



## BUDGET DIGEST – Week of October 26th

### The Debt Limit

**What is the debt limit?** It's a statute that sets the maximum amount of debt that the Department of the Treasury can issue to the public and other federal agencies. The current limit is \$18.113 trillion and was reset on March 16, 2015 when the last debt limit suspension period expired. The debt limit has recently been increased by using one of the following methods: (1) set a specific dollar limit, or (2) suspend the debt limit until a future date.

**Action on debt limit under Republican House majority since 2011.** The debt limit has been raised four times since 2011 (see table). New policy was included twice when the limit was increased, including the Budget Control Act in 2011 and the No Budget, No Pay Act in 2013. The other two instances were so-called "clean" debt limit increases.

Date	Summary	Amount of Increase	New Policy
2-Aug-2011	Increased limit to \$16.394 trillion	\$2.1 trillion	Budget Control Act
4-Feb-2013	Increased limit to \$16.699 trillion	\$305 billion	No Budget, No Pay Act
17-Oct-2013	Suspended limit until Feb 7, 2014	\$213 billion	Included on a CR bill
15-Feb-2014	Suspended limit until Mar 16, 2015	\$901 billion	No

**How much do we owe and who owns our debt?** The total debt outstanding as of October 22, 2015 was \$18.153 trillion. This figure is slightly higher than the statutory debt limit because amounts for any unamortized discount on Treasury securities and debt issued by the Federal Financing Bank are not subject to the limit. Total debt outstanding is comprised of two pieces: (1) debt held by the public such as individual investors, mutual funds, foreign governments and the Federal Reserve Bank [\$13.035 trillion], and (2) debt held by government accounts such as the Social Security, Medicare, and Civil Service/Military Retirement trust funds [\$5.118 trillion]. About half of the debt held by the public is held by foreign governments with China being the largest holder at \$1.271 trillion.

**When does the debt limit need to be raised?** According to the Administration, on November 3, 2015 the Treasury will have exhausted all of its extraordinary measures to manage the government's financing needs and will be forced to operate with only \$30 billion cash on hand. Daily payments coming due can reach as high as \$60 billion, which could leave the Treasury unable to make some payments unless the debt limit is increased.