

Debt is the largest legally and contractually binding obligation of the Federal Government. At the end of 2025, debt issued to the public to finance deficits and other Federal transactions was \$30,167 billion. At the same time, the Government also held financial assets, net of financial liabilities other than debt, of \$3,043 billion. Therefore,

debt held by the public net of financial assets was \$27,124 billion. The gross Federal debt includes both debt held by the public and debt held by Federal trust funds and other Government accounts. At the end of 2025, debt held by Government accounts was \$7,208 billion and gross Federal debt was \$37,375 billion.<sup>1</sup>

***Debt Held by the Public and Gross Federal Debt***

The Federal Government issues debt securities for two main purposes. First, it borrows from the public to provide for the Federal Government’s financing needs, including both the deficit and the other transactions requiring financing, such as disbursements for Federal credit programs. Second, it issues debt to Federal Government accounts, primarily trust funds, that accumulate surpluses and invest the surpluses in Federal securities. The gross Federal debt is comprised of the debt held by the public and the debt held by Government accounts. Table 11-1 presents 2025 gross Federal debt.

Borrowing from the public is important because it represents the Federal demand on credit markets. Regardless of whether the proceeds are used for tangible or intangible investments or to finance current consumption, the Federal demand on credit markets must be financed out of the saving of households and businesses, the State and local sector, or the rest of the world. Borrowing from the public can thus affect the size and composition of assets held by the private sector and the amount of saving imported from abroad and increase the amount of future resources required to pay interest to the public on Federal debt. Borrowing from the public is therefore an important consideration in Federal fiscal policy. However, borrowing from the public is an incomplete measure of the Federal impact on credit markets. Different types of Federal activities can affect the credit markets in different ways. For example, under its direct loan programs, the Government uses borrowed funds to acquire financial assets that might otherwise require financing in the credit markets directly. (For more information on other ways in which Federal activities impact the credit market, see the discussion at the end of this chapter.) By incorporating the change in direct loan and other financial assets, debt held by the

public net of financial assets adds useful insight into the Government’s financial condition.

Issuing debt securities to Government accounts performs an essential function in accounting for the operation of these funds. The balances of debt represent the cumulative surpluses of these funds due to the excess of their tax receipts, interest receipts, and other collections over their spending. The interest on the debt that is credited to these funds accounts for the fact that some earmarked taxes and user fees will be spent at a later time than when the funds receive the monies. These balances generally provide the

**Table 11–1. Gross Federal Debt Outstanding, End of Year, 2025**

In Billions of Dollars

	Actual 2025
<b>Gross Federal Debt Held by:</b>	
Debt held by Government accounts .....	7,207.7
Debt held by the public <sup>1</sup> .....	30,167.2
Total, gross Federal debt .....	37,375.0
<b>Gross Federal Debt Issued By: <sup>2</sup></b>	
Debt issued by Treasury .....	37,351.2
Debt issued by other agencies .....	23.8
Total, gross Federal debt .....	37,375.0

<sup>1</sup> At the end of 2025, the Federal Reserve Banks held \$4,196.3 billion of Federal securities and the rest of the public held \$25,970.9 billion.

<sup>2</sup> Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost all measured at sales price plus amortized discount or less amortized premium. Agency debt securities are almost all measured at face value. Treasury securities in the Government account series are otherwise measured at face value less unrealized discount (if any).

<sup>1</sup> For historical information on the Federal debt, see Tables 7.1–7.3 in the Budget’s *Historical Tables* (<https://whitehouse.gov/omb/historical-tables/>).

fund with authority to draw upon the Department of the Treasury (Treasury) for future payments to the public.

However, issuing debt to Government accounts is an internal transaction of the Government, not a transaction with the public, and does not have any of the current credit market effects of borrowing from the public. It is not financed by private savings and does not compete with the private sector for available funds in the credit market. While such issuance provides the account with assets—a binding claim against Treasury—those assets are fully offset by Treasury’s increased liability to pay the claims, which will ultimately be covered by the collection of revenues or by borrowing. Similarly, the current interest earned by the Government account on its Treasury securities does not need to be financed by other resources.

The debt held by Government accounts may differ from the estimated amount of the account’s obligations or responsibilities to make future payments to the public. For example, if the account records the transactions of a social insurance program, the debt that it holds does not necessarily represent the actuarial present value of estimated future benefits (or future benefits less taxes) for the current participants in the program; nor does it necessarily represent the actuarial present value of estimated future benefits (or future benefits less taxes) for the current participants plus the estimated future participants over some stated time period. Information on the future transactions of Federal social insurance and employee retirement programs is available in the actuarial and financial reports for these programs.<sup>2</sup>

For these reasons, debt held by the public and debt held by the public net of financial assets are both better gauges of the effect of the budget on the credit markets than gross Federal debt.

## **Government Deficits or Surpluses and the Change in Debt**

### **Debt Held by the Public**

The Federal Government primarily finances deficits by borrowing from the public, and it primarily uses surpluses to repay debt held by the public. The borrowing or debt repayment depends on the Government’s expenditure programs and tax laws, on the economic conditions that influence tax receipts and outlays, and on debt manage-

ment policy. The sensitivity of the budget to economic conditions is analyzed in the “Economic Assumptions” chapter of this volume.

Over the long run, it is a good approximation to say that “the deficit is financed by borrowing from the public” or “the surplus is used to repay debt held by the public.” However, the Government’s need to borrow in any given year depends on several other factors besides the unified budget surplus or deficit,<sup>3</sup> such as the change in the Treasury operating cash balance. These other factors—“other transactions affecting borrowing from the public”—can either increase or decrease the Government’s need to borrow and can vary considerably in size from year to year. The other transactions affecting borrowing from the public are presented in Table 11-2, available online, where an increase in the need to borrow is represented by a positive sign.

Three specific factors have historically been especially important.

*Change in Treasury Operating Cash Balance.* The Treasury operating cash balance was \$891 billion at the end of 2025. For prudent risk management purposes, Treasury seeks to maintain a cash balance at least equal to projected Government outflows, including maturing securities, over the following week, subject to a \$150 billion floor. Changes in the operating cash balance, while occasionally large, are inherently limited over time. Decreases in cash—a means of financing the Government—are limited by the amount of past accumulations, which themselves required financing when they were built up. Increases are limited because it is generally more efficient to repay debt.

*Net Financing Disbursements of the Direct Loan and Guaranteed Loan Financing Accounts.* Under the Federal Credit Reform Act of 1990 (FCRA)<sup>4</sup> the budgetary program account for each credit program records the estimated subsidy costs—the present value of estimated net losses—at the time when the direct or guaranteed loans are disbursed. The individual cash flows to and from the public associated with the loans or guarantees, such as the disbursement and repayment of loans, the default payments on loan guarantees, and the collection of interest and fees, are recorded in the credit program’s non-budgetary financing account. Although the non-budgetary financing account’s cash flows to and from the public are not included in the deficit (except for their impact on subsidy costs), they affect Treasury’s net borrowing requirements.<sup>5</sup>

<sup>2</sup> Extensive actuarial analyses of the Social Security and Medicare programs are published in the annual reports of the boards of trustees of these funds. The actuarial estimates for Social Security, Medicare, and the major Federal employee retirement programs are summarized in the *Financial Report of the United States Government*, prepared annually by Treasury in coordination with the Office of Management and Budget, and presented in more detail in the financial statements of the agencies administering those programs.

<sup>3</sup> The unified (or total) budget surplus or deficit consists of two parts: the on-budget portion; and the off-budget Federal entities, which have been excluded from the budget by law. Under present law, the off-budget Federal entities are the two Social Security trust funds (Old-Age and Survivors Insurance and Disability Insurance) and the Postal Service Fund. The on-budget and off-budget surpluses or deficits are added together to determine the Government’s financing needs. For further explanation of the off-budget Federal entities, see the “Coverage of the Budget” chapter of this volume.

<sup>4</sup> Title V of Public Law 93-344.

<sup>5</sup> FCRA (sec. 505(b)) requires that the financing accounts be non-budgetary, because they do not measure cost (the credit program costs are reflected in the budgetary program accounts). For additional discussion of credit programs, see the “Credit and Insurance” and “Budget Concepts” chapters of this volume.

In addition to the transactions with the public, the financing accounts include several types of intragovernmental transactions. They receive payment from the credit program accounts for the subsidy costs of new direct loans and loan guarantees and for any upward reestimate of the costs of outstanding direct and guaranteed loans. They also receive interest from Treasury on balances of uninvested funds. The financing accounts pay any negative subsidy collections or downward reestimate of costs to budgetary receipt accounts and pay interest on borrowings from Treasury.

The total net collections and gross disbursements of the financing accounts, consisting of transactions with both the public and the budgetary accounts, are called “net financing disbursements.” They occur in the same way as the “outlays” of a budgetary account, even though they do not represent budgetary costs. However, only the financing account transactions with the public affect Federal borrowing from the public. Financing account disbursements to the public increase the requirement for borrowing from the public in the same way as an increase in budget outlays disbursed to the public, and financing account collections from the public reduce the requirement for Federal borrowing from the public in the same way as an increase in budgetary receipts. In contrast, the credit program’s intragovernmental transactions have no net impact on Federal borrowing, since these are internal transactions between the credit program’s budgetary program, negative subsidy receipt, and downward reestimate receipt accounts and the nonbudgetary financing accounts. For example, subsidy cost payments made from the budgetary program account are received in the nonbudgetary financing account, in an equal and offsetting amount.

In the past year and current year, large net upward or downward reestimates in the cost of outstanding direct and guaranteed loans may cause large swings in the net financing disbursements. In 2026, downward reestimates for Department of Education student loans were partially offset by upward reestimates for Small Business Administration COVID Economic Injury Disaster Loans, resulting in a net downward reestimate of \$38 billion. In 2025, there was a net downward reestimate of \$5 billion.

*Net Purchases of Non-Federal Securities by the National Railroad Retirement Investment Trust (NRRIT).* The NRRIT trust fund invests its assets primarily in private stocks and bonds. The law requires special treatment of the

purchase or sale of these non-Federal assets, treating such purchases or sales as a means of financing rather than as outlays.<sup>6</sup> Therefore, an increased need to borrow from the public to finance NRRIT’s purchases of non-Federal assets is an increase to the “other transactions affecting borrowing from the public,” rather than an increase in the deficit. While net purchases and redemptions affect borrowing from the public, unrealized gains and losses on NRRIT’s portfolio are included in both the “other transactions” and, with the opposite sign, in NRRIT’s net outlays in the deficit, for no net impact on borrowing from the public.<sup>7</sup>

### **Debt Held by Government Accounts**

While Federal borrowing from the public is determined by the Government’s financing needs, the amount of Federal debt issued to Government accounts is determined largely by the surpluses of the on-budget and off-budget trust funds,<sup>8</sup> as well as the surpluses of the special funds and revolving funds that hold Federal securities. Net investment may differ from the surpluses of these funds due to changes in the amount of cash assets not currently invested. In 2025, there was a total trust fund surplus of \$96 billion, while trust fund investment in Federal securities grew by \$87 billion. The debt held in major accounts and the annual investments are shown in Table 11-5, available online.

### **Issuance of Federal Debt**

Nearly all the Federal debt has been issued by Treasury and is sometimes called “public debt,” but a small portion has been issued by other Government agencies and is called “agency debt.”<sup>9</sup> The 2025 issuance of Federal debt is presented in Table 11-1.

### **Treasury Debt**

Treasury meets most of the Federal Government’s financing needs by issuing marketable securities to the public. These financing needs include both the change in debt held by the public and the refinancing—or rollover—of any outstanding debt that matures during the year. Treasury marketable debt is sold at public auctions on a regular schedule and, because it is very liquid, can be bought and sold on the secondary market at narrow bid-offer spreads. Treasury also sells to the public a relatively small amount

<sup>6</sup> NRRIT was established by the Railroad Retirement and Survivors’ Improvement Act of 2001 (Title I of Public Law 107-90).

<sup>7</sup> The budget treatment of this fund is further discussed in the “Budget Concepts” chapter.

<sup>8</sup> For further discussion of trust funds, see the “Trust Funds and Federal Funds” chapter of this volume.

<sup>9</sup> Treasury debt held by the public is measured as the sales price plus the amortized discount (or less the amortized premium). At the time of sale, the book value equals the sales price. Subsequently, it equals the sales price plus the amount of the discount that has been amortized up to that time. In equivalent terms, the book value of the debt equals the principal amount due at maturity (par or face value) less the unamortized discount. (For a security sold at a premium, the definition is symmetrical.) For inflation-protected notes and bonds, the book value includes a periodic adjustment for inflation. Agency debt is generally recorded at par. For purposes of the budget, the term “agency debt” includes only the debt of Federal agencies (presented in Table 11-3). The securities market generally defines “agency debt” to additionally include certain Government-guaranteed securities and the debt of the Government-sponsored enterprises listed in the supplemental materials to the “Credit and Insurance” chapter of this volume. (These supplemental materials are available at: <https://www.whitehouse.gov/omb/information-resources/budget/analytical-perspectives/>.)

of nonmarketable securities, such as savings bonds and State and Local Government Series (SLGS) securities.<sup>10</sup> Treasury nonmarketable debt cannot be bought or sold on the secondary market.

Treasury issues marketable securities in a wide range of maturities, and issues both nominal (non-inflation-protected) and inflation-protected securities. Treasury's marketable securities include:

**Treasury Bills.** Treasury bills have maturities of one year or less from their issue date. In 2025, Treasury added the 6-week bill to its regular weekly auction calendar. In addition to the regular auction calendar of bill issuance, Treasury issues cash management bills on an as-needed basis for various reasons such as to offset the seasonal patterns of the Government's receipts and outlays.

**Treasury Notes.** Treasury notes have maturities of more than one year and up to 10 years.

**Treasury Bonds.** Treasury bonds have maturities of more than 10 years. The longest-maturity securities issued by Treasury are 30-year bonds.

**Treasury Inflation-Protected Securities (TIPS).** Treasury inflation-protected—or inflation-indexed—securities are coupon issues for which the par value of the security rises with inflation. The principal value is adjusted daily to reflect inflation as measured by changes in the Consumer Price Index (CPI-U-NSA, with a two-month lag). Although the principal value may be adjusted downward if inflation is negative, at maturity, the securities will be redeemed at the greater of their inflation-adjusted principal or par amount at original issue.

**Floating Rate Securities.** Floating rate securities have a fixed par value but bear interest rates that fluctuate based on movements in a specified benchmark market interest rate. Treasury's floating rate notes are benchmarked to the Treasury 13-week bill. Currently, Treasury is issuing floating rate securities with a maturity of two years.

Historically, the average maturity of outstanding debt issued by Treasury has been about five years. The average maturity of outstanding debt was 71 months at the end of 2025.

In addition to quarterly announcements about the overall auction calendar, Treasury publicly announces in advance the auction of each security. Individuals can participate directly in Treasury auctions or can purchase securities through brokers, dealers, and other financial institutions. Treasury accepts two types of auction bids: competitive and noncompetitive. In a competitive bid, the bidder specifies the yield. A significant portion of competitive bids are submitted by primary dealers, which are

banks and securities brokerages that have been designated to trade in Treasury securities with the Federal Reserve System. In a noncompetitive bid, the bidder agrees to accept the yield determined by the auction.<sup>11</sup> At the close of the auction, Treasury accepts all eligible noncompetitive bids and then accepts competitive bids in ascending order beginning with the lowest yield bid until the offering amount is reached. All winning bidders receive the highest accepted yield bid.

Treasury marketable securities are highly liquid and actively traded on the secondary market, which enhances the demand for Treasuries at initial auction. The demand for Treasury securities is reflected in the ratio of bids received to bids accepted in Treasury auctions; the demand for the securities is substantially greater than the level of issuance. Because they are backed by the full faith and credit of the United States Government, Treasury marketable securities are considered to be credit "risk-free." Therefore, the Treasury yield curve is commonly used as a benchmark for a wide variety of purposes in the financial markets.

In May 2024, Treasury launched a buyback program, under which it repurchases a small portion of outstanding marketable securities. Treasury created the buyback program for liquidity support and cash management purposes. Liquidity support buybacks are generally conducted on a weekly basis. Cash management buybacks are conducted on a seasonal basis, mainly in relation to quarterly tax payment dates.<sup>12</sup>

Whereas Treasury issuance of marketable debt is based on the Government's financing needs, Treasury's issuance of nonmarketable debt is based on the public's demand for the specific types of investments. Decreases in outstanding balances of nonmarketable debt, such as occurred in 2025, increase the need for marketable borrowing.<sup>13</sup>

### Agency Debt

A few Federal agencies other than Treasury, shown in Table 11-3 (available online), sell or have sold debt securities to the public and, at times, to other Government accounts. At the end of 2025, agency debt was \$24 billion, less than one-tenth of one percent of total Federal debt held by the public.

The predominant agency borrower is the Tennessee Valley Authority (TVA), which had issued over 99 percent of the total agency debt outstanding at the end of 2025. TVA issues debt primarily to finance capital projects. TVA has traditionally financed its capital construction by selling bonds and notes to the public. Since 2000, it has also

<sup>10</sup> Under the SLGS program, Treasury offers special low-yield securities to State and local governments and other entities for temporary investment of proceeds of tax-exempt bonds.

<sup>11</sup> Noncompetitive bids cannot exceed \$10 million per bidder.

<sup>12</sup> Treasury previously conducted buybacks in 2000-2002 for purposes of managing the Federal debt during a time of budget surplus. In 2015-2023, Treasury conducted very small-scale buybacks once or twice annually to test its systems.

<sup>13</sup> Detail on the marketable and nonmarketable securities issued by Treasury is found in the *Monthly Statement of the Public Debt*, published on a monthly basis by Treasury.

**Table 11–4. Debt Held by the Public, Net of Financial Assets and Liabilities, 2025**

Dollar Amounts in Billions

	Actual 2025
<b>Debt Held by the Public:</b>	
Debt held by the public .....	30,167.2
As a percent of GDP .....	99.5%
<b>Financial Assets Net of Liabilities:</b>	
Treasury operating cash balance .....	890.8
Credit financing account balances:	
Direct loan accounts .....	1,698.3
Guaranteed loan accounts .....	146.9
Subtotal, credit financing account balances .....	1,845.2
Government-sponsored enterprise stock <sup>1</sup> .....	374.5
Air carrier worker support warrants and notes .....	10.8
Emergency capital investment fund securities .....	1.4
Non-Federal securities held by NRRIT .....	27.4
Other assets net of liabilities .....	-106.7
Total, financial assets net of liabilities .....	3,043.4
<b>Debt Held by the Public Net of Financial Assets and Liabilities:</b>	
Debt held by the public net of financial assets .....	27,123.9
As a percent of GDP .....	89.5%

<sup>1</sup> Treasury’s warrants to purchase 79.9 percent of the common stock of the enterprises expire after September 7, 2028. The warrants were valued at \$79 billion at the end of 2025.

had available two types of alternative financing methods, lease financing obligations and prepayment obligations. Under the lease financing obligations method, TVA signs long-term contracts to lease some facilities and equipment. The lease payments under these contracts ultimately secure the repayment of third-party capital used to finance construction of the facility. TVA retains substantially all of the economic benefits and risks related to ownership of the assets.<sup>14</sup> Table 11-3 presents lease financing obligations separately from TVA bonds and notes to distinguish between the types of borrowing. As of the end of 2019, there are no outstanding obligations for prepayments.<sup>15</sup>

The Office of Management and Budget (OMB) determined that each of the two alternative financing methods is a means of financing the acquisition of assets owned and used by the Government, or of refinancing debt previously incurred to finance such assets. They are equivalent in concept to other forms of borrowing from the public, although under different terms and conditions. The budget therefore records the upfront cash proceeds from these methods as borrowing from the public, not offsetting collections.<sup>16</sup> The budget presentation is consistent with the reporting of these obligations as liabilities on TVA’s balance sheet under generally accepted accounting principles.

Although the Federal Housing Administration (FHA) generally makes direct disbursements to the public for default claims on FHA-insured mortgages, it may also pay claims by issuing debentures. Issuing debentures to pay the Government’s bills is equivalent to selling securities to the public and then paying the bills by disbursing the cash borrowed, so the transaction is recorded as being simultaneously an outlay and borrowing. The debentures are therefore classified as agency debt.

Several Federal agencies borrow from the Bureau of the Fiscal Service (Fiscal Service) or the Federal Financing Bank (FFB), both within Treasury. Agency borrowing from the FFB or the Fiscal Service is not included in gross Federal debt. It would be double counting to add together: (a) the agency borrowing from the Fiscal Service or FFB; and (b) the Treasury borrowing from the public that is needed to provide the Fiscal Service or FFB with the funds to lend to the agencies.

**Debt Held by the Public**

For the purposes of the Budget, “debt held by the public” is defined as debt held by investors outside of the Federal Government, both domestic and foreign, including U.S. State and local governments, foreign governments, and the Federal Reserve.

**Debt Held by the Federal Reserve**

The Federal Reserve acquires marketable Treasury securities as part of its exercise of monetary policy. For purposes of the Budget and reporting by Treasury, the transactions of the Federal Reserve are considered to be

<sup>14</sup> This arrangement is at least as governmental as a “lease-purchase without substantial private risk.” For further detail on the current budgetary treatment of lease-purchase without substantial private risk, see OMB Circular No. A-11, Appendix B.

<sup>15</sup> Under the prepayment obligations method, TVA’s power distributors prepay a portion of the price of the power they plan to purchase in the future. In return, they obtain a discount on a specific quantity of the future power they buy from TVA. The quantity varies, depending on TVA’s estimated cost of borrowing.

<sup>16</sup> This budgetary treatment differs from the treatment in the *Monthly Treasury Statement of Receipts and Outlays of the United States Government* (Monthly Treasury Statement) Table 6 Schedule C, and the *Combined Statement of Receipts, Outlays, and Balances of the United States Government* Schedule 3, both published by Treasury. These two schedules, which present debt issued by agencies other than Treasury, exclude the TVA alternative financing arrangements. This difference in treatment is one factor causing minor differences between debt figures reported in the Budget and debt figures reported by Treasury. The other factors are: adjustments for the timing of the reporting of Federal debt held by NRRIT; and treatment of the Federal debt held by TVA, the Securities Investor Protection Corporation, and the Public Company Accounting Oversight Board.

non-budgetary, and accordingly the Federal Reserve's holdings of Treasury securities are included as part of debt held by the public.<sup>17</sup> Federal Reserve holdings were \$4,196 billion (14 percent of debt held by the public) at the end of 2025. Over the last 10 years, the Federal Reserve holdings have averaged 18 percent of debt held by the public. The historical holdings of the Federal Reserve are presented in Table 7.1 in the Budget's *Historical Tables*. The Budget does not project Federal Reserve holdings for future years.

### Foreign Holdings of Federal Debt

A portion of the Federal debt held by the public is held by foreign individuals and entities. In 2025, foreign holdings were \$9,234 billion, 31 percent of total debt held by the public. Any changes in foreign holdings have been almost entirely due to decisions by foreign central banks, corporations, and individuals, rather than the direct marketing of these securities to foreign investors. All of the foreign holdings of Federal debt are denominated in dollars. In 2025, foreign central banks and other foreign official institutions owned 42 percent of the foreign holdings of Federal debt; private investors owned the rest.

Foreign holdings of Federal debt are around 20–25 percent of the foreign-owned assets in the United States, depending on the method of measuring total assets. The foreign purchases of Federal debt securities do not measure the full impact of the capital inflow from abroad on the market for Federal debt securities. The capital inflow supplies additional funds to the credit market generally, and thus affects the market for Federal debt. For example, the capital inflow includes deposits in U.S. financial intermediaries that themselves buy Federal debt.

### Debt Held by the Public Net of Financial Assets and Liabilities

While debt held by the public is a key measure for examining the role and impact of the Federal Government in the U.S. and international credit markets and for other purposes, it provides incomplete information on the Government's financial condition. The U.S. Government holds significant financial assets, which can be offset against debt held by the public and other financial liabilities to achieve a more complete understanding of the Government's financial condition. The acquisition of those financial assets represents a transaction with the credit markets, broadening those markets in a way that is analogous to the demand on credit markets that borrowing entails. For this reason, debt held by the public is also an incomplete measure of the impact of the Federal Government in the United States and international credit markets.

One transaction that can increase both borrowing and assets is an increase to the Treasury operating cash bal-

ance. When the Government borrows to increase the Treasury operating cash balance, that cash balance also represents an asset that is available to the Federal Government. Looking at both sides of this transaction—the borrowing to obtain the cash and the asset of the cash holdings—provides much more complete information about the Government's financial condition than looking at only the borrowing from the public. Another example of a transaction that simultaneously increases borrowing from the public and Federal assets is Government borrowing to issue direct loans to the public. When the direct loan is made, the Government is also acquiring an asset in the form of future payments of principal and interest, net of the Government's expected losses on the loan. Similarly, when NRRIT increases its holdings of non-Federal securities, the borrowing to purchase those securities is offset by the value of the asset holdings.

The acquisition or disposition of Federal financial assets largely explains the difference between the deficit for a particular year and that year's increase in debt held by the public. Debt held by the public net of financial assets is a measure that is conceptually closer to the measurement of Federal deficits or surpluses; cumulative deficits and surpluses over time more closely equal the debt held by the public net of financial assets than they do the debt held by the public.

Table 11-4 presents debt held by the public net of the Government's financial assets and liabilities for 2025. Treasury debt is presented in the Budget at book value, with no adjustments for the change in economic value that results from fluctuations in interest rates. The balances of credit financing accounts are based on projections of future cash flows. For direct loan financing accounts, the balance generally represents the net present value of anticipated future inflows such as principal and interest payments from borrowers. For guaranteed loan financing accounts, the balance generally represents the net present value of anticipated future outflows, such as default claim payments net of recoveries, and other collections, such as program fees. NRRIT's holdings of non-Federal securities are marked to market on a monthly basis. Government-sponsored enterprise stock, Air carrier worker support warrants and notes, and Emergency capital investment fund securities are measured at market value.

Debt securities and other financial assets and liabilities do not encompass all the assets and liabilities of the Federal Government. For example, accounts payable occur in the normal course of buying goods and services; Social Security benefits are due and payable as of the end of the month but, according to statute, are paid during the next month; and Federal employee salaries are paid after they have been earned. Like debt securities sold in the credit market, these liabilities have their own distinctive effects

<sup>17</sup> For further detail on the monetary policy activities of the Federal Reserve and the treatment of the Federal Reserve in the Budget, see the "Coverage of the Budget" chapter.

on the economy. The Federal Government also has significant holdings of non-financial assets, such as land, mineral deposits, buildings, and equipment. The different types of assets and liabilities are reported annually in the financial statements of Federal agencies and in the *Financial Report of the United States Government*, prepared by Treasury in coordination with OMB.

### **Debt Held by Government Accounts**

The Budget is composed of two groups of funds, Federal funds and trust funds. The Federal funds group includes all of the financial transaction of the Government that are not required by law to be recorded in trust funds. Trust funds are financed by taxes or other receipts dedicated by law for specified purposes, such as for paying Social Security benefits or making grants to State governments for highway construction.<sup>18</sup> Most accounts in the Federal funds group are funded by tax receipts and borrowing and used for the general purposes of the Government. However, similar to trust funds, special and revolving funds in the Federal funds group receive collections that are used for specific purposes. The cash surpluses of trust funds and these special and revolving funds are generally invested in Treasury securities. Of the debt held by Government accounts at the end of 2025, 86 percent was held by trust funds and the remainder was held by special and revolving funds in the Federal funds group.

The Government account holdings of Federal securities are concentrated among a few funds: the Social Security Old-Age and Survivors Insurance and Disability Insurance trust funds; the Medicare Hospital Insurance and Supplementary Medical Insurance trust funds; and four Federal employee retirement funds. These Federal employee retirement funds include two trust funds, the Military Retirement Fund and the Civil Service Retirement and Disability Fund (CSRDF), and two special funds, the Medicare-Eligible Retiree Health Care Fund (MERHCF) and the Postal Service Retiree Health Benefits Fund (PSRHBF). At the end of 2025, these Social Security, Medicare, and Federal employee retirement funds owned 88 percent of the total debt held by Government accounts.

Table 11-5, available online, presents the debt held in major accounts and their annual investments or disinvestments.

### **Technical Note on Measurement**

The Treasury securities held by Government accounts consist almost entirely of the Government account series. Most were issued at par value (face value), and the securities issued at a discount or premium are tradition-

ally recorded at par in the OMB and Treasury reports on Federal debt. However, there are two kinds of exceptions.

First, Treasury issues zero-coupon bonds to a very few Government accounts. Because the purchase price is a small fraction of par value and the amounts are large, the holdings are recorded in Table 11-5 at par value less unamortized discount. The only Government accounts that held zero-coupon bonds during 2025 are the Nuclear Waste Disposal Fund in the Department of Energy, the Military Retirement Fund, and the MERHCF. The unamortized discount on zero-coupon bonds held by these three funds was \$48 billion at the end of 2025.

Second, Treasury subtracts the unrealized discount on other Government account series securities in calculating “net Federal securities held as investments of Government accounts.” Unlike the discount recorded for zero-coupon bonds and debt held by the public, the unrealized discount is the discount at the time of issue and is not amortized over the term of the security. In Table 11-5 it is shown as a separate item at the end of the table and not distributed by account.

### **Limitations on Federal Debt**

#### **Definition of Debt Subject to Limit**

Statutory limitations have usually been placed on Federal debt. Until World War I, the Congress ordinarily authorized a specific amount of debt for each separate issue. Beginning with the Second Liberty Bond Act of 1917, however, the nature of the limitation was modified in several steps until it developed into a ceiling on the total amount of most Federal debt outstanding. This last type of limitation has been in effect since 1941. The limit currently applies to most debt issued by Treasury since September 1917, whether held by the public or by Government accounts; and other debt issued by Federal agencies that, according to statute, is explicitly guaranteed as to principal and interest by the U.S. Government.

Table 11-6 compares total Treasury debt with the amount of Federal debt that is subject to the limit and presents changes in debt subject to limit for 2025. Nearly all Treasury debt is subject to the debt limit. A large portion of the Treasury debt not subject to the general statutory limit was issued by FFB. The FFB is authorized to have outstanding up to \$15 billion of publicly issued debt. The FFB has on occasion issued this debt to CSRDF in exchange for equal amounts of regular Treasury securities, with the same interest rates and maturities as the Treasury securities for which they were exchanged. Most recently, the FFB issued: \$3 billion of securities to the CSRDF on October 15, 2015, with maturity dates from June 30, 2026,

<sup>18</sup> For further discussion of the trust funds and Federal funds groups, see the “Trust Funds and Federal Funds” chapter.

**Table 11–6. Federal Debt Subject to Limit, 2025**  
In Billions of Dollars

	Actual 2025
<b>Debt Subject to Statutory Limitation, End of Year:</b>	
Debt issued by Treasury .....	37,351.2
Less: Treasury debt not subject to limitation (–) <sup>1</sup> .....	–4.6
Agency debt subject to limitation .....	*
Adjustment for discount and premium <sup>2</sup> .....	179.7
Total, debt subject to statutory limitation <sup>3</sup> .....	37,526.3
<b>Changes in Debt Subject to Statutory Limitation:</b>	
Change in debt held by the public .....	1,973.4
Change in debt held by Government accounts .....	170.9
Less: change in debt not subject to limit and other adjustments .....	27.2
Total, change in debt subject to statutory limitation.....	2,171.5

\* Less than \$50 million.

<sup>1</sup> Consists primarily of debt issued by the FFB.

<sup>2</sup> Consists mainly of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

<sup>3</sup> Under legislation enacted July 4, 2025 (Public Law 119-21), the statutory debt limit is \$41,104.0 billion.

through June 30, 2029; and \$2 billion to the CSRDF on May 25, 2023, with maturity dates ranging from June 30, 2023, through June 30, 2035. The outstanding balance of FFB debt held by CSRDF was \$4 billion at the end of 2025.

The other Treasury debt not subject to the general limit consists almost entirely of silver certificates and other currencies no longer being issued. It was \$475 million at the end of 2025 and is projected to gradually decline over time.

The sole agency debt currently subject to the general limit, \$209 thousand at the end of 2025, is certain debentures issued by FHA.<sup>19</sup>

Some of the other agency debt, however, is subject to its own statutory limit. For example, TVA is limited to \$30 billion of bonds and notes outstanding.

The comparison between Treasury debt and debt subject to limit also includes an adjustment for differences in the treatment of discounts and premiums in the measurement of gross Federal debt (and its components) and the statutory definition of debt subject to limit. An adjustment

is needed to derive debt subject to limit (as defined by law) from Treasury debt. The amount of the adjustment was \$180 billion at the end of 2025 compared with the total unamortized discount (less premium) of \$286 billion on all Treasury securities.

### Changes in the Debt Limit

The statutory debt limit has been changed many times to raise the limit, revise the definition, extend the duration of a temporary increase, or temporarily suspend the limit.<sup>20</sup> The Fiscal Responsibility Act of 2023,<sup>21</sup> enacted June 3, 2023, suspended the debt limit through January 1, 2025, and then raised the debt limit on January 2, 2025, by \$4,723 billion, to \$36,104 billion, the level of debt subject to limit on that date. Public Law 119-21, commonly referred to as the Working Families Tax Cut Act, enacted July 4, 2025, increased the debt limit to \$41,104 billion.

At many times in the past several decades, including 2023 and 2025, the Government has reached the statutory debt limit before an increase has been enacted. When this has occurred, it has been necessary for Treasury to take “extraordinary measures” to meet the Government’s obligation to pay its bills and invest its trust funds while remaining below the statutory limit.

Treasury used these extraordinary measures in 2025, from the January 2025 reaching of the then-debt limit until the debt limit was increased in July 2025. One such extraordinary measure is the partial or full suspension of the daily reinvestment of the Thrift Savings Plan (TSP) Government Securities Investment Fund (G-Fund).<sup>22</sup> The Treasury Secretary has statutory authority to suspend investment of the G-Fund in Treasury securities as needed to prevent the debt from exceeding the debt limit. Treasury determines each day the amount of investments that would allow the fund to be invested as fully as possible without exceeding the debt limit. The TSP G-Fund had an outstanding balance of \$348 billion at the end of February 2026. The Treasury Secretary is also authorized to suspend investments in the CSRDF and to declare a debt issuance suspension period, which allows the redemption of a limited amount of securities held by the CSRDF. The Postal Accountability and Enhancement Act<sup>23</sup> provides that investments in the PSRHBF shall be made in the same manner as investments in the CSRDF.<sup>24</sup> Therefore, Treasury is able to take similar administrative actions with the PSRHBF. The law requires that when any such actions are taken with the G-Fund, the CSRDF, or the PSRHBF, the Treasury Secretary must make the fund whole after the

<sup>19</sup> At the end of 2025, there were also \$18 million of FHA debentures not subject to limit.

<sup>20</sup> The Acts and the statutory limits since 1940 are listed in Table 7.3 of the Budget’s *Historical Tables*.

<sup>21</sup> Public Law 118-5.

<sup>22</sup> The TSP is a defined contribution pension plan for Federal employees. The G-Fund is one of several components of the TSP.

<sup>23</sup> Title VIII of Public Law 109-435.

<sup>24</sup> Both the CSRDF and the PSRHBF are administered by the Office of Personnel Management.

debt limit has been raised by restoring the forgone interest and investing the fund fully.

In addition to the measures taken in 2025, several other extraordinary measures are available to Treasury and have been used in the past. These other measures include disinvestment of the Exchange Stabilization Fund, suspension of the issuance of SLGS to reduce unanticipated fluctuations in the level of the debt, adjustments to the schedule for auctions of marketable securities, and exchanging Treasury securities held by the CSRDF with borrowing by the FFB (which, as discussed above, is not subject to the debt limit).

The Budget assumes timely congressional action to address the statutory limit as necessary. The debt limit has always been increased prior to the exhaustion of Treasury’s limited extraordinary measures.

**Federal Funds Financing and the Change in Debt Subject to Limit**

The change in debt held by the public and the change in debt held by the public net of financial assets are determined primarily by the total Government deficit or surplus. The debt subject to limit, however, includes not only debt held by the public but also debt held by Government accounts. The change in debt subject to limit is therefore determined both by the factors that determine the total Government deficit or surplus and by the factors that determine the change in debt held by Government accounts. The effect of debt held by Government accounts on the total debt subject to limit can be seen in the second part of Table 11-6. The change in debt held by Government accounts is equal to 8 percent of the total 2025 increase in debt subject to limit.

As discussed above, the Budget is composed of two groups of funds, Federal funds and trust funds. The total Government deficit is the sum of the Federal funds deficit and the trust fund surplus. A Federal funds deficit must generally be financed by borrowing, which can be done either by selling securities to the public or by issuing securities to Government accounts that are not within the Federal funds group. Federal funds borrowing consists almost entirely of Treasury securities that are subject to the statutory debt limit. Trust fund surpluses are primarily invested in securities subject to the debt limit. The trust fund surplus reduces the total budget deficit, decreasing the need to borrow from the public. When the trust fund surplus is invested in Federal securities, the debt held by Government accounts increases, offsetting the decrease in debt held by the public by an equal amount. Thus, there is no net effect on gross Federal debt. As a result, very little debt subject to statutory limit has been issued for reasons except to finance the Federal funds deficit and the change in debt subject to limit is determined primarily by the Federal funds deficit.

Table 11-7 derives the change in debt subject to limit for 2025. In 2025 the Federal funds deficit was \$1,871 billion, and other factors increased financing requirements by \$198 billion. In addition, special funds and revolving funds in the Federal funds group invested a net of \$108

**Table 11–7. Federal Funds Financing and Change in Debt Subject to Statutory Limit, 2025**

In Billions of Dollars

	Actual 2025
<b>Debt Subject to Statutory Limitation, End of Year:</b>	
Federal funds deficit .....	1,871.0
Other transactions affecting borrowing from the public—Federal funds <sup>1</sup> .....	197.7
Increase (+) or decrease (–) in Federal debt held by Federal funds .....	108.2
Adjustments for trust fund surplus/deficit not invested/disinvested in Federal securities <sup>2</sup> .....	–8.6
Change in unrealized discount on Federal debt held by Government accounts .....	–24.0
Total financing requirements .....	2,144.2
<b>Change in Debt Subject to Limit:</b>	
Change in gross Federal debt .....	2,144.2
Less: increase (+) or decrease (–) in Federal debt not subject to limit .....	2.1
Less: change in adjustment for discount and premium <sup>3</sup> .....	–29.4
Total, change in debt subject to limit .....	2,171.5
<b>MEMORANDUM:</b>	
Debt subject to statutory limit .....	37,526.3

<sup>1</sup> Includes Federal fund transactions that correspond to those presented in Table 11-2, but that are for Federal funds alone with respect to the public and trust funds.

<sup>2</sup> Includes trust fund holdings in other cash assets and changes in the investments of the NRRIT in non-Federal securities.

<sup>3</sup> Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds).

billion in Treasury securities. Adjustments are also made for the difference between the trust fund surplus or deficit and the trust funds’ investment or disinvestment in Federal securities (including the changes in NRRIT’s investments in non-Federal securities) and for the change in unrealized discount on Federal debt held by Government accounts. As a net result of all these factors, \$2,144 billion in financing was required, increasing gross Federal debt by that amount. Since Federal debt not subject to limit grew by \$2 billion (due to an increase in agency debt) and the adjustment for discount and premium changed by \$29 billion, the debt subject to limit increased by \$2,171 billion, while debt held by the public increased by \$1,973 billion.

**Federal, Federally Guaranteed, and Other Federally Assisted Borrowing**

The Government’s effects on the credit markets arise not only from its own borrowing but also from the direct loans that it makes to the public and the provision of assistance to certain borrowing by the public. The Government guarantees various types of borrowing by individuals, businesses, and other non-Federal entities, thereby

providing assistance to private credit markets. The Government is also assisting borrowing by States through the Build America Bonds program, which subsidizes the interest that States pay on such borrowing. In addition, the Government has established private corporations—Government-sponsored enterprises—to provide financial intermediation for specified public purposes; it exempts the interest on most State and local government debt from income tax; it permits mortgage interest to be deducted in calculating taxable income; and it insures the deposits of banks and thrift institutions, which themselves make loans.

Federal credit programs and other forms of assistance are discussed in the “Credit and Insurance” chapter of this volume. Detailed data are presented in tables accompanying that chapter. 🦅

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**Table 11-2.** Other Transactions Affecting Borrowing from the Public

**Table 11-3.** Agency Debt

**Table 11-5.** Debt Held by Government Accounts