



Insight

Treasury Projects an August “X-date”

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Executive Summary

- On January 21, 2025, the U.S. Department of the Treasury began employing financial maneuvers known as extraordinary measures to temporarily keep the federal government from hitting its \$36.1 trillion debt ceiling.
- A recent letter from Treasury Secretary Scott Bessent indicates that the extraordinary measures will last until August 2025, at which point the Treasury will no longer be able to issue new debt and will soon run out of cash on hand.
- Between now and the August “X-date,” policymakers must enact legislation that either raises or suspends the debt ceiling to avoid a Treasury default.

Introduction

On January 21, 2025, the U.S. Department of the Treasury began employing financial maneuvers known as [extraordinary measures](#) to temporarily keep the federal government from hitting its \$36.1 trillion debt ceiling.

A [recent letter](#) from Treasury Secretary Scott Bessent indicates that the extraordinary measures will last until August 2025, at which point the Treasury will no longer be able to issue new debt and will soon run out of cash on hand. Treasury’s “X-date” is in line with the [Congressional Budget Office’s estimate](#) of an August or September X-date.

Once the X-date is reached, the Treasury and other federal payment processes will have to reduce payments to the cash inflow of the federal government to ensure that bondholders are paid, and the Treasury does not default. Policymakers will need to enact legislation that either raises or suspends the debt ceiling to avoid a default. The [pending reconciliation](#)

legislation in Congress includes a \$5-trillion increase in the debt ceiling, though it remains to be seen whether the debt ceiling increase will be a part of the final legislation or if the legislation will be enacted prior to the X-date.

Treasury's "X-date"

The Fiscal Responsibility Act of 2023 suspended the [debt ceiling](#) – the legal limit on the amount of debt the federal government can accumulate – through January 1, 2025. On January 2, the debt ceiling was reinstated at the amount of debt outstanding: \$36.1 trillion. A scheduled redemption of nonmarketable securities held in a federal trust fund associated with Medicare payments kept the amount of debt outstanding \$54 billion below the debt ceiling and the need for extraordinary measures at bay until January 21.

The use of extraordinary measures extends the timeline to reaching the X-date, which is the point at which the debt ceiling must be either raised or suspended to keep the federal government from defaulting on its obligations. Treasury estimates an August 2025 X-date, though its estimate comes with a degree of uncertainty because federal receipts and spending in the coming months could differ from the Treasury's assumption. For example, if the government's borrowing needs are greater than the Treasury assumes, the X-date could be earlier than August. Conversely, if borrowing needs are less than the Treasury assumes, the X-date could be later than August.

Several factors influence the projection of the X-date, including the flow of federal receipts and spending, the availability of extraordinary measures, and the Treasury's cash balance. The federal government is expected to run a \$1.9-trillion budget deficit this fiscal year. The distribution of the budget deficit is not uniform throughout the year, as certain months tend to have large deficits while others have large surpluses. The federal government tends to run a large surplus in April as individual income tax receipts from the prior year roll in, while large deficits are often seen in October, November, February, March, May, July, and August.

As of May 7, the Treasury had \$596 billion of cash on hand and \$95 billion of extraordinary measures. The extraordinary measures included \$75 billion from suspending reinvestment in the Thrift Savings Plan's G Fund and \$20 billion from suspending reinvestment in the Exchange Stabilization Fund (ESF). In addition to the G Fund and the ESF, other extraordinary measures, which have been exhausted, included a "[debt issuance suspension period](#)" for the Civil Service Retirement Disability Fund (CSRDF) and the Postal Service Retiree Health Benefits Fund (PSRHB), a suspension of reinvestments and interest payments to the CSRDF and PSRHB, and early redemption of some investments in the CSRDF and PSRHB.

Once the Treasury has exhausted all available extraordinary measures, it can no longer issue new debt, and it will soon run out of cash on hand. Given large annual budget deficits, incoming revenue would be insufficient to cover the federal government's daily financial obligations. As a result, the Treasury and other federal payment processes would essentially have to reduce payments to the cash inflow of the federal government to ensure that bondholders are paid, and to thus avoid a default on federal securities. This so-called "prioritization" would require deferring the timely payment of other financial obligations, such as Social Security payments, salaries for federal civilian employees and the military, and veterans' benefits.

Conclusion

Between now and the August X-date, policymakers must enact legislation that either raises or suspends the debt ceiling to avoid a default. A failure to act on the debt ceiling would force the federal government to default on its financial obligations.