# The U.S. Debt and Debt Limit Explained

The current U.S. debt is about $31.5 trillion. The current U.S. debt limit, or the total amount the U.S. government is legally allowed to borrow to pay its bills, is 31.4 trillion. So, what is the U.S. debt, how long until the U.S. hits the debt cliff, how is that determined, and what exactly does that mean? **Here are some answers.**

**First, what is the U.S. debt?**

The debt is the total amount of money owed (or borrowed) by the U.S. over time. It is the accumulation of U.S. yearly deficits (minus surpluses, last one in 2001). Raising the debt limit allows the Treasury Department to borrow more money to pay the bills of past spending obligations authorized by Congress and the President.

The Bipartisan Policy Center (BPC) is the foremost organization that estimates when the U.S. federal government will start defaulting on its debt obligations. Right now, the BPC anticipates that the Treasury Department will be unable to pay every one of its bills sometime summer/early fall 2023, otherwise called the "X date range" or the cliff. The BPC factors in timing of federal government revenue streams (taxes, energy leases, airway auctions, etc.) and then on the other side, timing of outgoing payments. Federal payments are published in the Daily Treasury Statement. The BPC updates this X date as more current information is available. In addition, the Congressional Budget Office (CBO) also projects the X date in the same general time frame as the BPC, July – Sept., 2023. [1]

This, however, does not mean the government will fail to pay interest on or refinance its existing debt. This won't happen. Defaulting on the Federal debt would severely damage the U.S. credit rating. This would result in the U.S having to pay higher rates of interest when it borrowed. However, the payment of other bills (salaries, benefits, entitlement programs, subsidies, etc.) could be impacted.

**So, the U.S. has already hit the debt limit, why is the U.S. not already off the cliff?**

The cliff is delayed, relatively speaking, due to Treasury's ability to legally use accounting maneuvers, sometimes called "extraordinary measure," to prevent default on some of its debts, but not on Treasury bonds.

**What happens when accounting measures are no longer available?**

Political leaders will be forced to come to some agreement as creditors and programs receive less money from the government. Taxes, spending and borrowing levels will be adjusted to "balance the books."

[1] https://www.cbo.gov/publication/58906

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