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CBO Sees Greater Risk That the Treasury Will Run Out of Funds in Early June

Posted by Phill Swagel on May 1, 2023

Because tax receipts through April have been less than the Congressional Budget Office anticipated in February, we now estimate that there is a significantly greater risk that the Treasury will run out of funds in early June. We are providing this information in response to questions from lawmakers about our projections of revenues for the current year and the implications for the debt ceiling.

On January 19, 2023, the statutory limit on the amount of debt that the Department of the Treasury can issue was reached. At that time, the Treasury announced a "debt issuance suspension period" during which, under current law, it can take well-established "extraordinary measures" to borrow additional funds without breaching the debt ceiling.

CBO projected in a previous report, *Federal Debt and the Statutory Limit, February 2023*, that those extraordinary measures would probably be exhausted between July and September 2023. We also noted that our projection was uncertain, particularly because receipts in April could be more or less than expected, and that the Treasury could run out of funds before July.

We now know that receipts from income tax payments processed in April were less than we anticipated in our latest baseline budget projections. Moreover, we expect that the Internal Revenue Service (IRS)—after several years of disruptions resulting from the coronavirus pandemic—will finish processing tax returns more rapidly than it did last year. As a result, we anticipate that the IRS will process relatively few additional payments in May, as it did in the years before the pandemic. That, in combination with less-than-expected receipts through April, means that the Treasury's extraordinary measures will be exhausted sooner than we previously projected.

The projected exhaustion date remains uncertain, however, because the timing and amount of revenue collections and outlays over the coming weeks are difficult to predict. The extent to which the Treasury will be able to fund the government's ongoing operations using cash balances and remaining extraordinary measures will also remain uncertain throughout May, even if it turns out that the Treasury runs out of funds in early June.

If the debt limit is not raised or suspended before the extraordinary measures are exhausted, the government will ultimately be unable to pay its obligations fully. As a result, the government will have to delay making payments for some activities, default on its debt obligations, or both.

CBO will continue to monitor revenue collections and outlays and will provide updates as more information becomes available, including an updated edition of our recurring report on the federal debt and the statutory limit later this month.

Phillip L. Swagel is CBO's Director.