Debt Limit Policy Questions: How Long Do Extraordinary Measures Last?

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On January 19, 2023, Treasury Secretary Yellen began implementation of "extraordinary measures" to prevent a binding debt limit as debt neared the current limit of $31.4 trillion. Federal debt subject to the statutory limit (codified at 31 U.S.C. §3101) cannot legally exceed that limit. This Insight examines the factors that influence how long extraordinary measures can prevent a debt limit from binding and summarizes the outlook for the 2023 debt limit episode.

What Are Extraordinary Measures?

Extraordinary measures are actions the Treasury Secretary uses to delay a binding debt limit. Two provisions in statute—5 U.S.C. §8348 and 5 U.S.C. §8909—authorize extraordinary measures. These measures have been regularly invoked in recent years. The Secretary regularly provides detailed descriptions of extraordinary measures upon implementation. Recently, these measures have included suspension of debt issuances to certain federal retirement accounts and for state and local government securities. Once lawmakers raise or suspend the debt limit and extraordinary measures end, Treasury must compensate any impacted federal accounts for their lost savings. Treasury may also adjust the operating cash balance in its general account in response to a debt limit episode, though that is a regular financial management tool rather than an extraordinary measure. For more background on extraordinary measures, see CRS Insight IN10837, *"Extraordinary Measures" and the Debt Limit*.

Variation in Extraordinary Measures Endurance

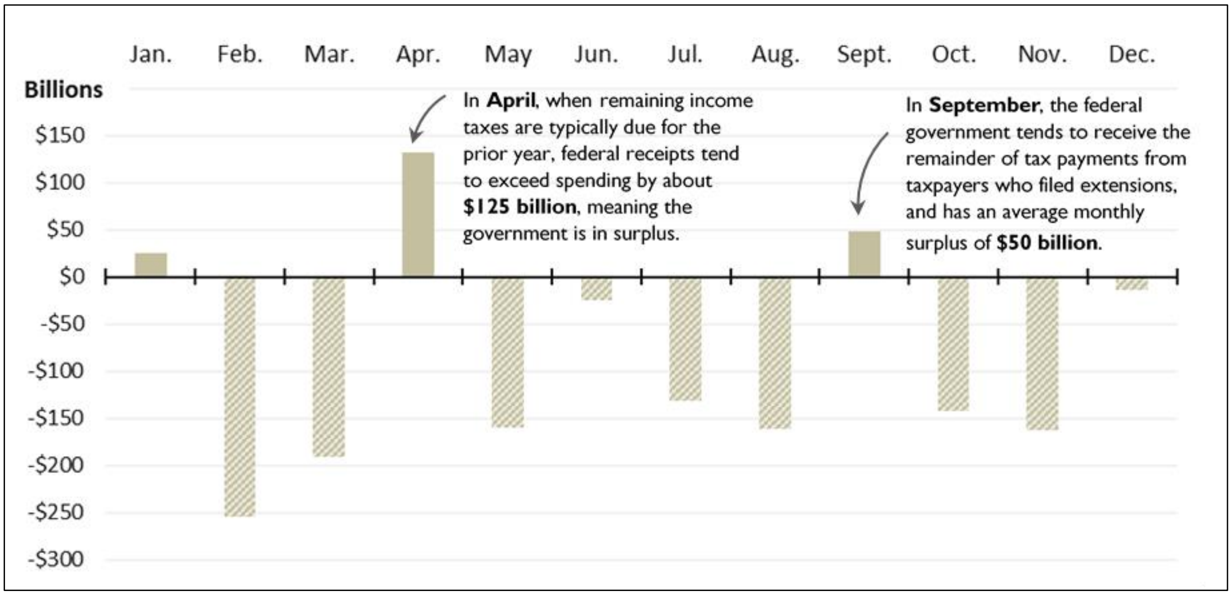
The length of time between implementation of extraordinary measures and their projected exhaustion is a function of several factors, including legislative changes that affect the deficit, the timing of federal receipts, and the timing of federal outlays. Which extraordinary measures Treasury uses can change over time in response to changes in federal statute (and how the Administration interprets relevant statutes). The debt room that each measure provides also shifts for reasons specific to the measure and underlying account. Descriptions of recent extraordinary measures suggest that the extraordinary measures used and the debt room provided by those measures have been relatively constant in recent years.

The amount of time it takes to exhaust extraordinary measures depends not only on how much debt room those measures provide, but also on how quickly the federal debt subject to the limit is rising. All else equal, higher net federal deficits will translate to faster increases in debt subject to limit, which can be caused by general decline in economic performance, legislative changes that increase outlays or decrease revenues, or other factors. Intragovernmental debt, or debt one part of the government owes another part (typically that the general fund owes trust funds), also contributes to debt subject to the limit, though it does not contribute to debt held by the public because it is not owed to an outside creditor. Changes in intragovernmental debt therefore also lead to changes in federal debt subject to limit, even if those changes do not reflect shifts in what the government owes to other financial actors.

The speed at which the federal debt grows is also affected by short-term variation in federal budget outcomes (e.g., surpluses and deficits) across months, as shown in **Figure 1**. Much of that variation results from the timing of tax receipts from federal income tax returns.

Figure 1. Average Monthly Federal Budget Outcomes, FY1997-FY2023

(in billions of FY2023 dollars)



Source: U.S. Treasury and OMB. Calculations performed by CRS.

Notes: Positive values represent surpluses; negative values represent deficits.

Payments and collections for many federal programs are also made on certain days of the week or month, which can lead to daily fluctuations that are very difficult to predict as extraordinary measures near exhaustion.

Table 1 shows the projected endurance of extraordinary measures in every implementation period since 2011. Recent experiences illustrate that while seasonal patterns and fluctuations in general debt acquisition are somewhat helpful in determining the endurance of extraordinary measures, the context around each experience is highly influential in determining the ultimate effectiveness of extraordinary measures in preventing a debt limit from binding.

Table 1. Projected Endurance of Extraordinary Measures, 2011-Present

Invocation Date	Annual Growth in Debt Subject to Limit (% of GDP)	Latest Projected Endurance (Months)
January 2023	7.0%	6.8
August 2021	7.5%	2.5

Invocation Date	Annual Growth in Debt Subject to Limit (% of GDP)	Latest Projected Endurance (Months)
March 2019	5.7%	6.9
December 2017	6.2%	2.9
March 2017	3.5%	6.3
March 2015	2.8%	7.7
February 2014	6.2%	0.5
May 2013	4.3%	4.9
December 2012	4.0%	1.9
May 2011	8.0%	2.6

Source: U.S. Treasury, OMB, and CBO. Calculations performed by CRS.

Notes: Table uses a weighted average of annual debt subject to limit values in cases where extraordinary measures stretched across multiple fiscal years. Endurance projection taken from the last publication issued by either U.S. Treasury or CBO.

Extraordinary Measures in 2023

Treasury Secretary Janet Yellen began implementing extraordinary measures on January 19, 2023, as federal debt subject to limit approached the statutory debt limit of $31.4 trillion. While Treasury did not provide a specific estimate of the endurance of those extraordinary measures, a January 13, 2023, letter to Congress stated that "it is unlikely that cash and extraordinary measures will be exhausted before June." Publications from CBO in February (which forecasted extraordinary measure exhaustion between July and September) and Moody's Analytics in March (which forecasted exhaustion in mid-August) offered more support to the notion that such measures will likely expire at the end of FY2023 under current law. Such estimates are inherently uncertain, as each of these forecasts emphasizes. Relative to other periods of extraordinary measure implementation, debt subject to limit is rising quickly this fiscal year (as shown in **Table 1**). However, such an increase appears to be more than offset by a high operating cash balance at Treasury when extraordinary measures were first implemented (consistent with Treasury's approach in the last few years) and the proximity to income tax return season.

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