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# Debt Limit Analysis

**SEPTEMBER 24, 2021**

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- Treasury Secretary Janet Yellen has notified Congress that the Treasury Department (Treasury) will exhaust its cash on hand and extraordinary measures sometime in October.
- This is consistent with BPC's latest projection: If policymakers do not act on the debt limit, Treasury will most likely have insufficient cash to meet all its financial obligations sometime between **October 15 and November 4** (what we call the "X Date").
- Due to the unpredictability of cash flows—and thus, all debt limit projections—policymakers need to act in the coming weeks if they intend to ensure that all obligations of the U.S. government are paid in full and on time.

## SUMMARY OF FINDINGS



- After running out of cash, **Treasury will be unable to meet approximately 40% of all payments due** in the several weeks that follow. How Treasury would operate in such an environment is unclear. Prioritization and delayed payments are two possibilities, but substantial uncertainty exists about operationalizing them.
- **October 1** is a particularly difficult date for federal finances due to a large payment that is owed to the Military Retirement Trust Fund, among other large benefit payments also owed that day. This day will significantly drain Treasury's cash reserves.
- Financial and economic risks grow as the debt limit impasse goes on. Interest rates have already risen on short-term Treasury securities that mature around BPC's X-Date range.
- Ongoing risks include increasing costs to taxpayers, delayed payments to individuals and businesses, and potentially catastrophic market impacts if the U.S. government actually defaults on its debt (unprecedented in modern history).



- **The debt limit is:**
  - the maximum amount that Treasury is allowed to borrow
  - set by statute (Congress must act to change it)
  - covers most debt issued, whether held by the public (such as Treasury bills and savings bonds) or intragovernmental (such as debt held by the Social Security trust funds).
- In August 2019, policymakers enacted a bipartisan budget deal that suspended the federal debt limit for two years.
- On August 1, 2021, the debt limit was reinstated at approximately \$28.4 trillion—a level covering all borrowing during the suspension—which the government immediately ran up against.
- At that point, the Treasury secretary deployed emergency borrowing authority—known as “extraordinary measures”—to continue fully funding government operations.



## Layers of Defense Against Default

- The Treasury Department has multiple means that can be used to pay the nation's bills. If the debt limit is reached and policymakers do not act, however, all these layers of defense will eventually be breached, and the nation will fail to meet its financial obligations in full and on time.

**ISSUE NEW DEBT TO THE PUBLIC IN TRADITIONAL MANNER**

Debt Limit Reached

**EXTRAORDINARY MEASURES**

EM Exhausted

**DAILY REVENUE AND CASH ON HAND**

The X Date

**DEFAULT ON FINANCIAL OBLIGATIONS**



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# Extraordinary Measures



## 1. The G-Fund of the Thrift Savings Plan

- Each day, Treasury may temporarily reduce the amount of debt held by this fund, which holds government bonds for federal employee retirement accounts.

## 2. The Civil Service Retirement and Disability Fund (CSRDF)

- Treasury may postpone new investments in this pension fund. The CSRDF measure is most useful in June, September, and December, when major interest credits and reinvestments of maturing securities occur.

## 3. The Exchange Stabilization Fund (ESF)

- Each day, Treasury may temporarily reduce the amount of debt held by this fund, which is used to facilitate foreign exchange transactions.

*For more detail on extraordinary measures and how they work, see this [primer](#).*

# STATUS OF EXTRAORDINARY MEASURES



<b>EXTRAORDINARY MEASURES</b>	<b>August 1, 2021 (estimated)</b>	<b>Remaining as of August 31, 2021 (estimated)</b>
Do not reinvest the Federal Employees' Retirement System G-Fund	<b>\$270 billion</b>	<b>\$20 billion</b>
Do not reinvest the Exchange Stabilization Fund	<b>\$23 billion</b>	<b>\$23 billion</b>
Do not make new investments to the civil service and postal retirement funds	<b>\$56 billion</b>	<b>\$52 billion</b>
<b>Total</b>	<b>\$349 billion</b>	<b>\$95 billion</b>

Notes: Totals indicate *available* measures. These totals only include the value of extraordinary measures that can be used to extend the X Date. Treasury has additional measures available that assist with cash flow and debt management. These calculations assume an Oct. 15 X Date, which is the beginning of our range. As a last resort, Treasury could potentially exchange Federal Financing Bank securities, which do not count against the debt limit, for Treasury securities, freeing up about \$8 billion in headroom.

*Sources: U.S. Treasury Department, Description of Extraordinary Measures; Monthly Statements of the Public Debt; Congressional Budget Office*





- **At the end of August, Treasury had approximately \$95 billion in available extraordinary measures remaining, with \$356 billion in cash on hand.**
- Once Treasury has utilized all its emergency borrowing authority, only two sources will remain from which to continue funding government operations:
  - Remaining cash on hand
  - Daily cash inflows (federal revenues received each day)



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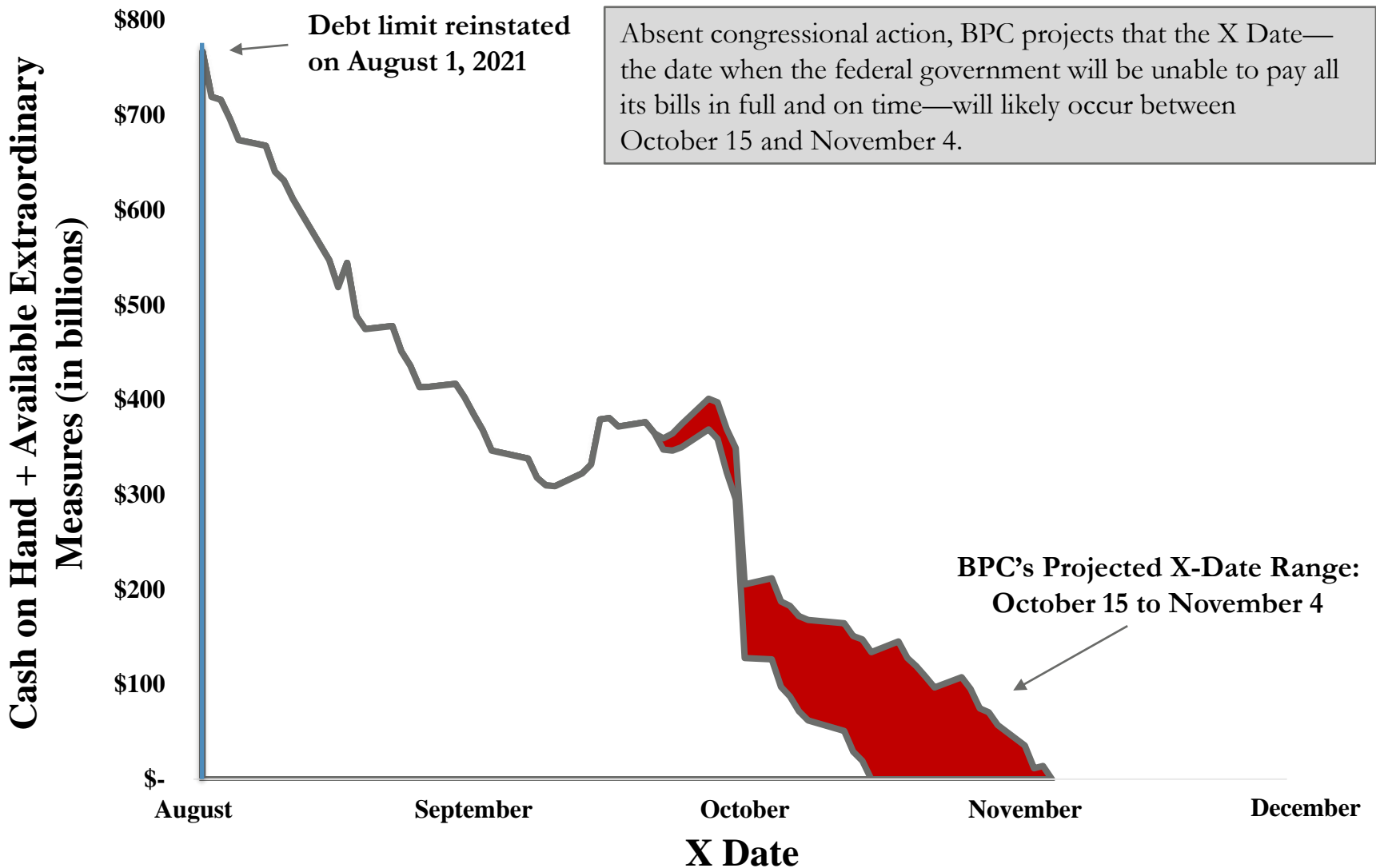
# The “X Date”

## WHAT IS THE “X DATE”?



- **X Date: The first day on which Treasury has exhausted its borrowing authority and no longer has sufficient funds to pay all of its bills in full and on time.**
  - In other words, if the debt limit has not been raised or suspended by the X Date, the federal government will be forced to delay payments and/or default on some of its obligations.
  - After the X Date, bills must be paid solely out of incoming cash flows, which will be insufficient to cover all government spending.
- **BPC estimates that the X Date will most likely occur between October 15 and November 4.**
  - October 1—the first business day of fiscal year 2022—is particularly notable because of a large payment owed to the Military Retirement Trust Fund along with other spending that goes out at the beginning of the month.
- **No one—not even the Treasury secretary—can know precisely when the X Date will arrive.**

# WHEN IS THE X DATE?



*Notes:* Projection reflects cash on hand plus available extraordinary measures (reflected at the time that they are expected to become available), indicating the remaining room under the debt limit. The projection is subject to substantial uncertainty and volatility resulting from economic performance, cash flow fluctuations, and other factors. Dates shown are 1st of month.



- **Timing of Revenue**

- Revenue is the most volatile part of the federal government's cash flows, varying from month-to-month and from day-to-day.

- **Intragovernmental Transfers**

- Transfers required by law to government trust funds—which count towards the debt limit—are often unpredictable in terms of timing and precise magnitude.

- **Major Changes in Policy (e.g., emergency spending)**

- Major fiscal policy decisions can alter Treasury cash flows, and therefore, the X Date. In the past, emergency spending on natural disasters has modestly accelerated the X Date timing.



- **COVID-19 Relief Disbursement**

- Treasury still has approximately \$1.2 trillion in funds from the American Rescue Plan Act and other COVID-19 relief legislation to disburse. The timing of these payments injects further volatility into Treasury cash flows.

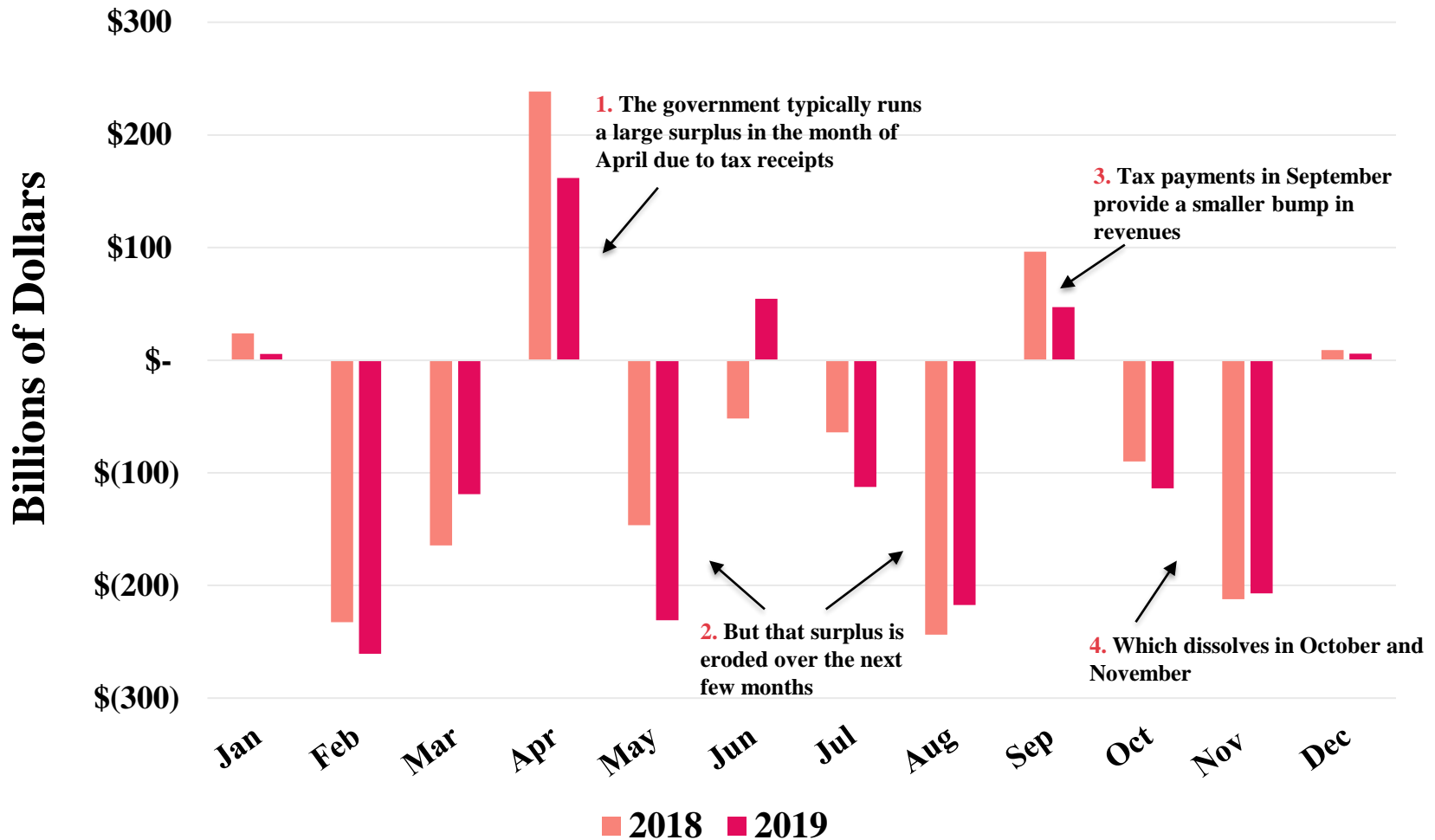
- **COVID-Related Changes in Economic Conditions**

- If economic conditions change dramatically, spending and revenue flows can be greatly impacted, thereby affecting the X Date. The trajectory of the Delta variant poses acute risks to the economy.
- Accelerations or slowdowns in the COVID recovery could alter the X Date.

# CASH FLOWS ARE USUALLY CYCLICAL



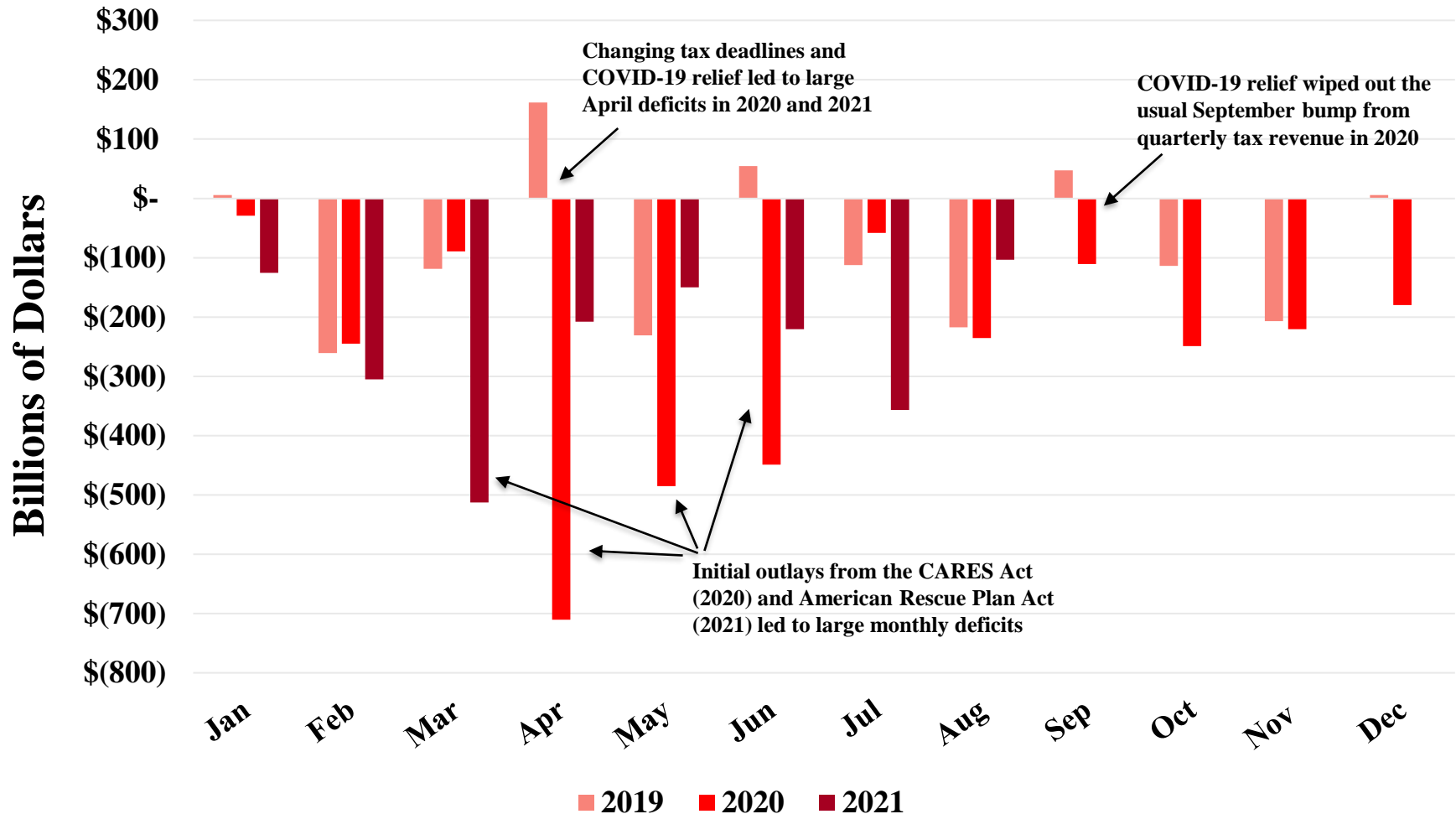
## U.S. Treasury's Monthly Net Operating Cash Flows



# COVID-19 HAS INCREASED VOLATILITY



## U.S. Treasury's Monthly Net Operating Cash Flows




Source: Daily Treasury statements



# SELECT TRANSACTIONS & BPC X-DATE RANGE, OCTOBER 2021



Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
26	27	28	29	<b>30</b> <ul style="list-style-type: none"> <li>• <b>\$48b</b> CSRDF Contributions not invested to create additional headroom (extraordinary measure)</li> </ul>	<b>1</b> <ul style="list-style-type: none"> <li>• <b>\$32b</b> Medicare</li> <li>• <b>\$24B</b> Social Security Benefits</li> <li>• <b>\$11b</b> Veterans Benefits</li> <li>• <b>\$9b</b> Military Pay &amp; Retirement</li> </ul>	2
3	<b>4</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Nutrition Programs</li> </ul>	<b>5</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> Medicaid</li> <li>• <b>\$3b</b> Defense Vendor Payments</li> </ul>	<b>6</b>	<b>7</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Medicaid</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Medicaid</li> </ul>	9
10	11 Columbus Day	<b>12</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Education Programs</li> </ul>	<b>13</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security Benefits</li> </ul>	<b>14</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Defense Vendor Payments</li> <li>• <b>\$2b</b> Medicaid</li> <li>• <b>\$2b</b> Individual Tax Refunds</li> </ul>	<b>15</b> **Beginning of X-Date Range** <ul style="list-style-type: none"> <li>• <b>\$13b</b> Advanced Child Tax Credit</li> <li>• <b>\$4b</b> Federal salaries</li> <li>• <b>\$4b</b> Interest on Public Debt</li> </ul>	16  BPC X-Date Range 
17	<b>18</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Federal Salaries</li> <li>• <b>\$2b</b> Medicare</li> </ul>	<b>19</b>	<b>20</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security Benefits</li> <li>• <b>\$6b</b> Individual Tax Refunds</li> </ul>	<b>21</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> Medicaid</li> <li>• <b>\$3b</b> Defense Vendor Payments</li> </ul>	<b>22</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> ACA Insurance Marketplaces</li> </ul>	23
24	<b>25</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Defense Vendor Payments</li> <li>• <b>\$2b</b> Medicare</li> </ul>	<b>26</b>	<b>27</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security Benefits</li> <li>• <b>\$5b</b> Individual Tax Refunds</li> </ul>	<b>28</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> Medicaid</li> </ul>	<b>29</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Federal Salaries</li> </ul>	30

Source: Bipartisan Policy Center projections based upon daily Treasury statements

# SELECT TRANSACTIONS & BPC X-DATE RANGE, NOVEMBER 2021



<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
31	<b>1</b> <ul style="list-style-type: none"> <li>• <b>\$32b</b> Medicare</li> <li>• <b>\$14b</b> Interest on Public Debt</li> <li>• <b>\$11b</b> Veterans Benefits</li> <li>• <b>\$9b</b> Military Pay &amp; Retirement</li> <li>• <b>\$8b</b> Medicare Prescription Drugs</li> <li>• <b>\$6b</b> Civil Service Retirement</li> </ul>	<b>2</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> Medicaid</li> <li>• <b>3b</b> Housing Programs</li> </ul>	<b>3</b> <ul style="list-style-type: none"> <li>• <b>\$24b</b> Social Security Benefits</li> <li>• <b>\$6b</b> Individual Tax Refunds</li> </ul>	<b>4</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Medicaid</li> </ul> <p>BPC X-Date Range</p>	<b>5</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Medicaid</li> </ul>	6
7	<b>8</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> Nutrition Programs</li> </ul>	<b>9</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> Medicaid</li> </ul>	<b>10</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security Benefits</li> <li>• <b>\$3b</b> Medicaid</li> </ul>	11 Veterans Day	<b>12</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Federal Salaries</li> </ul>	13
14	<b>15</b> <ul style="list-style-type: none"> <li>• <b>\$49b</b> Interest on Public Debt</li> <li>• <b>\$13b</b> Advanced Child Tax Credit</li> <li>• <b>\$3b</b> Military Pay</li> </ul>	<b>16</b>	<b>17</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security Benefits</li> <li>• <b>\$3b</b> Individual Tax Refunds</li> </ul>	<b>18</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> Medicaid</li> <li>• <b>\$2b</b> Defense Vendor Payments</li> </ul>	<b>19</b>	20
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28	<b>29</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Federal Salaries</li> </ul>	<b>30</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> Defense Vendor Payments</li> <li>• <b>\$2b</b> Medicaid</li> </ul>	1	2	3	4

Source: Bipartisan Policy Center projections based upon daily Treasury statements



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# Prioritization



- **Treasury has stated that it has no secret bag of tricks to finance government operations past the X Date.**
  - Treasury will not attempt to “firesale” assets during a crisis.
  - Other ideas are deemed impractical, illegal, and/or inappropriate (e.g., trillion-dollar coins, IOUs).
- **There is no recent precedent; all other debt limit impasses have been resolved without reaching the X Date.**
- **Federal Reserve Chair Powell on crossing the X Date:**

“The failure to [raise the debt limit] is something that could result in severe damage to the economy and to financial markets and it’s just not something we should contemplate. No one should assume the Fed or anyone else can fully protect the markets or the economy in the event of a failure.”



- **If the X Date is reached, Treasury might either prioritize payments or make full days' worth of payments once they receive sufficient revenues to cover all of a day's obligations.**
  - Treasury may have the technological capability to prioritize interest payments on the federal debt over other obligations.
  - In 2014, Treasury sent a letter to the House Financial Services Committee stating it is technically capable of prioritizing interest payments.
- **Scenario #1: Pay some bills, but not others**
  - Treasury might attempt to prioritize some types of payments over others. Prioritized payments would be made on time, others would not.
  - **This option could raise operational and legal challenges for Treasury.** It would involve sorting and choosing from hundreds of millions of monthly payments.



If the X Date arrives on October 15...

- **Treasury would be about \$265 billion short of paying all bills owed between October 15 and November 15.**
- Approximately **40%** of the funds owed for the period would go unpaid.
- The reality would inevitably be chaotic:
  - Unfair results, unanswered questions
  - Treasury picking winners and losers
  - Public uproar
  - Financial market uncertainty

Note: This scenario is presented purely for illustrative purposes, contains estimates of spending and revenues, and simplifies the situation. Specifically, there are several caveats to its feasibility (some of which are mentioned elsewhere in this presentation), including the fact that revenues and obligations are lumpy, such that even if all payments on the following slide could be afforded from the vantage point of aggregate figures for the covered period, the specific cash situation on particular days would make certain payments unaffordable. Further, this scenario assumes that trust fund operations continue as normal and that Treasury enters October 15 with no cash balance or extraordinary measures available.



## If Treasury chooses to pay:

<b>Program</b>	<b>Cost for Oct 15 – Nov 15</b>
Interest on Treasury Securities	<b>\$67 B</b>
Medicare / Medicaid	<b>\$114 B</b>
Social Security Benefits	<b>\$86 B</b>
Defense Vendor Payments	<b>\$33 B</b>
IRS Tax Refunds	<b>\$25 B</b>
Federal Salaries	<b>\$22 B</b>
Nutrition Assistance Programs	<b>\$19 B</b>
Education Program Payments	<b>\$15 B</b>
Military Pay	<b>\$11 B</b>
Veterans Benefits	<b>\$11 B</b>

for a total of **\$401 billion...**



...then it can't fund these programs, costing **\$265 billion**:

Program	Cost for Oct 15 – Nov 15
Small Business Administration	<b>\$52 B</b>
Pandemic Relief to State & Local Governments	<b>\$32 B</b>
Advanced Child Tax Credit Payments	<b>\$27 B</b>
Military & Civil Service Retirement Benefits	<b>\$11 B</b>
Housing Programs	<b>\$7 B</b>
Veterans Affairs Programs	<b>\$6 B</b>
Unemployment Insurance Benefits	<b>\$5 B</b>
Supplemental Security Income Benefits	<b>\$4 B</b>
Other Spending	<b>\$121 B</b>





- **Realistically, on a day-to-day basis, fulfilling all payments for important and popular programs (e.g., Social Security, Medicare, Medicaid, defense, military active duty pay) would quickly become impossible.**
- **Economic disruption:**
  - Immediate 40% cut in federal spending would affect broader economy
  - Many service providers unpaid
  - Individuals and business owners not receiving government checks
  - Widespread uncertainty as decisions are made day-by-day
  - Potential legal challenges over payment prioritization



- The Treasury Department's Office of Inspector General (OIG) released a report in 2012 on post-X Date strategies that Treasury was considering during the summer of 2011.
  - Some senior Treasury officials were skeptical of the prioritization scenario for two reasons:
    1. Choosing to pay certain obligations before others would be of questionable legality
    2. Given the sheer number of daily payments and Treasury's computerized payment system, prioritization would require a massive overhaul and reprogramming of these operations that may be impossible
- The Treasury Department and the New York Federal Reserve likely have the technical capability to make principal and interest payments on Treasury securities while delaying other payments.
  - An open question: Would such an operation go off without a hitch in a world where the federal government wasn't meeting all its commitments?



- **Scenario #2: Delay all bills**

- Treasury might wait until enough revenue is deposited to cover an entire day's payments, and then make all of those payments at once.

(For example, upon reaching the X Date, it might take two days of revenue collections to raise enough cash to make all payments due on day 1. Thus, the first day's payments would be made one day late. This, in turn, would delay the second day's payments to a later day, and so on.)

- In the 2012 OIG report, some senior Treasury officials stated that they believed this to be the most plausible and least harmful course of action.
- Since debt operations (interest and principal payments) are handled by a separate computer system, those payments could likely still be prioritized under this scenario, although legal and operational question marks would remain.



## Potential Payment Delays (assuming an October 15<sup>th</sup> X Date)

Payment	Date	Delayed Until
Advanced CTC Payments	October 15	October 18
Defense Vendor Payments	October 19	October 22
Social Security Benefits	October 20	October 25
Federal Salaries	October 29	November 8
Military Active Pay & Veterans Benefits	November 1	November 17
Medicare Provider Payments	November 1	November 17
Social Security Benefits	November 3	November 22

Note: These projections incorporate a set of assumptions, including (for illustrative purposes) that the X Date occurs on October 15 and that federal trust fund operations continue as normal. Further, this scenario assumes that Treasury enters October 15 with no cash balance or extraordinary measures available.

Source: Bipartisan Policy Center projections based upon daily Treasury statements



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# Daily Analysis



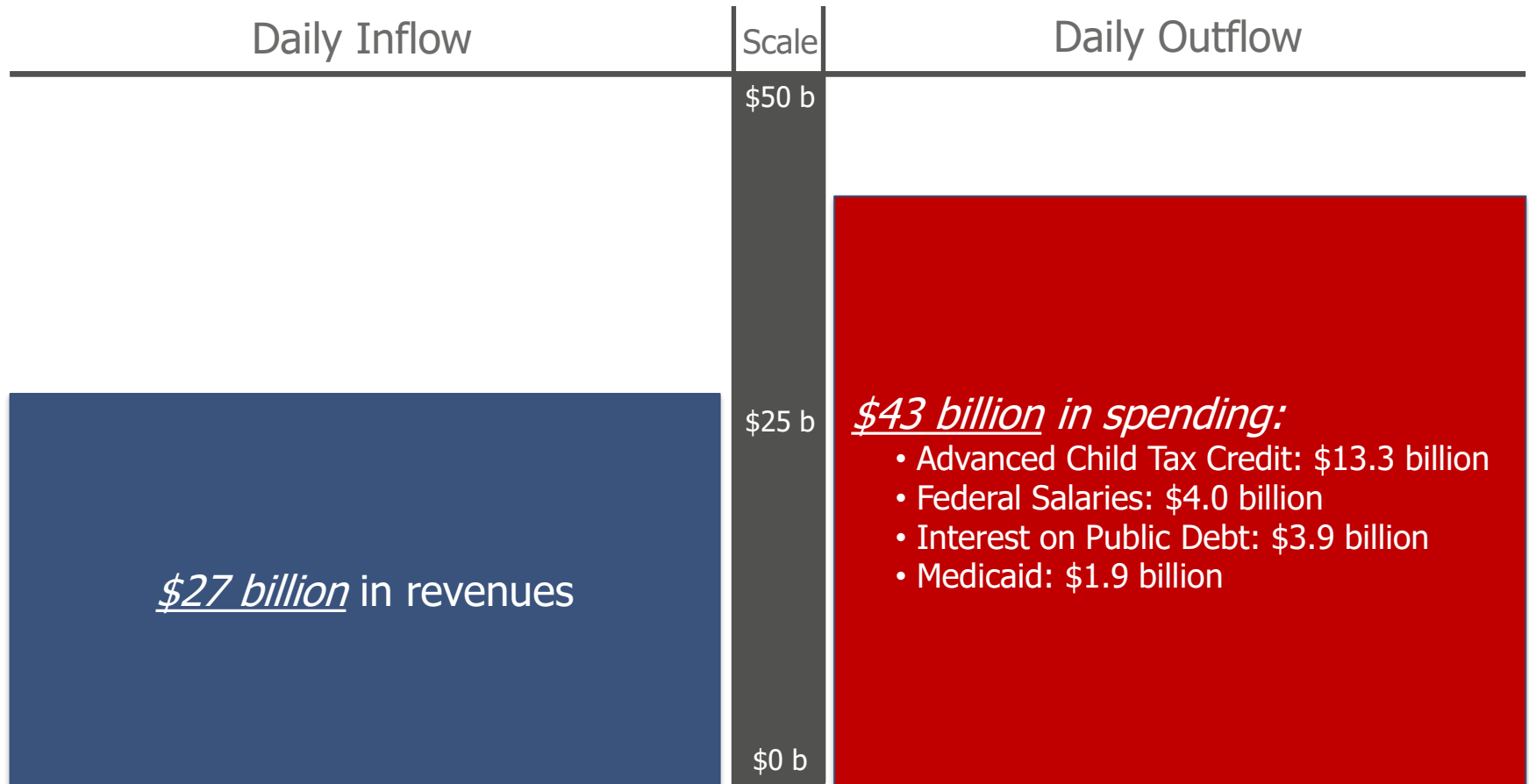
- The following slides project daily revenue and expenditures starting October 15.
- Projections are estimates and subject to change. Revenue flows, tax refunds, and payments related to COVID-19 relief are particularly volatile.
- For purely illustrative purposes, the “Running Cash Deficit” is the cumulative operating cash shortfall calculated starting on October 15.

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$16 billion**



## *Treasury Cash Flow: Friday, October 15, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

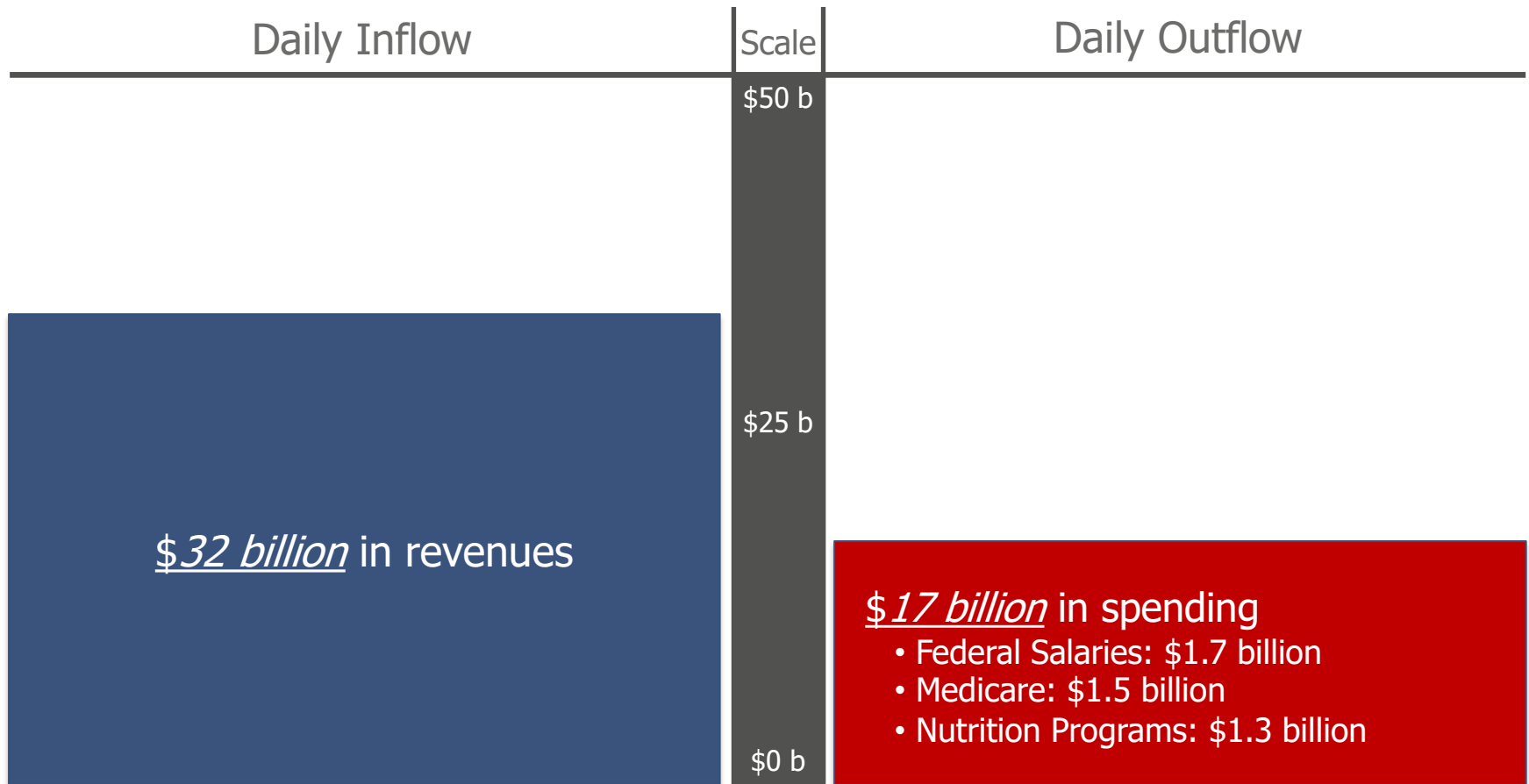
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$2 billion**



## *Treasury Cash Flow: Monday, October 18, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

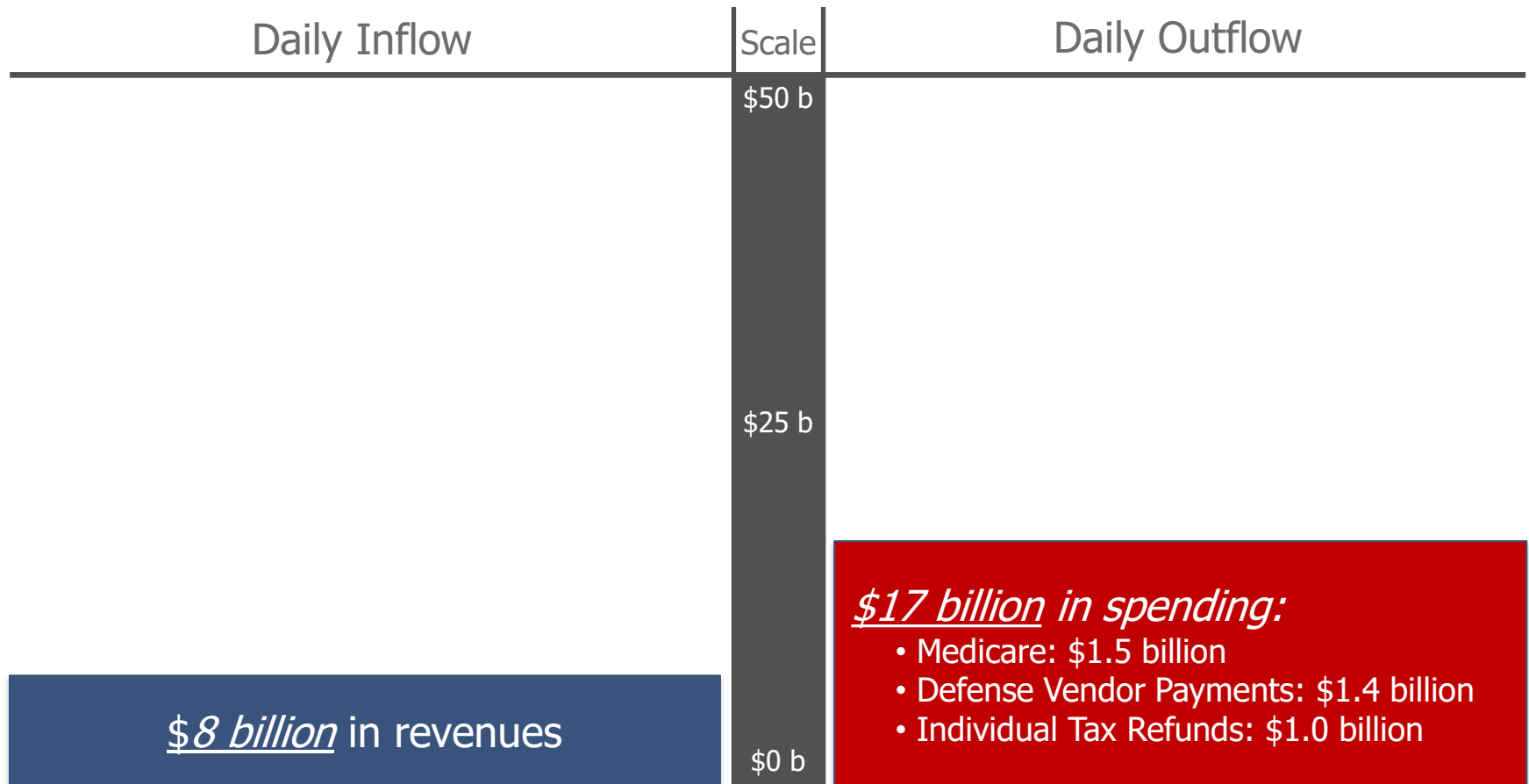


# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$11 billion**



*Treasury Cash Flow: Tuesday, October 19, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

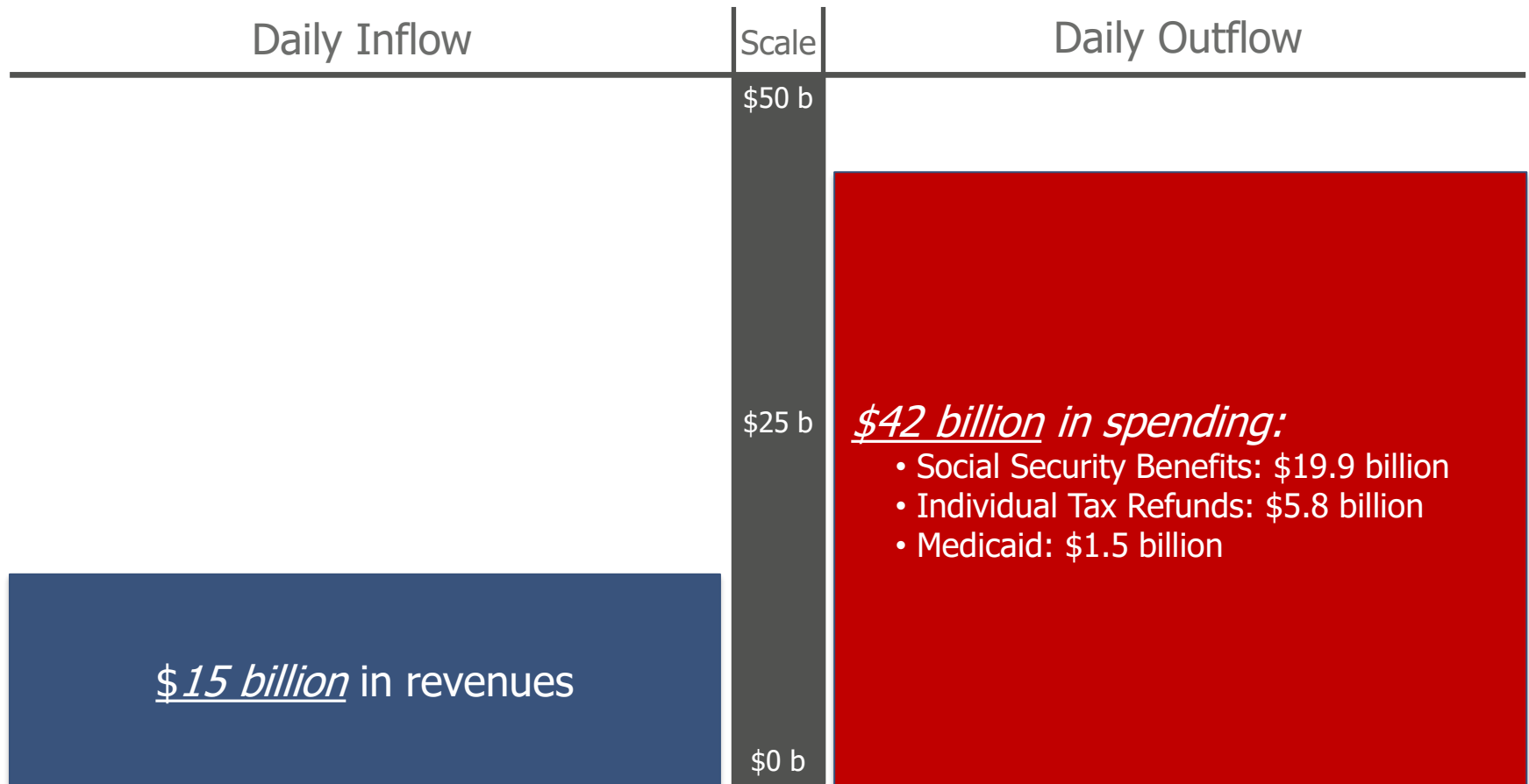
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$39 billion**



*Treasury Cash Flow: Wednesday, October 20, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

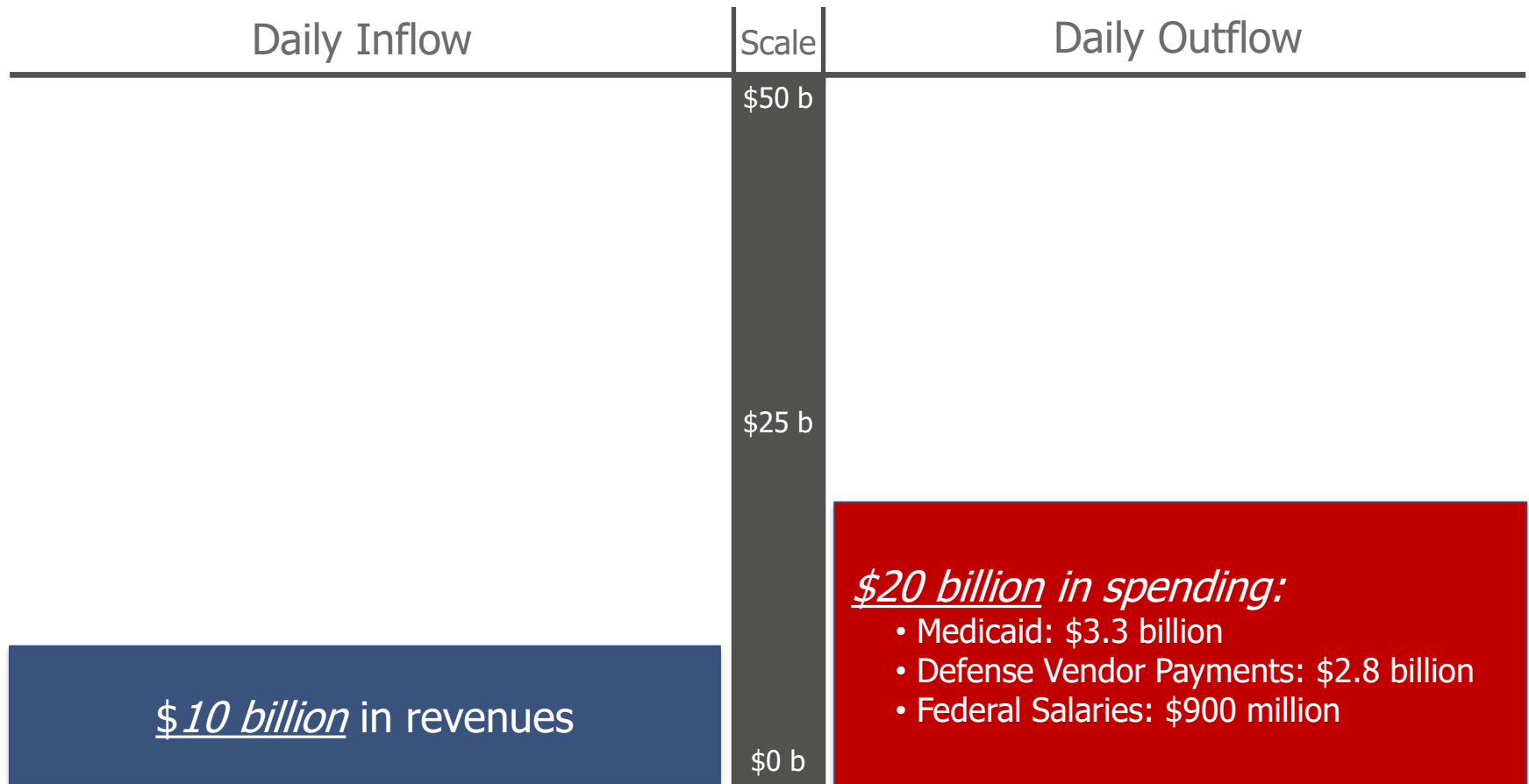
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$54 billion**



*Treasury Cash Flow: Thursday, October 21, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

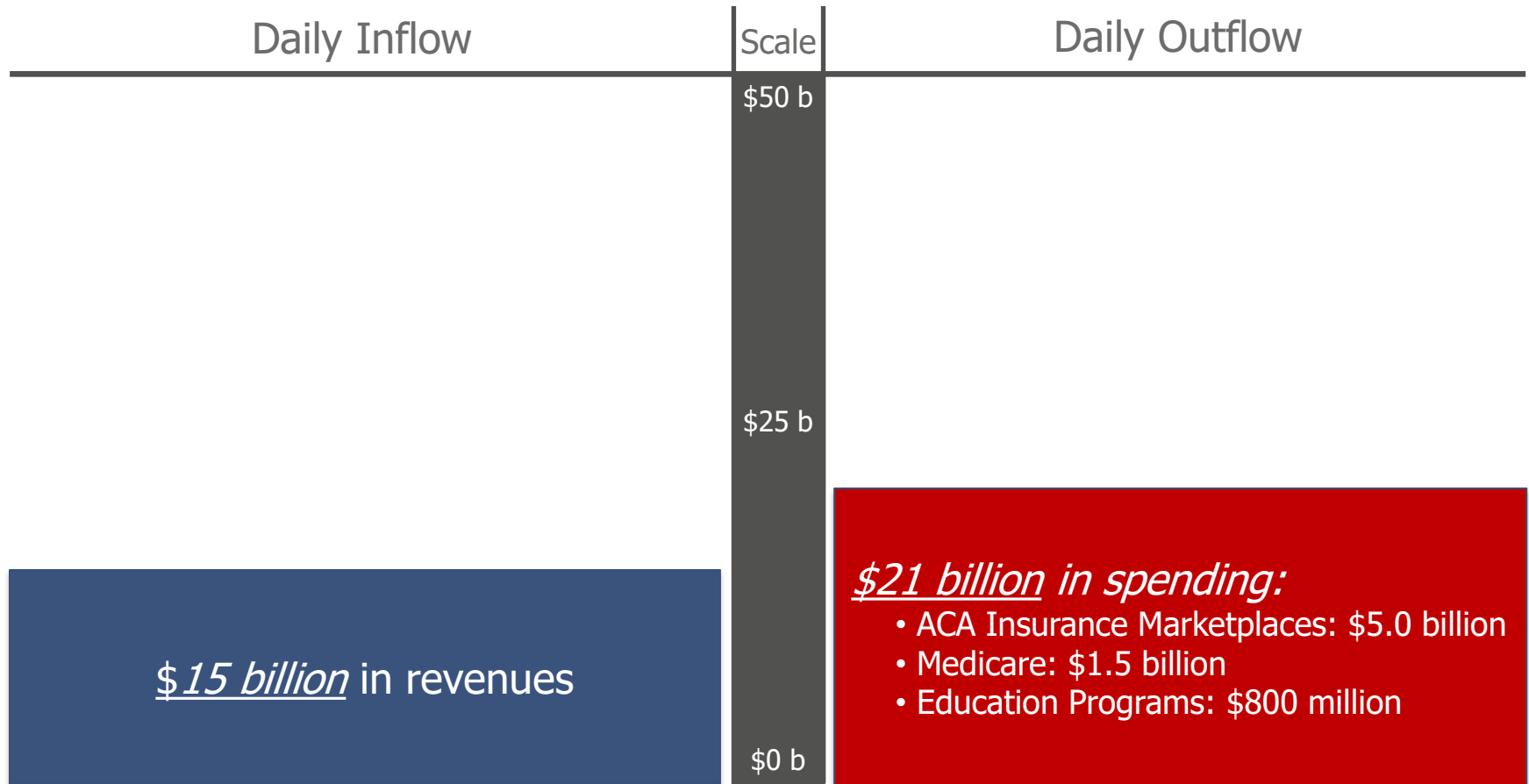
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$54 billion**



## *Treasury Cash Flow: Friday, October 22, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

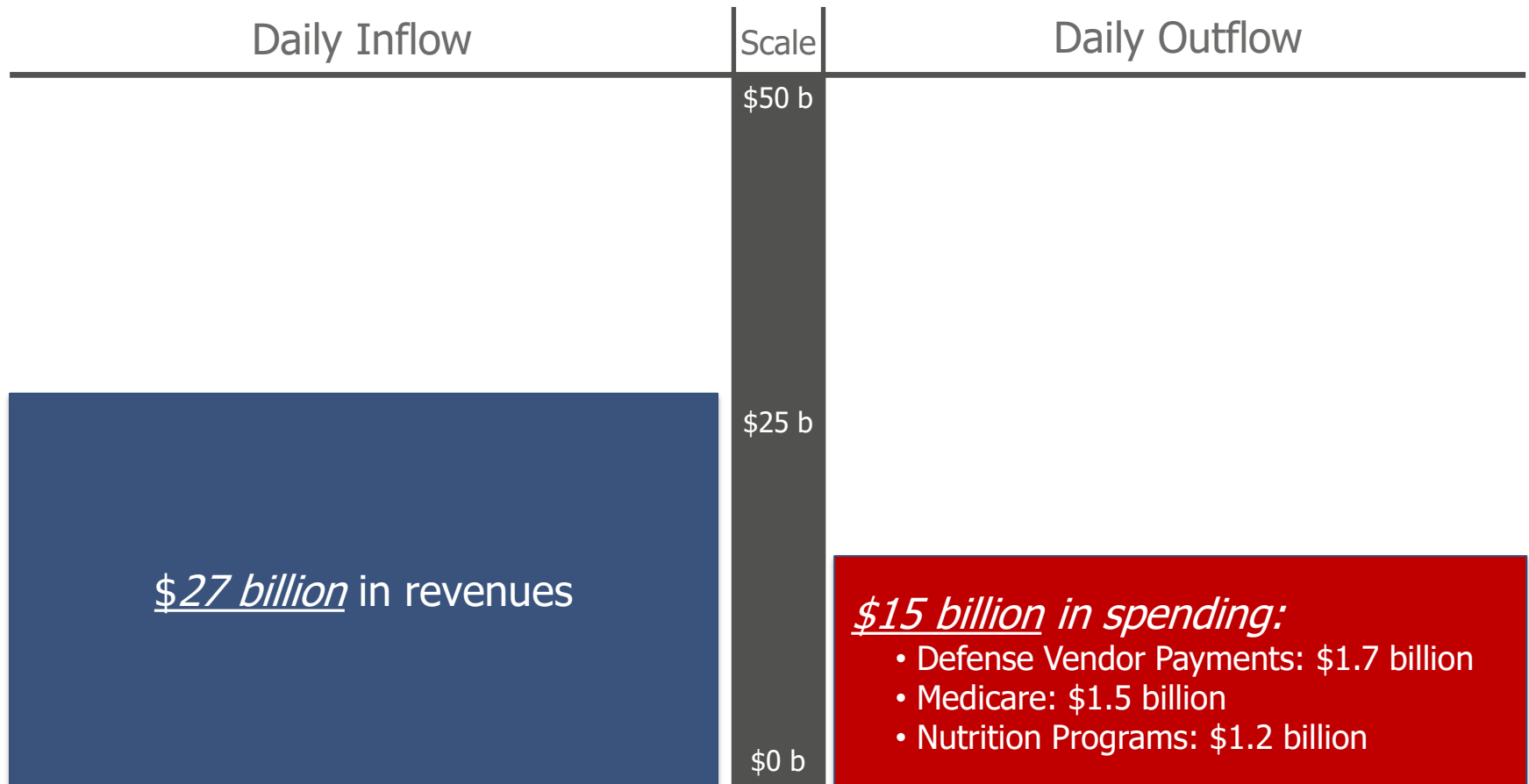
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$43 billion**



## *Treasury Cash Flow: Monday, October 25, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

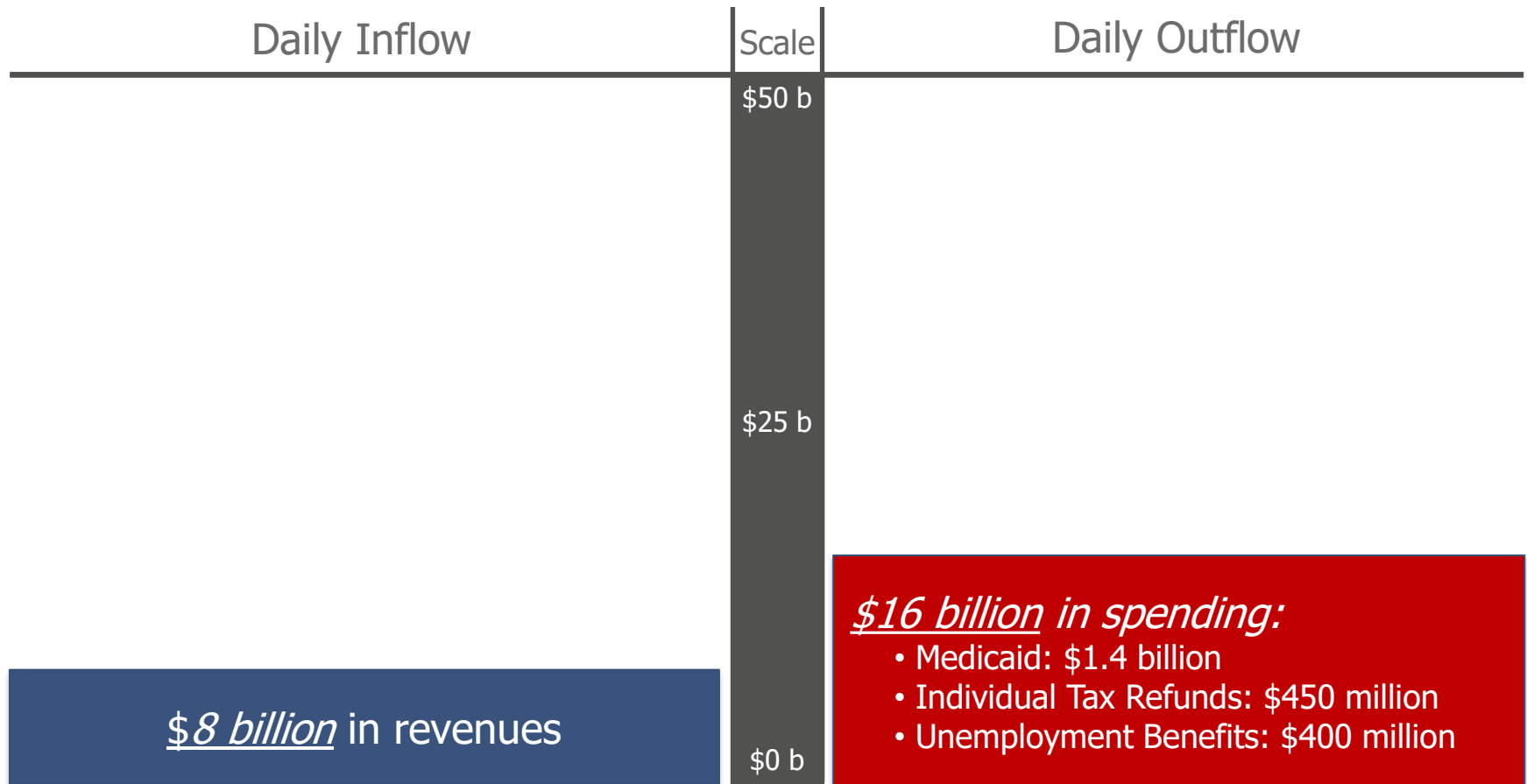
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$51 billion**



*Treasury Cash Flow: Tuesday, October 26, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

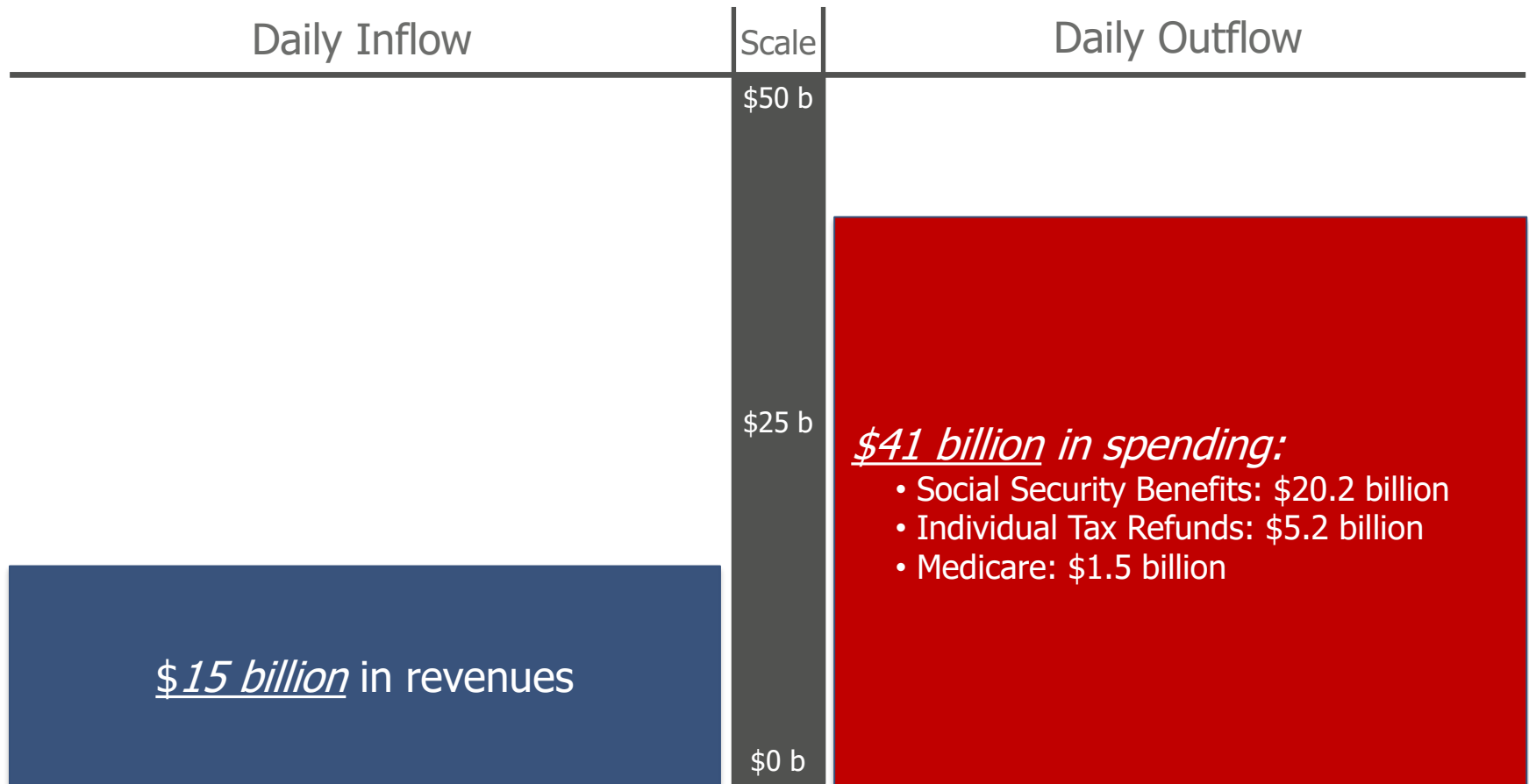
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$77 billion**



*Treasury Cash Flow: Wednesday, October 27, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

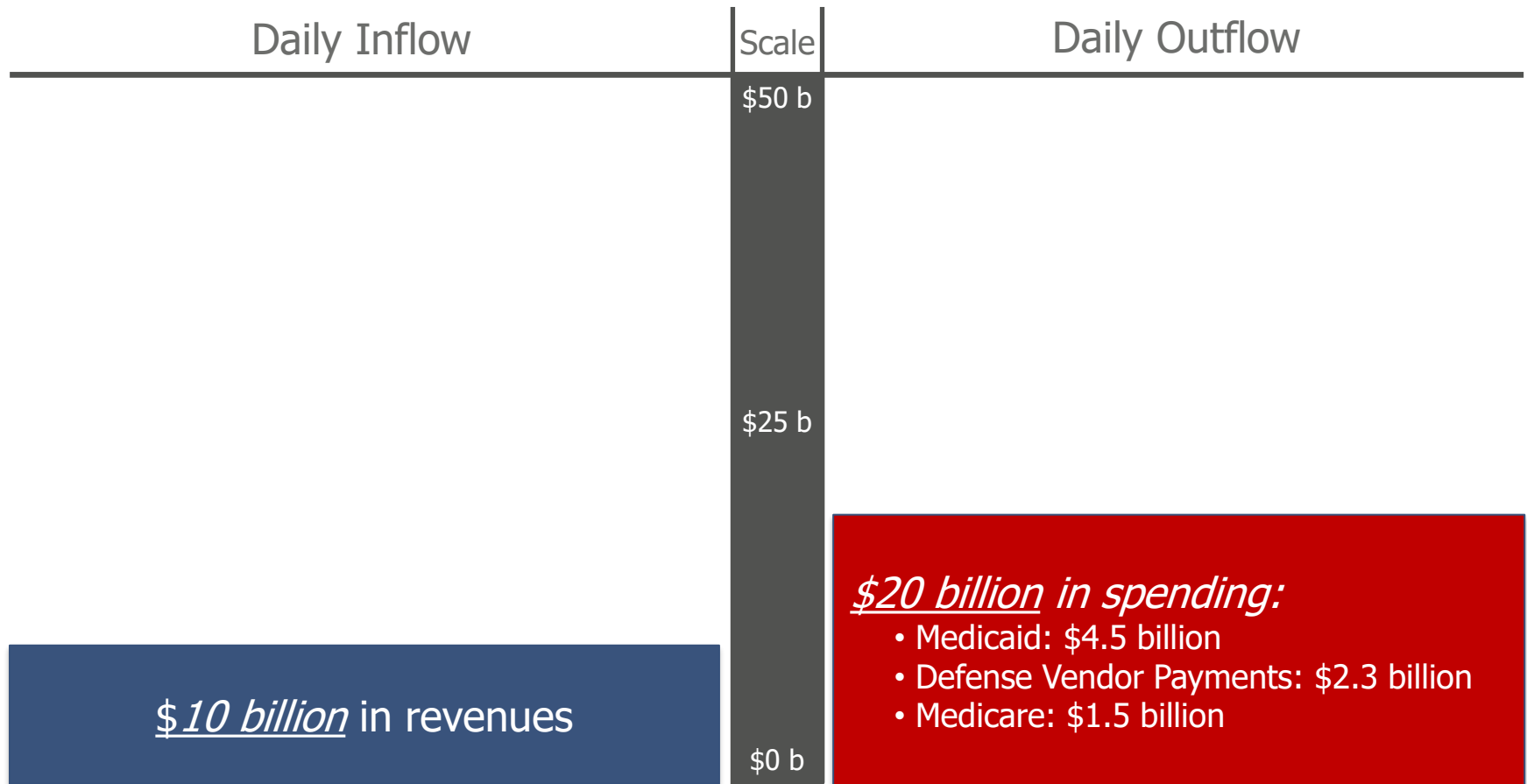
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$87 billion**



*Treasury Cash Flow: Thursday, October 28, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

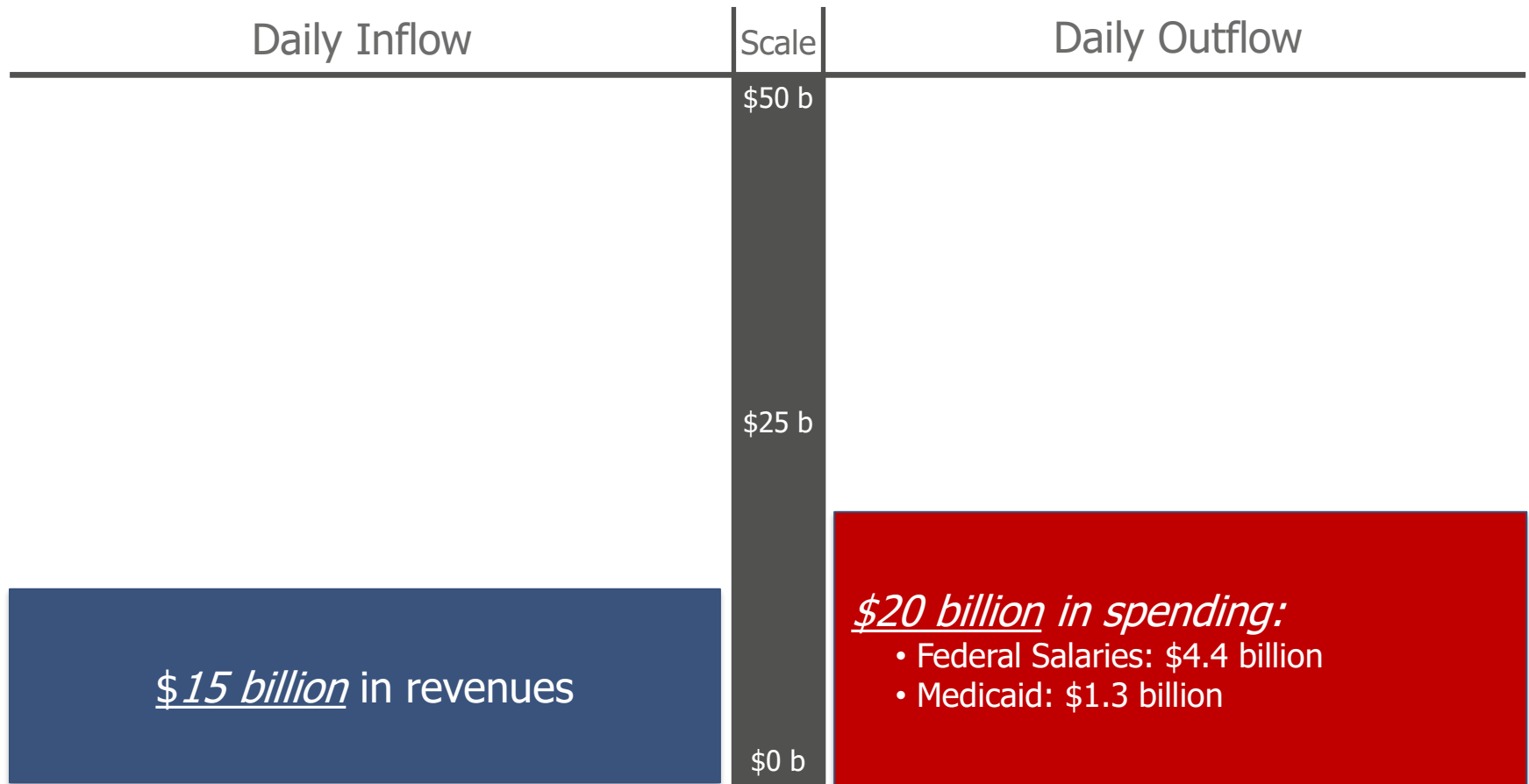


# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$92 billion**



## *Treasury Cash Flow: Friday, October 29, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

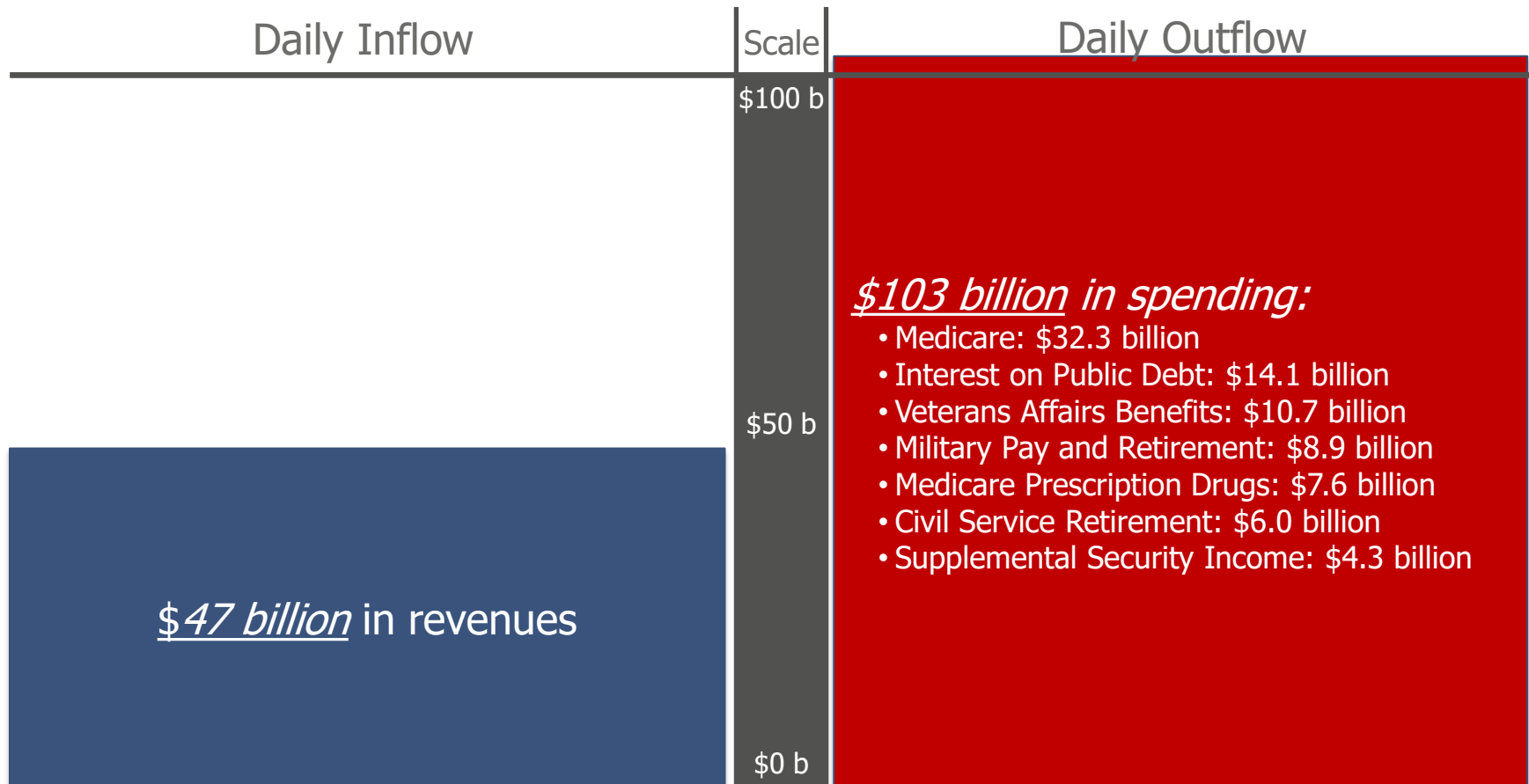
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$148 billion**



## *Treasury Cash Flow: Monday, November 1, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding. The scale for Nov. 1 is different than for other days due to high revenues and expenditures.

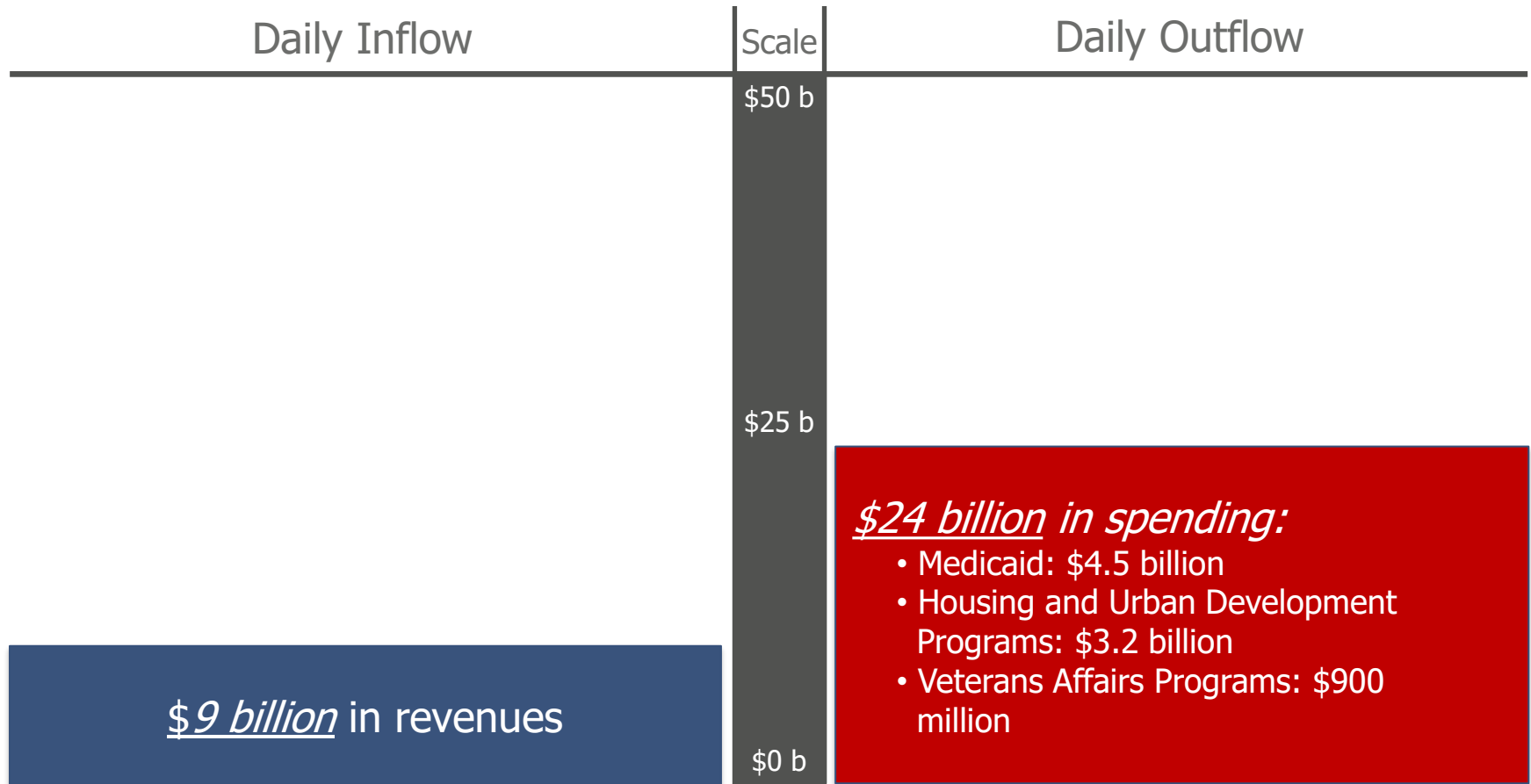
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$163 billion**



*Treasury Cash Flow: Tuesday, November 2, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

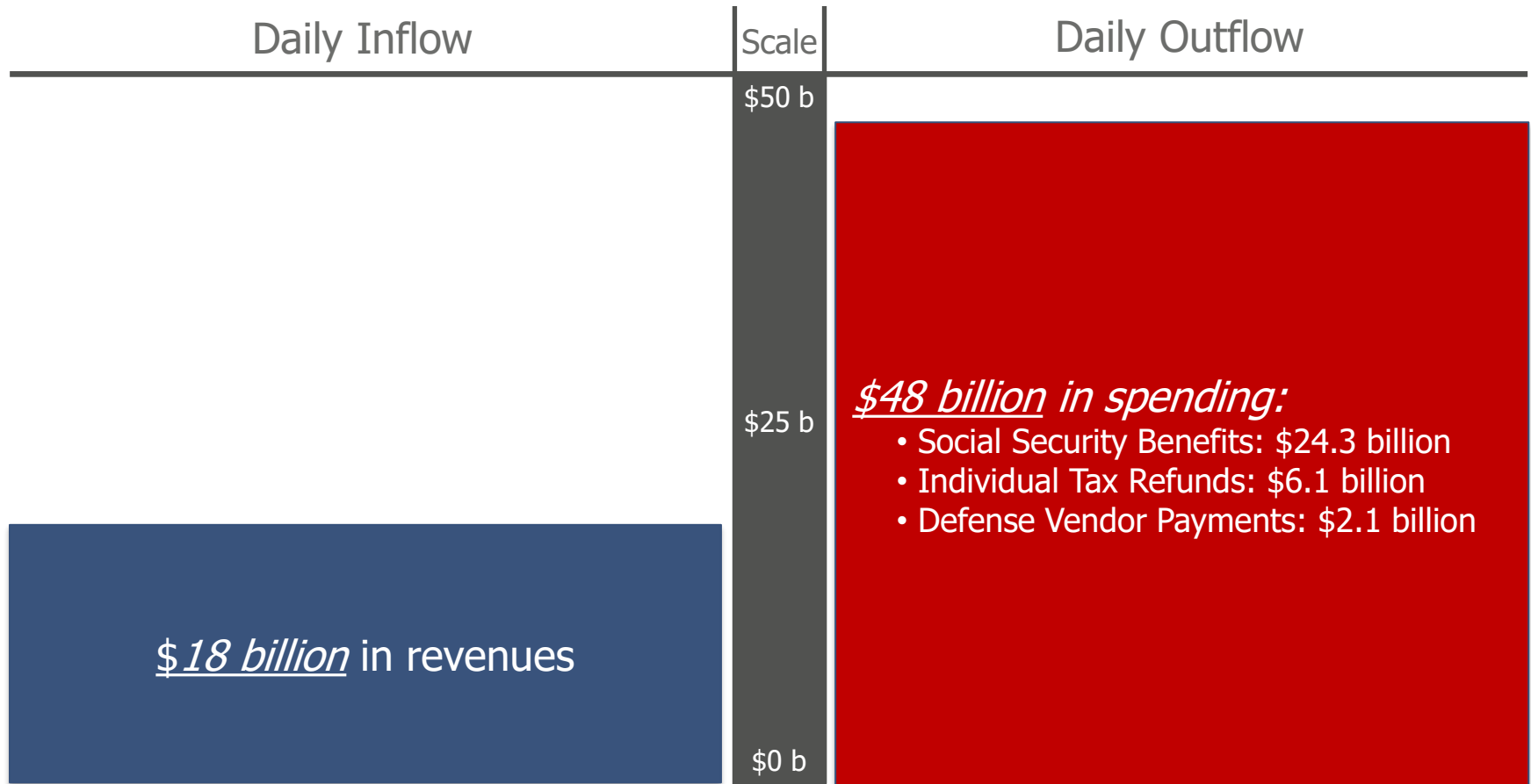
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$192 billion**



*Treasury Cash Flow: Wednesday, November 3, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

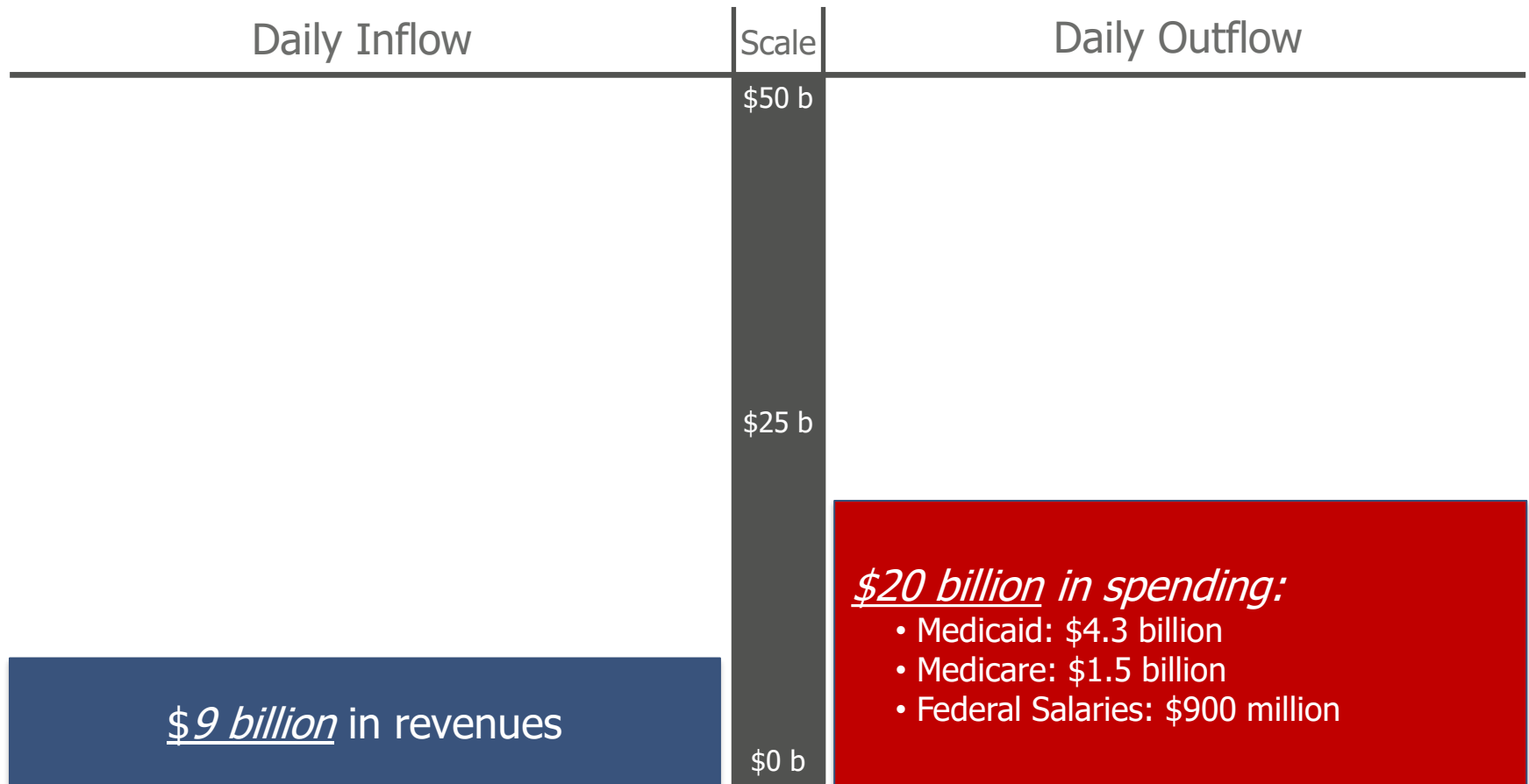
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$203 billion**



*Treasury Cash Flow: Thursday, November 4, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

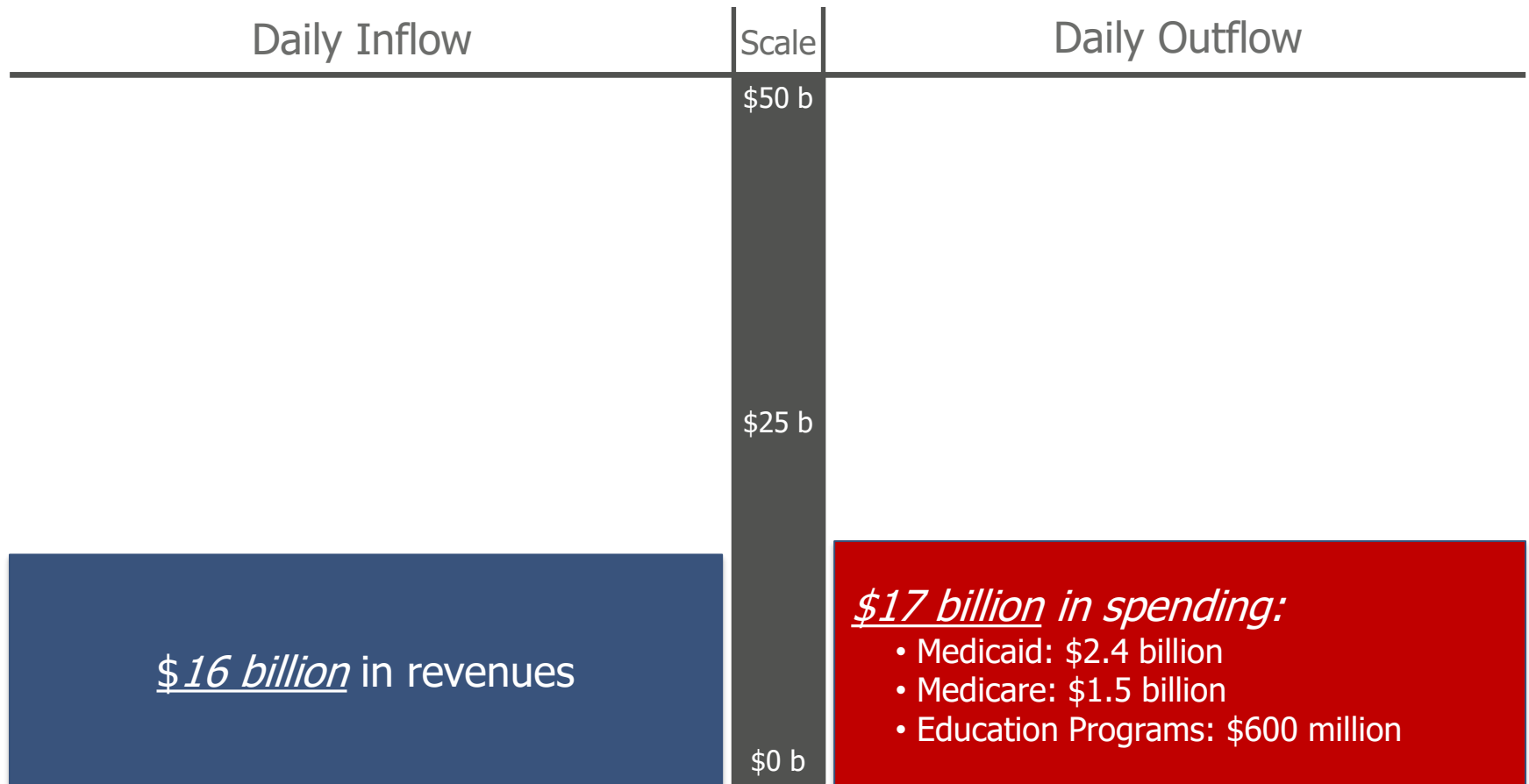
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$204 billion**



## *Treasury Cash Flow: Friday, November 5, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

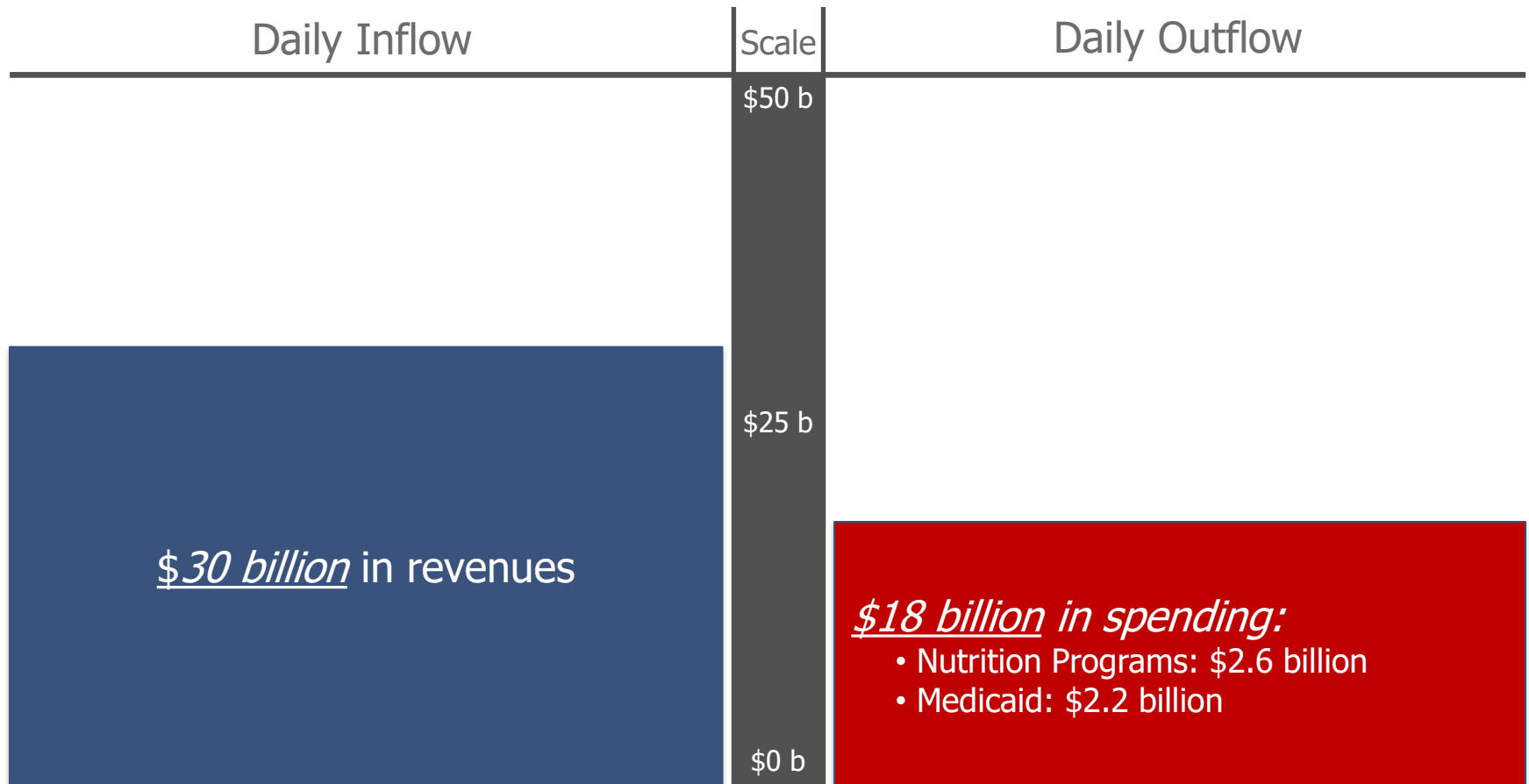
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$192 billion**



*Treasury Cash Flow: Monday, November 8, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

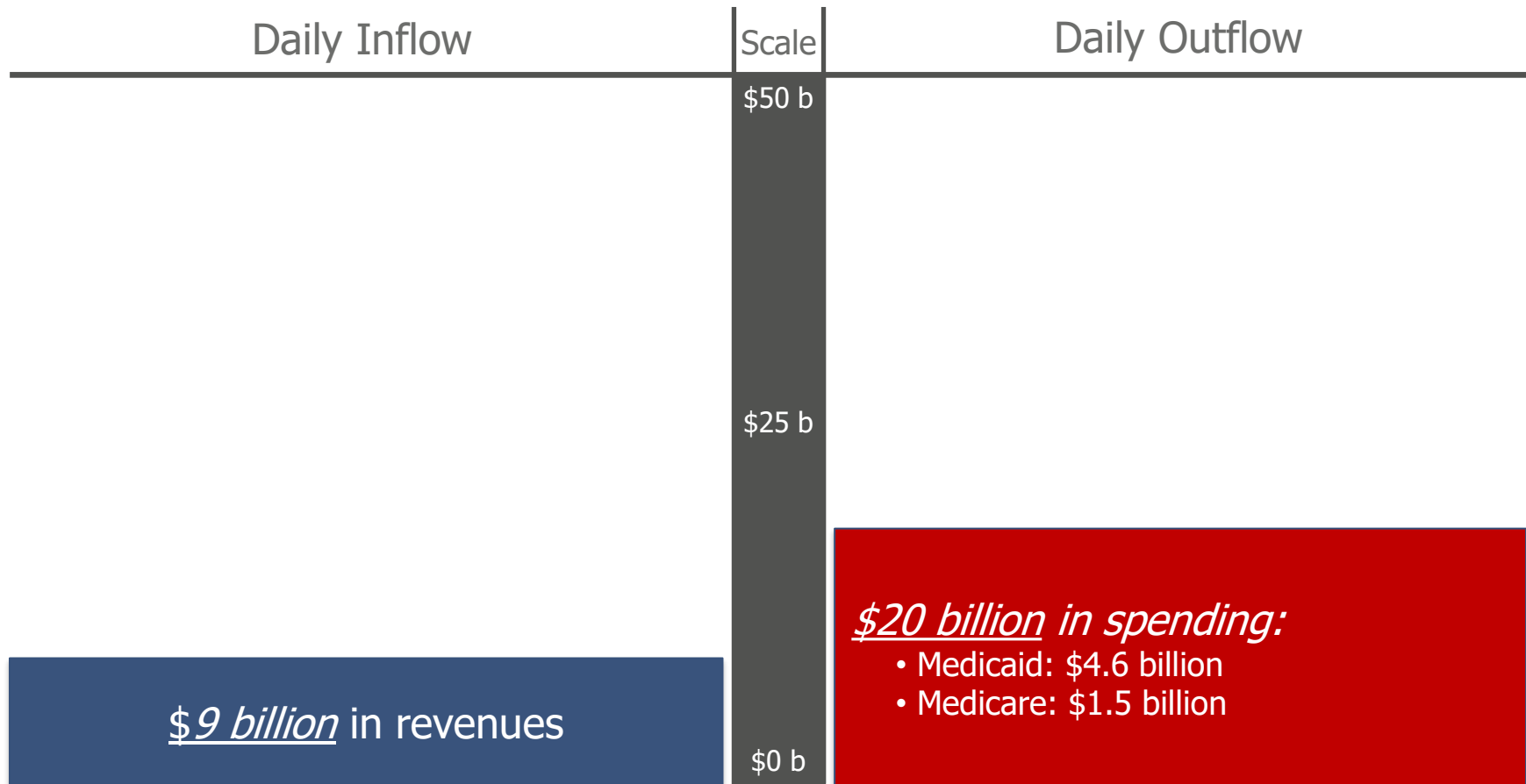
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$203 billion**



*Treasury Cash Flow: Tuesday, November 9, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

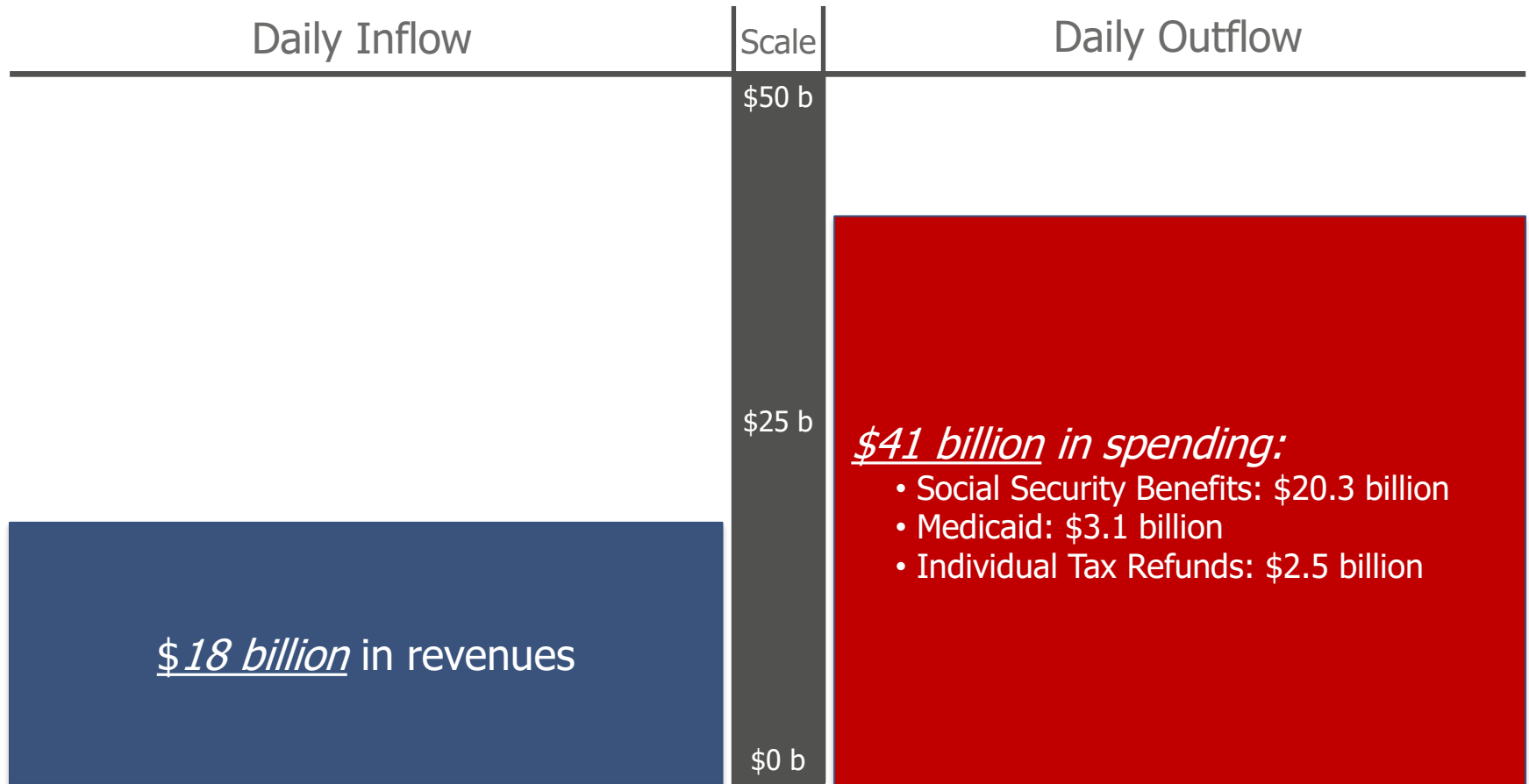


# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$225 billion**



*Treasury Cash Flow: Wednesday, November 10, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

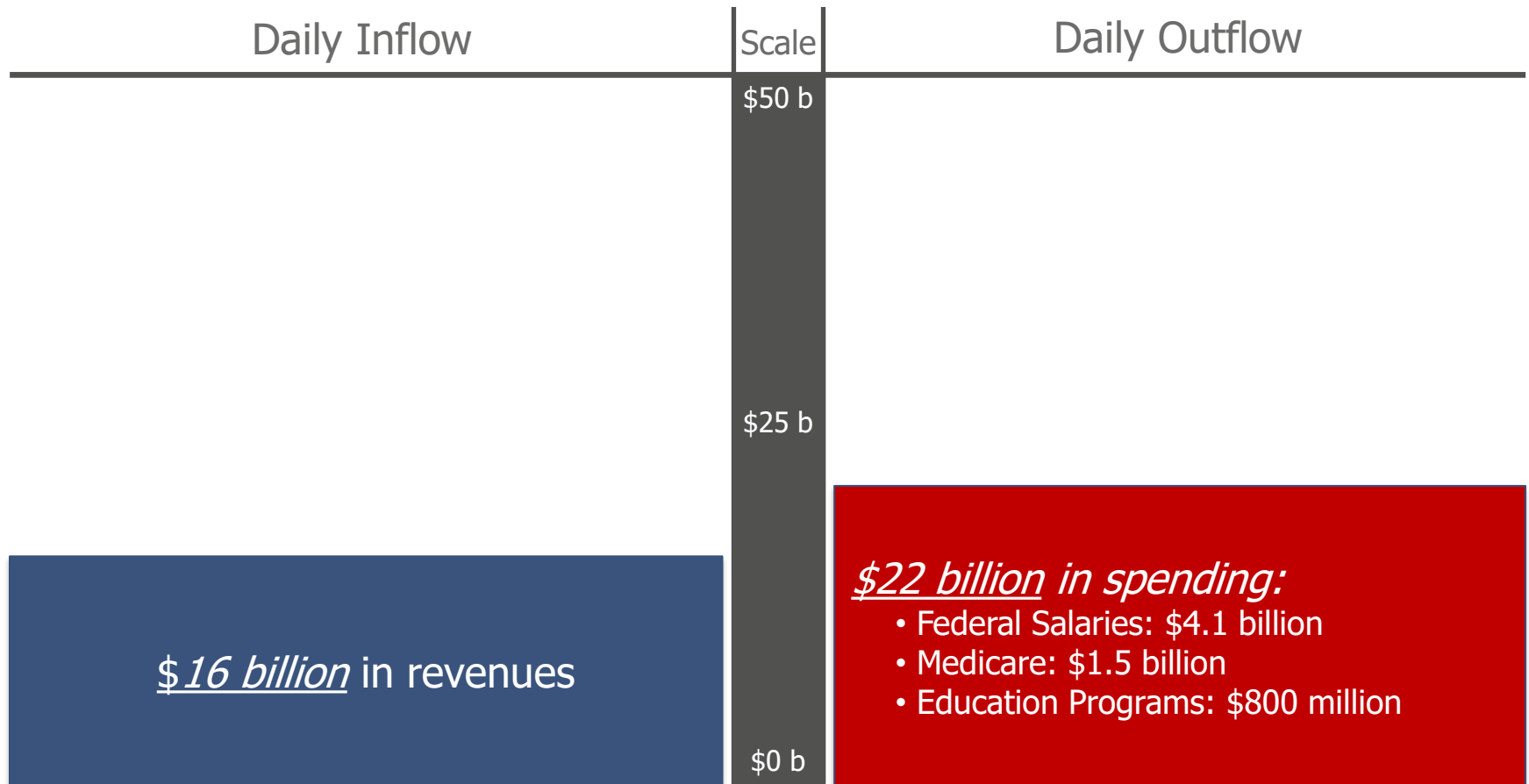
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$231 billion**



*Treasury Cash Flow: Friday, November 12, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding.

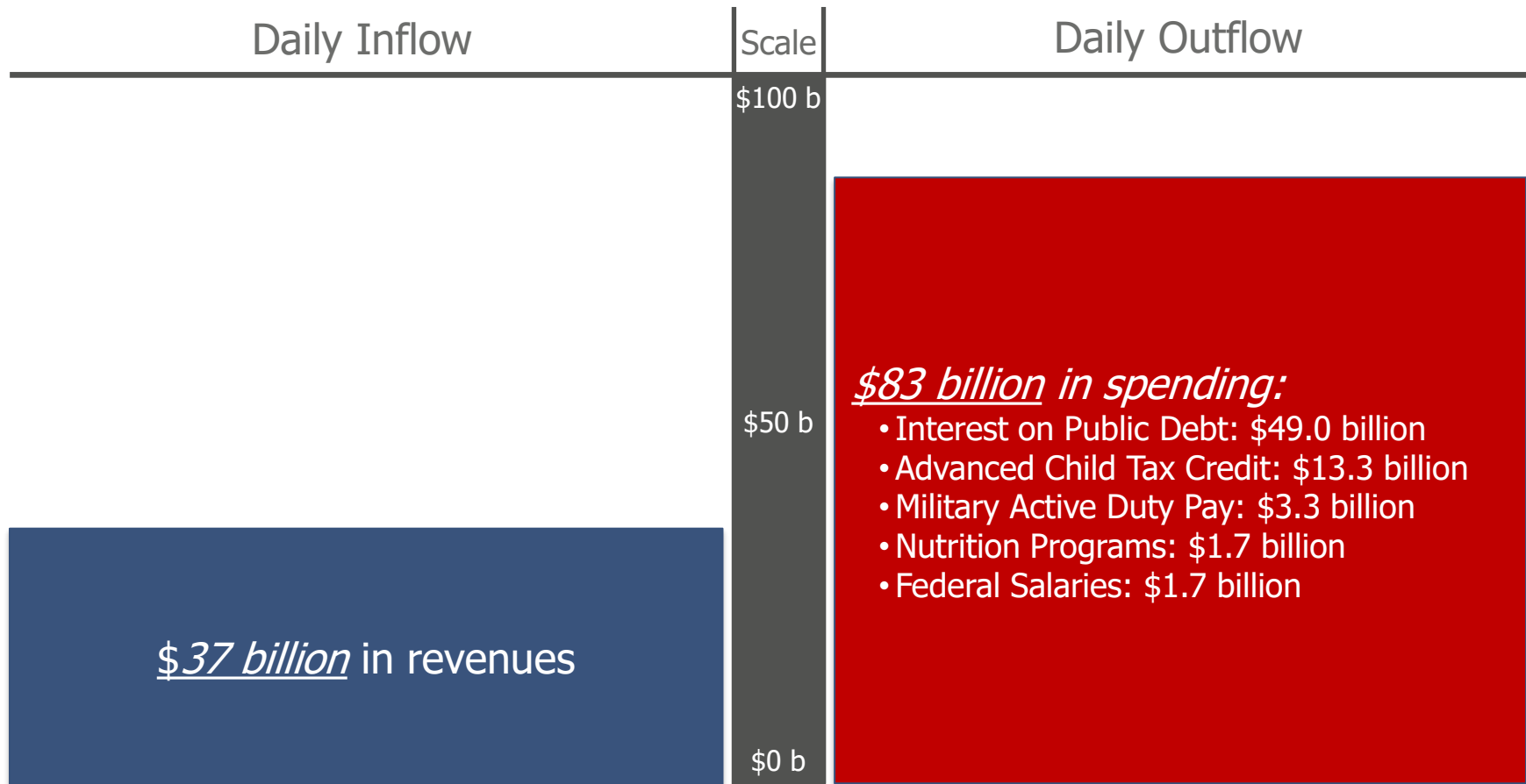
*Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements*

# DAILY CASH FLOW ANALYSIS

Running Cash Deficit:  
**\$277 billion**



## *Treasury Cash Flow: Monday, November 15, 2021*



Note: All daily figures assume zero cash balance on Oct. 15; numbers may not add due to rounding. The scale for Nov. 15 is different than for other days due to high revenues and expenditures.

Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements



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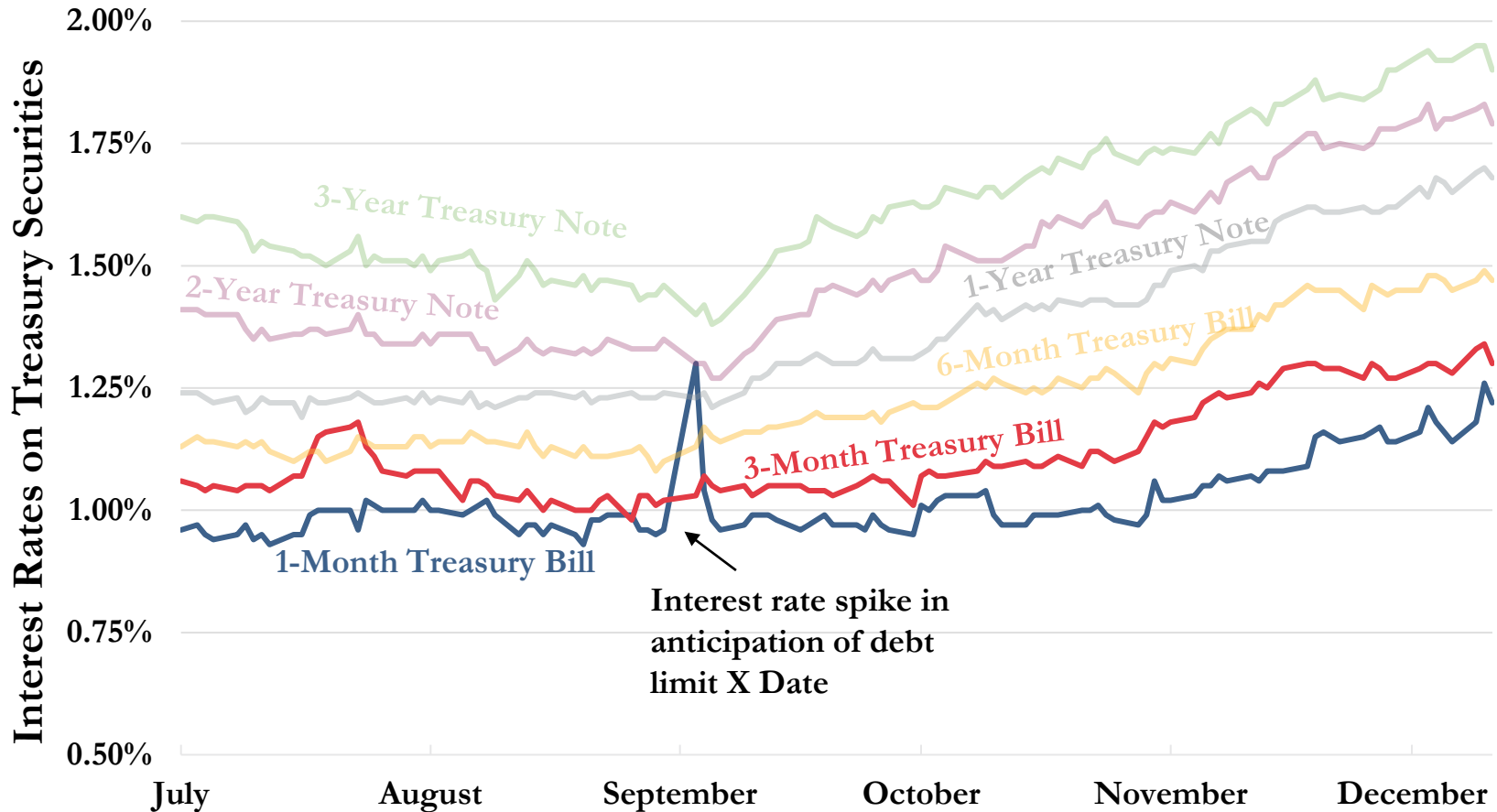
# Market Risk



- **Researchers at the Federal Reserve issued a study finding that approaching the X Date in 2011 and 2013 increased the government's borrowing costs by hundreds of millions of dollars.**
  - The substantial cost to taxpayers stemmed from elevated interest rates on U.S. securities issued in 2011 and 2013 leading up to the date when the debt limit was extended.
  - The Government Accountability Office (GAO) conducted a similar study of the 2013 impasse, finding that federal borrowing costs increased by tens of millions of dollars for that year alone, and much more if calculated over the duration of all the debt that was issued.
- **The cost of these impasses to the federal government continues to accrue beyond a single year because many of the securities issued during that period remain outstanding and accruing interest for several years (2, 10, 30, etc.).**



## 2017 Debt Limit Episode's Effect on U.S. Treasury Interest Rates



Source: TreasuryDirect



- Treasury securities are normally considered safe and liquid. They are treated as the foundation of the global financial system because of the perception that the risk of default is negligible.
- **Treasury must “roll over” roughly \$430 billion in debt that matures this year in mid- to late-October.**
  - When a Treasury security matures, Treasury must pay back the principal plus interest due. Under normal circumstances, Treasury would simply “roll over” the security.
  - This means that as one security matures, the principal and interest for that security would be paid for with cash from the issuance of a new security.



## Debt Maturing from Mid- to Late-October

Date	Debt Maturing
<b>October 15</b>	<b>\$36 billion</b>
<b>October 19</b>	<b>\$45 billion</b>
<b>October 21</b>	<b>\$108 billion</b>
<b>October 26</b>	<b>\$30 billion</b>
<b>October 28</b>	<b>\$108 billion</b>
<b>October 31</b>	<b>\$103 billion</b>

Note: Does not include estimates of 4-week maturities that have yet to be auctioned.





- **In a post-X Date environment, the roll over operation may not run as smoothly.**
  - Two elements of market risk:
    - Treasury will have to pay higher interest rates to attract new buyers.
    - It is possible, if unlikely, that not enough bidders would appear, forcing Treasury to either use cash on hand to pay off securities that came due or, in a worst-case scenario, default on the debt.
  - The 2012 Office of Inspector General's report found that there was substantial concern about this issue among Treasury officials during the 2011 debt limit event.
  - In 2013, Fidelity's money-market funds refused to hold any U.S. government debt maturing in late October and early November (the period surrounding the projected X Date in that year).



- **Further rating agency downgrades are possible.**
  - S&P downgraded U.S. government debt in 2011, and market reaction at the time was not severe. But there is uncertainty about the effects of another downgrade, since many funds are prohibited from holding non-AAA securities.
  - Fitch: *"Arrears on [various federal government] obligations would not constitute a default event from a sovereign rating perspective but very likely prompt a downgrade even as debt obligations continued to be met."*
    - **Translation:** If we go past the X Date without a debt limit extension, prepare for a downgrade.



- The Government Accountability Office on Treasury securities, market risk, and how to reduce it:
  - “The United States benefits from the confidence investors have that debt backed by the full faith and credit of the United States will be honored. Because Treasury securities are viewed as one of the safest assets in the world, they are broadly held by individuals—often in pension funds or mutual funds—and by institutions and central banks for use in everyday transactions. Treasury securities are also the cheapest and one of the most widely used forms of collateral for financial transactions. In many ways U.S. Treasury securities are the underpinning of the world financial system.”
  - “As we have also previously reported, delays in raising the debt limit can create uncertainty in the Treasury market. To avoid such uncertainty and the disruption to the Treasury market that it creates as well as to help inform the fiscal policy debate in a timely way, we have suggested in our [February 2011](#) and [July 2012](#) reports related to the debt limit that Congress should consider ways to better link decisions about the debt limit with decisions about spending and revenue at the time those decisions are made.”



- **Market risks beyond the X Date:**
  - Treasury market, interest rates
  - Potential for serious equity market reaction (401(k)s, IRAs, other pensions)
  - U.S. economy
  - The global financial system
- **No guarantee of the outcome; risks are risks**



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# Estimates of Potential Debt Limit Suspensions

## IF THE DEBT LIMIT IS SUSPENDED AGAIN...



- ...for three months and reinstated on January 1, 2022,
  - BPC estimates the new debt limit would be approximately \$29.5 trillion, about \$1.1 trillion higher than on August 1, 2021.
- ...for fifteen months and reinstated on December 17, 2022,
  - BPC estimates the new debt limit would be approximately \$30.8 trillion, about \$2.4 trillion higher than on August 1, 2021.

Note: Long-range projections are subject to significant uncertainty. These estimates assume no significant policy or economic change over the relevant time period. Additionally, the figures assume that extraordinary measures are unwound and available for use again after the reinstatement (as has been the case in recent suspensions).

*Source: Congressional Budget Office, Bipartisan Policy Center calculations*



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# Methodology & Assumptions



- **Analyze financial data from the Treasury Department**
  - Daily Treasury Statements
  - Government Account Statements
- **Project monthly operating cash flow and change in intragovernmental debt using:**
  - Historical financial data
  - CBO analysis of spending growth
  - Adjustments for anticipated issues (e.g., extraordinary measures that become available on certain dates)
  - Adjustments for changes in revenue and spending due to COVID-19
- **Assumptions:**
  - No major shocks (e.g., recession, natural disaster, new overseas conflict) that could materially affect government finances.





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