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INSIGHT

"Extraordinary Measures" and the Debt Limit

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The statutory debt limit is scheduled to be reinstated on December 9, 2017, at a level that precisely accommodates the federal borrowing undertaken to date. If Congress has not taken action to modify the debt limit by that time, the Treasury Secretary may choose to implement "extraordinary measures" that delay when the debt limit will bind under current law. This Insight briefly examines the debt limit and the use of extraordinary measures.

What Is the Debt Limit?

As part of its "power of the purse," Congress uses the statutory debt limit (codified in 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 acts as a congressional check on recent revenue and expenditure trends, though decisions affecting debt levels may have been agreed to by Congress and the Administration well in advance of debt limit deliberations. 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 that postpone when Congress must act on debt limit legislation. The authority for using extraordinary measures rests with the Treasury Secretary (codified in 5 U.S.C. §8348 and 5 U.S.C. §8909). Invoking extraordinary measures has 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). Accounts and members of

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the public that are affected by extraordinary measures must be compensated for the delay in payment that resulted from such actions when the debt limit is subsequently modified. **Table 1** provides a description of the extraordinary measures used in 2015 and 2017. Those measures were estimated to provide the Treasury with roughly $350-$400 billion in additional headroom under the debt limit in 2017.

Table 1. Description of Extraordinary Measures Used in 2015 and 2017

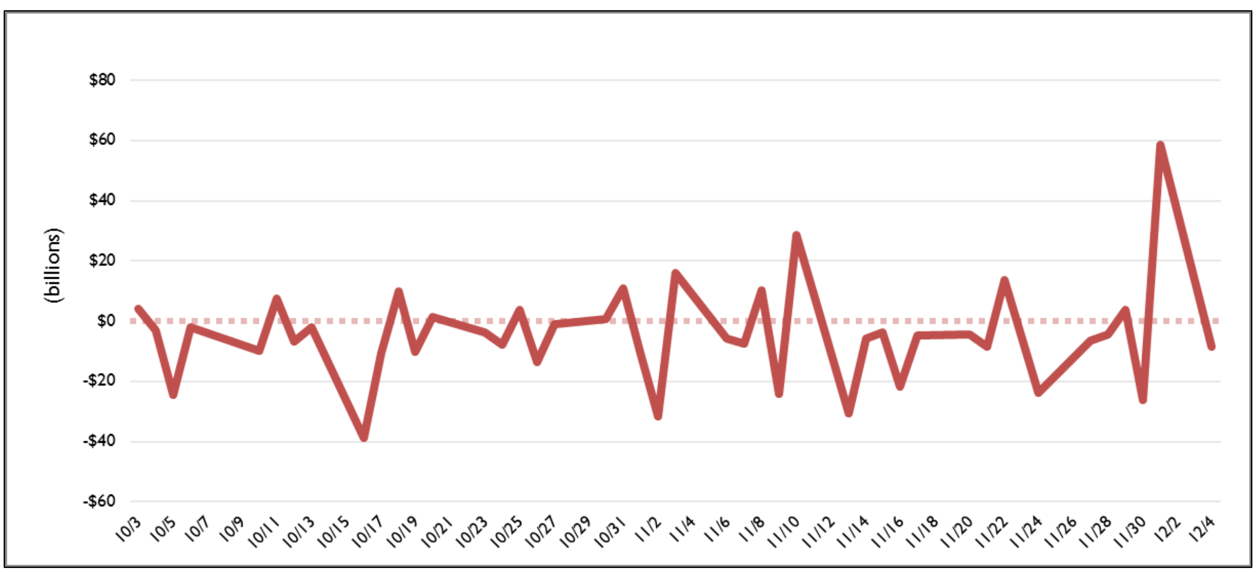
Measure	Headroom Added in 2017	Headroom Added in 2015
Suspension of reinvestment in Government Securities Investment Fund ("G Fund") of the Federal Retirement System	$225 billion	$195 billion
Suspension of invested balance in Exchange Stabilization Fund	$23 billion	$22 billion
Declaration of a Debt Issuance Suspension Period	$87 billion one-time and $7.3 billion per month	$65 billion one-time and $6.8 billion per month
Suspension of State and Local Government Securities	$0 (prevents future increases in debt)	$0

Source: U.S. Department of Treasury, "Description of Extraordinary Measures," March 16, 2017, available at https://www.treasury.gov/initiatives/Documents/Description_of_Extraordinary_Measures_2017_03_16.pdf. U.S. Department of Treasury, "Description of Extraordinary Measures," March 13, 2015, available at https://www.treasury.gov/initiatives/Documents/Debt%20Limit%20Letter%2020150313.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. **Figure 1** shows federal daily balances to date in FY2018.

Figure 1. Daily Federal Balances, October 3 - December 4, 2017



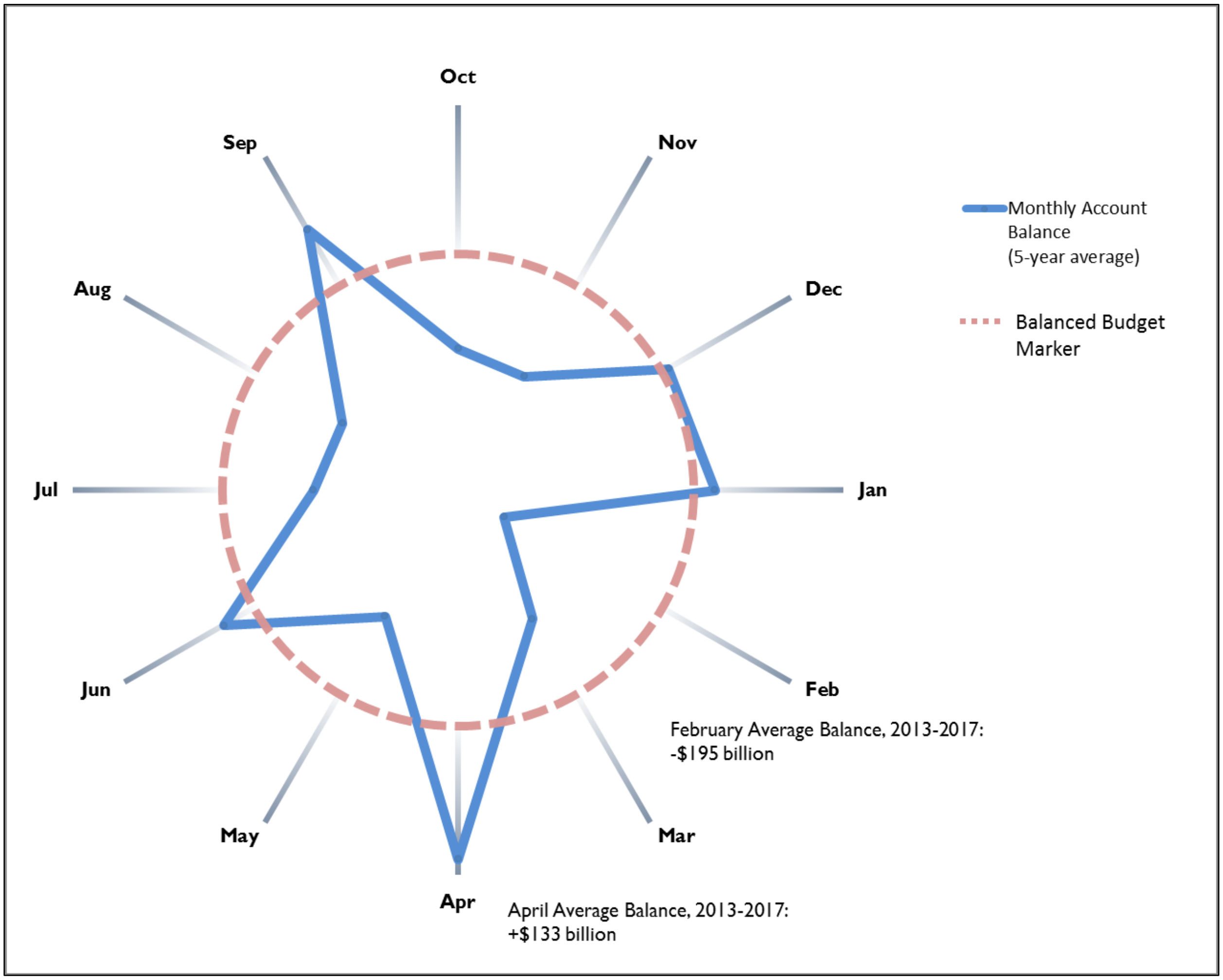
Source: U.S. Department of Treasury, *Daily Treasury Statement* (various).

Notes: 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 April (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. Data points outside the circle indicate months that have recorded average surpluses from FY2013 through FY2017; points inside the circle represent months that have recorded average deficits in those years.

A November 30, 2017, Congressional Budget Office report stated that were extraordinary measures to be implemented upon reinstatement of the debt limit on December 9, such measures are forecasted to be exhausted in late March or early April 2018, while allowing for the possibility of an earlier or later date of exhaustion.

Figure 2. Average Federal Monthly Account Balance, FY2013 - FY2017



Source: U.S. Department of Treasury, *Monthly Treasury Statement* (various), and Federal Reserve Bank of St. Louis Economic Research (FRED), *Total Federal Outlays* and *Total Federal Receipts*. CRS calculations.

Notes: Data points outside the circle represent average monthly surpluses; points inside the circle represent average monthly deficits. Monthly figures are in nominal dollars.