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Federal Debt and the Statutory Limit, March 2025

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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 June 3, 2023, lawmakers suspended the debt limit through January 1, 2025.[1] On January 2, 2025, that limit was reinstated at $36.1 trillion—the amount of debt outstanding on the previous day. At that time, a scheduled redemption of securities held by a Medicare trust fund lowered outstanding debt by $54 billion, giving the Treasury room for additional borrowing. That redemption forestalled the beginning of a "debt issuance suspension period" until January 21, 2025.[2] During such a period, the Treasury can pause investments in the Civil Service Retirement and Disability Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHBF) to free up room to borrow additional funds without breaching the debt ceiling. In addition, other well-established "extraordinary measures" are available to the Treasury to supplement cash balances and finance ongoing government operations.

The Congressional Budget Office estimates that if the debt limit remains unchanged, **the government's ability to borrow using extraordinary measures will probably be exhausted in August or September 2025**. 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. If the government's borrowing needs are significantly greater than CBO projects, the Treasury's resources could be exhausted in late May or sometime in June, before tax payments due in mid-June are received or before additional extraordinary measures become available on June 30. Conversely, if borrowing needs fall short of the amounts in CBO's projections, the extraordinary measures will permit the Treasury to continue financing government activities longer than expected.

If the debt limit is not raised or suspended before the extraordinary measures are exhausted, the government will be unable to pay all of its obligations.[3] As a result, it 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 $36.1 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 extraordinary measures to continue to borrow additional amounts for a limited time.

Continued use of those measures, along with cash inflows of the amounts the Treasury typically receives, would, in CBO's estimation, allow the Treasury to finance the government's activities until August or September without an increase in the debt ceiling, a delay in payments, or a default. In August and September, the Treasury typically borrows more than it does in other months, in large part to finance new student loans that are originated in those two months.

1. That suspension of the debt limit was enacted in the Fiscal Responsibility Act of 2023 (Public Law 118-5).

2. Janet L. Yellen, Secretary of the Treasury, letter to the Honorable Mike Johnson, Speaker, U.S. House of Representatives (December 27, 2024), https://tinyurl.com/ycy42epu, and letter to the Honorable Mike Johnson (January 17, 2025), https://tinyurl.com/yjxr66at.

3. In recent years, lawmakers have addressed the debt limit by either raising the maximum amount of debt that the Treasury may issue or suspending the debt limit for a defined period.

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.[4] 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 individuals and businesses in the United States and other countries, the Federal Reserve System, mutual funds, financial institutions, foreign governments, and other outside investors. 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.

Of the total amount of outstanding debt subject to the statutory limit, four-fifths is debt held by the public; the remaining one-fifth is debt held by government accounts.

What Extraordinary Measures Are Available to the Treasury?

Until lawmakers enact legislation to raise or suspend the debt limit, the Treasury must use its cash balance and the available extraordinary measures to fund ongoing government activities. On February 28, the Treasury had $560 billion in cash and $62 billion in extraordinary measures available.[5] In addition, CBO estimates that nearly $200 billion in extraordinary measures will become available between March 1 and July 31. Those extraordinary measures include the following:

- Continue to suspend the investments of the Thrift Savings Plan's G Fund.[6] Otherwise rolled over or reinvested daily, those investments totaled nearly $42 billion as of February 28, 2025.
- Suspend the investments of the Exchange Stabilization Fund.[7] Otherwise rolled over daily, such investments totaled $20 billion as of February 28, 2025.
- Continue to suspend the issuance of new securities for the Civil Service Retirement and Disability Fund and the Postal Service Retiree Health Benefits Fund, which total about $5 billion each month.
- Postpone reinvestments of securities held by the CSRDF and the PSRHBF and suspend interest payments to those funds. On June 30, 2025, $132 billion of securities held by the funds will mature, and an additional $15 billion in interest payments are scheduled to be paid, making roughly $147 billion in extraordinary measures available to the Treasury. This onetime measure would give the Treasury enough room under the debt ceiling to finance government activities for a substantial portion of July.

In addition, the Treasury may use a short-term measure that allows it to redeem, in advance, securities held by the CSRDF and the PSRHBF in amounts equal to benefit payments that are due within a given debt issuance suspension period. CBO estimates that such payments would amount to about $8 billion per month for the duration of the current debt issuance suspension period. The additional room created by that measure is temporary and is lost once the required benefit payments are made.

All told, cash on hand at the beginning of March plus all the extraordinary measures available between March 1 and July 31 would cover about $820 billion of the Treasury's financing needs, CBO estimates.

Those extraordinary measures provide the Treasury with additional room to borrow by limiting the amount of debt that would otherwise be outstanding. By law, the CSRDF, the PSRHBF, and the G Fund would eventually

4. 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.

5. CBO is providing data for the last day of February to make it easier to compare the Treasury's resources and financing needs over the five-month period from March through July. As of March 19, the Treasury had $416 billion in cash and $163 billion in extraordinary measures available. The latest cash balance is published daily; see Department of the Treasury, "Daily Treasury Statement" (accessed March 21, 2025), https://tinyurl.com/ynp335he. The amount of extraordinary measures remaining is updated weekly in the table "Daily Debt Subject to Limit Activity," available at Department of the Treasury, "Debt Limit" (accessed March 21, 2025), https://tinyurl.com/3ubc4pev.

6. The G Fund is a component of the Thrift Savings Plan that is invested solely in one-day Treasury securities.

7. The Exchange Stabilization Fund is an emergency reserve fund operated by the Treasury, normally used to stabilize foreign exchange rates.

be made whole (with interest) after the debt limit was raised or suspended.

What Is the Schedule for Upcoming Payments and Receipts?

The size and timing of governmental cash flows and of transactions between the Treasury and other parts of the government will determine when the extraordinary measures are exhausted.[8]

Certain large flows of cash into and out of the Treasury follow a regular schedule that directly affects the amount of debt subject to limit. Large, recurring expenditures include the following:

- About $35 billion in payments on or around the first day of each month for the pay or benefits of active-duty members of the military, civil service and military retirees, veterans, and recipients of Supplementary Security Income;
- Between $5 billion and $9 billion in interest payments on or around the 15th day of each month;
- End-of-month interest payments that have ranged from $17 billion to $26 billion over the past six months; and
- Quarterly interest payments (next due on May 15) of roughly $65 billion.

Some large, recurring disbursements—payments to Social Security recipients and outlays for benefits covered under Medicare Part A, for example—are financed by trust funds. Other large disbursements that may be irregular in amount and timing, such as outlays for bank resolutions supported by the Federal Deposit Insurance Corporation, are also financed by dedicated funds. In such cases, the Treasury obtains cash to make those payments by borrowing from the public, but the disbursements reduce the funds' balances, which are held in the form of special-issue Treasury securities. Because of that reduction in intragovernmental debt, those payments do not affect the total amount of debt subject to limit.

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 27 this year, and CBO anticipates that taxpayers who are owed refunds will generally file earlier than taxpayers who owe taxes. That pattern is expected to reduce net revenues until near the filing deadline of April 15, 2025, and to result in particularly large tax receipts in the days around the deadline. Corporate income taxes are paid quarterly and, for most businesses, are also next due on April 15, 2025. (In January, the Internal Revenue Service postponed until October 15 the deadline to file taxes for individuals and businesses affected by California wildfires.[9] CBO's projection of the likely date by which the Treasury's resources will be exhausted reflects that deadline extension.)

What Is CBO's Forecast for the Treasury's Financing Needs?

For the past three years, the amounts that the Treasury has needed to finance government operations from March through July have averaged 30 percent of the total amount borrowed in each year. The combination of newly issued gross debt, cash balances, and extraordinary measures that the Treasury used to finance government activities over those five months amounted to 24 percent of the increase in debt in 2022, 36 percent in 2023, and 31 percent in 2024. CBO estimates that the Treasury's financing needs from now through July will generally be in line with the average of 30 percent of total annual borrowing that was needed from March to July in the previous three years. Applied to the increase in debt in 2025 that CBO projected in January, that percentage implies a financing need of about $600 billion during those five months.[10]

If borrowing this year diverged significantly from that historical pattern, the projected exhaustion date could be earlier or later than CBO is projecting. For example, if borrowing needs from March through

8. For more information about the challenges of managing federal debt and the debt limit, see Government Accountability Office, *Debt Limit: Statutory Changes Could Avert the Risk of a Government Default and Its Potentially Severe Consequences*, GAO-25-107089 (December 2024), www.gao.gov/products/GAO-25-107089.

9. Internal Revenue Service, "IRS Announces Tax Relief for Taxpayers Impacted by Wildfires in California; Various Deadlines Postponed to Oct. 15" (press release, January 10, 2025; updated February 11, 2025), https://tinyurl.com/bp4uxjxv.

10. Congressional Budget Office, *The Budget and Economic Outlook: 2025 to 2035* (January 2025), www.cbo.gov/publication/60870.

July were significantly greater than 36 percent of total borrowing—the highest percentage recorded over the past three years—those needs could exceed the combined $820 billion in cash and extraordinary measures estimated to be available over that period, in which case the Treasury would run out of resources before August 1. Conversely, if borrowing through July totaled 25 percent of the projected borrowing for the year, or about $500 billion, extraordinary measures might last through the end of September.

The Treasury could also run out of resources sooner or later than projected if overall borrowing needs for the year differed significantly from the projected amount. In any case, any remaining extraordinary measures would probably be rapidly exhausted after September 30 because, in addition to the monthly payments due in the first days of October, the Treasury is required to issue more than $150 billion in special-issue securities to the Military Retirement Fund.

What Would Happen Once the Cash and Extraordinary Measures 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 or redeemed securities. That restriction would ultimately lead to delayed payments for some government activities, a default on the government's debt obligations, or both. Those actions could result in distress in credit markets, disruptions in economic activity, and rapid increases in borrowing rates for the Treasury.

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, which was last updated in May 2023, 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.

Avi Lerner prepared the report with guidance from Christina Hawley Anthony and Barry Blom and with contributions from John McClelland and Joshua Shakin. Robert Sunshine (a consultant to CBO) provided comments. Jeffrey Kling reviewed the report. Bo Peery edited it, and Casey Labrack prepared the text for publication. The report is available at www.cbo.gov/publication/60887.

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

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