treasury, can issue up to $15 billion of its own debt securities that do not count against the debt limit. As of January 31, 2023, such outstanding debt securities totaled $4.9 billion. The remaining $10.1 billion that the FFB can issue could be exchanged for Treasury securities held by the CSRDF.
Interest payments (amounts vary) are made around the 15th and on the last day of each month. Deposits into the Treasury (mostly in the form of tax revenues) are relatively steady throughout each month. The exceptions are a few dates on which tax receipts are particularly large and during tax-filing season each winter, when most refunds are paid following the processing of the previous year's tax returns. Tax-filing season began on January 24 this year, and CBO anticipates that taxpayers who are due refunds will generally file earlier than taxpayers who have amounts due. That pattern will reduce net revenues until near the filing deadline of April 18, 2023. In the days surrounding that deadline, revenues will be particularly large, CBO estimates. Corporate income taxes are paid quarterly and, for most corporations, are also next due on April 18, 2023.

What Would Happen Once the Extraordinary Measures and Cash Were Exhausted?
If the debt limit was not raised or suspended, the Treasury would not be authorized to issue additional debt other than to replace maturing securities. That restriction would ultimately lead to delayed payments for some government activities, a default on the government's debt obligations, or both.

This report, the latest in a series about federal debt and the statutory limit, was prepared in response to interest from the Congress. Previous editions of the report 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.

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Director