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ACCOUNTING & AUDIT

As U.S. Hits Debt Limit, Treasury Starts "Special Measures"

The Treasury Department is beginning the use of special measures to avoid a U.S. payments default, after the federal debt limit was reached Thursday.

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By Christopher Anstey, Bloomberg News (via TNS).

The Treasury Department is beginning the use of special measures to avoid a U.S. payments default, after the federal debt limit was reached Thursday.

The department is tapping the financial resources of two government-run funds for retirees, in a move that will give the Treasury scope to keep making federal payments while it's unable to boost the overall level of debt.

Treasury Secretary Janet Yellen informed congressional leaders of both parties of the step in a letter on Thursday. She had already notified them of the plan last week, when she flagged that the debt limit would be hit Jan. 19.

Yellen reiterated that the period of time that the extraordinary measures will avoid the government running out of cash is “subject to considerable uncertainty,” and urged Congress to act promptly to boost the debt limit.

The specific funds affected by the Treasury's move are:

- The Civil Service Retirement and Disability Fund, which provides defined benefits to retired and disabled federal employees
- The Postal Service Retiree Health Benefits Fund, which provides postal-service retiree health benefit premium payments. The fund is also invested in special-issue Treasuries

The two funds invest in special-issue Treasury securities that count under the debt limit. After the debt limit is increased, the three will be “made whole,” with participants unaffected.

It's far the first time the Treasury has resorted to these moves: Since 1985, the agency has used such measures more than a dozen times.

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