DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

Description of the Extraordinary Measures

January 17, 2025

Secretaries of the Treasury in both Republican and Democratic administrations have exercised their authority to take certain extraordinary measures in order to prevent the United States from defaulting on its obligations as Congress deliberated on increasing the debt limit.

The extraordinary measures currently being considered are: (1) redeeming existing, and suspending new, investments of the Civil Service Retirement and Disability Fund and the Postal Service Retiree Health Benefits Fund; (2) suspending reinvestment of the Government Securities Investment Fund; (3) suspending reinvestment of the Exchange Stabilization Fund; (4) suspending sales of State and Local Government Series Treasury securities; and (5) entering into a debt swap transaction with the Federal Financing Bank. These measures will continue to be evaluated on an ongoing basis.

1. Civil Service Retirement and Disability Fund and Postal Service Retiree Health Benefits Fund

Once the debt limit has been reached, Treasury has authority to take actions regarding investments under the Civil Service Retirement and Disability Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHBF).

The CSRDF provides defined benefits to retired and disabled Federal employees covered by the Civil Service Retirement System. The fund is invested in special-issue Treasury securities, which count against the debt limit.

The PSRHBF provides Postal Service retiree health benefit premium payments. The fund is invested in special-issue Treasury securities, which count against the debt limit.

a. Declaring a "Debt Issuance Suspension Period"

Congress has given Treasury statutory authority to take certain actions in the event of a debt limit impasse. Specifically, the statute authorizes the Secretary of the Treasury to determine that Treasury will be unable to fully invest the CSRDF and the PSRHBF and that a "debt issuance suspension period" exists. Once the Secretary has done so, Treasury can (1) suspend new investments and (2) redeem certain existing investments in both the CSRDF and the PSRHBF.

Under the statute that governs the CSRDF and the PSRHBF, the term "debt issuance suspension period" means a period of time that the Secretary determines that Treasury securities

cannot be issued without exceeding the debt limit. The determination of the length of the period must be based on the facts as they exist at the time.[1]

Declaring a debt issuance suspension period is a limited measure that relates only to the CSRDF and PSRHBF; it has no impact on any other investments or any other portion of the debt. Moreover, it only provides limited additional time. For each month of a declared debt issuance suspension period, approximately $8.5 billion in headroom for the CSRDF and $300 million in headroom for the PSRHBF is freed up through an early redemption of existing investments held by these funds. Thus, for example, a two-month debt issuance suspension period would free up approximately $17.6 billion in headroom at the beginning of the debt issuance suspension period.[2] However, because these redemptions would have otherwise occurred over the course of the debt issuance suspension period, as of the end of the debt issuance suspension period there is no net increase in headroom created as a result of the early redemption.

After the debt limit impasse has ended, the statute provides that the CSRDF and the PSRHBF are to be made whole.[3] Therefore, employees and retirees would be unaffected by these actions under the statute.

b. One-time Measure Available in June

The same statute that authorizes Treasury to redeem existing investments during a debt issuance suspension period also authorizes Treasury to suspend new investments by the CSRDF. On June 30, 2025, approximately $130 billion in CSRDF investments will mature. In addition, an interest payment of an estimated $15 billion is scheduled to be made to the fund on that date. Ordinarily, the proceeds of the maturing investments would be reinvested and the interest payment would be invested. If, however, a debt issuance suspension period is in place at that time, Treasury may suspend these investments.[4] Suspending these investments would free up and conserve a combined total of approximately $145 billion in headroom. In addition, the Postal Accountability

[1] This determination does not preclude the Secretary from making a new determination at a later time with respect to the period of time that securities cannot be issued without exceeding the debt limit, including as the result of any consideration of changed circumstances.
[2] The statute governing the CSRDF and PSRHBF gives Treasury authority to redeem existing Treasury securities held by the CSRDF and PSRHBF in an amount up to the amount of civil service benefit payments and Postal Service retiree health benefit premium payments authorized to be made from the CSRDF and PSRHBF, respectively, during the debt issuance suspension period. 5 U.S.C. § 8348(k). Treasury makes approximately $8.5 billion in civil service benefit payments from the CSRDF and $300 million in Postal Service retiree health benefit premium payments from the PSRHBF each month. For example, declaring a two-month debt issuance suspension period would allow Treasury to redeem approximately $17 billion of the Treasury securities held by the CSRDF and $600 million of the Treasury securities held by the PSRHBF, freeing up approximately $17.6 billion in headroom. The statute also authorizes Treasury to suspend new investments by the CSRDF and PSRHBF. The CSRDF receives approximately $5 billion in new employer and employee contributions each month. Therefore, each month approximately $5 billion in headroom that would otherwise be used is conserved.
[3] After the debt limit impasse has ended, Treasury is required to put the CSRDF and PSRHBF investment portfolios into the position they would have been in if the impasse had not occurred, and to restore lost interest on the next regularly scheduled interest payment date on the Treasury securities held by the CSRDF and PSRHBF.
[4] In addition, on September 30, 2025, the CSRDF will receive a statutory contribution of approximately $51 billion from the general fund of the Treasury. Ordinarily, these contributions would be invested. If, however, a debt issuance suspension period is in place at that time, Treasury may suspend these investments.

and Enhancement Act of 2006 provides that investments in the PSRHBF shall be made in the same manner as investments for the CSRDF.[5] Investing the PSRHBF in the same manner as the CSRDF would free up approximately $2 billion in headroom.[6] It should be understood that this suspension of investment is a one-time measure: it is only available at the end of June.

2. Government Securities Investment Fund

Once the debt limit has been reached, Treasury may also suspend the daily reinvestment of the Treasury securities held by the Government Securities Investment Fund (G Fund) of the Federal Employees' Retirement System Thrift Savings Plan (TSP).

The G Fund is a money market defined-contribution retirement fund for Federal employees. The fund is invested in special-issue Treasury securities, which count against the debt limit. The entire balance matures daily and is ordinarily reinvested. Congress has granted Treasury the statutory authority to suspend reinvestment of all or part of the balance of the G Fund when the Secretary of the Treasury determines that the fund cannot be fully invested without exceeding the debt limit.[7]

Using this measure immediately frees up headroom under the debt limit. As of January 17, 2025, the G Fund balance was approximately $298 billion, but the balance of the G Fund can fluctuate over time for a variety of reasons.

During the period of the investment suspension, payments from the G Fund continue to be made as long as the United States has not yet exhausted the extraordinary measures. Once the extraordinary measures have been exhausted, however, the U.S. Government will be limited in its ability to make payments across the government. After the debt limit impasse has ended, the G Fund is made whole.[8] Therefore, participants in the TSP who contribute to the G Fund are unaffected by the actions described above.

3. Exchange Stabilization Fund

Treasury may also suspend the daily reinvestment of Treasury securities held by the Exchange Stabilization Fund (ESF).

The ESF has a number of uses, including purchasing or selling foreign currencies. A portion of the ESF is held in U.S. dollars, and the dollar-balance of the ESF is invested in special-issue Treasury securities, which count against the debt limit. The entire dollar-balance matures daily.

[5] 5 U.S.C. § 8909a(c).
[6] On June 30, 2025, approximately $1.5 billion in PSRHBF investments mature and an interest payment of approximately $400 million is due. Ordinarily, the proceeds of the maturing investments would be reinvested and the interest payment would be invested. But with the investment suspension authority available, Treasury may suspend these investments.
[7] 5 U.S.C. § 8438(g).
[8] Treasury is required to restore lost interest on the first business day after the expiration of the debt issuance suspension period.

There is no requirement that Treasury invest the ESF, so Treasury may suspend the investment of the dollar-balance of the ESF during a debt limit impasse.

Suspending the daily reinvestment of the dollar-balance of the ESF immediately frees up headroom under the debt limit. Because the dollar-balance of the ESF is approximately $20 billion as of January 17, 2025, this would create up to approximately $20 billion in headroom.

After a debt limit impasse, the interest lost by the ESF is not restored: there is no existing authority to reimburse the ESF for lost interest during the period that the dollar-balance is not invested.

4. State and Local Government Series Securities

Treasury has authority to suspend its issuance of State and Local Government Series (SLGS) securities. SLGS are special-purpose Treasury securities issued to state and local government entities. In ordinary times, Treasury issues SLGS to state and local governments to assist these governments in complying with Federal tax laws when they have cash proceeds to invest from their issuance of tax-exempt bonds. When Treasury issues these securities, they count against the debt limit. There is no statutory or other requirement for Treasury to issue SLGS; they are issued in order to assist state and local governments, and Treasury may suspend SLGS sales.

This action does not free up headroom under the debt limit. Rather, it conserves headroom (i.e., it eliminates increases in debt that would count against the debt limit if issued). SLGS issuances have averaged approximately $10 billion per month, although this amount is subject to substantial variation from month to month. If SLGS sales are suspended, some state and local governments issuing certain types of new debt after the SLGS sales are suspended will have to invest the proceeds in alternative assets in order to remain in compliance with tax law.

5. Exchanging Treasury Securities for Obligations Issued by the Federal Financing Bank

Treasury can enter into a multi-step exchange transaction with the Federal Financing Bank (FFB) and the CSRDF under which newly issued FFB obligations that do not count against the debt limit are swapped for an equal amount of outstanding Treasury securities held by the CSRDF that do count against the debt limit. Under such a debt swap, the FFB uses the Treasury securities that it receives from the CSRDF to pay down an equal amount of its outstanding borrowings from Treasury, and Treasury in turn is able to extinguish the Treasury securities it receives from the FFB to create headroom under the debt limit.

The FFB is a government corporation that provides loans to helps federal agencies manage their borrowing and lending programs. The FFB generally finances the loans it makes by borrowing directly from the Treasury, but it is also authorized to issue publicly up to $15 billion in obligations to finance its activities. These obligations are not subject to the debt limit.

As of January 15, 2025, the maximum size of such an exchange transaction is approximately $0.3 billion, because prior debt swap transactions have limited both the remaining amount of new obligations the FFB is able to issue and the amount of existing borrowings from Treasury the FFB is

able to pay down. This extraordinary measure has been used numerous times in the past to help the United States remain under the statutory debt limit, most recently in 2023.