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# Debt Limit Analysis

**DECEMBER 3, 2021**

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- U.S. Treasury Secretary Janet Yellen has notified Congress that the Treasury Department (Treasury) may exhaust its cash on hand and extraordinary measures shortly after December 15, 2021.
- BPC projects that if policymakers do not act on the debt limit, Treasury will most likely have insufficient cash to meet all its financial obligations sometime between **December 21, 2021, and January 28, 2022** (what we call the “X Date”).
- Due to the unpredictability of cash flows—and thus, all debt limit projections—policymakers will need to act in the coming weeks, **prior to the holiday recess**, if they intend to ensure that all obligations of the U.S. government are paid in full and on time.

## SUMMARY OF FINDINGS



- **December 15 is a noteworthy day.** By then, Treasury has stated it will have transferred \$118 billion authorized by the Infrastructure Investment and Jobs Act of 2021 to the Highway Trust Fund. (This is factored into BPC's X-Date range.) Quarterly corporate tax receipts are also due.
- Financial and economic risks grow as the debt limit impasse drags on. Interest rates have already risen on short-term Treasury securities that mature around BPC's X-Date range.
- After running out of cash, **Treasury will be unable to meet approximately 35% 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 operational and legal uncertainty exists about operationalizing them.
- Ongoing risks include increasing costs to taxpayers, delayed payments to individuals and businesses, and potentially catastrophic market impacts if congressional inaction to raise the debt limit causes the U.S. government to default 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).
- On August 1, 2021, the debt limit was reinstated at approximately \$28.4 trillion—a level covering all borrowing during its two-year suspension—which the government immediately ran up against. After that date, the Treasury secretary deployed emergency borrowing authority—known as “extraordinary measures”—to temporarily continue financing government operations.
- On October 14, 2021—within days of a potential X Date—President Biden signed legislation increasing the debt limit by \$480 billion. The government has once again reached its debt limit, now at \$28.9 trillion, and is operating under extraordinary measures.



## 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.

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

# STATUS OF EXTRAORDINARY MEASURES



EXTRAORDINARY MEASURES	October 22	Remaining as of December 1, 2021 <i>(estimated)</i>
Do not reinvest the Federal Employees' Retirement System G-Fund	\$281 billion	\$66 billion
Do not reinvest the Exchange Stabilization Fund	\$23 billion	\$23 billion
Do not make new investments to the civil service and postal retirement funds	\$71 billion	\$ 0 billion
<b>Total</b>	<b>\$375 billion</b>	<b>\$ 89 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. October 22 is the day that the U.S. government most recently reached the debt limit. These calculations assume a December 21 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, Description of Daily Debt Subject to Limit Activity, and Monthly Statements of the Public Debt; Congressional Budget Office





- **As of December 1, BPC estimates that Treasury had approximately \$89 billion in available extraordinary measures remaining, with \$159 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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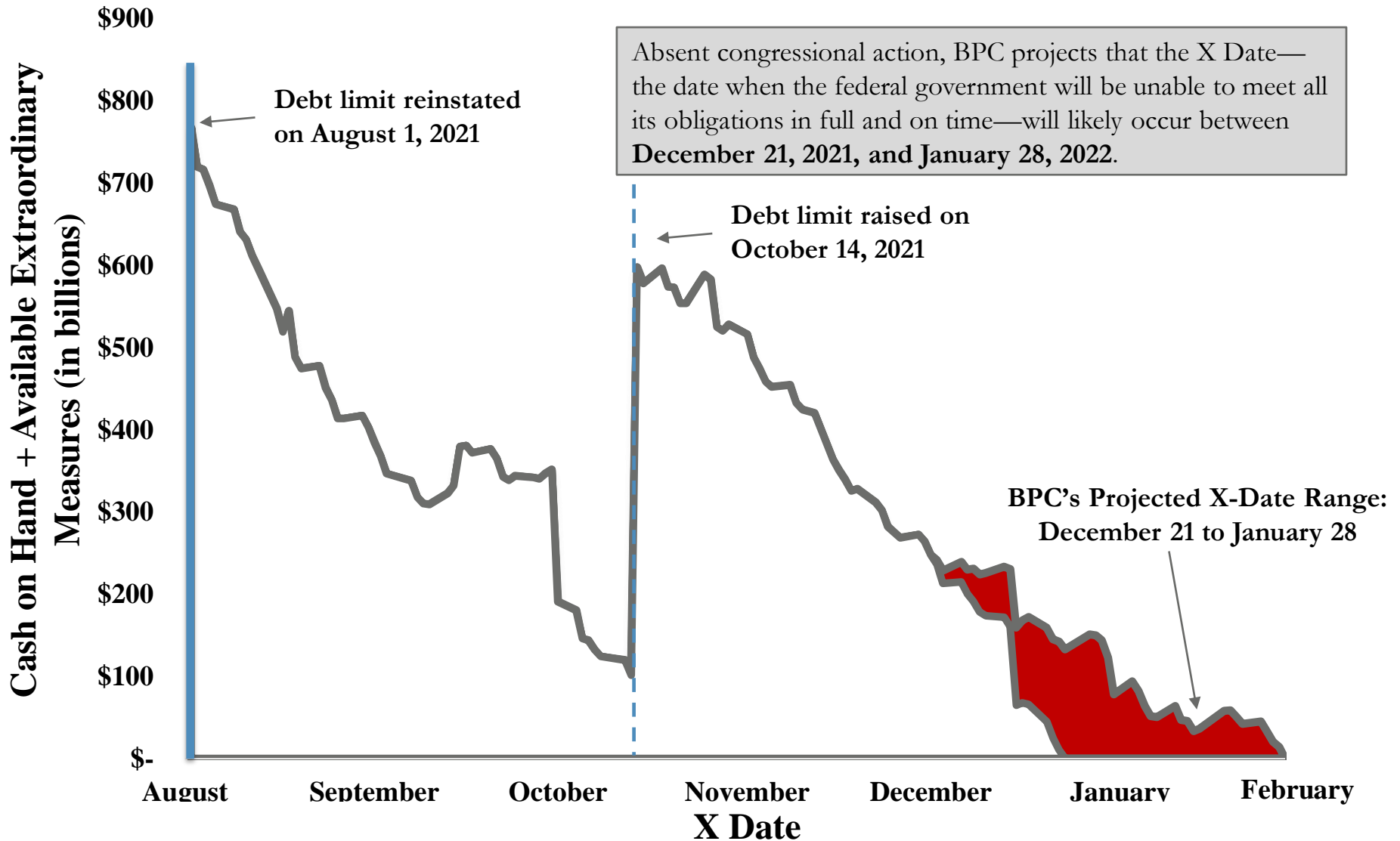
# The “X Date”

## 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 December 21, 2021, and January 28, 2022.**
- **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. Quarterly corporate tax receipts are due on December 15, the strength of which will impact timing of the X Date.

- **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.

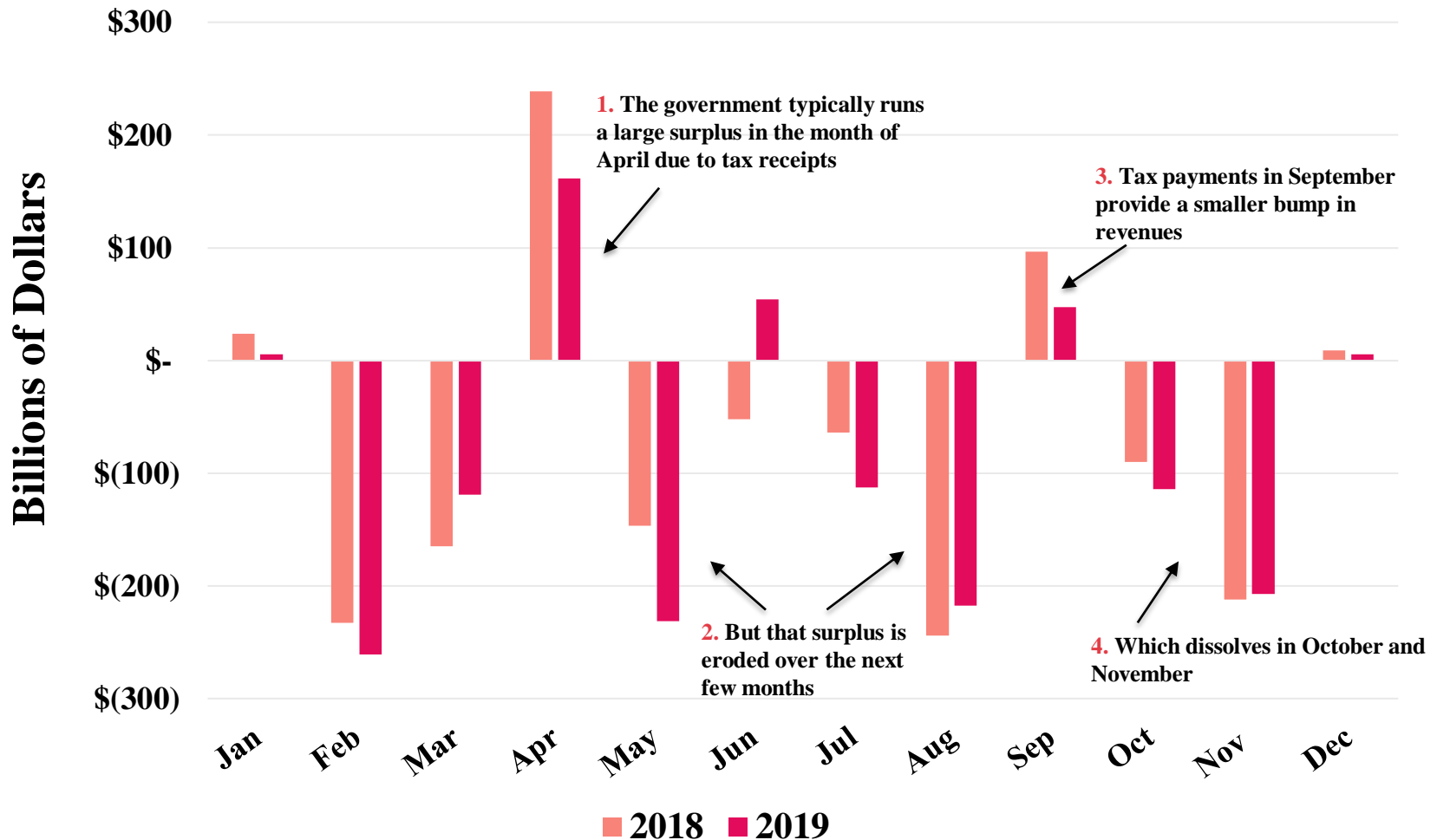


- **COVID-19 Relief Disbursement**
  - Treasury still has approximately \$1.1 trillion in funds from the American Rescue Plan Act and other COVID-19 relief legislation to outlay. The timing of these payments injects further volatility into Treasury cash flows.
- **COVID-Related Changes in Economic Conditions**
  - 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



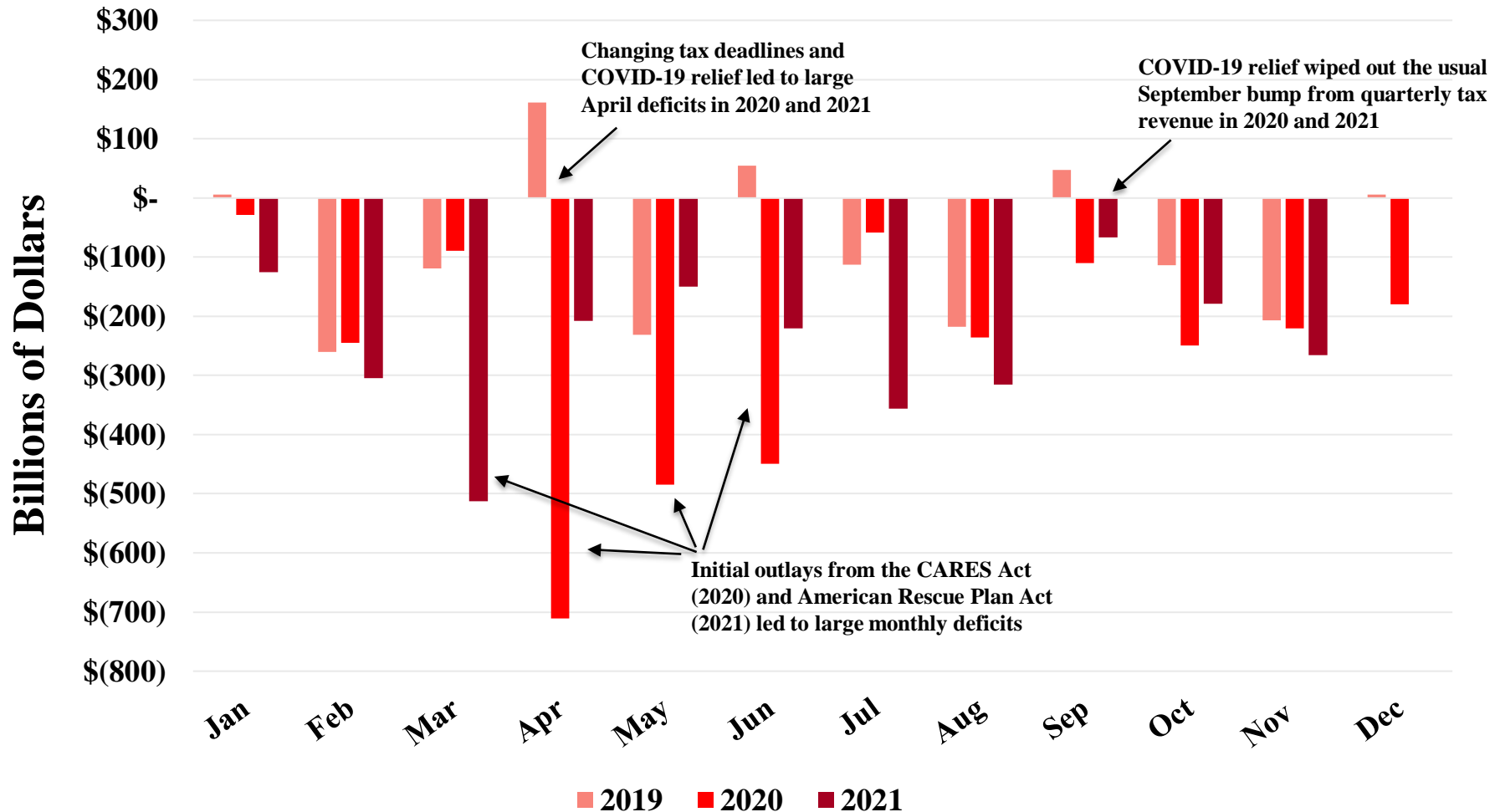
## U.S. Treasury's Monthly Net Operating Cash Flows



# COVID-19 HAS INCREASED VOLATILITY



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





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



<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
28	29	30	<b>1</b> <ul style="list-style-type: none"> <li>• <b>\$36b</b> Medicare</li> <li>• <b>\$10b</b> Veterans Benefits</li> <li>• <b>\$11b</b> Military &amp; Civil Service Retirement</li> </ul>	<b>2</b>	<b>3</b> <ul style="list-style-type: none"> <li>• <b>\$24b</b> Social Security</li> <li>• <b>\$3b</b> SBA</li> </ul>	4
5	<b>6</b>	<b>7</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Medicaid</li> <li>• <b>\$2b</b> DoD Vendors</li> </ul>	<b>8</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security</li> </ul>	<b>9</b>	<b>10</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Federal Salaries</li> <li>• <b>\$3b</b> SBA</li> </ul>	11
12	<b>13</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> DoD Vendors</li> <li>• <b>\$2b</b> Federal Salaries</li> <li>• <b>\$2b</b> Child Nutrition</li> </ul>	<b>14</b>	<b>15</b> <ul style="list-style-type: none"> <li>• <b>\$118b</b> Transfer to Highway Trust Fund</li> <li>• <b>\$20b</b> Social Security</li> <li>• <b>\$13b</b> Advanced CTC</li> </ul>	<b>16</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> Medicaid</li> <li>• <b>\$3b</b> DoD Vendors</li> </ul>	<b>17</b>	18
19	<b>20</b>	<b>21</b> <b>**Beginning of X-Date Range**</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> Medicaid</li> <li>• <b>\$3b</b> SBA</li> <li>• <b>\$2b</b> DoD Vendors</li> </ul>	<b>22</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security</li> <li>• <b>\$7b</b> ACA Marketplace Payments</li> </ul>	<b>23</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Federal Salaries</li> <li>• <b>\$2b</b> Medicaid</li> </ul>	<b>24</b> Christmas Day (Observed)	25
26	<b>27</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> SBA</li> <li>• <b>\$2b</b> Federal Salaries</li> </ul>	<b>28</b>	<b>29</b>	<b>30</b> <ul style="list-style-type: none"> <li>• <b>\$11b</b> Veterans Benefits</li> <li>• <b>\$4b</b> SSI Benefits</li> <li>• <b>\$4b</b> Military Pay</li> </ul>	<b>31</b> <ul style="list-style-type: none"> <li>• <b>\$10b</b> Federal Interest</li> </ul>	1

# SELECT TRANSACTIONS & BPC X-DATE RANGE, JANUARY 2022



<i>Sunday</i>	<i>Monday</i>	<i>Tuesday</i>	<i>Wednesday</i>	<i>Thursday</i>	<i>Friday</i>	<i>Saturday</i>
2	<b>3</b> <ul style="list-style-type: none"> <li>• <b>\$38b</b> Medicare</li> <li>• <b>\$24b</b> Social Security</li> <li>• <b>\$11b</b> Military &amp; Civil Service Retirement</li> </ul>	4	5	<b>6</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Medicaid</li> <li>• <b>\$2b</b> Medicare</li> <li>• <b>\$1b</b> Child Nutrition</li> </ul>	<b>7</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Federal Salaries</li> <li>• <b>\$3b</b> Education Programs</li> </ul>	8
9	10	<b>11</b> <ul style="list-style-type: none"> <li>• <b>\$6b</b> Medicaid</li> <li>• <b>\$2b</b> DoD Vendors</li> </ul>	<b>12</b> <ul style="list-style-type: none"> <li>• <b>\$21b</b> Social Security</li> <li>• <b>\$3b</b> Medicaid</li> </ul>	13	<b>14</b> <ul style="list-style-type: none"> <li>• <b>\$3b</b> Military Pay</li> <li>• <b>\$2b</b> SBA</li> <li>• <b>\$1b</b> DoD Vendors</li> </ul>	15
16	<b>17</b> Martin Luther King Jr. Day	<b>18</b> <ul style="list-style-type: none"> <li>• <b>\$5b</b> Federal Interest</li> <li>• <b>\$3b</b> Medicaid</li> <li>• <b>\$2b</b> Child Nutrition</li> </ul>	<b>19</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security</li> <li>• <b>\$2b</b> DoD Vendors</li> </ul>	20	<b>21</b> <ul style="list-style-type: none"> <li>• <b>\$7b</b> ACA Marketplace Payments</li> <li>• <b>\$4b</b> Federal Salaries</li> </ul>	22
23	<b>24</b> <ul style="list-style-type: none"> <li>• <b>\$2b</b> Federal Salaries</li> <li>• <b>\$2b</b> Education Programs</li> </ul>	25	<b>26</b> <ul style="list-style-type: none"> <li>• <b>\$20b</b> Social Security</li> <li>• <b>\$5b</b> Tax Refunds</li> <li>• <b>\$2b</b> DoD Vendors</li> </ul>	<b>27</b> <ul style="list-style-type: none"> <li>• <b>\$4b</b> Medicaid</li> <li>• <b>\$2b</b> Medicare</li> <li>• <b>\$2b</b> SBA</li> </ul>	<b>28</b> BPC X-Date Range	29



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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 December 21...

- **Treasury would be approximately \$186 billion short of paying all bills owed between December 21 and January 14.**
- Approximately **35%** 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 December 21 with no cash balance or extraordinary measures available.



## If Treasury chooses to pay:

Program	Cost for Dec 21 – Jan 14
Interest Payments on Treasury Securities	<b>\$10 B</b>
Medicare / Medicaid	<b>\$104 B</b>
Social Security Benefits	<b>\$86 B</b>
Education Program Payments	<b>\$31 B</b>
Defense Vendor Payments	<b>\$28 B</b>
Federal Salaries	<b>\$16 B</b>
Nutrition Assistance Programs	<b>\$16 B</b>
Veterans Benefits	<b>\$11 B</b>
Military Active Duty Pay	<b>\$7 B</b>
Military Retirement Benefits	<b>\$5 B</b>
Federal Emergency Management	<b>\$3 B</b>

for a total of **\$317 billion...**

## ILLUSTRATIVE SCENARIO: PRIORITIZATION



...then it can't fund these programs, costing **\$173 billion**:

<b>Program</b>	<b>Cost for Dec 21 – Jan 14</b>
Housing & Rental Assistance Programs	<b>\$8 B</b>
Civil Service & Railroad Board Retirement Benefits	<b>\$7 B</b>
Federal Employees Insurance Payments	<b>\$6 B</b>
Veterans Affairs Programs	<b>\$5 B</b>
Transportation Programs	<b>\$5 B</b>
Centers for Disease Control & National Institutes of Health	<b>\$4 B</b>
Unemployment Insurance Benefits	<b>\$4 B</b>
Supplemental Security Income Benefits	<b>\$4 B</b>
Energy Programs	<b>\$3 B</b>
Other Spending	<b>\$125 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 **35%** 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 a December 21<sup>st</sup> X Date)

Payment	Date	Delayed Until
Medicaid Payments to States	December 21	December 22
Social Security Benefits	December 22	December 27
Federal Salaries	December 23	December 28
Small Business Loan Forgiveness	December 27	December 30
Defense Vendor Payments	December 29	January 3
Veterans Benefits	December 30	January 5
Military Active Duty Pay	December 30	January 5
Medicare Provider Payments	January 3	January 14
Social Security Benefits	January 3	January 14
Military & Civil Service Retirement	January 3	January 14

Note: These projections incorporate a set of assumptions, including (for illustrative purposes) that the X Date occurs on December 21, that federal trust fund operations continue as normal, and that interest payments on the federal debt are prioritized and continue to be made on time. Further, this scenario assumes that Treasury enters December 21 with no cash balance or extraordinary measures available.

Source: Bipartisan Policy Center projections based upon daily Treasury statements



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# Daily Analysis



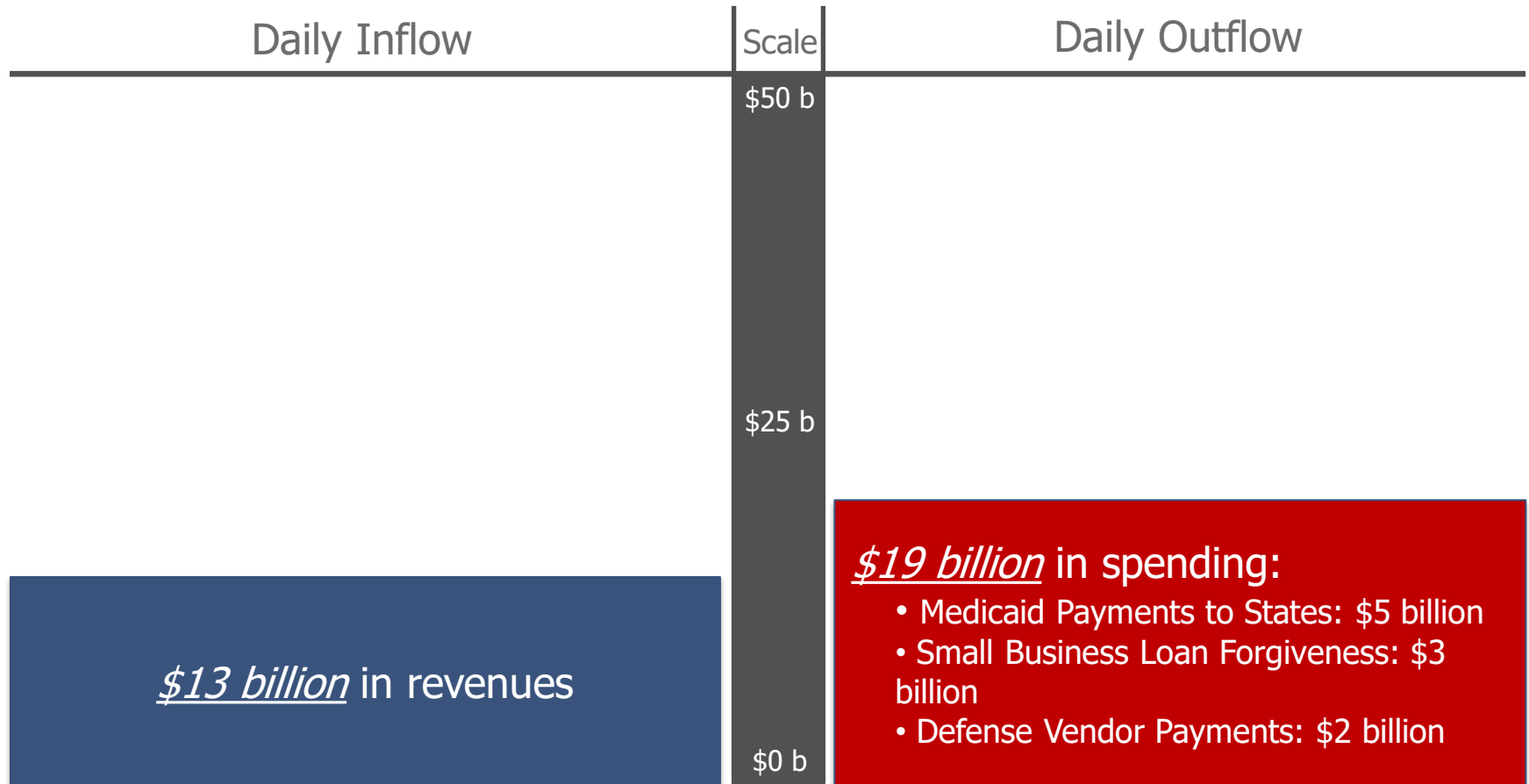
- The following slides project daily revenue and expenditures starting December 21.
- Projections are estimates and subject to change. Revenue flows, tax refunds, and payments related to COVID-19 relief are particularly volatile.
- For purely illustrative purposes, the “Running Cash Deficit” is the cumulative operating cash shortfall calculated starting on December 21.

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$6 billion**



## *Treasury Cash Flow: Tuesday, December 21, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

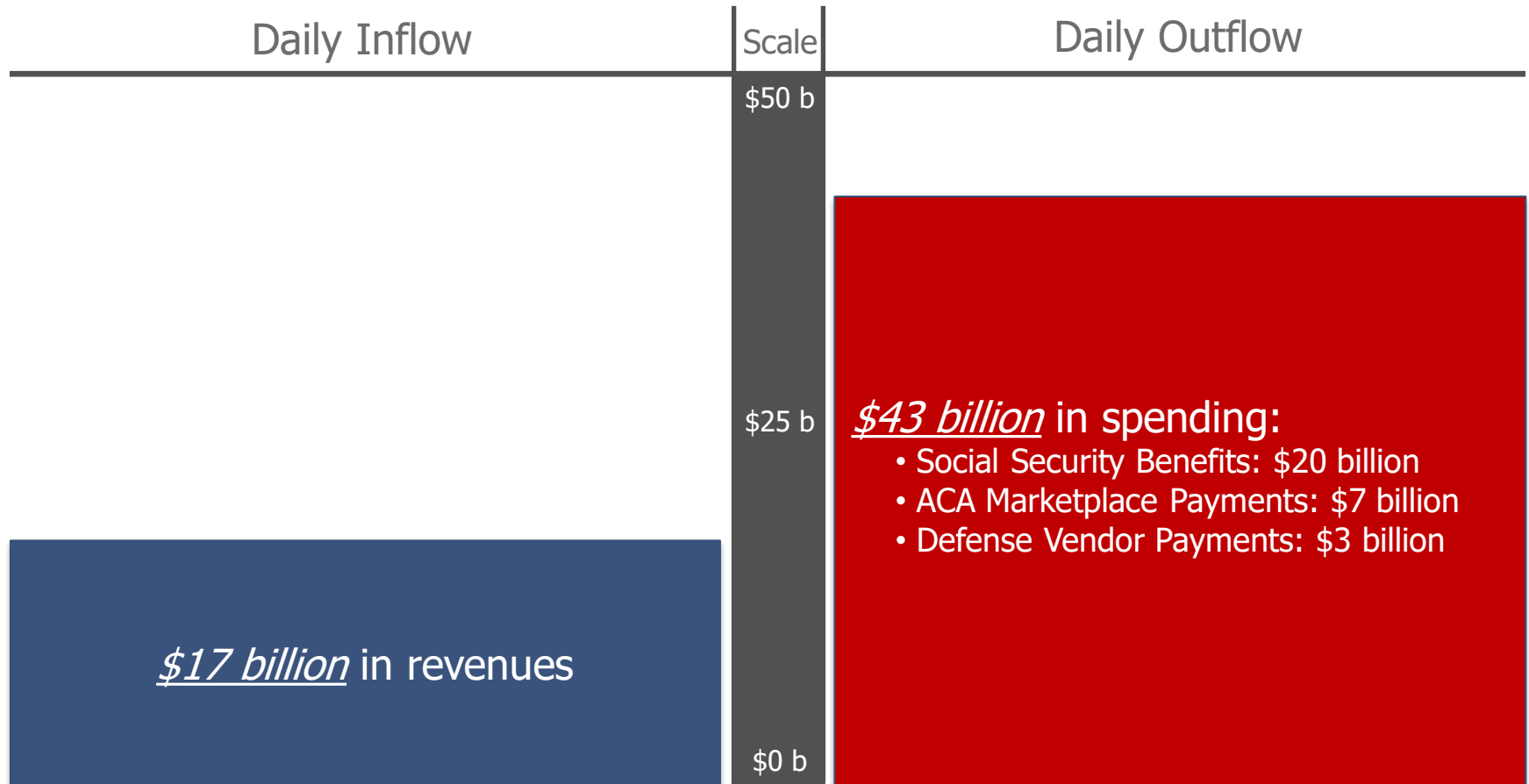
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$32 billion**



*Treasury Cash Flow: Wednesday, December 22, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

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

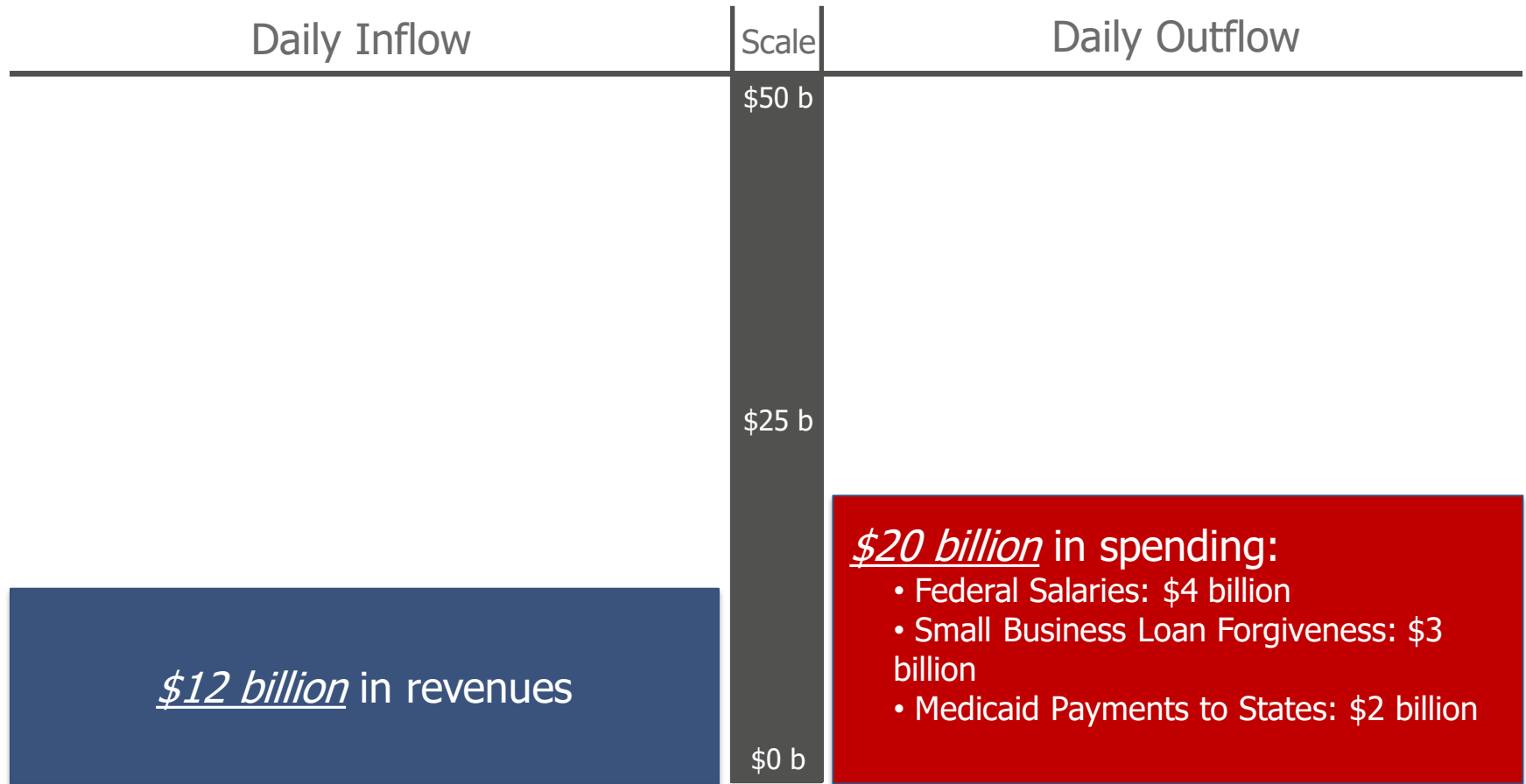


# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$41 billion**



*Treasury Cash Flow: Thursday, December 23, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

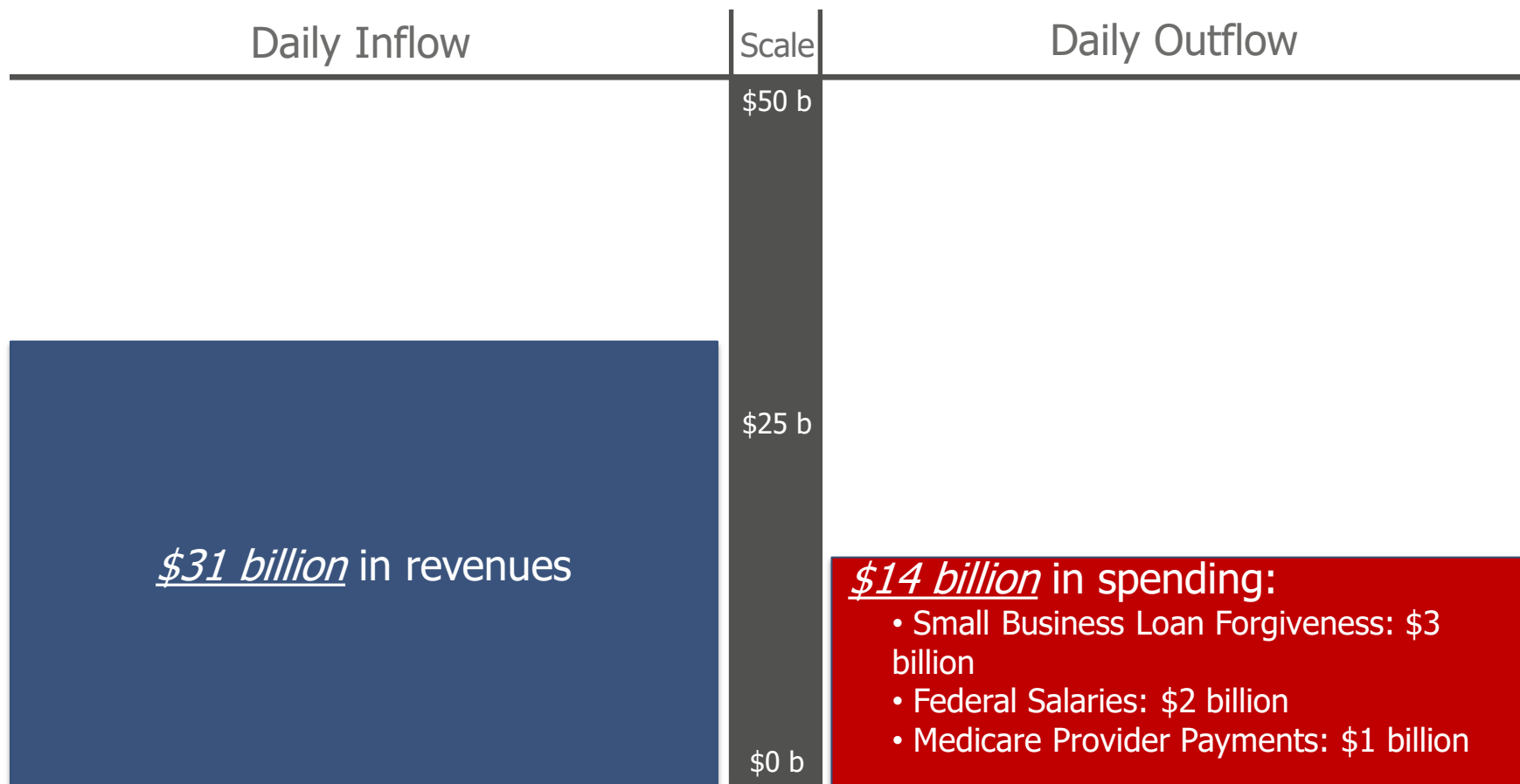
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$24 billion**



## Treasury Cash Flow: Monday, December 27, 2021



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

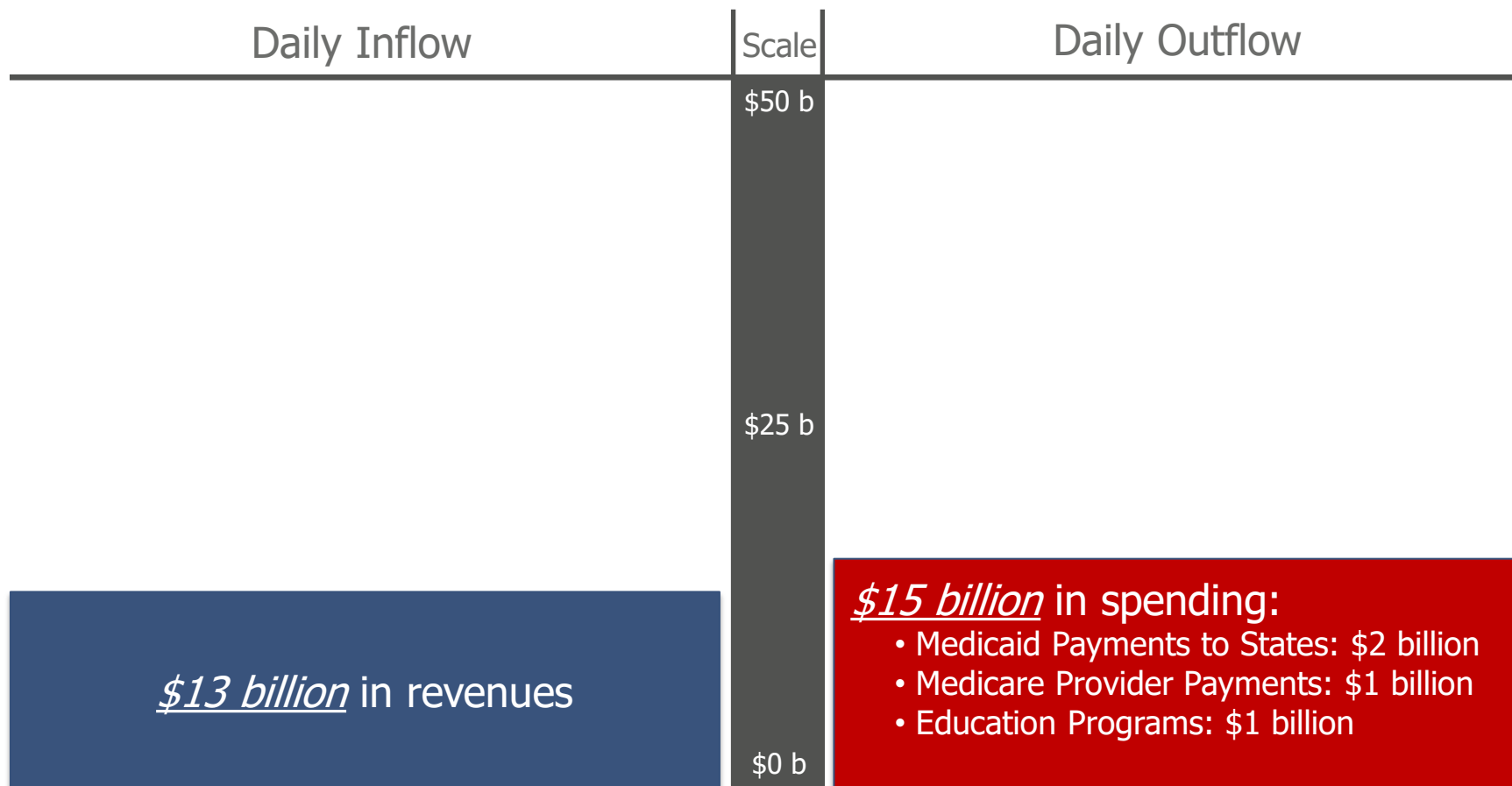
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$27 billion**



*Treasury Cash Flow: Tuesday, December 28, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

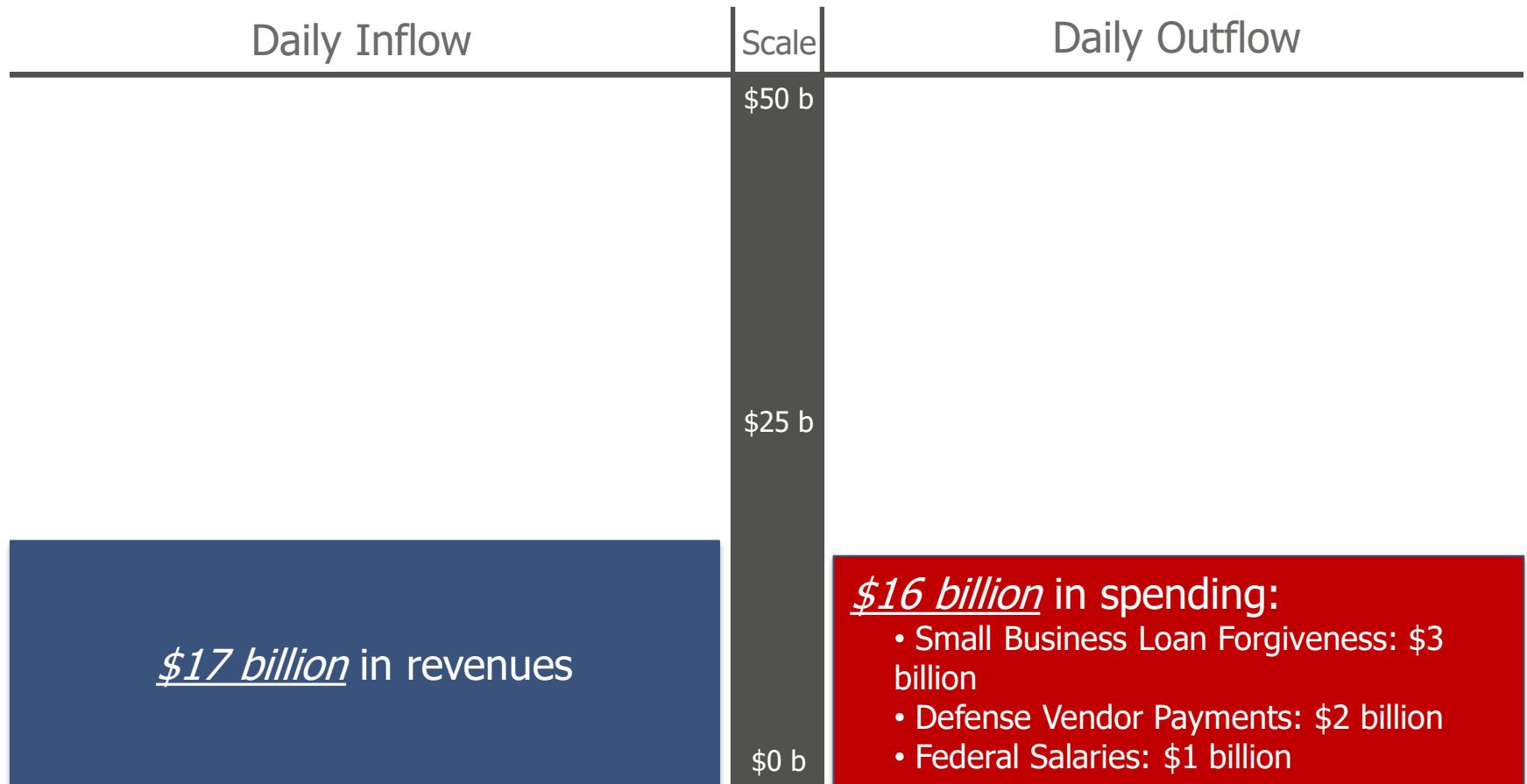
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$26 billion**



*Treasury Cash Flow: Wednesday, December 29, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

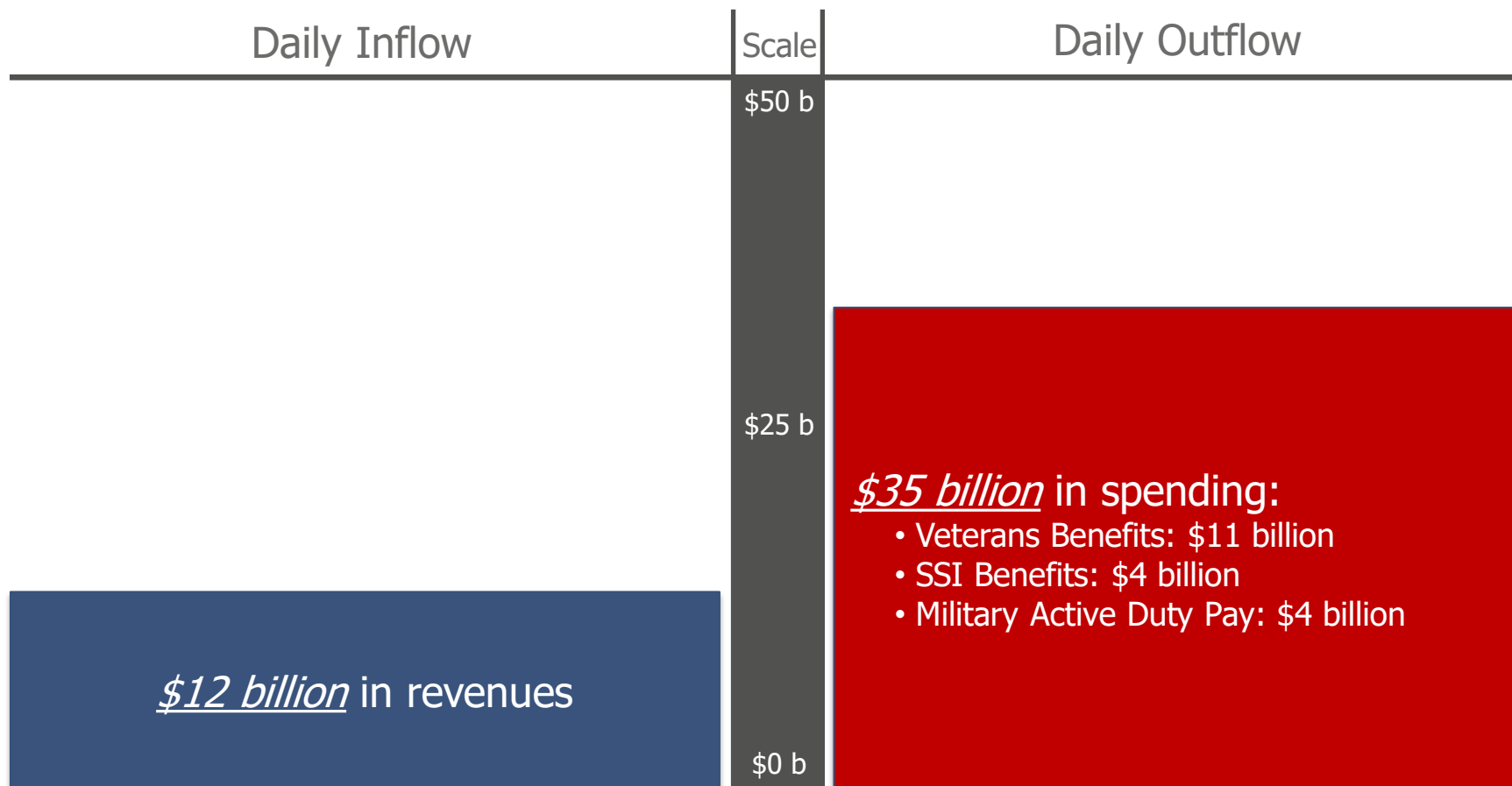
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$49 billion**



*Treasury Cash Flow: Thursday, December 30, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

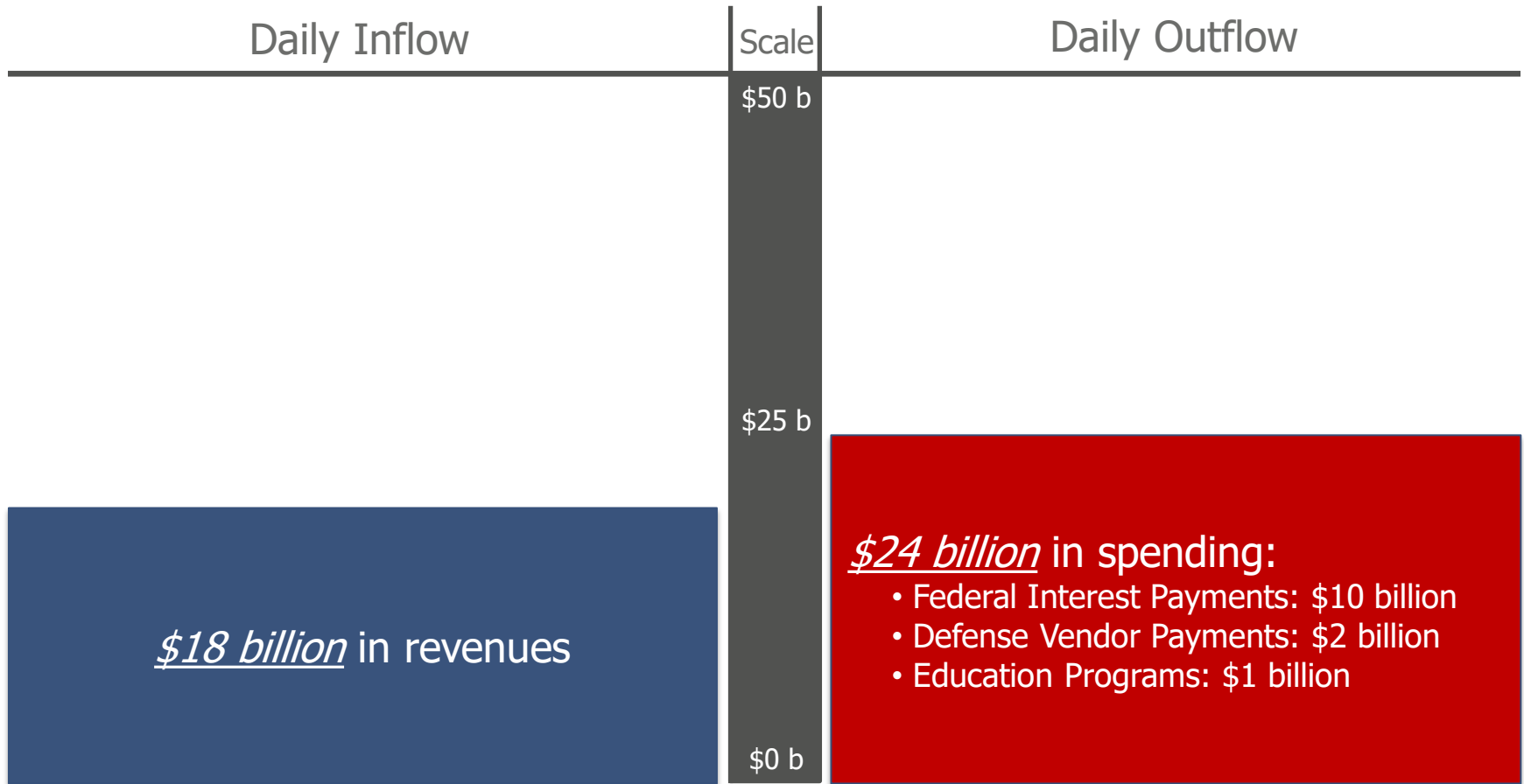
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$55 billion**



## *Treasury Cash Flow: Friday, December 31, 2021*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

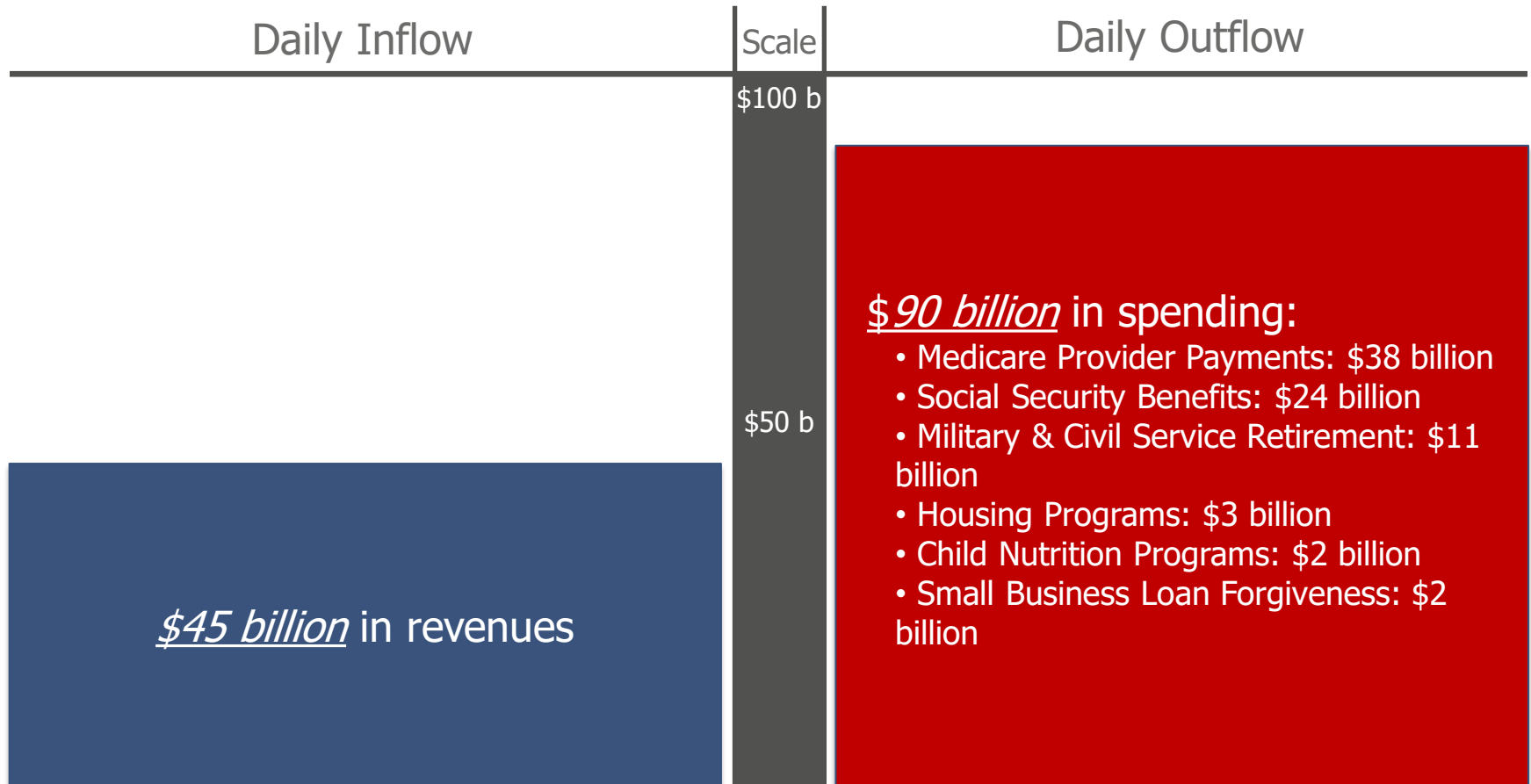
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$100 billion**



## *Treasury Cash Flow: Monday, January 3, 2022*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

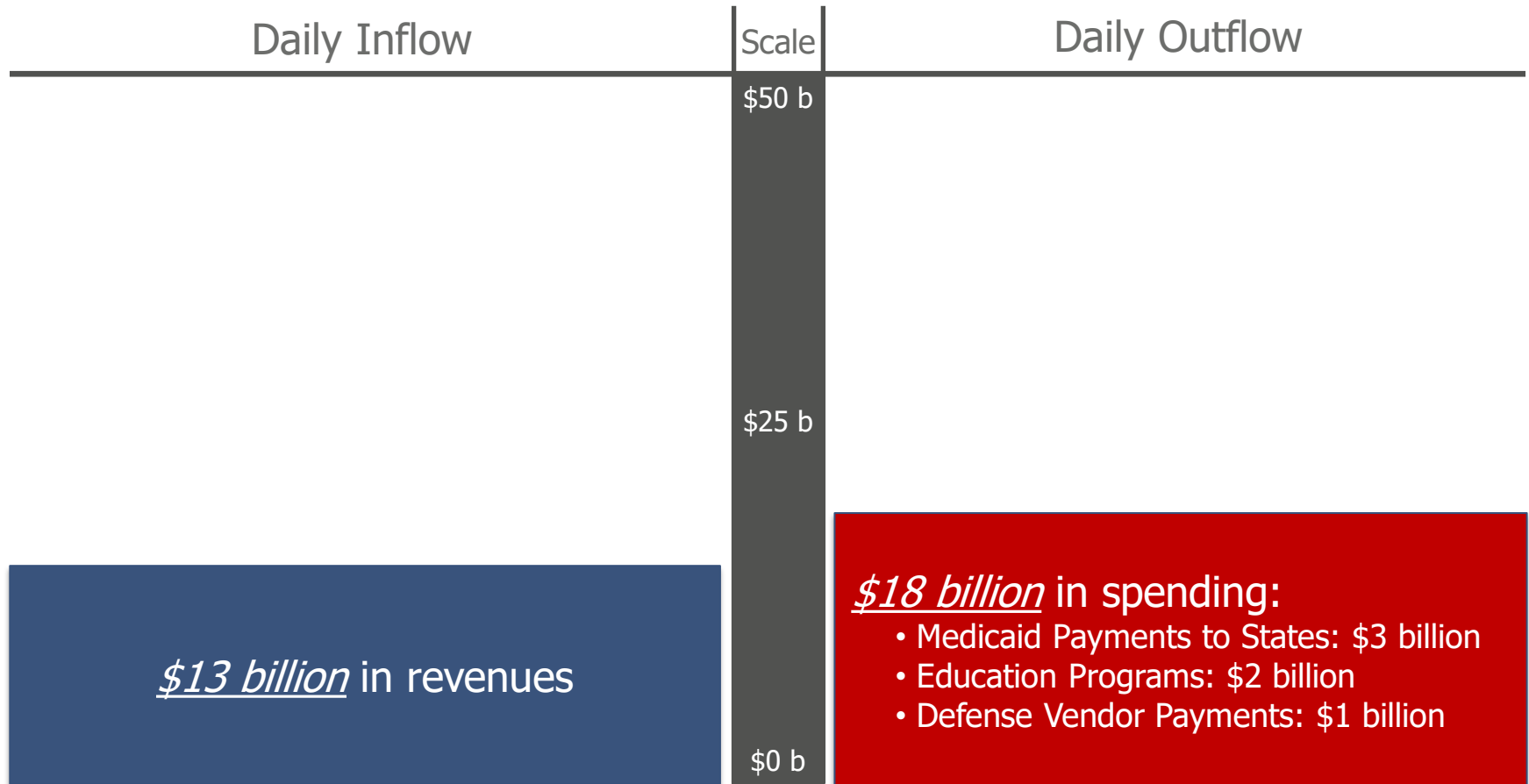
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$105 billion**



## Treasury Cash Flow: Tuesday, January 4, 2022



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

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

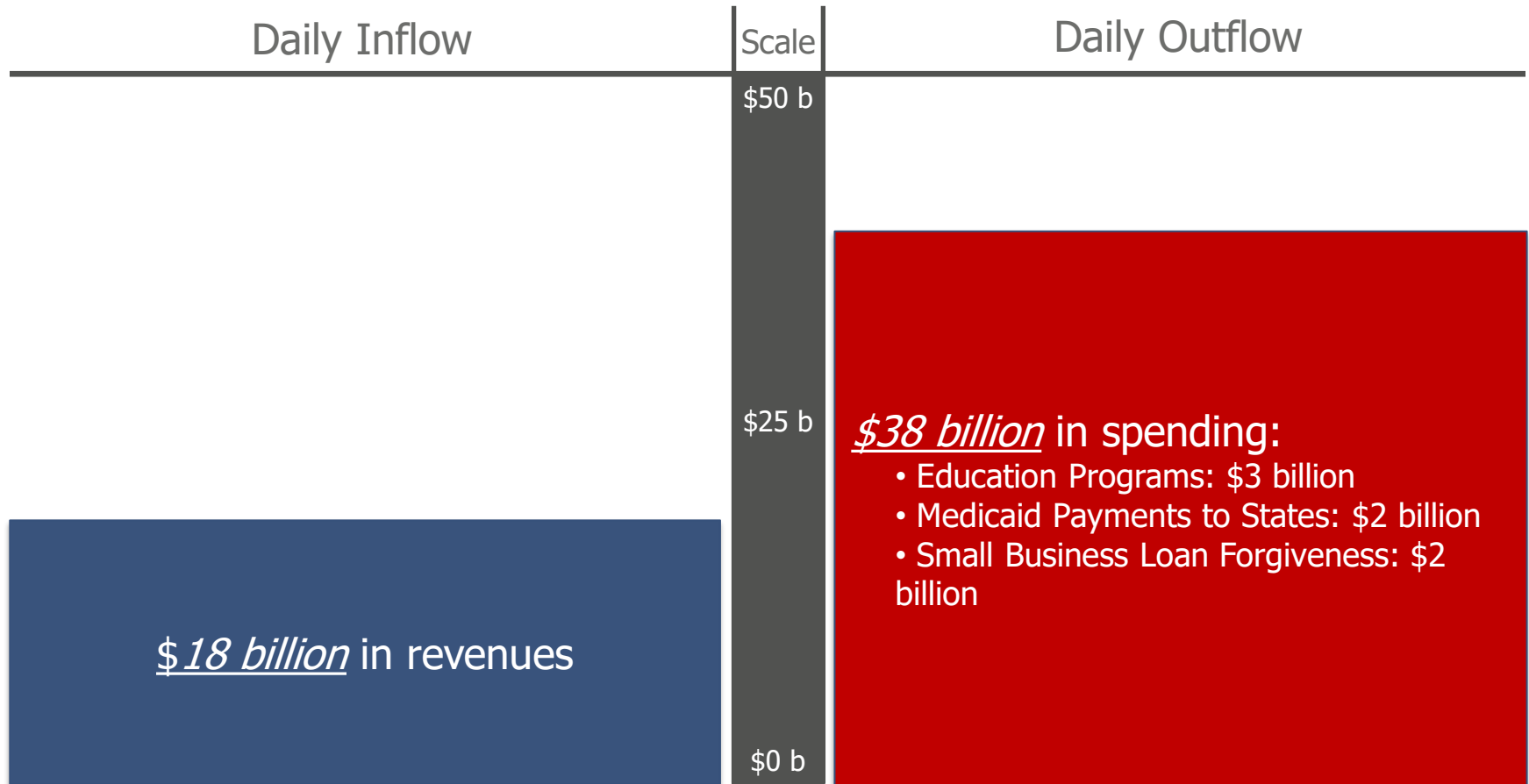


# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$125 billion**



*Treasury Cash Flow: Wednesday, January 5, 2022*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

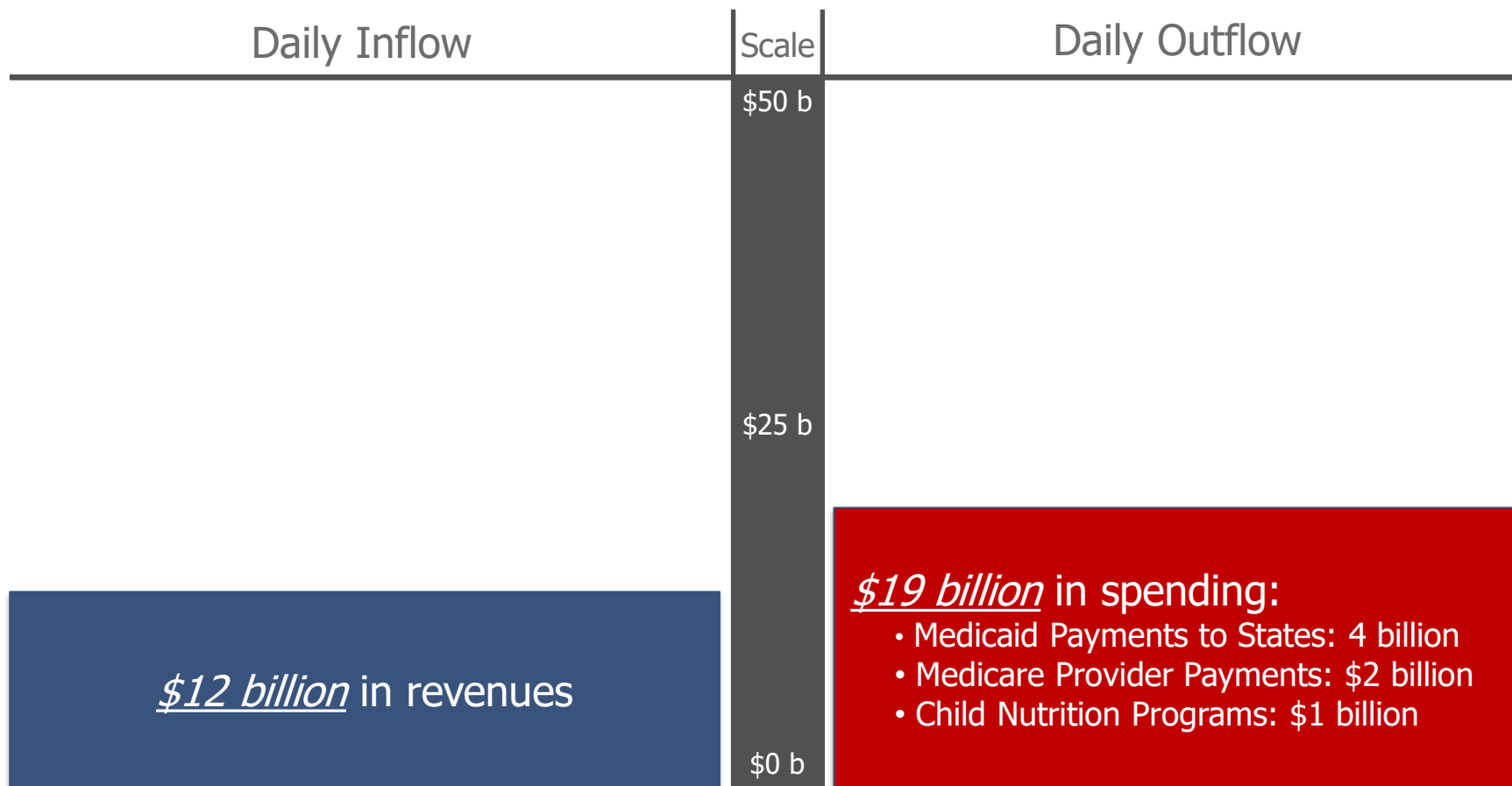
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$132 billion**



*Treasury Cash Flow: Thursday, January 6, 2022*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

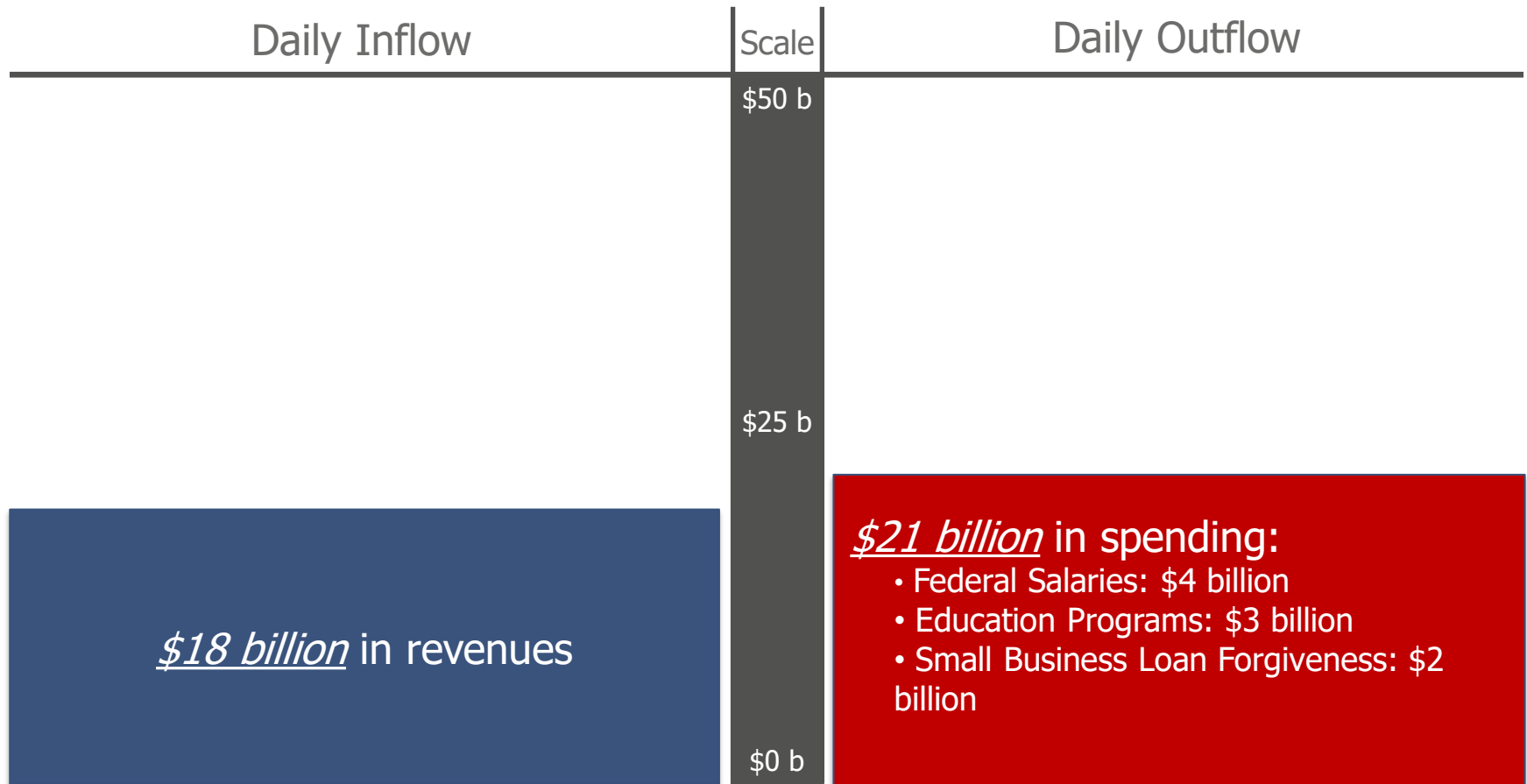
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$135 billion**



## Treasury Cash Flow: Friday, January 7, 2022



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

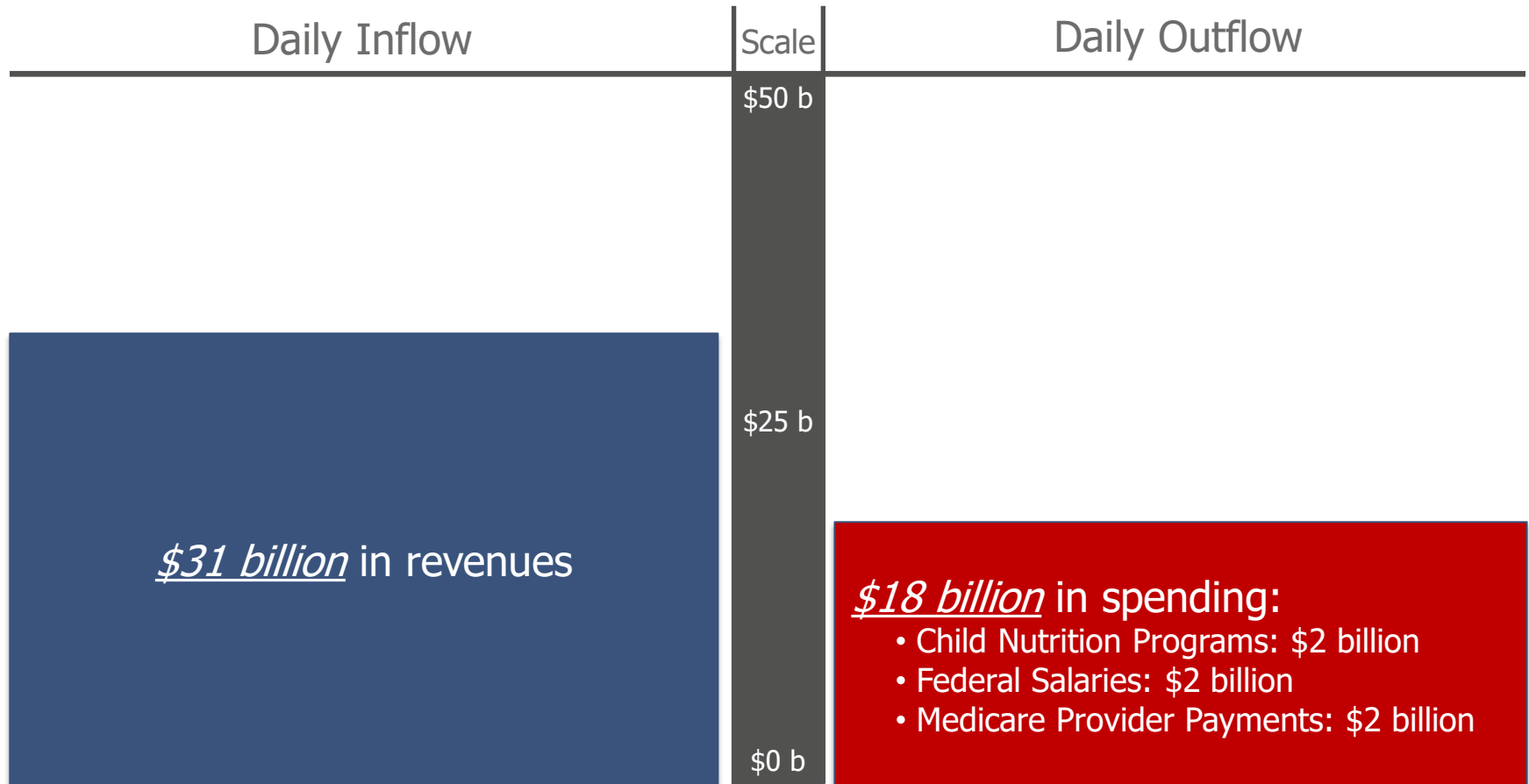
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$122 billion**



## *Treasury Cash Flow: Monday, January 10, 2022*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

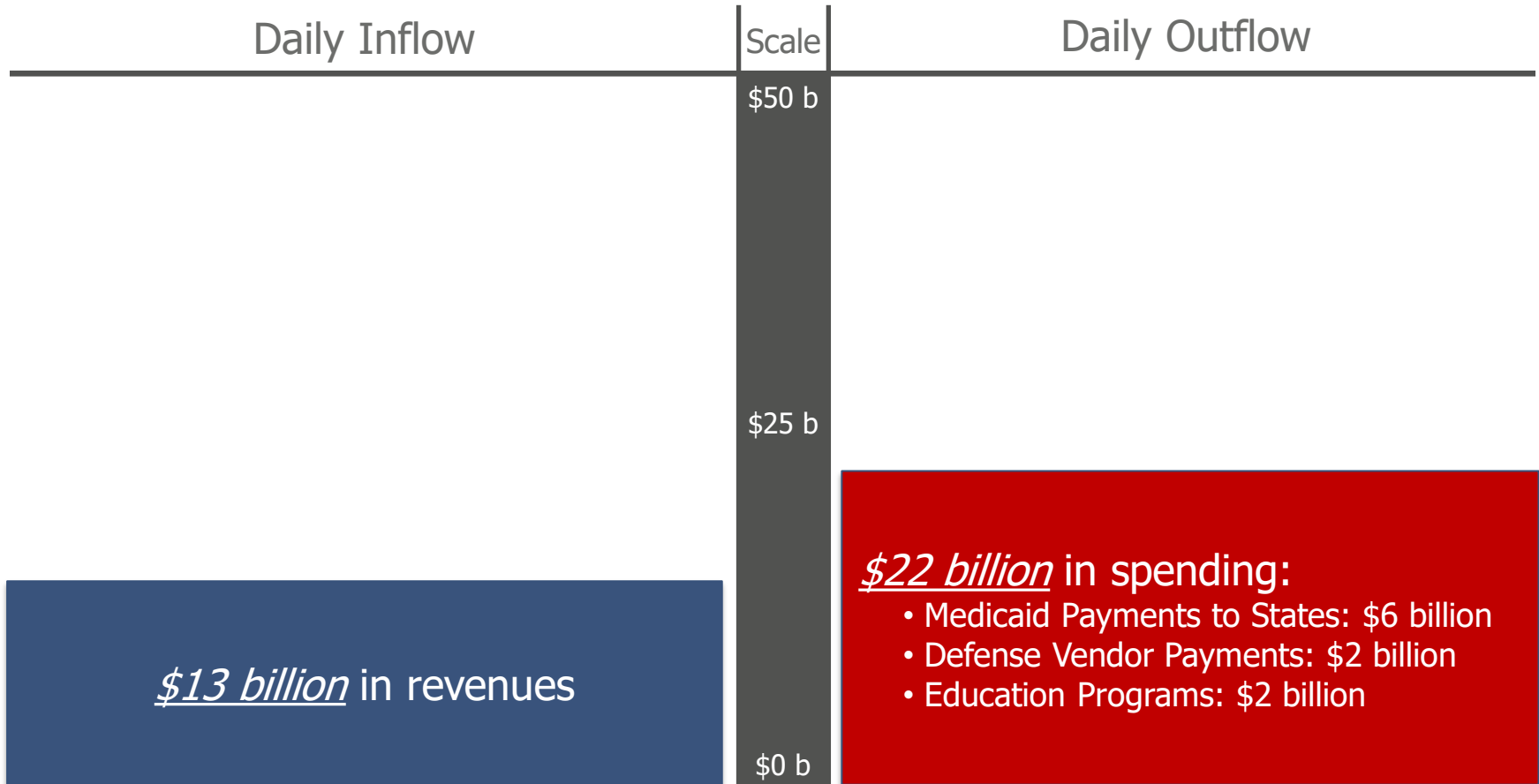
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$131 billion**



## Treasury Cash Flow: Tuesday, January 11, 2022



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

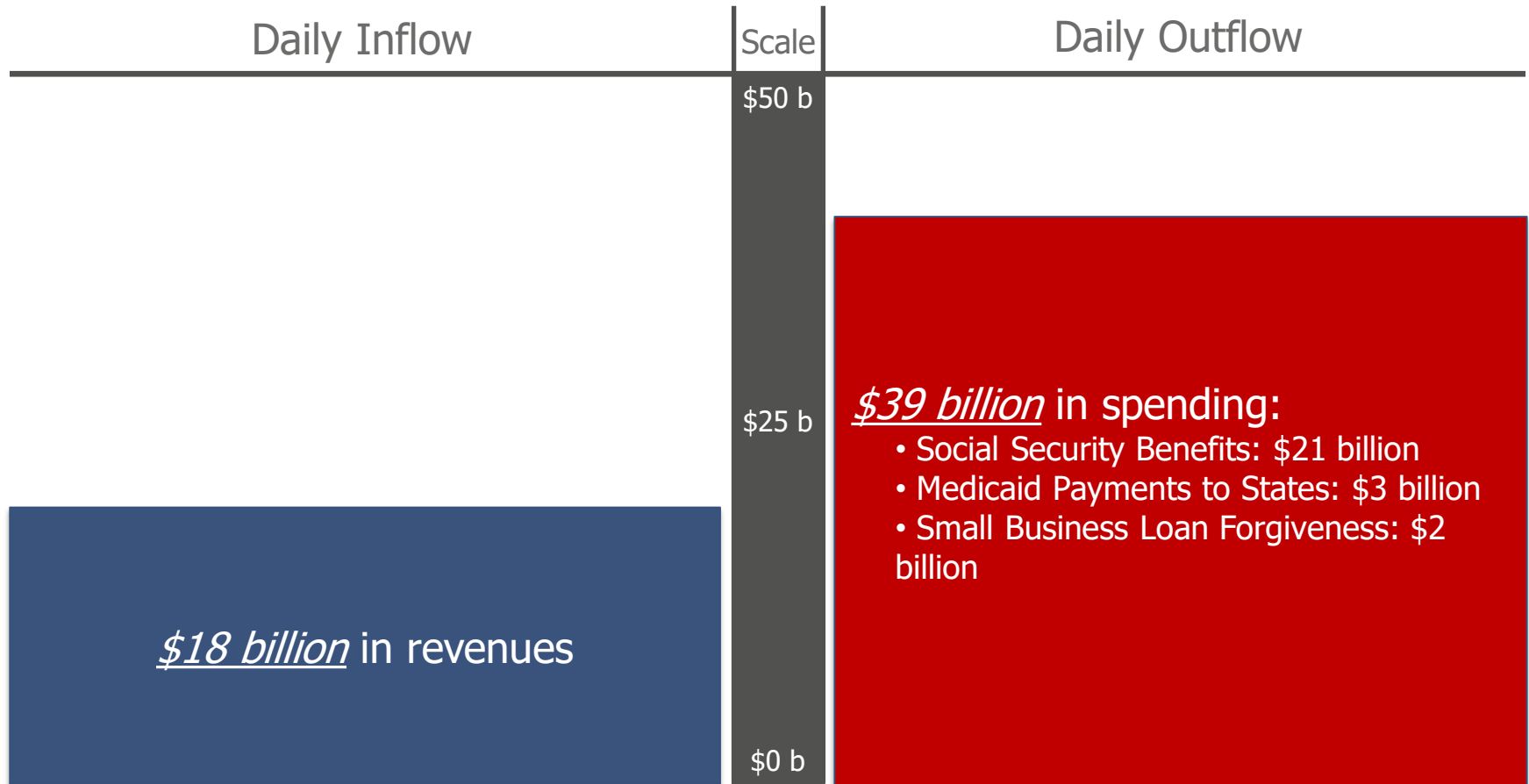
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$152 billion**



*Treasury Cash Flow: Wednesday, January 12, 2022*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

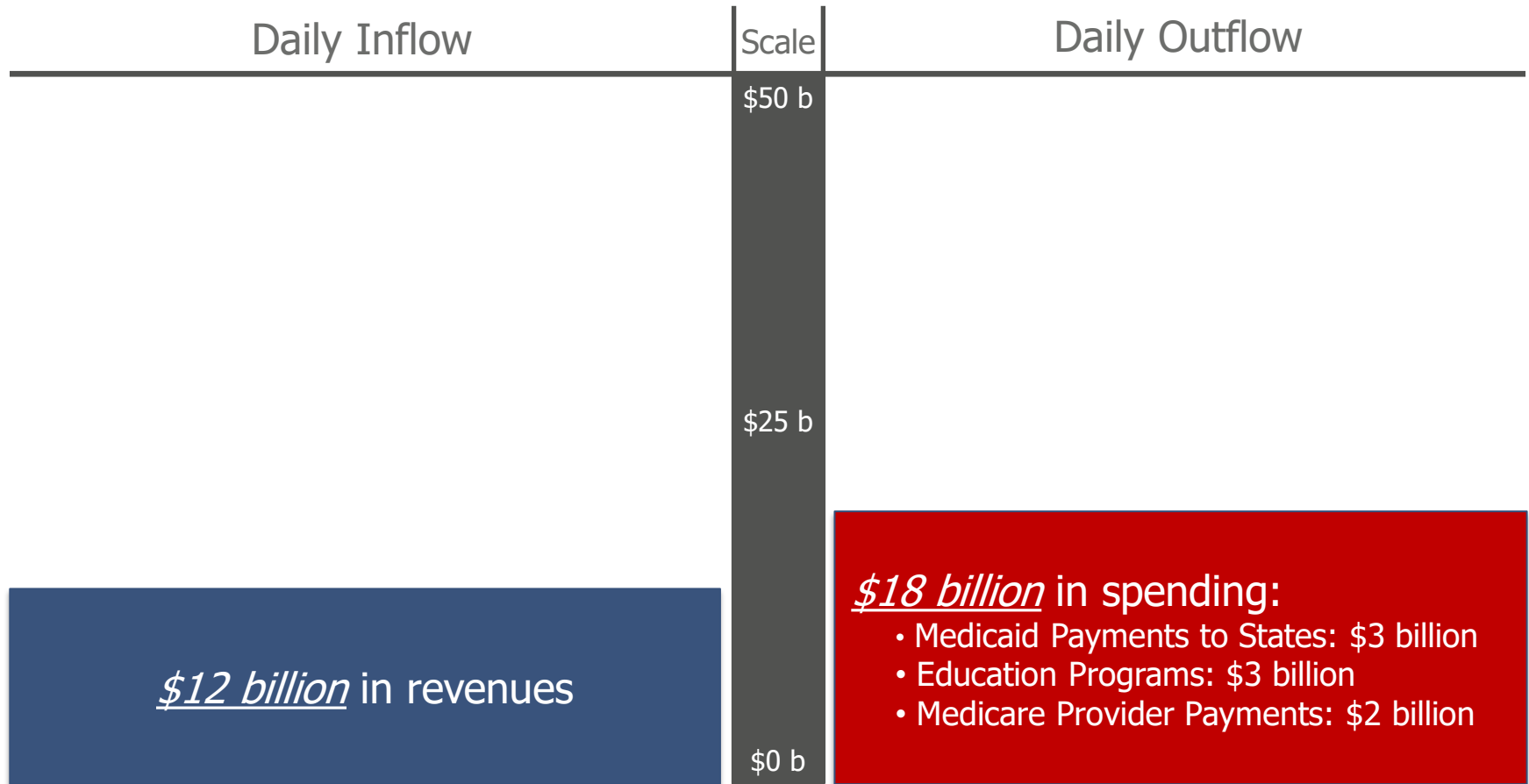
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$157 billion**



*Treasury Cash Flow: Thursday, January 13, 2022*



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

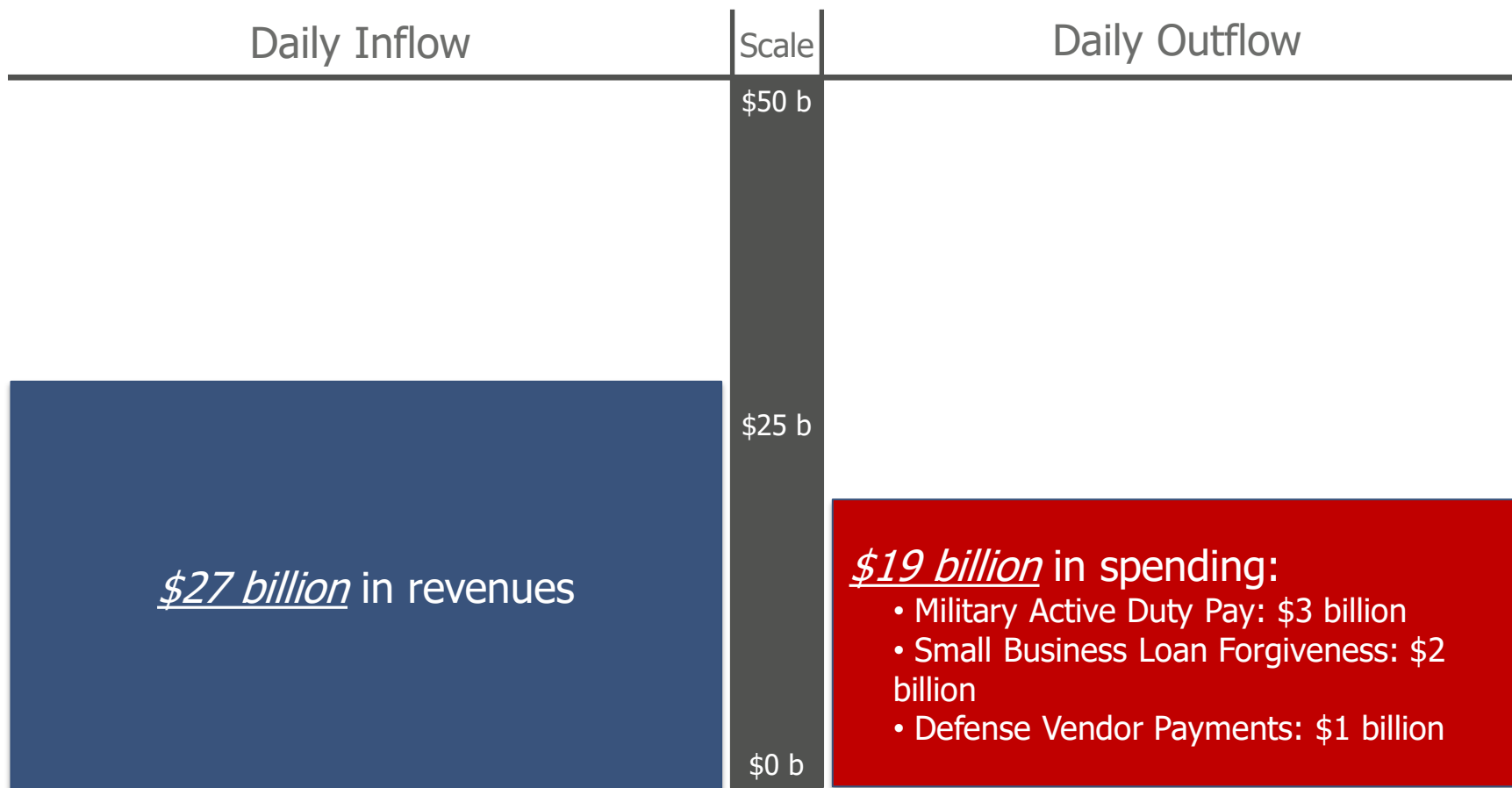
Source: Bipartisan Policy Center projections based off daily and monthly Treasury statements

# DAILY CASH FLOW ANALYSIS & SELECT TRANSACTIONS

Running Cash Deficit:  
**\$149 billion**



## Treasury Cash Flow: Friday, January 14, 2022



Note: The running cash deficit assumes a zero cash balance on Dec. 21.

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





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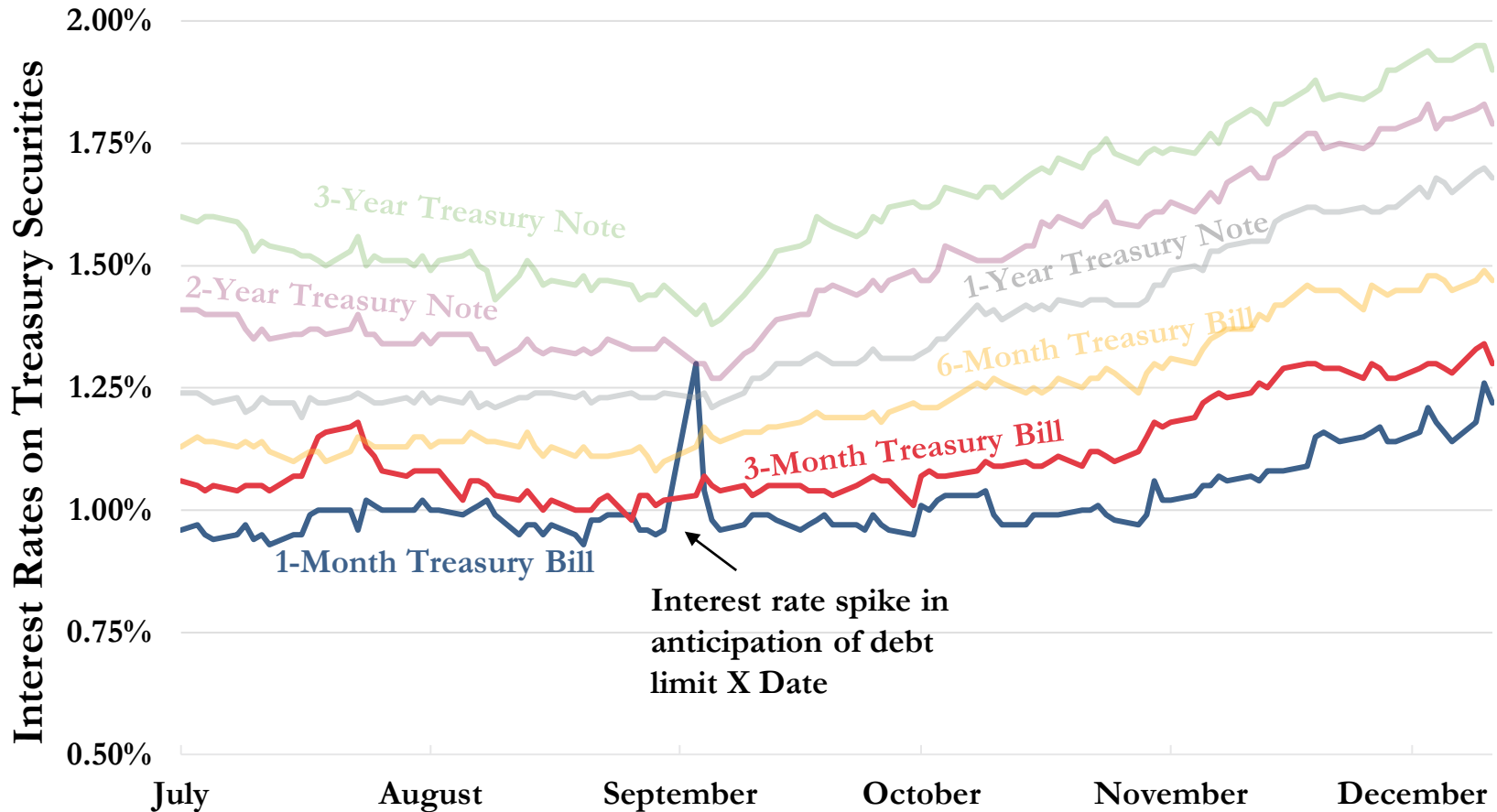
# Market Risk



- **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



Note: Y-axis does not start at zero.

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” approximately \$818 billion in debt that matures between late December and mid-January.**
  - 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 Late December 2021 to Mid-January 2022

Date	Debt Maturing
<b>December 21</b>	<b>\$65 billion</b>
<b>December 23</b>	<b>\$129 billion</b>
<b>December 28</b>	<b>\$65 billion</b>
<b>December 30</b>	<b>\$130 billion</b>
<b>December 31</b>	<b>\$120 billion</b>
<b>January 4</b>	<b>\$65 billion</b>
<b>January 6</b>	<b>\$96 billion</b>
<b>January 11</b>	<b>\$55 billion</b>
<b>January 13</b>	<b>\$93 billion</b>



- **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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# 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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