OVERVIEW ON FEDERAL DEBT MANAGED BY THE BUREAU OF THE FISCAL SERVICE

Accessible Version

Gross Federal Debt Outstanding

Federal debt managed by the Bureau of the Fiscal Service (Fiscal Service) comprises debt held by the public and debt held by certain federal government accounts (issued under Title 31, U.S. Code §§ 3101-3113), the latter of which is referred to as intragovernmental debt holdings. As of September 30, 2023 and September 30, 2022, outstanding gross federal debt managed by Fiscal Service totaled $33,162 billion and $30,924 billion, respectively.[1] The increase in gross federal debt of $2,238 billion during fiscal year 2023 was due to an increase in gross debt held by the public of $2,031 billion and an increase in gross intragovernmental debt holdings of $207 billion. As Figure 1 illustrates, debt held by the public and intragovernmental debt holdings increased by $9,521 billion and $930 billion, respectively, from September 30, 2019 to September 30, 2023. The increases in debt held by the public are due primarily to total federal spending exceeding total federal revenues. The primary reason for the increases in intragovernmental debt holdings is the excess annual receipts (including interest earnings) over disbursements in the Military Retirement and Health Care funds, Civil Service Retirement and Disability Fund (CSRDF), and Federal Housing Administration, Mutual Mortgage Insurance Capital Reserve Account.[2]

Gross federal debt (with some adjustments) is subject to a statutory debt limit. A delay in raising the debt limit that began in fiscal year 2021 continued into fiscal year 2022. During the period August 2, 2021, through December 15, 2021, Treasury departed from its normal debt management operations and undertook extraordinary actions to avoid exceeding the debt limit. On October 14, 2021, Public Law 117-50 was enacted which raised the statutory debt limit by $480 billion, from $28,401 billion to $28,881 billion. Even with this increase, extraordinary actions continued in order for Treasury to manage below the debt limit. On December 16, 2021, Public Law 117-73 was enacted, increasing the debt limit by $2,500 billion, from $28,881 billion to $31,381 billion. On this date, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations.

Due to a delay in raising the debt limit, on January 19, 2023, Treasury began taking extraordinary actions to avoid exceeding the debt limit, which continued through June 2, 2023.

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[1] Federal debt outstanding reported here differs from the amount reported in the Financial Report of the United States Government because of the securities not maintained or reported by Fiscal Service which are issued by the Federal Financing Bank and other federal agencies.

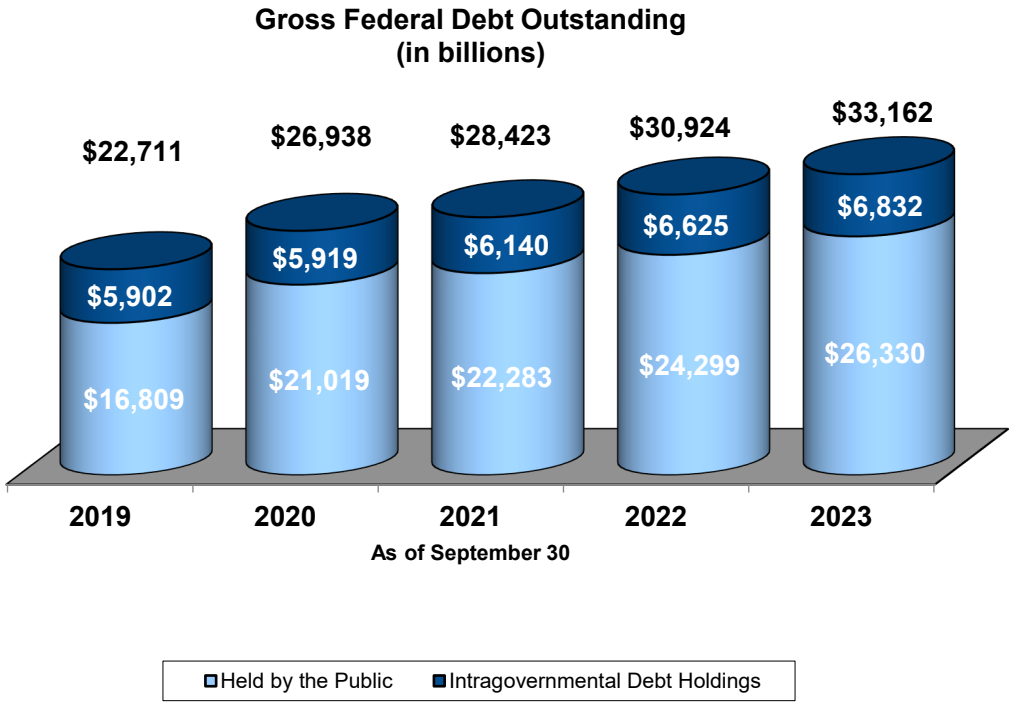
[2] The Military Retirement and Health Care funds consist of the Military Retirement Fund and the Medicare-Eligible Retiree Health Care Fund.

The extraordinary actions included (1) suspending investments in the Government Securities Investments Fund (G-Fund) of the federal employees' Thrift Savings Plan and CSRDF, (2) redeeming certain investments held by CSRDF and Postal Service Retiree Health Benefits Fund (Postal Benefits Fund) earlier than normal, (3) suspending new issuances of State and Local Government Series (SLGS) securities, and (4) exchanging $1.9 billion of Treasury securities held by the CSRDF for securities issued by the Federal Financing Bank.

Gross Federal Debt Outstanding, cont.

On Saturday, June 3, 2023, Public Law 118-5 was enacted, suspending the debt limit through January 1, 2025. On Monday, June 5, 2023, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations. As of September 30, 2023 and September 30, 2022, outstanding debt obligations subject to the statutory debt limit were $33,070 billion and $30,869 billion, respectively.

Figure 1



Interest Expense

Interest expense incurred during fiscal year 2023 consists of (1) interest accrued and paid on debt held by the public or credited to accounts holding intragovernmental debt during the fiscal year, (2) interest accrued during the fiscal year, but not yet paid on debt held by the public or credited to accounts holding intragovernmental debt, and (3) net amortization of premiums and discounts. The primary components of interest expense are interest paid on the debt held by the public and interest credited to federal government trust funds and other federal government accounts that hold Treasury securities. The interest paid on the debt held by the public affects the current spending of the federal government and represents the burden of servicing its debt (i.e., payments to outside creditors). Interest credited to federal government trust funds and other federal government accounts, on the other hand, does not result in an immediate outlay of the federal government because one part of the government pays the interest and another part receives it. However, this interest represents a claim on future budgetary resources and hence an obligation on future taxpayers. This interest, when reinvested by the trust funds and other federal government accounts, is included in the programs' excess funds not currently needed in operations, which are invested in federal securities. For fiscal year 2023, interest expense incurred totaled $875 billion; this consisted of interest expense on debt held by the public of $678 billion, and $197 billion in interest incurred for intragovernmental debt holdings.

As Figure 2 illustrates, total interest expense decreased from fiscal year 2019 to 2020, from $574 billion to $527 billion. This decrease resulted from a decrease in interest expense on debt held by the public and intragovernmental debt holdings of $33 billion and $14 billion, respectively. The $33 billion decrease in interest expense on debt held by the public primarily resulted from (1) significant decreases in average interest rates, (2) a decrease in inflation adjustments, and (3) an offsetting increase in outstanding debt held by the public. The $14 billion decrease in interest expense on intragovernmental debt holdings primarily resulted from (1) decreases in average interest rates and (2) a decrease in inflation adjustments.

From fiscal year 2020 to 2021, total interest expense increased from $527 billion to $575 billion. This increase resulted from an increase in interest expense on debt held by the public of $21 billion and an increase in interest expense on intragovernmental debt holdings of $27 billion. The $21 billion increase in interest expense on debt held by the public primarily resulted from (1) an increase in inflation adjustments, which were offset by a decrease in the average interest rates and (2) an increase in the outstanding debt held by the public. The $27 billion increase in interest expense on intragovernmental debt holdings primarily resulted from (1) an increase in inflation adjustments, which were offset by a decrease in the average interest rates and (2) an increase in outstanding intragovernmental debt holdings.

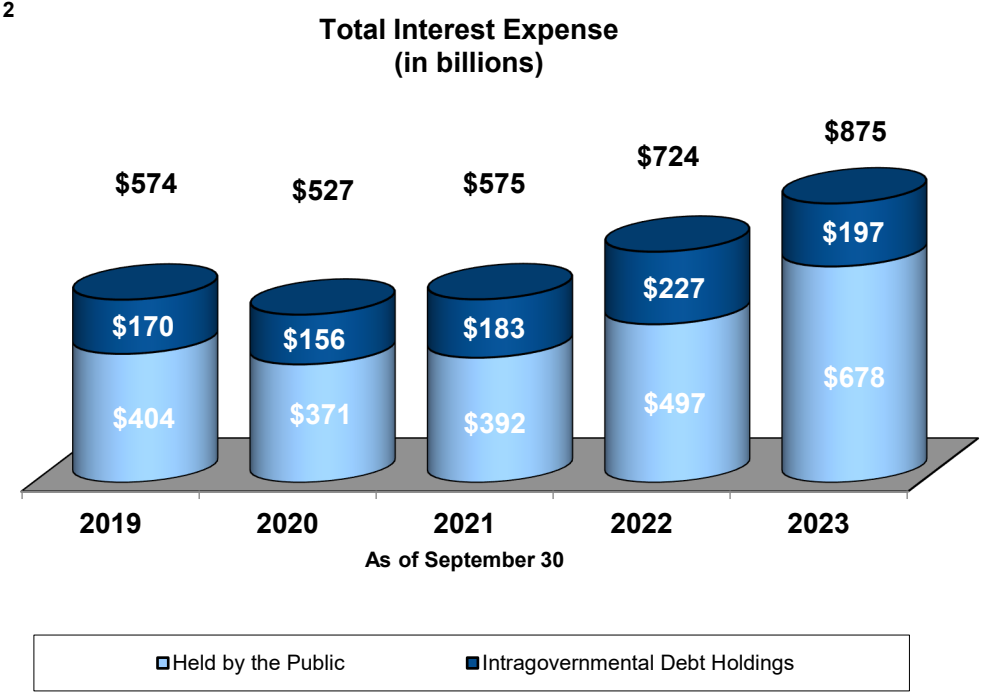
Interest Expense, cont.

From fiscal year 2021 to 2022, total interest expense increased from $575 billion to $724 billion. This increase resulted from an increase in interest expense on debt held by the public of $105 billion and an increase in interest expense on intragovernmental debt holdings of $44 billion. The $105 billion increase in interest expense on debt held by the public primarily resulted from (1) an increase in inflation adjustments, (2) an increase in the average interest rates, and (3) an

increase in the outstanding debt held by the public. The $44 billion increase in interest expense on intragovernmental debt holdings primarily resulted from (1) an increase in inflation adjustments, (2) an increase in the average interest rates, and (3) an increase in outstanding intragovernmental debt holdings.

From fiscal year 2022 to 2023, total interest expense increased from $724 billion to $875 billion. This increase resulted from an increase in interest expense on debt held by the public of $181 billion, offset by a decrease in interest expense on intragovernmental debt holdings of $30 billion. The $181 billion increase in interest expense on debt held by the public primarily resulted from (1) an increase in the outstanding debt held by the public and (2) an increase in the average interest rates, which were offset by a decrease in inflation adjustments. The $30 billion decrease in interest expense on intragovernmental debt holdings primarily resulted from (1) a decrease in inflation adjustments, which were offset by an increase in the average interest rates and (2) an offsetting increase in outstanding intragovernmental debt holdings. Average interest rates on principal balances outstanding as of September 30, 2023 and 2022, are disclosed in the Notes to the Schedules of Federal Debt.

Figure 2



Debt Held by the Public

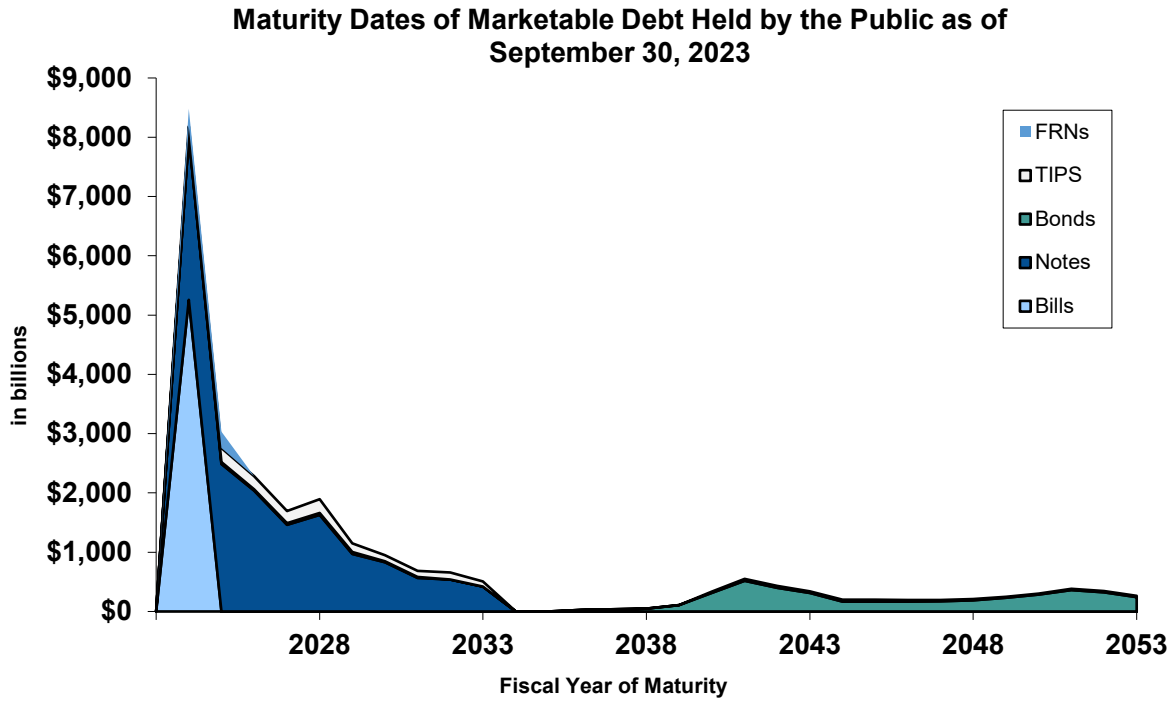
Debt held by the public primarily represents the amount the federal government has borrowed to finance cumulative cash deficits by the issuance of United States (U.S.) Treasury securities that are guaranteed for principal and interest by the full faith and credit of the U.S. Government.

During fiscal year 2023, Treasury primarily used the existing suite of securities to meet the borrowing needs of the federal government. Treasury bills, bonds, Treasury Inflation-Protected

Securities (TIPS), and notes increased by $1,616 billion, $372 billion, $95 billion, and $28 billion, respectively, while Treasury Floating Rate Notes (FRNs) decreased by $50 billion in fiscal year 2023. As of September 30, 2023 and 2022, gross debt held by the public totaled $26,330 billion and $24,299 billion, respectively (see Figure 1), an increase of $2,031 billion.

As of September 30, 2023, $25,735 billion, or 98 percent, of the securities that constitute debt held by the public were marketable, meaning that once the federal government issues them, they can be resold by whoever owns them. Marketable debt is made up of Treasury bills, Treasury notes, Treasury bonds, TIPS, and FRNs with maturity dates ranging from less than one year out to 30 years. Of the marketable securities currently held by the public as of September 30, 2023, $15,488 billion, or 60 percent, will mature within the next four years (see Figure 3). As of September 30, 2023 and 2022, total marketable debt held by the public maturing within the next 10 years totaled $21,327 billion and $19,714 billion, respectively, an increase of $1,613 billion.

Figure 3



Debt Held by the Public, cont.

The federal government also issues to the public nonmarketable securities, which cannot be resold, and have maturity dates ranging from on demand out to 40 years. As of September 30, 2023, nonmarketable securities totaled $595 billion, or 2 percent of debt held by the public. As of that date, nonmarketable securities primarily consisted of Government Account Series (GAS) securities totaling $299 billion, U.S. Savings Securities totaling $176 billion, SLGS securities totaling $94 billion, and Domestic Series securities totaling $22 billion. During fiscal year 2023, GAS securities, SLGS securities, and Domestic Series securities decreased by $22 billion, $15

billion, and $3 billion, respectively, while U.S. Savings Securities increased by $9 billion. As of September 30, 2023 and 2022, total nonmarketable securities totaled $595 billion and $625 billion, respectively, a decrease of $30 billion.

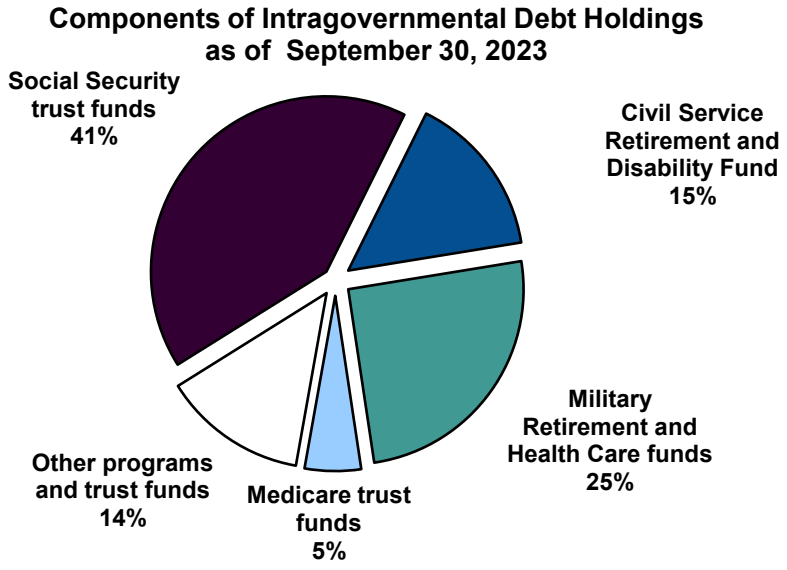
The Federal Reserve Banks (FRBs) act as fiscal agents for Treasury, as permitted by the Federal Reserve Act. As fiscal agents for Treasury, the FRBs play a significant role in the processing of marketable book-entry securities and paper U.S. savings bonds. For marketable book-entry securities, select FRBs receive bids, issue book-entry securities to awarded bidders, collect payments on behalf of Treasury, and make interest and redemption payments from Treasury's account to the accounts of security holders. For paper U.S. savings bonds, selected FRBs issue savings bonds purchased with federal income tax refunds, and redeem savings bonds, including handling the related transfers of cash.

Intragovernmental Debt Holdings

Intragovernmental debt holdings represent balances of Treasury securities held by federal government accounts. There are 240 individual federal government accounts with either the authority or the requirement to invest excess receipts in special Treasury securities that are guaranteed for principal and interest by the full faith and credit of the U.S. Government. Intragovernmental debt holdings primarily consist of balances in the Social Security trust funds, the Military Retirement and Health Care funds, CSRDF, and the Medicare trust funds.[3] As of September 30, 2023, such funds accounted for $5,923 billion, or 86 percent, of the $6,832 billion intragovernmental debt holdings balance (see Figure 4). As of September 30, 2023 and 2022, gross intragovernmental debt holdings totaled $6,832 billion and $6,625 billion, respectively (see Figure 1), an increase of $207 billion. This increase is primarily the result of (1) an increase in the Military Retirement and Health Care funds of $204 billion, (2) an increase in CSRDF of $24 billion, (3) an increase in Federal Housing Administration, Mutual Mortgage Insurance Capital Reserve Account of $13 billion, offset by (4) a decrease in Deposit Insurance Fund of $41 billion and (5) a decrease in the Social Security trust funds of $22 billion.

The majority of intragovernmental debt holdings are GAS securities. GAS securities consist of par value securities and market-based securities, with terms ranging from on demand out to 30 years. Par value securities are issued and redeemed at par (100 percent of the face value), regardless of current market conditions. Market-based securities, however, can be issued at a premium or discount and are redeemed at par value on the maturity date or at market value if redeemed before the maturity date.

Figure 4



[3] The Social Security trust funds consist of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund. The Military Retirement and Health Care funds consist of the Military Retirement Fund and the Medicare-Eligible Retiree Health Care Fund. The Medicare trust funds consist of the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund.

Significant Events in Fiscal Year 2023

Delay in Raising the Statutory Debt Limit

Due to a delay in raising the statutory debt limit, from January 19, 2023 through June 2, 2023, Treasury departed from its normal debt management procedures and invoked legal authorities to avoid exceeding the debt limit. Extraordinary actions taken by Treasury to ensure the debt limit was not exceeded included (1) suspending investments to the G-Fund and CSRDF, (2) redeeming certain investments held by CSRDF and Postal Benefits Fund earlier than normal, (3) suspending new issuances of SLGS securities, and (4) exchanging $1.9 billion of Treasury securities held by the CSRDF for securities issued by the Federal Financing Bank.

On Saturday, June 3, 2023, Public Law 118-5 was enacted, which suspended the statutory debt limit through January 1, 2025. On Monday, June 5, 2023, Treasury discontinued its use of extraordinary actions and resumed normal debt management operations. On June 5, 2023, and in accordance with relevant laws, Fiscal Service restored uninvested principal amounts to the G-Fund and CSRDF in the amounts of $289,108 million and $21,391 million, respectively.

In accordance with relevant laws, Fiscal Service restored the interest related to the uninvested principal during the period January 23, 2023 through June 2, 2023, to the G-Fund on June 6, 2023, in the amount of $3,009 million. Interest related to the uninvested principal during the period of January 19, 2023 through June 2, 2023, for CSRDF and Postal Benefits Fund were restored on June 30, 2023, the next semi-annual interest payment date, in the amounts of $279 million and $3 million, respectively.

Historical Perspective

Federal debt outstanding is the largest legally binding obligation of the federal government. Nearly all the federal debt has been issued by Treasury with a small portion being issued by other federal agencies. Treasury issues debt securities for two principal reasons, (1) to borrow needed funds to finance the current operations of the federal government and (2) to provide an investment and accounting mechanism for certain federal government accounts' (primarily federal trust funds) excess annual receipts (including interest earnings) over disbursements. As shown in Figure 5, gross federal debt outstanding has increased over the past 25 years from $5,511 billion as of September 30, 1998, to $33,162 billion as of September 30, 2023.

Even in those years where debt held by the public declined, gross federal debt increased because of increases in intragovernmental debt holdings. By law, federal government accounts, including trust funds, have the authority or are required to invest their excess annual receipts (including interest earnings) over disbursements in federal securities. As a result, the intragovernmental debt holdings primarily represent the cumulative surplus of funds due to the trust funds' cumulative annual excess of tax receipts, interest credited, and other collections compared to spending.

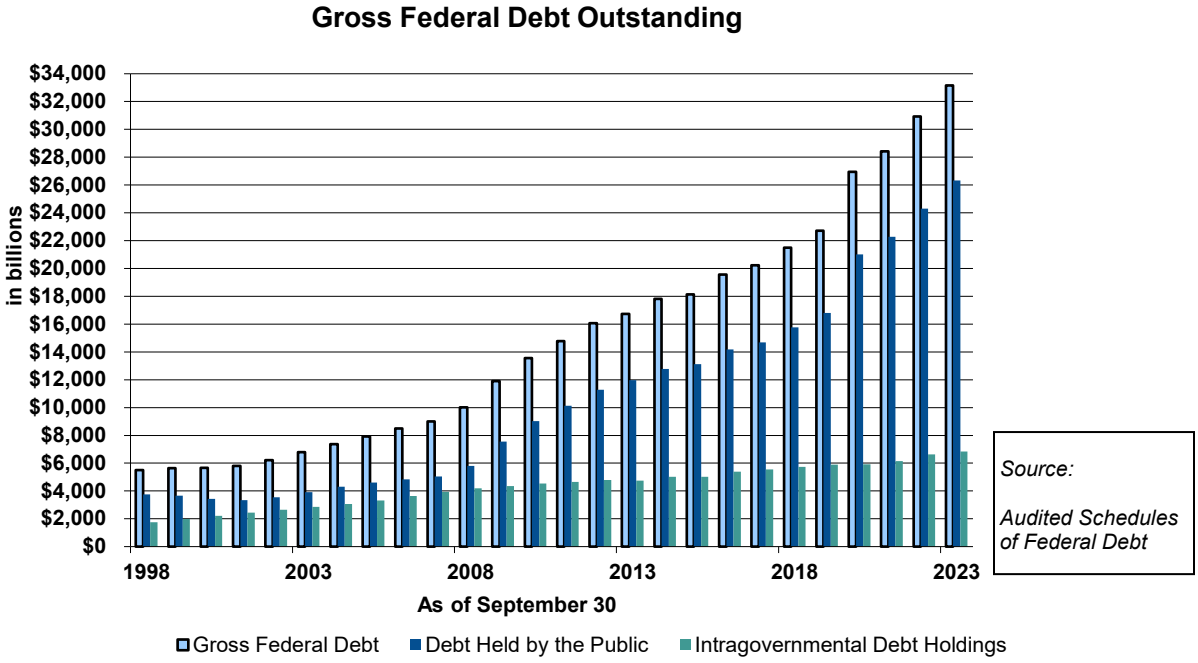
For fiscal years 1998 through 2001, the federal budget was in a surplus. During this period, the amount of debt held by the public fell by $476 billion, from $3,815 billion to $3,339 billion. However, the gross federal debt continued to increase due to increases in intragovernmental

holdings of $870 billion, from $1,583 billion to $2,453 billion, from fiscal year 1998 through fiscal year 2001.

Beginning in fiscal year 2002, the federal budget returned to an annual deficit position, which resulted in an increase in debt held by the public. Federal debt held by the public increased from $3,339 billion to $5,049 billion from fiscal year 2002 through fiscal year 2007, an increase of 51 percent. From fiscal year 2008 through fiscal year 2019, federal debt held by the public more than tripled, rising by $11,760 billion from $5,049 billion to $16,809 billion. From fiscal year 2020 through fiscal year 2021, federal debt held by the public grew from $16,809 billion to $22,283 billion, an increase of $5,474 billion. The $5,474 billion increase primarily resulted from the federal government's response to the COVID-19 pandemic. From fiscal year 2022 through 2023, federal debt held by the public increased from $22,283 billion to $26,330 billion, an increase of $4,047 billion. Since fiscal year 2002, debt held by the public has increased from $3,339 billion as of September 30, 2001 to $26,330 billion as of September 30, 2023. Intragovernmental debt holdings increased from $2,453 billion to $6,832 billion during the same time period.

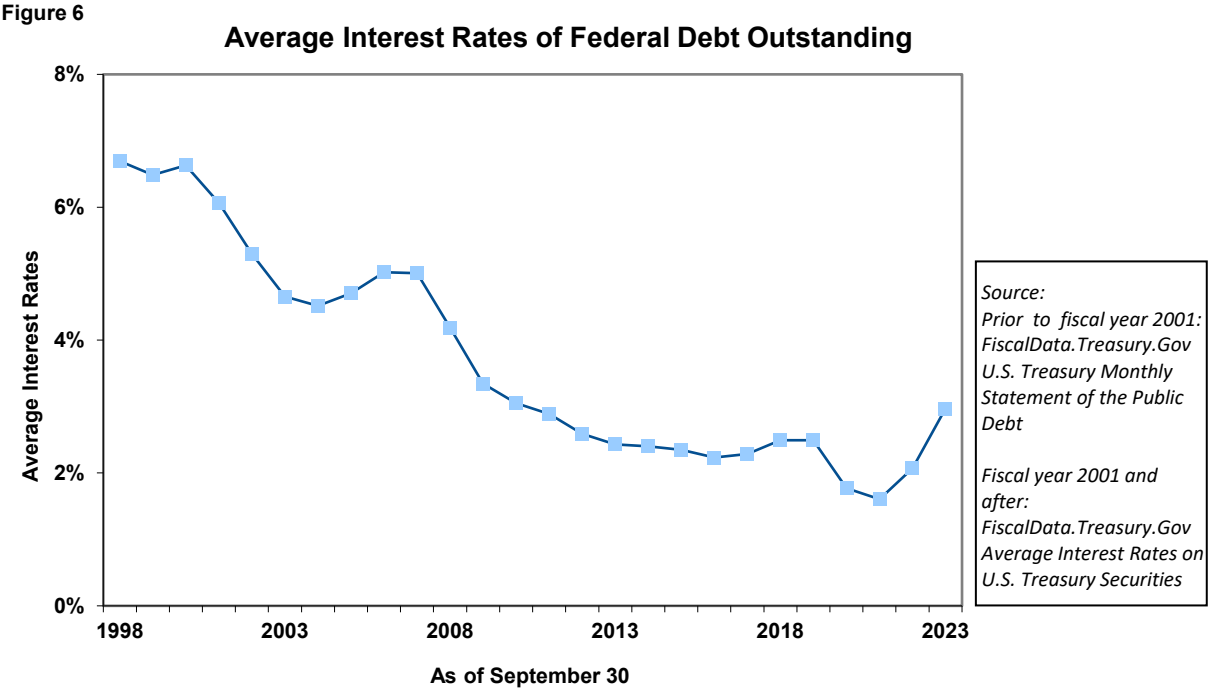
Historical Perspective, cont.

Figure 5



As shown in Figure 6, interest rates have fluctuated over the past 25 years. The average interest rates reflected here represent the original issue weighted effective yield on debt held by the public and intragovernmental debt holdings outstanding, excluding inflation-indexed securities and FRNs, at the end of the fiscal year.

Figure 6


Average Interest Rates of Federal Debt Outstanding
8%
6%
4%
2%
0%
Average Interest Rates
1998
2003
2008
2013
2018
2023
As of September 30
Source:
Prior to fiscal year 2001:
FiscalData.Treasury.Gov
U.S. Treasury Monthly
Statement of the Public
Debt
Fiscal year 2001 and
after:
FiscalData.Treasury.Gov
Average Interest Rates on
U.S. Treasury Securities