

HORIZON HIGHLIGHT

June 2023

The debt limit was reached on January 19, 2023, after it was raised to \$31.38 trillion on December 16, 2021. Under current law, the U.S. Treasury can take well-established "extraordinary measures" to extend the date by which debt limit legislation must be enacted. As spending continues to outpace revenues, Congress must now vote to suspend or raise the limit on borrowing as the Congressional Budget Office and Treasury Secretary Yellen have warned that extraordinary measures could be exhausted by June 5, which is known as the X date.

The Debt Limit

THE CURRENT DEAL

After negotiations between House Speaker Kevin McCarthy and President Biden, an agreement was made on May 28 to suspend the \$31.4 trillion debt limit until January 2025. The agreement includes:

- "Clawing back" \$27 billion of unspent coronavirus relief funds (See CBO letter for additional context)
- Maintaining \$5 billion in Project NextGen which aims to speed up the development of new COVID-19 vaccines and treatments
- Recovers \$1.4 billion of the \$80 billion IRS funding from the Inflation Reduction Act
- Continued funding of COVID vaccines and treatments for the uninsured
- Expanded work requirements for select SNAP and TANF beneficiaries
- Limits the growth of discretionary spending to 1% over the next two years and caps spending from 2026 to 2029 at a higher level

WHAT IS IT?

The debt limit is the total amount of money that the government is authorized to borrow to meet its legal obligations, including funding Social Security and Medicare benefits and making required payments to its bondholders.



Failing to increase the debt limit would cause the government to default on its legal obligations, which has never happened before, and would lead to a financial crisis, both nationally and globally. It would lower the U.S. credit rating, increase borrowing costs for businesses and homeowners, and result in a loss of consumer confidence.

BY THE NUMBERS



The current debt limit is **\$31.4 trillion**.



The public holds **\$24.6 trillion** of the debt and government accounts hold roughly **\$6.8 trillion**.



The United States debt has risen nearly **400%** in the last 20 years.



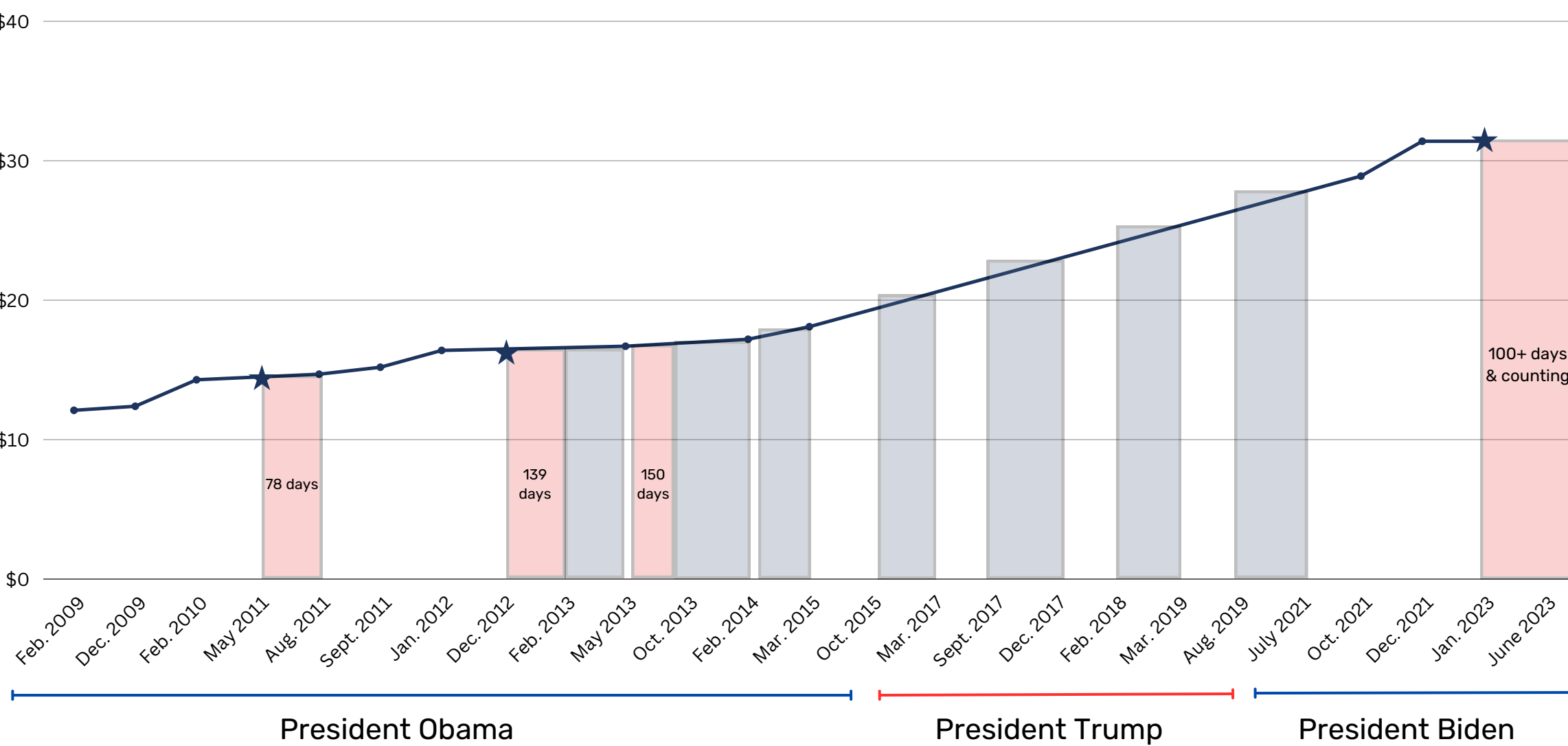
The government has run a deficit averaging close to **\$1 trillion** every year since 2001.

Since 1960, Congress has increased the ceiling **78** times.

49 increases have been implemented under Republican presidents, and **29** under Democratic presidents.

Congress has suspended the debt limit **7** times since 2013. This is a likely scenario under the current landscape.

Debt Ceiling Increases (in trillions of dollars)



- ★ Ceiling reached
- Ceiling increase
- Extraordinary measures
- Suspension

While President Trump never signed legislation to increase the debt limit he did sign legislation to suspend the debt limit three separate times. The debt continued to accrue.