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INSIGHT

Debt Limit Policy Questions: What Are Extraordinary Measures?

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A joint resolution enacted in December 2021 (P.L. 117-73) increased the statutory debt limit to $31.38 trillion. Treasury Secretary Janet Yellen informed Congress in a January 13, 2023, letter that she would implement "extraordinary measures" starting on January 19, 2023, to prevent the debt limit from binding. Extraordinary measures were most recently implemented from July 2021 to December 2021, following the expiration of the statutory debt limit suspension in the Bipartisan Budget Act of 2019 (P.L. 116-37). Recent estimates from Treasury and CBO project those measures to be exhausted in early June 2023, absent congressional action. This Insight examines the use of extraordinary measures and the subsequent effects on federal debt activity.

What Is the Debt Limit?

As part of its "power of the purse," Congress uses the statutory debt limit (codified at 31 U.S.C. §3101) as a means of restricting federal debt. Debt subject to the limit is more than 99% of total federal debt, and includes debt held by the public (which is used to finance budget deficits) and debt issued to federal government accounts (which is used to meet federal obligations). The debt limit was created to act as a congressional check on recent revenue and expenditure trends, though the budgetary decisions affecting debt levels may have been the result, at least partly, of policies enacted well in the past. Some past debt limit legislation has linked debt limit increases with other fiscal policy proposals.

What Are Extraordinary Measures?

Extraordinary measures represent a series of actions used to extend the date by which debt limit legislation must be enacted. The authority for using extraordinary measures rests with the Treasury Secretary (codified at 5 U.S.C. §8348 and 5 U.S.C. §8909). Extraordinary measures have been regularly invoked in recent years, and have delayed required action on the debt limit by periods ranging from a few weeks to several months, depending on when such measures were enacted (see the "How Long Do Extraordinary Measures Last?" section). Ultimately, accounts and members of the public that are affected by extraordinary measures must be compensated for the delay in payment that results from such actions, when the debt limit is subsequently modified.

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Before or during a period when extraordinary measures are implemented, Treasury typically provides a description of the extraordinary measures available and estimates of their effect on federal borrowing capacity (or how much "headroom" they will add). Treasury provided the most recent description of such measures in August 2021. **Table 1** provides a description of the currently available extraordinary measures and the amount of headroom added when those measures were implemented from 2017 through 2021.

Table 1. Use of Extraordinary Measures, 2017-2021

Measure	Headroom Added from March 2019 to August 2019	Headroom Added from August 2021 to December 2021	Headroom Added since January 2023
Suspension of reinvestment in Government Securities Investment Fund (G Fund) of the Federal Employees Retirement System	$230 billion	$276 billion	$294 billion
Suspension of invested balance in Exchange Stabilization Fund	$22 billion	$23 billion	$17 billion
Declaration of a Debt Issuance Suspension Period	$86 billion one-time and $7.3 billion per month	$48 billion one-time and $7.3 billion per month	$143 billion one-time (on June 30) and $8.3 billion per month
Suspension of State and Local Government Securities	$0 (prevents further increases in debt by approximately $4 billion per month)	$0 (prevents further increases in debt by approximately $10 billion per month)	$0 (prevents further increases in debt by approximately $6 billion per month)

Sources: U.S. Department of the Treasury, "Description of Extraordinary Measures," January 19 2023, available at U.S. Department of the Treasury, "Description of Extraordinary Measures," August 2, 2021, available at https://home.treasury.gov/system/files/136/Description-of-Extraordinary-Measures-Aug2021.pdf; and U.S. Department of the Treasury, "Description of the Extraordinary Measures," March 5, 2019, available at https://home.treasury.gov/system/files/136/Description-of-Extraordinary-Measures-03_05_19.pdf.

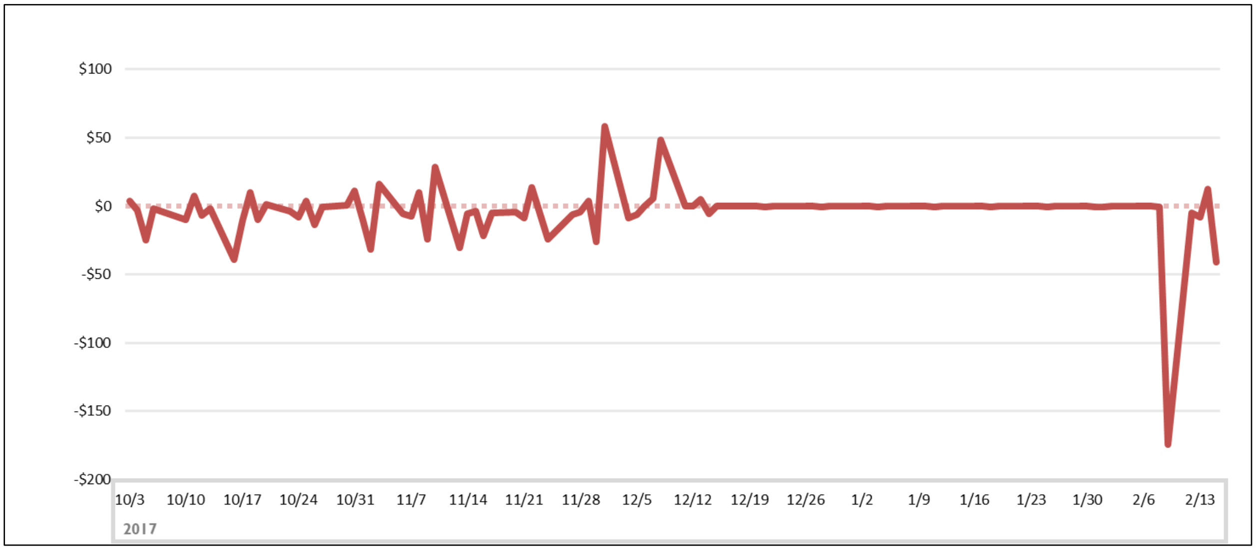
How Long Do Extraordinary Measures Last?

Short-term fluctuations in federal debt levels provide for substantial uncertainty in how long extraordinary measures can last. Federal balances fluctuate on a day-to-day basis in response to a number of factors, including the timing of payments for Social Security, military benefits, and other programs; interest payments on debt obligations; and the timing of certain receipts. Treasury's recent letter to Congress indicated that extraordinary measures imposed in January 2023 would be exhausted by early June 2023, but cautioned that such estimates are subject to considerable uncertainty. For more details on the duration of extraordinary measures, see CRS Insight IN12147, *Debt Limit Policy Questions: How Long Do Extraordinary Measures Last?*.

Daily federal budget outcomes can vary significantly with the timing of payments and collections, and are altered considerably by the imposition of extraordinary measures. **Figure 1** provides an example of this process by showing daily federal balance outcomes surrounding and during the imposition of extraordinary measures in FY2018. The reduced variation in daily balances starting in December 2017 reflects the implementation of extraordinary measures to exactly match outlays and receipts. The decline in the daily balance on February 9, 2018, reflects the compensation of intragovernmental creditors whose payments were delayed by the implementation of extraordinary measures.

Figure 1. Changes in the Daily Federal Balances, October 3, 2017-February 15, 2018

(In billions of nominal dollars)



Source: U.S. Department of the Treasury, *Daily Treasury Statement* (various).

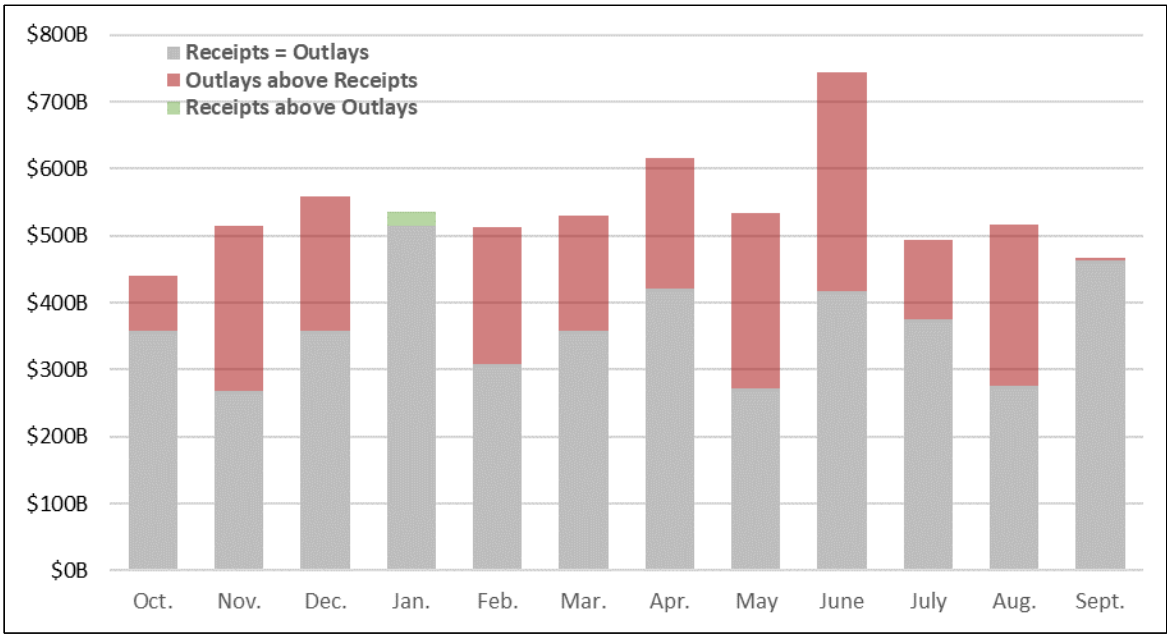
Note: Positive numbers indicate daily surpluses, while negative numbers indicate daily deficits.

Monthly budget outcomes can also fluctuate with the timing of various activities. The federal government tends to record higher net budget surpluses in the beginning of the calendar year (when many individual tax returns are filed) and September (as certain payments are due at the end of the fiscal year) while recording lower balances in other months.

Figure 2 presents the average federal monthly account balances from the previous five fiscal years. The gray regions represent the amount to which average monthly receipts are equal to average monthly outlays. The red regions represent outlays greater than receipts (indicating an average monthly deficit), and the green regions represent receipts greater than outlays (indicating an average monthly surplus). For example, on average in October of the past five fiscal years, the federal account balance has been about $440 billion, of which just over $80 billion has been deficit spending. The monthly totals for March and April shown in **Figure 2** show higher net deficits than what would be expected in a typical year, owing largely to large deficit spending activity following the enactment of the CARES Act (P.L. 116-136) in March 2020 and the American Rescue Plan Act (P.L. 117-2) in March 2021.

Figure 2. Average Federal Monthly Account Balance, FY2018-FY2022

(In constant October-December 2022 dollars)



Source: U.S. Department of the Treasury, *Monthly Treasury Statement* (various). CRS calculations.

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