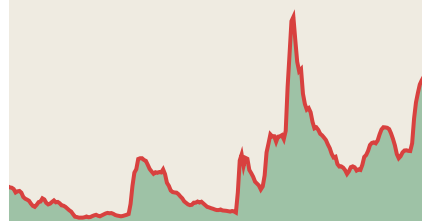


A Report to Congress

The Nation's Fiscal Health



Action Is Needed to Address the Federal Government's Fiscal Future



GAO Highlights

Highlights of [GAO-18-299SP](#)

A Report to Congress

The Nation's Fiscal Health

Action Is Needed to Address the Federal Government's Fiscal Future

The Congress and administration face serious economic, security, and social challenges that will require difficult policy choices in the near term about the level of federal spending and investments as well as ways to obtain needed resources. At the same time, the federal government is highly leveraged in debt by historical norms.

In addition to near-term financing decisions, a broader plan is needed to put the federal government on a more sustainable long-term path. This report illuminates this need by describing the fiscal condition of the U.S. government as of the end of fiscal year 2017 and its future fiscal path absent policy changes. It draws on the *Fiscal Year 2017 Financial Report of the United States Government (2017 Financial Report)* and GAO's audit of the government's consolidated financial statements.

Significant Changes to the Government's Fiscal Condition in Fiscal Year 2017

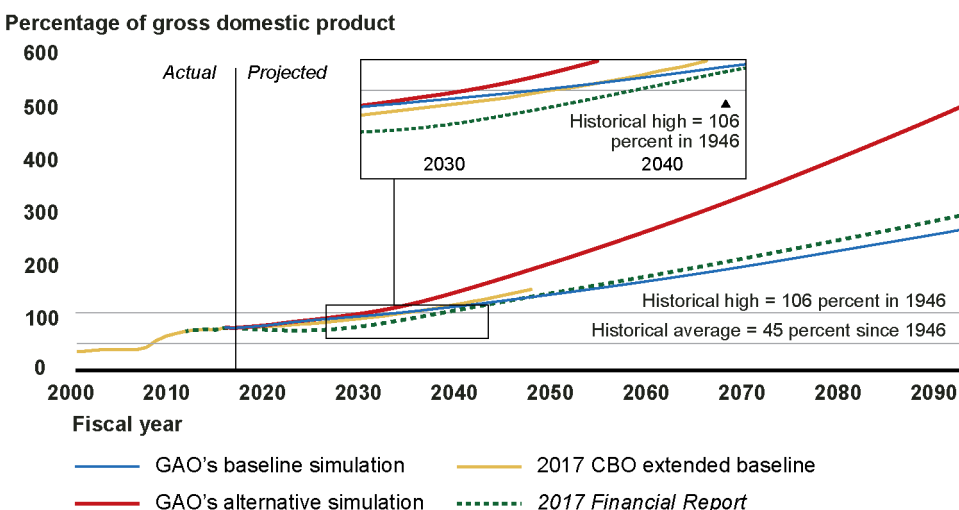
According to the *2017 Financial Report*, the federal deficit in fiscal year 2017 increased to \$666 billion—up from \$587 billion in fiscal year 2016 and \$439 billion in fiscal year 2015. Federal receipts increased by \$48 billion, but that was outweighed by a \$127 billion increase in spending, driven by Social Security, Medicare, and Medicaid, and interest on debt held by the public (net interest). Debt held by the public increased from \$14.2 trillion at the end of fiscal year 2016 to \$14.7 trillion at the end of fiscal year 2017. Due to an increase in gross domestic product (GDP), it fell slightly as a share of GDP, from 77 percent at the end of fiscal year 2016 to 76 percent at the end of fiscal year 2017. This compares to an average of 45 percent of GDP over the period since 1946.

Long-Term Fiscal Projections Show the Federal Government Is on an Unsustainable Fiscal Path

In the long term, the key drivers of growing federal spending are health care programs and net interest, according to the *2017 Financial Report*, CBO, and GAO.

The *2017 Financial Report*, the Congressional Budget Office (CBO), and GAO projections all show that, absent policy changes, the federal government's fiscal path is unsustainable and that the debt-to-GDP ratio would surpass its historical high of 106 percent within 14 to 22 years (see figure below).

Debt Held by the Public Under Projections from the 2017 Financial Report, the Congressional Budget Office (CBO), and GAO



Sources: GAO, Congressional Budget Office, and *2017 Financial Report*. | GAO-18-299SP

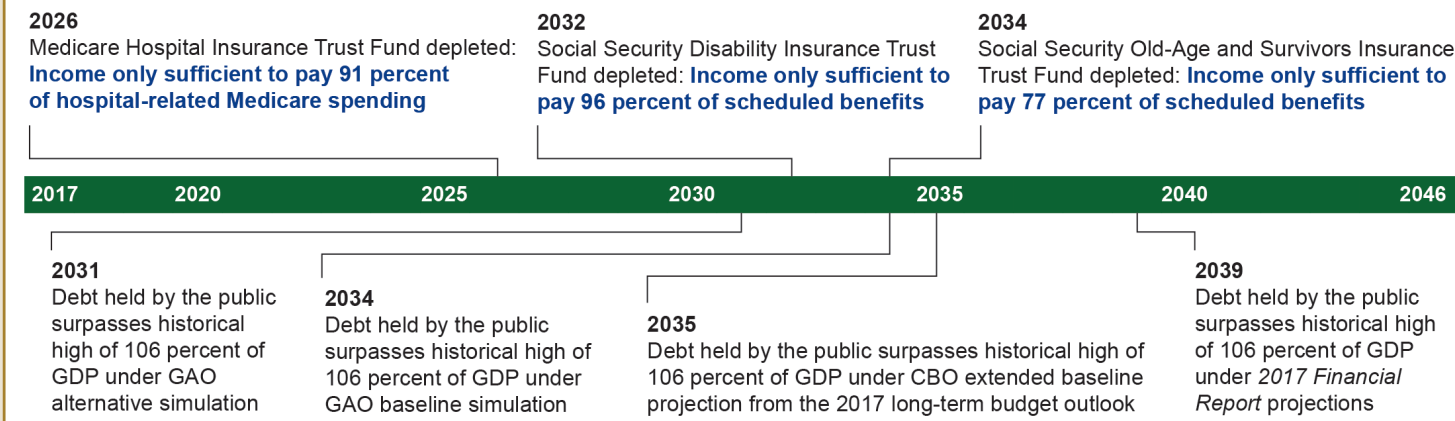
View [GAO-18-299SP](#). For more information, contact Susan J. Irving, (202) 512-6806 or irvings@gao.gov, Robert F. Dacey at (202) 512-3406 or dacey@gao.gov, and Dawn B. Simpson, (202) 512-3406 or simpsondb@gao.gov

Note: Only GAO's simulations include the effects of legislation enacted after September 30, 2017. At the time of this report, CBO has not yet released its 2018 long-term budget outlook report, which includes its 30-year extended baseline projection.

Long-Term Fiscal Projections Show the Federal Government Is on an Unsustainable Fiscal Path

(continued)

Importance of Early Action: The *2017 Financial Report*, CBO, and GAO all make the point that the longer action is delayed, the greater and more drastic the changes will have to be. As shown in the timeline below, Medicare's Hospital Insurance Trust Fund, and Social Security's Disability Insurance Trust Fund and Old-Age and Survivors Insurance Trust Fund are projected to face financial challenges. It is important to develop and begin to implement a long-term fiscal plan for returning to a sustainable path.



Sources: Trustees for Social Security and Medicare. Congressional Budget Office (CBO). GAO. and *2017 Financial Report*. | GAO-18-299SP

Debt Limit is Not a Control on Debt: Alternative Approach Is Needed: The current debt limit is not a control on debt but rather an after-the-fact measure that restricts the Department of the Treasury's authority to borrow to finance the decisions already enacted by Congress and the President. GAO has discussed possible alternative approaches to managing debt with a number of members of Congress. Experts have also suggested replacing the debt limit with a fiscal rule imposed on spending and revenue decisions. Congress could consider this as part of a broader plan to put the government on a more sustainable fiscal path.

Fiscal Risks Place Additional Pressure on the Federal Budget

Fiscal risks are responsibilities, programs, and activities that may legally commit or create expectations for future spending based on current policy, past practices, or other factors.

Of further concern is the fact that none of the long-term projections include certain other fiscal risks that could affect the federal government's financial condition in the future. These include risks stemming from unforeseen events to which the public expects a federal fiscal response, such as wars or weather-related, economic, or financial challenges such as sustaining the multi-employer pension plans insured by the Pension Benefit Guaranty Corporation. A more complete understanding of fiscal risks can help policymakers anticipate changes in future spending and can enhance oversight of federal resources.

Executive Agencies Have Opportunities to Contribute Toward Fiscal Health

Executive actions alone cannot put the U.S. government on a sustainable fiscal path, but it is important for agencies to act as stewards of federal resources. In prior work, GAO has identified numerous actions for executive agencies to contribute toward a more sustainable fiscal future.

Actions needed to address improper payments	Reducing payments that should not have been made or that were made in an incorrect amount could yield significant savings. Reported improper payment estimates totaled about \$141 billion for fiscal year 2017. Since fiscal year 2003, cumulative estimates have totaled about \$1.4 trillion.
Multiple strategies needed to address the persistent tax gap	Reducing the gap between taxes owed and those paid could increase tax collections by billions. The annual net tax gap is estimated to be \$406 billion (for tax years 2008-2010).
Continue to address duplication, overlap, and fragmentation	GAO has identified numerous areas to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue. Actions taken so far by Congress and the executive branch have resulted in roughly \$125 billion in financial benefits from fiscal years 2010 through 2017, with at least an additional \$53 billion in estimated benefits projected to be accrued in 2018 or later.
Action needed to improve information on programs and fiscal operations	Decision making could be improved by ensuring the government's financial statements are fully auditable, increasing attention to tax expenditures, and effectively implementing the Digital Accountability and Transparency Act of 2014 (DATA Act).

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June 21, 2018

The President
The President of the Senate
The Speaker of the House of Representatives

The Congress and administration face serious economic, security, and social challenges that require difficult policy choices in the near term about the level and composition of federal spending and investments as well as ways to obtain needed resources. These policymakers also face a federal government highly leveraged in debt by historical norms and on an unsustainable long-term fiscal path caused by a structural imbalance between revenue and spending, absent a change in fiscal policy. Thus, decisions over the near term to enhance economic growth and address national priorities need to be accompanied by a long-term fiscal plan to put the national government on a more sustainable long-term path. This is essential to ensure that the United States remains in a strong economic position to meet its security and social needs as well as to preserve flexibility to address unforeseen events.

This report is intended to illuminate the need for such a long-term fiscal plan by describing the fiscal condition of the U.S. government as of the end of fiscal year 2017 and its future fiscal path absent policy changes. We issued our first report on the nation's fiscal health in January 2017.¹ This report provides an update on the government's fiscal health drawing from the *Fiscal Year 2017 Financial Report of the United States Government (2017 Financial Report)* and our audit of the government's consolidated financial statements for fiscal years 2017 and 2016.² Every year the Secretary of the Department of the Treasury (Treasury), in coordination with the Director of the Office of Management and Budget (OMB), prepares the U.S. government's financial statements, which, along with related information, are presented in the Financial Report of

¹GAO, *The Nation's Fiscal Health: Action is Needed to Address the Federal Government's Fiscal Future*, [GAO-17-237SP](#) (Washington, D.C.: Jan. 17, 2017).

²GAO, *Financial Audit: Fiscal Years 2017 and 2016 Consolidated Financial Statements of the U.S. Government*, [GAO-18-316R](#) (Washington, D.C.: Feb. 15, 2018).

the United States Government (Financial Report).³ We are responsible for auditing these statements. The *2017 Financial Report* contains information on the federal government's financial position and condition, including its costs and revenues.⁴

In December 2017, Congress and the President enacted Public Law 115-97, referred to by the President and many administrative documents as the Tax Cuts and Jobs Act,⁵ which included significant changes to corporate and individual tax law.⁶ Then in February 2018, Congress and the President enacted the Bipartisan Budget Act of 2018, which raised discretionary spending caps for fiscal years 2018 and 2019.⁷ Since these laws were enacted after the end of fiscal year 2017, their effects were not incorporated in the *2017 Financial Report*.⁸ These legislative initiatives were intended to promote economic growth and address other national priorities; they will also complicate the government's long-term fiscal outlook and debt burden. In this report we discuss the federal government's fiscal condition and how it changed in fiscal year 2017, the federal government's unsustainable long-term outlook, and risks to the

³As discussed in the *2017 Financial Report*, we were unable to provide an audit opinion on the federal government's fiscal year 2017 consolidated financial statements due to material weaknesses in internal control and uncertainties concerning the sustainability financial statements. However, with few exceptions, all of the financial statements for the significant federal entities received unmodified or "clean" opinions. The significant entities which were unable to issue audited financial statements on a timely basis, were unable to receive unmodified opinions on a complete set of financial statements, or received disclaimers of opinion include the Department of Defense, the Department of Housing and Urban Development, the Department of Agriculture, the Department of Energy, and the Railroad Retirement Board.

⁴The *2017 Financial Report* also includes a reconciliation of operating results to the primarily cash-based budget deficit and changes in cash, a balance sheet (assets and liabilities), and sustainability financial statements, including long-term fiscal projections for the government as a whole and for social insurance programs (e.g., Social Security and Medicare). It also contains related unaudited financial information, such as information on the tax gap and improper payments. Also, most federal agencies prepare audited financial statements that provide more detailed information at the agency and program level.

⁵Proclamation No. 9702, 83 Fed. Reg. 9409 (Feb. 28, 2018); Statutory Pay-As-You-Go Act Annual Report, 83 Fed. Reg. 3774 (Jan. 26, 2018).

⁶Pub. L. No. 115-97, 131 Stat. 2054, "To provide for reconciliation pursuant to titles II and V of the concurrent resolution on the budget for fiscal year 2018," (Dec. 22, 2017).

⁷Pub. L. No. 115-123, Div. C, Title I, § 30101, 132 Stat. 64 (Feb. 9, 2018).

⁸Note 25 to the financial statements included within the *2017 Financial Report* describes certain events subsequent to the end of fiscal year 2017, including the Tax Cuts and Jobs Act.

government's financial condition, as well as opportunities to improve its fiscal health.⁹

Significant Changes to the Government's Fiscal Condition in Fiscal Year 2017

Growth in Mandatory Spending Outweighed Modest Federal Revenue Growth

In fiscal year 2017, the reported federal budget deficit increased to \$666 billion, according to the *2017 Financial Report*. As shown in table 1, this was the second consecutive year that the budget deficit increased—up from \$587 billion for fiscal year 2016 and \$439 billion for fiscal year 2015. While the federal government's receipts (taxes and other collections) increased for fiscal year 2017, this was outweighed by a larger increase in spending.

Table 1: Cash Flow From Budget Activities, Fiscal Years 2015–2017

Dollars in billions

	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017
Receipts	3,249	3,267	3,315
Spending	(3,688)	(3,854)	(3,981)
Deficit	(439)	(587)	(666)

Source: *2016 Financial Report* and *2017 Financial Report*. | GAO-18-299SP

The *2017 Financial Report* attributes the modest increase in receipts to higher social insurance (payroll taxes) and retirement receipts and net individual income taxes, partially offset by a decline in the deposits of earnings by the Federal Reserve. The Congressional Budget Office (CBO) also noted a number of offsetting movements among the major sources of revenues, including increases in individual income taxes and payroll taxes, attributable to growth in wages and salaries, partially offset by decreases in corporate income taxes and other sources due to

⁹For more information on our objectives, scope, and methodology, see appendix I.

weakness in taxable corporate profits and by lower remittances to the Treasury from the Federal Reserve.¹⁰

Spending increases in 2017 were driven by Social Security (the Old-Age and Survivors Insurance and Disability Insurance programs), Medicare, Medicaid, and interest on debt held by the public. These spending increases were largely a result of the aging of the population and increasing health care costs rather than legislative changes to these programs. In its 2017 projections, CBO did not estimate significant spending increases for entitlement programs in the future from any new laws enacted during fiscal year 2017. Moving forward, spending on Social Security and these health programs is expected to continue to increase because of long-standing demographic and economic trends.¹¹ As discussed in the following sections of this report, these trends will affect the federal government's long-term fiscal path.

In recent years, Congress has taken actions that affected the growing debt and deficit. For example, according to the *2017 Financial Report*, the long-term fiscal outlook was improved by the limits on discretionary spending called for in the Budget Control Act of 2011 and the revenue increases resulting from the expiration of some tax provisions contained in the American Tax Payer Relief Act of 2012.¹² However, in its 2017 budget and economic outlook reports, CBO projected that legislation enacted during fiscal year 2017 increased the deficit that year and into the future. Specifically, CBO projected that legislation enacted from January 2017 through June 2017 increased the deficit by \$11 billion for fiscal year 2017 and by \$284 billion over the next 10 years (2018–2027). These increases were primarily due to the Consolidated Appropriations Act, 2017.¹³

¹⁰Congressional Budget Office, *Monthly Budget Review: Summary for Fiscal Year 2017* (Nov. 7, 2017).

¹¹The Medicare Trustees report issued in June 2018 shows the anticipated depletion date of the Hospital Insurance Trust Fund in 2026, 3 years earlier than in the 2017 Trustees' report, in part due to legislative changes that had the effect of lowering revenues and increasing spending.

¹²Pub. L. No. 112-25, 125 Stat. 240 (Aug. 2, 2011); American Taxpayer Relief Act of 2012, Pub. L. 112-240, 126 Stat. 2313 (Jan. 2, 2013).

¹³Pub. L. No. 115-31, 131 Stat. 136 (May 5, 2017).

After the end of fiscal year 2017, Congress and the President enacted the Tax Cuts and Jobs Act, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act, 2018.¹⁴ In its April 2018 budget and economic outlook report, CBO estimated that these legislative changes increased the projected deficit by \$271 billion for fiscal year 2018 and by \$2,656 billion over the next 10 years (2018–2027).¹⁵ Since these laws were enacted during fiscal year 2018, their effects are not included in the financial data or projected debt levels in the *2017 Financial Report*. Treasury discussed the Tax Cuts and Jobs Act in the subsequent events section, Note 25 of the *2017 Financial Report*. It included the Joint Committee on Taxation’s December 2017 estimate that the law will increase deficits by \$1.5 trillion from 2018 through 2027. It also stated that next year’s Statement of Long-Term Fiscal Projections in the Financial Report will incorporate the effects of the statute.

A more complete picture of the government’s fiscal results emerges from both the Budget of the United States Government and the Financial Report of the United States Government. The federal budget is the government’s primary financial planning and control tool and is largely cash based, with the deficit or surplus being the difference between receipts (cash received by the U.S. government) and outlays (payments made by the U.S. government). The Financial Report is a comprehensive overview of the government’s financial position and condition, including its revenues, costs, assets, and liabilities. Since the Financial Report is generally prepared on an accrual basis, it includes some items that are not in the budget. In the Financial Report, costs include amounts incurred but not necessarily yet paid and revenues include amounts the government earned but has not necessarily yet received. The excess of costs over revenues is the net operating cost.

In a trend similar to that of the budget deficit, net operating cost increased for the second consecutive year. Net operating cost increased by \$105.0 billion (10 percent) in fiscal year 2017, increasing from \$1.1 trillion in fiscal year 2016 to \$1.2 trillion in fiscal year 2017. The *2017 Financial Report* attributes this change to a \$128.8 billion (2.9 percent) increase in agency

¹⁴Pub. L. 115-97; Pub. L. No. 115-123; Pub. L. No. 115-141, 132 Stat. 348 (Mar. 23, 2018).

¹⁵At the time of this report, CBO has not yet released its 2018 long-term budget outlook report which includes its 30-year extended baseline projection. CBO plans to release its report on June 26, 2018. This report will provide further insight and context into the federal government’s long-term fiscal outlook.

net costs, which was offset slightly by a \$29.3 billion (0.9 percent) increase in tax and other revenues. The \$491 billion difference between the budget deficit and net operating cost is primarily a result of accrued costs related to increases in estimated federal employee and veteran benefits liabilities and certain other liabilities that are included in net operating cost but not the budget deficit. Over the past 5 fiscal years, the net operating cost has consistently been higher than the budget deficit.

The increase in net cost is the combined effect of many offsetting increases and decreases across the government. Every year, agencies that administer benefit plans perform complex actuarial computations that consider the effects of changes in assumptions and the effects of the current year actual experience. According to the *2017 Financial Report*, across the government, net actuarial losses from these changes in assumptions increased net costs by \$83.2 billion over fiscal year 2016. The largest losses were in the Department of Veterans Affairs (VA), the Office of Personnel Management, and the Department of Defense (DOD), all of which administer large benefit plans.

Consistent with the increase in spending discussed earlier, the Social Security Administration (SSA) (which administers the Social Security programs) and the Department of Health and Human Services (HHS) (which administers the Medicare and Medicaid programs) reported increases in net costs of about \$11.8 billion and \$17.0 billion, respectively. The *2017 Financial Report* reported interest on the debt was \$296 billion in fiscal year 2017, up from \$273 billion in fiscal year 2016. Nearly three-fourths of the fiscal year 2017 net costs of operating the federal government came from four agencies—HHS, SSA, VA, and DOD—and interest on debt held by the public.

As discussed in the *2017 Financial Report*, as of September 30, 2017, the federal government reported holding about \$3.5 trillion in assets (including \$1.3 trillion in net loans receivable—primarily student loans—and about \$1 trillion in net property, plant, and equipment) on its balance sheet. The federal government has resources beyond these assets, as noted in the *2017 Financial Report*, including

- stewardship assets (such as national parks), which are discussed in the notes to the financial statements, are generally expected to be preserved indefinitely, and are measured in physical units with no financial value assigned to them;

-
- certain oil and gas reserves, which are reported in the unaudited required supplementary information section;
 - the federal government's power to tax, which is not reflected in the financial statements as revenue until the federal government collects taxes or when it is agreed that taxes are owed; and
 - the ability to set monetary policy, which includes actions undertaken by the Federal Reserve System that influence the availability and cost of money and credit as a means of helping to promote national economic goals.

The *2017 Financial Report* also reported total liabilities of \$23.9 trillion as of September 30, 2017. These consisted mostly of \$14.7 trillion in federal debt securities held by the public and accrued interest, and \$7.7 trillion in federal employee and veteran benefits payable (\$2.5 trillion in civilian and \$5.2 trillion in military and veterans).

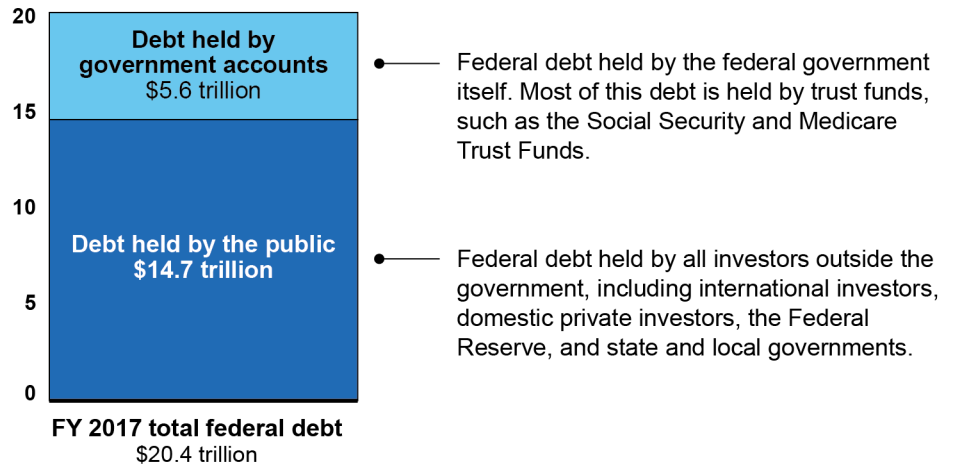
Federal Debt Increased in Fiscal Year 2017

Federal debt is made up of debt held by the public and debt held by government accounts (known as intragovernmental debt). As shown in figure 1, total debt rose to \$20.4 trillion during fiscal year 2017, an increase of \$0.7 trillion from fiscal year 2016, according to the *2017 Financial Report*. This change reflected an increase of intragovernmental debt from \$5.4 trillion to \$5.6 trillion and an increase in debt held by the public from \$14.2 trillion to \$14.7 trillion.

Figure 1: Fiscal Year 2017 Debt Held by the Public and Intragovernmental Debt

Dollars (in trillions)

25



Source: 2017 Financial Report. | GAO-18-299SP

Note: Figures do not sum to total due to rounding. Other examples of debt held by government accounts include the Office of Personnel Management’s Civil Service Retirement and Disability Fund and the Department of Defense’s Military Retirement Fund and Medicare-Eligible Retiree Health Care Fund.

Federal debt held by the public is the value of all federal securities sold to investors outside of the federal government. Debt held by the public increased from \$14.2 trillion at the end of fiscal year 2016 to \$14.7 trillion at the end of fiscal year 2017. Due to an increase in gross domestic product (GDP), debt held by the public as a share of GDP decreased slightly from 77 percent at the end of fiscal year 2016 to 76 percent at the end of fiscal year 2017.¹⁶ The annual deficit—\$666 billion for fiscal year 2017—generally represents the annual net change in the amount of federal government borrowing from the public (or debt held by the public). The fiscal year 2017 increase in debt held by the public of \$503 billion was less than the reported fiscal year 2017 federal deficit of \$666 billion primarily because of a decrease in the government’s cash balance (\$197

¹⁶GDP is the value of all goods and services produced within the borders of a country in a given period. It is measured quarterly by the Bureau of Economic Analysis within the Department of Commerce. For more information on the concept and how it is measured, see Bureau of Economic Analysis, *Measuring the Economy: A Primer on GDP and the National Income and Product Accounts*, accessed June 7, 2018 https://www.bea.gov/national/pdf/nipa_primer.pdf.

billion) that was partially offset by an increase in net non-cash loan and loan guarantee activity (\$41 billion).

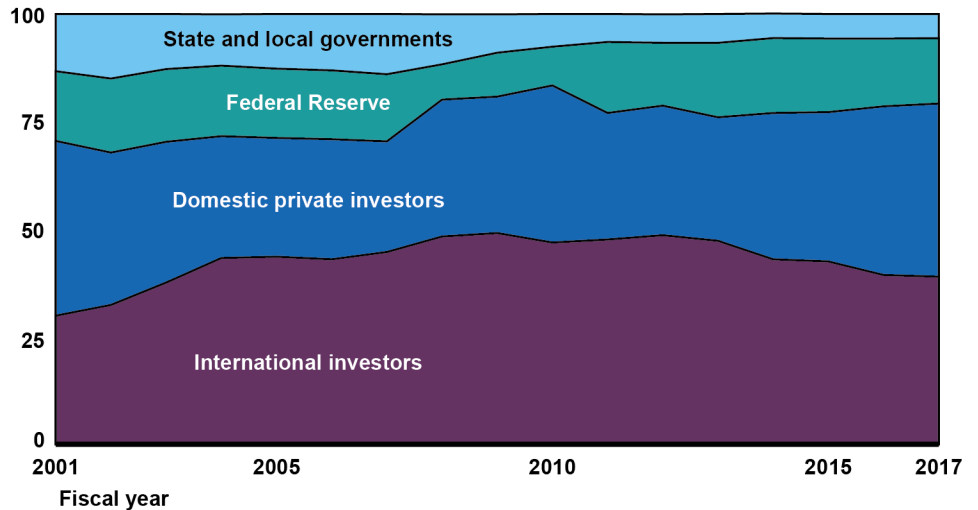
Over the longer term, debt held by the public as a share of GDP is expected to grow as a result of the structural imbalance between revenue and spending. Debt held by the public is reported as a liability on the consolidated financial statements of the U.S. government. Debt held by government accounts is debt owed by Treasury to another part of the government. It is an asset to those accounts but a liability to Treasury; they offset each other in the consolidated financial statements. However, when securities from intragovernmental debt are redeemed the federal government will need to obtain the resources to reimburse the government accounts, which could lead to increased debt held by the public.

Debt held by the public is owed to a wide variety of investors: international investors, domestic private investors, the Federal Reserve, and state and local governments. Ownership of debt held by the public has fluctuated annually since fiscal year 2001, as shown in figure 2.¹⁷ The largest overall change can be seen in the distribution between international investors and domestic private investors.

¹⁷For our analysis of trends in ownership of debt held by the public, we analyzed data from the Federal Reserve's *Financial Accounts of the United States*. Data from the Federal Reserve flow of funds report is indirectly based on data in the Treasury International Capital reporting system. Due to adjustments made before being published by the Bureau of Economic Analysis and Federal Reserve, these data will vary from the data as presented in the Treasury International Capital reporting system.

Figure 2: Distribution of Ownership of Debt Held by the Public, 2001–2017

Percentage of total debt held by the public



Source: GAO analysis of data from the Federal Reserve, Financial Accounts of the United States. | GAO-18-299SP

Note: Ownership information is estimated primarily because securities are continually resold among investors.

The share of debt held by the public by international investors was 39 percent at the end of fiscal year 2017, higher than the 30 percent held at the end of fiscal year 2001. This change reflects a number of factors, including persistent federal deficits, low domestic saving (which lowers domestic investment in Treasury securities), and the relative attractiveness of U.S. assets for investment. An economy open to international investment, such as the United States, essentially can “borrow” the surplus of savings of other countries to finance more investment than U.S. national saving would permit. The flow of foreign capital into the United States has gone into a variety of assets, including Treasury securities, corporate securities, and direct investment.

Long-Term Fiscal Projections Show the Federal Government Is on an Unsustainable Fiscal Path

The accrual-based financial statements in the Financial Report of the United States Government provide certain information not included in the cash-based budget, but neither alone provides a full picture of the government's long-term financial condition or fiscal outlook. Sustainability reporting is recommended by international governmental accounting standards and by other international organizations and is commonly used by governments internationally to assess the long-term sustainability of the government's fiscal policy.¹⁸ U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board¹⁹ require that the Financial Report of the United States Government include such a report on the long-term sustainability of the federal government's fiscal policies and its major social insurance programs (e.g., Social Security and Medicare).²⁰

The Statements of Long-Term Fiscal Projections included in the *2017 Financial Report* show that, absent policy changes, the federal government continues to face an unsustainable long-term fiscal path.²¹ For the 2017 projections, debt-to-GDP at the end of the 75-year projection period was higher than debt-to-GDP at the end of the 75-year projection in the 2016 and 2015 projections. Since these projections do not include the effects of legislation enacted after the end of fiscal year 2017 on the long-term budget outlook, the projected growth of the deficit and debt held by the public as a share of GDP will likely be accelerated

¹⁸See International Public Sector Accounting Standards Board Recommended Practice Guideline 1: *Reporting on the Long-Term Sustainability of an Entity's Finances* (July 2013). The International Monetary Fund includes fiscal sustainability reporting as one of the principles in its "Fiscal Transparency Code," an international standard for disclosure of information about public finances, (<http://www.imf.org/external/np/fad/trans/>). Also, see Organization for Economic Co-operation and Development *Government at a Glance 2013* (http://www.oecdilibrary.org/governance/government-at-a-glance-2013_gov_glance-2013-en).

¹⁹Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards 36: "Comprehensive Long-Term Projections for the U.S. Government", as amended.

²⁰The Statement of Long-Term Fiscal Projections presents, for all the activities of the federal government, the present value of projected receipts and non-interest spending under current policy without change, the relationship of these amounts to projected GDP, and changes in the present value of projected receipts and non-interest spending from the prior year.

²¹The projections in the *2017 Financial Report* do not reflect the effects of legislation enacted after September 30, 2017. The sustainability statements in the *2017 Financial Report* include the Statements of Long-Term Fiscal Projections and related information in Note 23 and in the unaudited Required Supplementary Information section of the report.

once the Tax Cuts and Jobs Act and other recent legislation are taken into account.²² Over the long term, the imbalance between spending and revenue that is built into current law and policy is projected to lead to continued growth of the deficit and debt held by the public as a share of GDP. This situation—in which debt grows faster than GDP—means the current federal fiscal path is unsustainable.

Under the *2017 Financial Report* projections, spending for the major health and retirement programs will increase more rapidly than GDP in coming decades, in part due to an aging population and projected continued increases in health care costs per beneficiary. These projections assume that the provisions enacted in the Patient Protection and Affordable Care Act (ACA) designed to slow the growth of Medicare costs are sustained and remain effective throughout the projection period.²³ They also reflect the effects of the Medicare Access and CHIP Reauthorization Act of 2015 (MACRA), which, among other things, revised the methodology for determining physician payment rates.²⁴ The key assumptions, including those underlying the Social Security and Medicare projections, are summarized within the *2017 Financial Report*.

The *2017 Financial Report*, however, notes it is uncertain that the government will achieve the scheduled reductions in annual Medicare payment rate growth for most categories of Medicare providers under the ACA's productivity adjustment provision and to the specified physician payment updates under MACRA. If the Medicare cost containment measures and the physician payment rate methodology in current law are not sustained over the long term—concerns expressed by the Trustees of the Medicare trust funds, the Centers for Medicare & Medicaid Services (CMS) Chief Actuary, CBO, and others—spending on federal health care programs will grow more rapidly than assumed in the projections. The extent to which actual future costs exceed the current law amounts due to such changes depends both on the specific changes that might be

²²The budget deficit projections in the *2017 Financial Report* show a slight improvement in the near term with the budget deficit falling below current levels for the next 5 years before resuming its upward trend in 2023.

²³ACA, Pub. L. No. 111-148, 124 Stat. 119 (Mar. 23, 2010), as amended by the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, 124 Stat. 1029 (Mar. 30, 2010).

²⁴MACRA, Pub. L. No. 114-10, title I, § 101, 129 Stat. 87, 89 (Apr. 16, 2015).

enacted and on whether such legislation would include further provisions to help offset such costs.²⁵

Both CBO and GAO also prepare long-term federal fiscal simulations which continue to show debt held by the public rising as a share of GDP over the long term.²⁶

- Similar to the *2017 Financial Report* projections, GAO's baseline extended simulation is based on achievement of the Medicare cost growth reductions expected under the ACA and MACRA provisions and is affected by the uncertainties discussed above.
- GAO's alternative simulation incorporates the CMS Actuary's 2017 illustrative alternative assumptions for Medicare along with other differing assumptions.²⁷

The *2017 Financial Report*, CBO, and GAO each use somewhat different assumptions in their long-term fiscal projections, but their results are the

²⁵The *2017 Financial Report* also includes an illustrative Medicare Trust Fund projection using alternative assumptions intended to provide context regarding the long-term sustainability of the Medicare program and to illustrate the uncertainties in the *2017 Financial Report*. (See <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/2017TRAlternativeScenario.pdf>.) As discussed in the *2017 Financial Report*, the bottom line of the illustrative Medicare Trust Fund projection exceeds the \$33.5 trillion estimate in the 2017 Statement of Social Insurance by \$12.0 trillion. The significant uncertainties about projected reductions in health care cost growth also affect the projected Medicare costs reported in the Statement of Long-Term Fiscal Projections. As a result of these significant uncertainties and a material weakness in internal control, we were unable to provide an opinion on the sustainability statements in the *2017 Financial Report*.

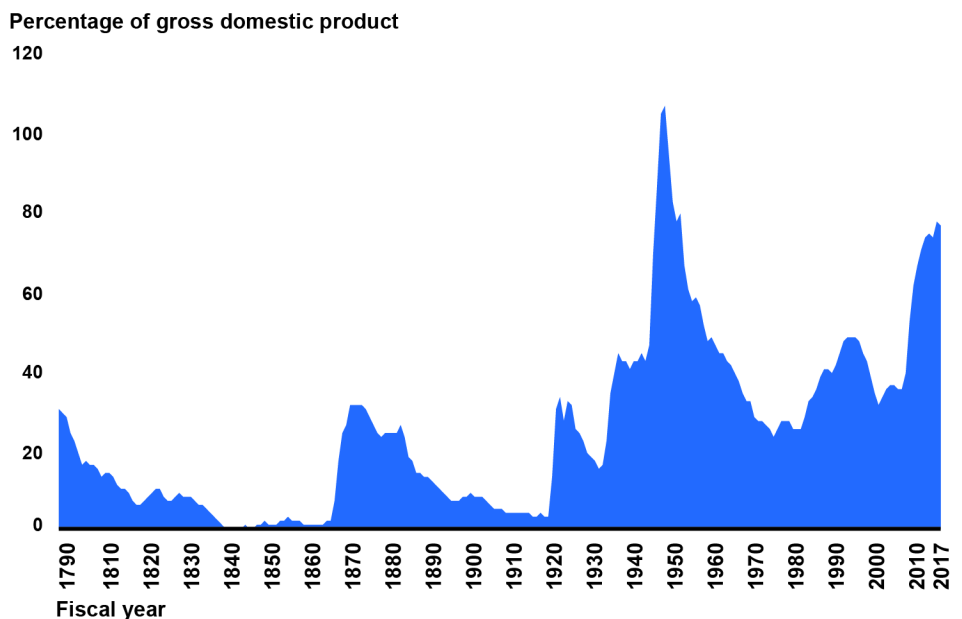
²⁶GAO prepares both a baseline extended and an alternative simulation of the next 75 years. The *2017 Financial Report's* projections go out 75 years. In its long-term budget outlook report, which was last updated in March 2017, CBO discussed the impact of different assumptions on its long-term extended baseline projection over the next 30 years. In its April 2018 budget and economic outlook report, CBO included the effects of legislation enacted after the end of fiscal year 2017 on deficits over the next 10 years. GAO, *America's Fiscal Future: Projecting the Future of the Federal Debt*, accessed June 7, 2018, https://www.gao.gov/americas_fiscal_future?t=fiscal_forecast. CBO, *The 2017 Long-Term Budget Outlook* (Mar. 30, 2017). CBO, *The Budget and Economic Outlook: 2018 to 2028* (Apr. 9, 2018).

²⁷GAO's alternative simulation incorporates the CMS Actuary's 2017 alternative projections for health care cost growth, which assume certain cost controls under the ACA and MACRA are not maintained over the long term. GAO's alternative simulation also assumes that tax provisions that are scheduled to expire are extended.

same: absent policy changes, the federal government’s fiscal path is unsustainable.

The dollar value of debt is difficult to interpret absent some sense of the size of the economy supporting it. Therefore, the ratio of debt-to-GDP is used throughout the world to gauge a country’s ability to pay its debt. The *2017 Financial Report* notes that for most of the nation’s history the debt-to-GDP ratio tended to increase during wartime and decline during peacetime. Historically, recessions have contributed to increases in this ratio, but the ratio has declined with economic recovery. This pattern is visible in figure 3. Debt as a share of GDP peaked at 106 percent just after World War II (in 1946) but then fell rapidly. However, as the *2017 Financial Report* notes, debt as a share of GDP grew rapidly from the mid-1970s until the early 1990s. In the 1990s, strong economic growth and a number of fiscal decisions including implementation of “Pay-As-You-Go” rules generated a significant decline in this ratio to 31 percent in 2001.

Figure 3: Federal Debt Held by the Public



Source: GAO analysis of Congressional Budget Office data and *2017 Financial Report*. | GAO-18-299SP

Since then, as the figure shows, U.S. debt held by the public has grown considerably as a percentage of GDP. The *2017 Financial Report* states that during the first decade of the 21st century, Pay-As-You-Go rules

were allowed to lapse, significant tax cuts were enacted, entitlements were expanded, and spending related to defense and homeland security increased. In September 2008, the debt-to-GDP ratio was 39 percent of GDP. The extraordinary demands of the last economic and fiscal crisis and the consequent actions taken by the federal government, combined with slower economic growth in the wake of the crisis, pushed the debt-to-GDP ratio up to 74.4 percent for fiscal year 2014. The ratio declined slightly during fiscal year 2015 to 73.8 percent despite a slight increase in borrowing to finance the deficit, but then increased to 77 percent during fiscal year 2016 and was 76 percent at the end of fiscal year 2017. Since 1946, the debt-to-GDP ratio has averaged 45 percent.

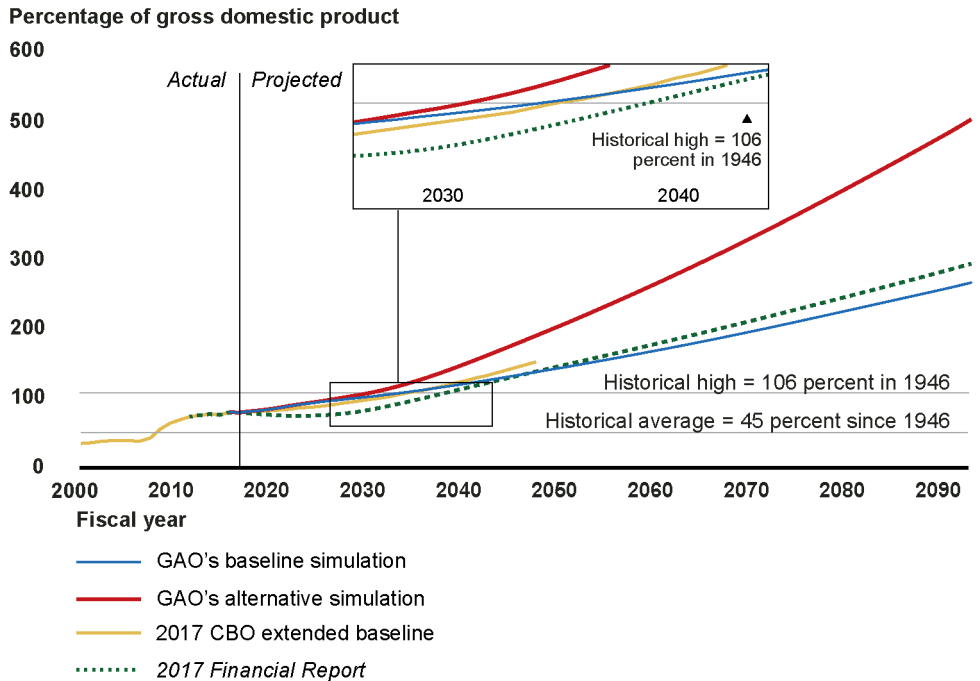
Figure 4 shows that debt held by the public as a share of GDP grows substantially in the *2017 Financial Report* projections, GAO's baseline extended and alternative simulations, and CBO's long-term extended baseline projection. The *2017 Financial Report* projections show debt held by the public surpassing the historical high of 106 percent of GDP by 2039. Under GAO's baseline simulation, debt held by the public as a share of GDP would surpass 106 percent by 2034 and under GAO's alternative simulation, by 2031.²⁸ CBO's 2017 long-term extended baseline projection shows debt held by the public surpassing that level by 2035.²⁹ Although CBO's long-term extended baseline projections have not yet been updated to reflect recent tax and spending legislation, CBO did incorporate them into its April 2018 budget and economic outlook report for 2018 to 2028. In this April report, CBO's alternative scenario projection has the debt-to-GDP ratio reaching 105 percent by 2028.

The timing and pace of debt-to-GDP growth depend on underlying assumptions made in the projections and simulations, largely regarding health care costs, but all of them show that absent a change in policy, debt would be greater than the size of the U.S. economy. The debt-to-GDP ratio would surpass its historical high of 106 percent within 14 to 22 years and would continue to grow after that point.

²⁸These dates are one to two years earlier than GAO's 2017 long-term simulations, included in [GAO-17-237SP](#).

²⁹At the time of this report, CBO has not yet released its 2018 long-term budget outlook report which includes its 30-year extended baseline projection. CBO plans to release its report on June 26, 2018. This report will provide further insight and context into the federal government's long-term fiscal outlook.

Figure 4: Debt Held by the Public Under Projections from the 2017 Financial Report, the Congressional Budget Office (CBO), and GAO



Sources: GAO, Congressional Budget Office, and 2017 Financial Report. | GAO-18-299SP

Note: Only GAO's simulations include the effects of legislation enacted after September 30, 2017. At the time of this report, CBO is updating its long-term extended baseline projection. GAO's baseline extended simulation and CBO's March 2017 long-term extended baseline projection begin by using CBO estimates and generally assume current law continues into the future. The 2017 Financial Report projections assume that individual income taxes increase gradually as real taxable incomes rise over time and an increasing share of total income is taxed at higher tax brackets, while GAO's baseline extended simulation assumes that revenue remains a constant share of gross domestic product. GAO's alternative simulation generally reflects historical trends, such as the extension of tax expenditures scheduled to expire, and incorporates the Centers for Medicare and Medicaid Services Office of the Actuary's 2017 illustrative alternative assumptions for health care cost growth, which assume cost controls under the Patient Protection and Affordable Care Act and the Medicare Access and CHIP Reauthorization Act of 2015 are not maintained over the long term and projected health care costs substantially increase. Each simulation has its own GDP projections, which affects the projected debt-to-GDP ratios.

Changes from legislation or executive action can have significant effects on long-term projections of fiscal sustainability of the federal government. For example, the Tax Cuts and Jobs Act, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act, 2018 increased the

projected debt-to-GDP ratio in GAO's simulations.³⁰ Further, in its April 2018 budget and economic outlook report, CBO estimated that recently enacted laws—primarily the Tax Cuts and Jobs Act, the Bipartisan Budget Act of 2018, and the Consolidated Appropriations Act, 2018—will increase deficits by \$2.7 trillion between 2018 and 2027.³¹ According to CBO, federal deficits are projected to reach \$1 trillion in 2020 and average \$1.2 trillion per year from 2019 to 2028. Future policy decisions about levels of federal spending, revenues, the federal role in the delivery of health care, and other areas could also change the projections going forward.

These projections of increasing debt run counter to a global trend reported by the International Monetary Fund (IMF). Overall deficits among countries with advanced economies have been falling since 2012. With global economic growth strengthening in recent years and the expectation that it will continue strengthening in the near term, the IMF predicts that most countries with advanced economies will reduce their debt-to-GDP ratios over the next 5 years.³²

Many of the long-term fiscal pressures, such as rising health care costs, faced by the federal government are also faced by state and local governments in the United States. This can be seen in GAO's simulations of the long-term fiscal outlook in the state and local government sector. These pressures will affect future federal funding of intergovernmental programs and the potential capacity of state and local governments to help fund and implement these programs.³³ GAO's most recent simulations suggest that the state and local government sector could continue to face a gap between revenue and spending over the next 46

³⁰The *2017 Financial Report* does not reflect the effects of these laws since they were enacted after September 30, 2017. At the time of this report, CBO has not yet updated its long-term extended baseline projection.

³¹CBO's projections also show that the cumulative deficit increase is offset in part by the effects of revisions to its economic forecast, which led to \$1.0 trillion in reductions to projected deficits. This reduction is almost entirely because of increased projections of revenues, about half of which is attributable to the macroeconomic feedback related to Tax Cuts and Jobs Act.

³²International Monetary Fund, *Fiscal Monitor: Capitalizing on Good Times* (Washington, D.C.: April 2018).

³³GAO, *America's Fiscal Future: Fiscal Forecast: State and Local Fiscal Projections*, accessed June 7, 2018, https://www.gao.gov/americas_fiscal_future?t=fiscal_forecast#state_and_local_projection.

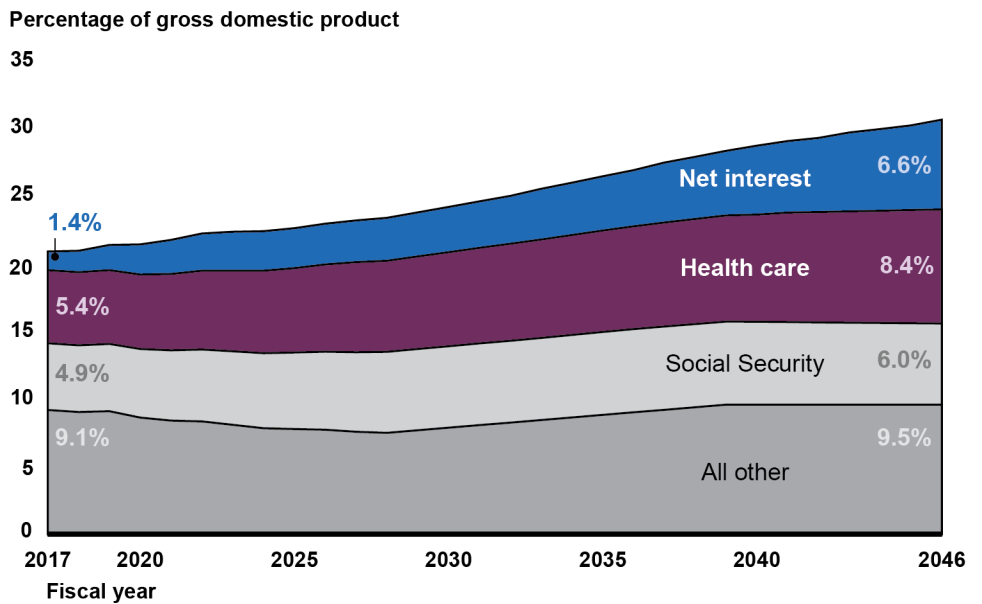
years. Since most state and local governments are required to balance their operating budgets, the fiscal conditions indicated by GAO's simulations continue to suggest that the sector would need to make policy changes to avoid fiscal imbalances before then. Most likely, addressing these imbalances would involve some combination of both expenditure reductions and revenue increases. GAO's simulations assume that the current set of policies in place across state and local government and the provision of real government services per capita remain relatively constant. GAO's state and local government sector simulations do not reflect the effects of legislation enacted after September 30, 2017.

Health Care Spending and
Net Interest Remain Key
Drivers of Long-Term
Federal Spending

The *2017 Financial Report's* long-term fiscal projections, CBO's long-term projection, and GAO's long-term simulations all show that federal spending on health care programs and interest on debt held by the public (net interest) are the key drivers of growing spending in the long term (see figure 5).³⁴

³⁴Net interest is primarily interest paid on debt held by the public. It is part of current outlays (spending) by the government (and appears as an outlay in the budget). Interest paid represents the cost of servicing the debt held by the public.

Figure 5: Drivers of Long-Term Federal Spending



Source: GAO. | GAO-18-299SP

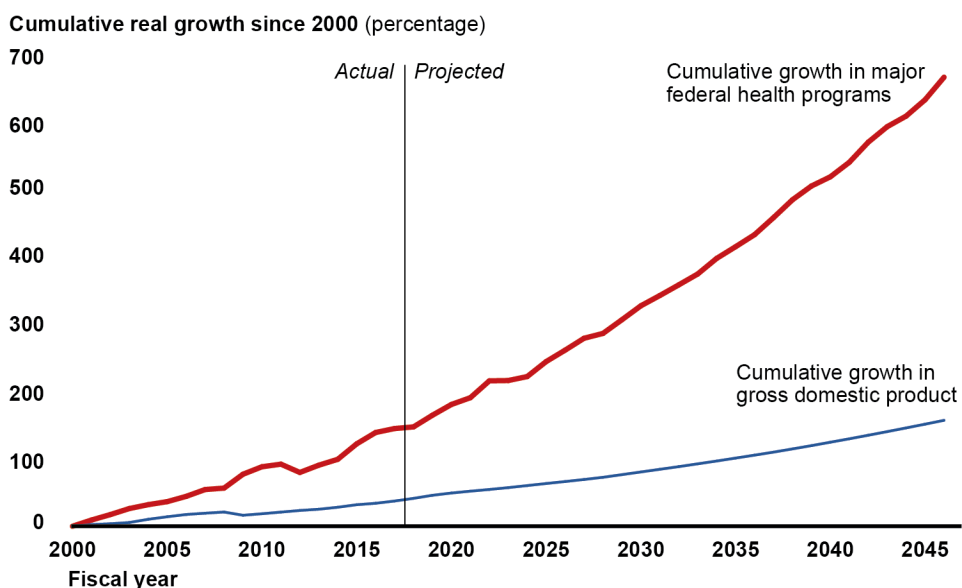
Note: Data based on GAO's 2018 alternative simulations. GAO's simulation holds discretionary spending and other mandatory spending constant as a share of gross domestic product in the long term. Health care spending on major health care programs consists of Medicare, Medicaid, exchange subsidies, and the Children's Health Insurance Program.

GAO's simulations show these drivers will continue to increase in the coming years. In GAO's alternative simulation, federal spending on major health care programs increases from \$1 trillion in fiscal year 2017 to \$2.9 trillion in fiscal year 2046 in 2017 dollars. In addition, net interest increases from \$263 billion in fiscal year 2017 to \$2.3 trillion in fiscal year 2046 in 2017 dollars, according to GAO's alternative simulation. Similarly, CBO's April 2018 budget and economic outlook report projects that increased costs in Medicare, Social Security, and net interest will account for more than two-thirds of the approximately \$3 trillion increase in total federal spending over the next 10 years.

Total health care spending (public and private) in the United States continues to grow faster than the economy. As figure 6 shows, growth in federal spending for health care programs, which accounts for more than a quarter of total health care spending, has exceeded the growth of GDP historically and is projected to continue to grow faster than the economy. These health care programs include Medicare, Medicaid, and the Children's Health Insurance Program, along with federal subsidies for

health insurance purchased through the marketplaces established by the ACA and related spending.

Figure 6: Federal Spending on Major Health Care Programs Grows Faster Than GDP



Source: GAO analysis of Congressional Budget Office data. | GAO-18-299SP

Note: Cumulative growth in both gross domestic product (GDP) and federal spending on major health care programs has been adjusted for inflation. GDP is the value of all goods and services produced in a country in a given year. Major federal health programs include Medicare, Medicaid, the Children's Health Insurance Program, and federal subsidies for health insurance purchased through the marketplaces established by the Patient Protection and Affordable Care Act and related spending.

Both the *2017 Financial Report* and CBO note that growth in Medicare and Medicaid spending were key contributors to the increase in federal spending in 2017. According to CBO, in fiscal year 2017, total outlays net of offsetting receipts were \$595 billion for Medicare and \$375 billion for Medicaid. CBO reported that total net outlays increased by 3.9 percent for Medicare and 1.7 percent for Medicaid between fiscal year 2016 and fiscal year 2017. CBO also reported that Medicaid spending increased 41 percent from fiscal years 2014 to 2017, largely because 31 states and the District of Columbia expanded eligibility for their Medicaid programs under the ACA which increased the number of people receiving Medicaid

benefits.³⁵ Federal spending also increased by \$8 billion (or 27 percent) in 2017 for subsidies for health insurance purchased through the exchanges under the provisions of the ACA.

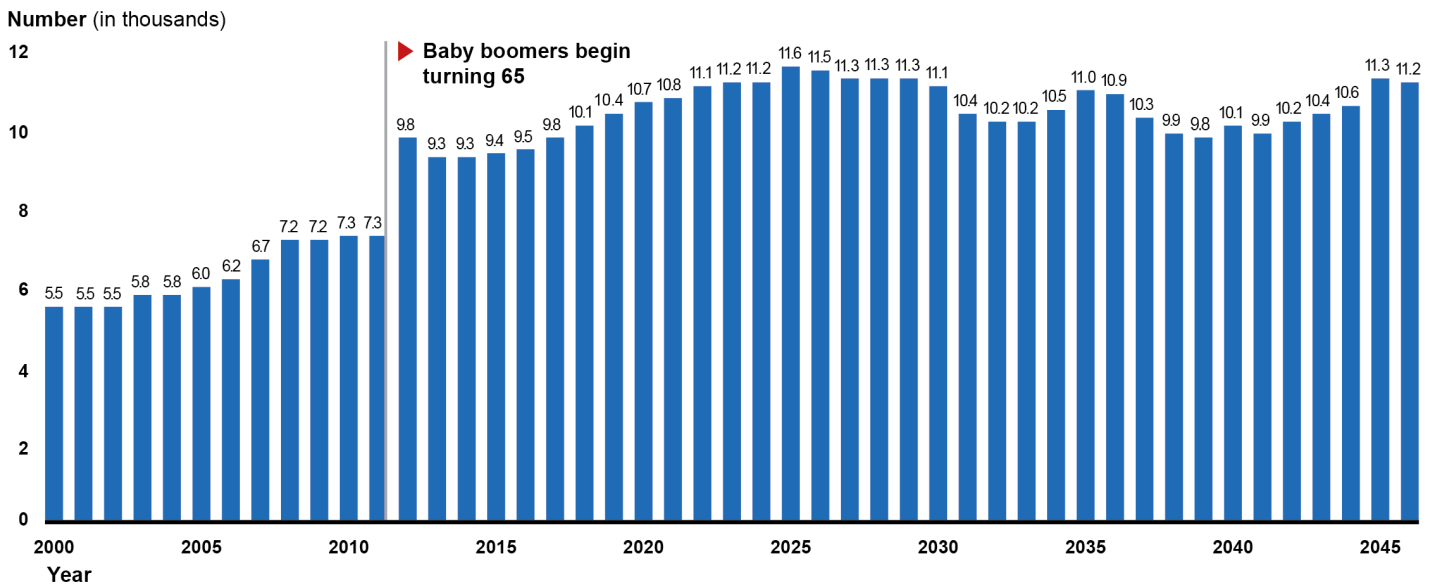
In the long term, growth in federal spending on health care is driven by increasing enrollment stemming primarily from the proportion of the population that is aging and by the increase in health care spending per beneficiary.

- **Aging population.** Enrollment in the Medicare program has grown and is expected to continue to grow as the number of people age 65 and older increases (see figure 7). Most importantly, in its 2017 long-term budget outlook report, CBO projected that the population will become older, on average, with 22 percent of the population being age 65 or older by 2047, compared with 15 percent in 2017. Increases in life expectancy also contribute to an increase in the number of Medicare beneficiaries. In its June 2018 report, the Medicare Trustees reported that Medicare had over 58 million beneficiaries in 2017 and estimated that number would climb to 75 million in 2027.³⁶ The Medicaid program will also be affected by the aging population. In February 2018, CMS projected that Medicaid spending will increase an average of 6.1 percent annually from 2021 through 2026, partially due to the increasingly larger share of the Medicaid population who are aged and disabled.

³⁵Virginia recently enacted legislation approving an expansion of the state's Medicaid program, and voters in Maine approved a ballot measure to expand Maine's Medicaid program. Expansions in these states will not take effect until the states submit plans to CMS to expand their programs and CMS approves the expansion plans.

³⁶In addition to most individuals 65 years of age and older, Medicare beneficiaries also include individuals under age 65 who are receiving benefits from Social Security or the Railroad Retirement Board on the basis of a disability, and those having end stage renal disease.

Figure 7: Daily Average Number of People Turning 65



Source: GAO analysis of U.S. Census Bureau information. | GAO-18-299SP

Note: Census data estimates of population are as of July 1 in each year.

- Per beneficiary spending.** The amount of money spent on health care per person has historically risen faster than per capita economic output and is projected to do so in the future. In the past several years, health care spending per person grew more slowly than it has historically, but CBO, the Medicare Trustees, and the *2017 Financial Report* project that spending per enrollee in federal health care programs will grow more rapidly over the coming decade than it has in recent years. Various factors can affect per beneficiary spending, such as the emergence of new medical procedures and treatments.

Increased health care spending for Medicare and Medicaid will continue to place a strain on the federal budget in the near and the long term. For example, in its April 2018 budget and economic outlook report, CBO projects that Medicare spending net of offsetting receipts will reach \$1.26 trillion in 2028. In its March 2017 long-term budget outlook report, CBO estimated that Medicare spending net of offsets will grow to 6.1 percent of GDP in 2047. In their June 2018 report, the Medicare Trustees project that Medicare’s Hospital Insurance Trust Fund will be depleted by 2026 with income projected to cover only 91 percent of all hospital-related Medicare spending. The CMS Office of the Actuary projected that

Medicaid expenditures will total \$958 billion by 2025 (3.4 percent of GDP), of which \$588 billion will be federal expenditures.³⁷

CBO also projects in its April 2018 budget and economic outlook that costs for people receiving federal subsidies for health insurance purchased through the exchanges and related spending under the provisions of the ACA will rise from \$58 billion in 2018 to \$91 billion by 2028.³⁸ In its March 2017 long-term budget outlook report, CBO estimated that combined spending on Medicaid, the Children's Health Insurance Program, and subsidies for health insurance purchased through the exchanges under the provisions of the ACA will rise from 2.4 percent of GDP in 2017 to 3.2 percent of GDP in 2047.

Health care spending is a key programmatic and policy driver of the long-term outlook on the spending side of the budget. Eventually, however, spending on net interest is projected to become the largest category of spending over the long term in both the *2017 Financial Report's* long-term fiscal projections and GAO's simulations.³⁹ Under GAO's alternative simulation, spending on net interest accounts for 6.6 percent of total spending in 2017 and grows to become the largest category of spending by 2059. It is projected to be almost 41 percent of total spending by 2091 (see table 2).

³⁷The Department of Health and Human Services, Centers for Medicare & Medicaid Services, Office of the Actuary, *2016 Actuarial Report on the Financial Outlook for Medicaid*, (Washington, D.C.: 2017).

³⁸This estimate is lower than prior CBO projections due to the elimination of the individual health insurance mandate in the Tax Cuts and Jobs Act, which CBO projects will result in fewer people enrolling in health insurance through an exchange and, thus, a reduction in federal subsidies provided for that coverage.

³⁹CBO's projections in its 2017 long-term budget outlook report also show net interest growing as a percentage of total spending. However, since CBO's 2017 extended baseline projections only go out to 2047, the cost of net interest does not quite overtake other categories in the projection period.

Table 2: Net Interest in Dollars and as a Percent of Total Federal Spending

Net interest	Fiscal year 2017	Fiscal year 2046	Fiscal year 2059	Fiscal year 2091
Nominal dollars, billions	263	4,167	10,407	74,966
As a percent of total federal spending	6.6	21.6	28.1	40.8

Source: GAO. | GAO-18-299SP

Note: Data based on GAO's 2018 alternative simulation.

Growth in interest payments occurs for two main reasons:

- **Growing debt.** As the debt held by the public grows, greater interest payments would result than would otherwise exist with less debt.
- **Growth in interest rates.** In recent years interest rates on Treasury securities have remained low, so interest costs have been low. However, CBO and others project those interest rates will rise in the short and long term, increasing the net interest costs on the debt.

Over the near and long term, increased interest rates would have a compounding effect on debt. In its April 2018 budget and economic outlook, CBO projects that over the next 10 years spending on net interest will grow more quickly than any other component of the budget.⁴⁰ CBO also notes that the Tax Cuts and Jobs Act will increase federal deficits and therefore increase federal borrowing and interest rates. CBO projects that by 2028 net outlays for interest will be roughly triple what they are this year in nominal terms and roughly double when measured as a percentage of GDP (from 1.6 percent of GDP in 2018 to 3.1 percent in 2028). CBO estimates that in 2018 alone the government's net interest costs will increase by \$53 billion, or 20 percent, to \$316 billion. In contrast, CBO projects that discretionary spending will decline in relation to the size of the economy. CBO projects that by 2028 the government will spend more on net interest than it will spend on either defense or nondefense discretionary outlays.

As previously discussed, the interest rates on Treasury securities are a primary driver of rising interest costs. In CBO's April 2018 budget and economic outlook report, CBO projects that interest rates on both 3-

⁴⁰GAO's long-term simulations follow CBO's budget and economic outlook projections through 2028. The details on projected interest rate growth are incorporated into GAO's 2018 long-term simulations.

month Treasury bills and 10-year Treasury notes will increase (see table 3).

Table 3: Congressional Budget Office (CBO) Projections of Interest Rates, Fiscal Years 2017–2028

Interest rates (percent)	2017	2021	2028	2017-2028 average
3-month Treasury bills	0.7	3.8	2.8	2.8
10-year Treasury notes	2.3	4.2	3.7	3.6

Source: CBO's April 2018 Budget and Economic Outlook. | GAO-18-299SP

Net interest costs will depend in part on the outstanding mix of Treasury securities, which include bills, notes, and bonds. Treasury issues securities in a wide range of maturities to appeal to the broadest range of investors and seeks to accomplish “lowest cost financing over time” in the way it manages debt issuance.⁴¹ Longer-term securities typically carry higher interest rates but offer the government the ability to “lock in” fixed interest payments over a longer period and reduce the amount of debt that Treasury needs to refinance in the short term. In contrast, shorter-term securities generally carry lower interest rates. They also play an important role in financial markets. For example, investors use Treasury bills to meet requirements to buy financial assets maturing in a year or less. However, shorter-term securities add uncertainty to the government’s interest costs and require Treasury to conduct more frequent auctions to refinance maturing debt.

As of September 30, 2017, 59 percent of marketable Treasury securities held by the public were scheduled to mature and be refinanced in the next 4 years—potentially at higher interest rates.⁴² As the *2017 Financial Report* notes, each year trillions of dollars of debt mature and new debt is issued in its place. In fiscal year 2017, new borrowings were \$8.7 trillion, and repayments of maturing debt held by the public were \$8.2 trillion.

⁴¹GAO, *Debt Management: Floating Rate Notes Can Help Treasury Meet Borrowing Goals, but Additional Actions Are Needed to Help Manage Risk*, [GAO-14-535](#) (Washington, D.C.: June 16, 2014).

⁴²GAO, *Financial Audit: Bureau of the Fiscal Service’s Fiscal Years 2017 and 2016 Schedules of Federal Debt*, [GAO-18-134](#) (Washington, D.C.: Nov. 9, 2017).

Social Security Is Projected to Pose Significant Financial Challenges

Social Security has remained the bedrock of retirement security—insuring workers against the loss of income because of retirement, death, or disability. Social Security provides benefits to about 60 million older Americans, survivors, dependents, and individuals with disabilities and their families. It has helped reduce poverty among its beneficiaries, many of whom rely on Social Security for the majority of their income.⁴³ According to Treasury’s September 2017 Monthly Treasury Statement, Social Security paid more than \$934 billion in Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) program benefits in fiscal year 2017. However, demographic factors, such as an aging population and slower labor force growth, are straining Social Security programs and contributing to a gap between program costs and revenues.

For many years Social Security’s revenues exceeded program costs and the programs built up reserves in the two trust funds: one for the retirement program (OASI) and one for the DI program. By law the Social Security trust funds must invest in interest-bearing federal government securities.⁴⁴ During the period over which the Social Security trust funds received more in revenue than they paid out in benefits, these excess revenues were invested in federal government securities, reducing the amount that had to be borrowed from the public to finance other federal programs.

However, starting in 2005 for the DI Trust Fund and in 2010 for the OASI Trust Fund, this situation reversed as Social Security began paying out more in benefits than it receives in non-interest revenue.⁴⁵ Absent any changes, the trust funds are projected to deplete their assets and have insufficient income to pay benefits in full on a timely basis. Current Trustee projections indicate that the DI Trust Fund will deplete its assets by 2032 with income sufficient to pay only 96 percent of scheduled benefits, while the OASI Trust Fund will deplete its assets by 2034 with

⁴³GAO, *The Nation’s Retirement System: A Comprehensive Re-evaluation Is Needed to Better Promote Future Retirement Security*, [GAO-18-111SP](#) (Washington, D.C.: Oct. 18, 2017).

⁴⁴The Social Security Act requires that trust fund assets be invested in interest-bearing obligations of the United States, or in obligations guaranteed as to both principal and interest by the United States. We are using the term “federal government securities” to refer to these obligations.

⁴⁵According to the Social Security Trustees, in 2016 and 2017 non-interest income and total income for the DI Trust Fund exceeded benefit payments due primarily to the temporary reallocation of the payroll tax rate from OASI to DI for years 2016 through 2018.

income sufficient to pay only 77 percent of scheduled benefits.⁴⁶ While action will be needed in any case, acting soon would allow any adjustments to be smaller and spread across more generations of participants and be phased in so that affected individuals could have time to adjust their retirement planning.

Action Is Needed to Address an Unsustainable Fiscal Path

CBO has noted that large and growing amounts of federal debt held by the public over the coming decades would have negative long-term consequences for the economy and would constrain future budget policy. In particular, the projected amounts of debt would

- reduce national saving and income in the long term;
- increase the government's interest costs, putting more pressure on the rest of the budget;
- limit lawmakers' ability to respond to unforeseen events;
- and increase the likelihood of a financial crisis.

The *2017 Financial Report* makes similar points that while national debt can at times play a role in facilitating a healthy economy, economic theory suggests that high levels of national debt may contribute to higher interest rates leading to lower private investment and a smaller amount of stock issued by companies to assist economic growth. It also notes that one of the goals of fiscal policy is to manage the national debt so that it is not a burden to future generations. A sustainable policy is one where the debt-to-GDP ratio is stable or declining over the long term.

To change the long-term fiscal path, policymakers will need to consider policy changes to the entire range of federal activities, both revenue and spending (entitlement programs, other mandatory spending, discretionary spending). One way to quantify the magnitude of the needed policy changes is by calculating the fiscal gap. The fiscal gap represents the difference between revenue and program spending (i.e., spending other than interest payments) that would need to be closed immediately and

⁴⁶These projections are from *The 2018 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* and reflect the Trustees' intermediate assumptions. Because the future is uncertain, the Trustees use three sets of assumptions to show a range of possible outcomes. The Trustees' intermediate assumptions represent the Trustees' best estimate of the trust funds' future financial outlook. The Trustees also present estimates using low cost and high cost sets of assumptions.

permanently to hold debt as a share of GDP at the end of a given period the same as at the beginning of the period.

Closing the gap requires reductions in programmatic spending, increases in revenue, or, more likely, a combination of the two.⁴⁷ To illustrate this, one can calculate what it would take to maintain the debt held by the public as a share of GDP at the end of the 75-year projection period at its fiscal year 2017 level of 76 percent:

- Under GAO's alternative simulation, the fiscal gap over the 75-year projection period could be closed by cutting programmatic spending immediately and permanently by 27 percent or by increasing revenue immediately and permanently by 37 percent.
- Under GAO's baseline extended simulation, the fiscal gap could be closed by cutting programmatic spending immediately and permanently by 13 percent or by increasing revenue immediately and permanently by 15 percent.
- Under the *2017 Financial Report* projections, the fiscal gap could be closed by cutting programmatic spending immediately and permanently by 9 percent or by increasing revenue immediately and permanently by 10 percent.

The *2017 Financial Report*, CBO, and GAO all make the point that the longer action is delayed, the greater and more drastic the changes will have to be, placing an additional burden on future generations.

Debt Limit Is Not a Control on Debt: Alternative Approach Is Needed

In taking action to change the federal government's long-term fiscal path, it will be important for Congress to consider alternative approaches for managing the level of debt. As currently structured, the debt limit—a legal limit on the amount of federal debt that can be outstanding at one time—does not restrict Congress and the President's ability to enact spending and revenue legislation that affects the level of debt; nor does it otherwise constrain fiscal policy.⁴⁸ Rather, the debt limit is an after-the-fact measure; the spending and tax laws that result in debt have already been enacted. In other words, the debt limit restricts Treasury's authority to

⁴⁷Programmatic spending (also referred to as non-interest spending) includes both discretionary spending and mandatory spending other than interest on the debt.

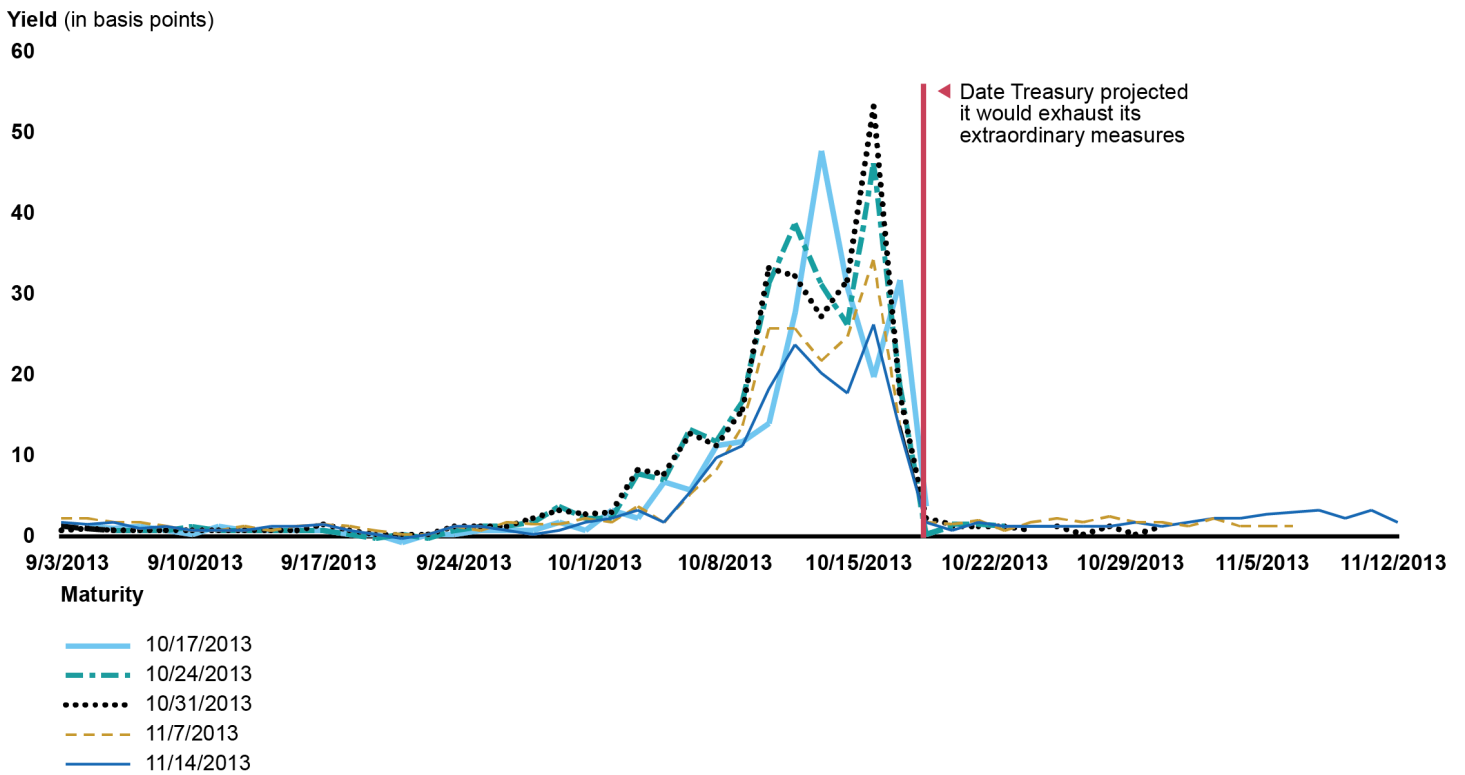
⁴⁸GAO, *Debt Limit: Delays Create Debt Management Challenges and Increase Uncertainty in the Treasury Market*, [GAO-11-203](#) (Washington, D.C.: Feb. 22, 2011).

borrow to finance the decisions already enacted by Congress and the President.

U.S. Treasury securities play a vital role in the U.S. and global financial markets to a great extent because of their large, liquid, and transparent market and because investors are confident that debt backed by the full faith and credit of the United States government will be honored. Because Treasury securities are seen as one of the safest assets in the world, they are broadly held by individuals—including in pension funds or mutual funds—and by institutions and central banks for use in everyday transactions. Treasury securities serve as a close substitute for cash for financial institutions and corporate treasurers, are one of the cheapest and most widely used forms of collateral for financial transactions, and are the basis for pricing many financial products, such as corporate bonds, derivatives, and mortgages.

One cannot overstate the importance of preserving the confidence that investors have that debt backed by the full faith and credit of the United States government will be honored. Failure to increase (or suspend) the debt limit in a timely manner could have serious negative consequences for the Treasury market and increase borrowing costs. In 2011 and 2013, there was uncertainty around whether the debt limit would be raised, which led to increases in borrowing costs. As figure 8 shows, in 2013, secondary market yields on Treasury bills increased as a result of the impasse.

Figure 8: Secondary Market Yields on Treasury Bills Maturing in Late October through Mid-November 2013



Source: GAO analysis of Bloomberg data. | GAO-18-299SP

Note: The Department of the Treasury (Treasury) refers to extraordinary actions as extraordinary measures. They are actions Treasury takes as it nears the debt limit to avoid exceeding that limit.

During the 2013 impasse, investors also reported taking the unprecedented action of systematically avoiding certain Treasury securities—those that matured around the dates when Treasury projected it would exhaust the extraordinary actions.⁴⁹ When we interviewed investors in July 2017, they indicated that they were monitoring the debt limit impasse at the time and were preparing to take similar actions. For these securities, interest rates increased dramatically and liquidity declined in the secondary market where securities are traded among

⁴⁹Extraordinary actions are the actions Treasury takes as it nears the debt limit to avoid exceeding that limit. These actions are not part of Treasury’s normal cash and debt management operations. For more information, see GAO, *Debt Limit: Market Response to Recent Impasses Underscores Need to Consider Alternative Approaches*, GAO-15-476 (Washington, D.C.: July 9, 2015).

investors. The impasse also disrupted short-term financing and other markets.

Market participants interviewed for our 2015 debt limit report and in July 2017 told us that market reactions to future impasses could be even more severe. Investors told us that they are prepared to take steps—similar to those taken in 2013—to systematically avoid certain Treasury securities during future impasses. In addition, there have been changes in market practices since the financial crisis and investors have developed contingency plans.

In December 2017, Treasury began taking extraordinary actions to continue funding government activities until the debt limit was addressed. The Bipartisan Budget Act of 2018 temporarily suspended the debt limit from February 9, 2018, through March 1, 2019.⁵⁰ At that time, if no further legislation is enacted, Treasury again will have to take extraordinary actions to continue funding government activities until the debt limit is addressed.

If the level of publicly held debt or its share of GDP is to be used as a fiscal management tool to change the long-term fiscal path, it needs to be considered as part of overall budget decisions at the time those decisions are being made. A long-term fiscal plan is needed to put the government on a sustainable fiscal path. Such a step would provide a focus on the fiscal impacts of budget decisions and would avoid the negative impacts of debt limit impasses.

In July 2015, based on a forum with experts in the field, we reported on options for Congress to delegate its borrowing authority and better align decisions about the level of debt with decisions on spending and revenue and minimize disruption to the market. We identified three potential approaches to delegating borrowing authority:

- Option 1: link action on the debt limit to the budget resolution.
- Option 2: provide the administration with the authority to propose a change in the debt limit that would take effect absent enactment of a joint resolution of disapproval within a specified time frame.

⁵⁰Section 30301 of Division C, “Temporary Extension of the Public Debt Limit,” of the Bipartisan Budget Act of 2018, Pub. L. No. 115-123, div. C, tit. III, § 30301, 132 Stat. 64 (Feb. 9, 2018), temporarily suspended the statutory debt limit.

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- Option 3: delegate broad authority to the administration to borrow as necessary to fund enacted laws.⁵¹

All options maintain congressional control and oversight over federal borrowing. We did not endorse a specific option but we did recommend that Congress consider alternative approaches that better link decisions about the debt limit with decisions about spending and revenue at the time those decisions are made.

Some of the experts at our forum also supported replacing the debt limit with a fiscal rule imposed on spending and revenue decisions. The federal government has enacted such fiscal rules in the past. For example, the Budget Control Act of 2011 enacted limits on discretionary spending, which are enforced by additional spending cuts if those limits are breached (known as a sequester). Congress could consider additional fiscal rules to frame and control the overall results of spending and revenue decisions as part of a broader, long-term plan to put the government on a more sustainable fiscal path. In contrast to the debt limit, fiscal rules are intended to influence decisions about spending and revenue as those decisions are made. According to economic literature, fiscal rules place a constraint on fiscal policy by implementing numerical limits on the budget and have been used at both the national and supranational level in an effort to promote fiscal responsibility and sustainability.

Research by experts at the IMF and the Organization for Economic Co-operation and Development (OECD) identifies several types of fiscal rules as having the potential to contribute to fiscal sustainability. Some countries use only one type of fiscal rule, while others have combined several fiscal rules. Using the OECD and IMF categorization, table 4 shows four of the types of fiscal rules they identified, describes each and provides an illustrative example of a nation's use of that type of rule.⁵² Further analysis would be required to determine how to design an appropriate rule or combination of rules for the United States, but looking at the design and application by other countries can be helpful.

⁵¹More detail about these ideas and a discussion of the advantages and challenges to each can be found in [GAO-15-476](#).

⁵²These examples are provided only as illustrations of the types of rules. Further analysis would be required to enumerate the implementation specifics and evaluate their effectiveness in promoting fiscal sustainability.

Table 4: Types of Fiscal Rules and Illustrative Examples

Type of rule ^a	Description	Illustrative examples from other countries
Budget balance rule	Constrains deficit levels and specifies that the debt-to-gross domestic product (GDP) ratio converges to a defined finite level.	Switzerland adopted a budget balance rule in its constitution in 2003 to stabilize the level of public debt by maintaining expenditure targets consistent with the annual budget.
Debt rule	Sets an explicit limit or target for public debt as a percentage of GDP.	New Zealand combines a debt rule, which sets a target debt to GDP level, with a budget balance rule.
Revenue rule	Sets ceilings or floors on revenues and aims to increase revenue collection or prevent excessive tax burdens.	France uses a revenue rule that sets binding minimum targets for the net impact of new revenue measures. An independent body monitors implementation of the rule.
Expenditure rule	Limits spending, typically in absolute terms or growth rates and occasionally as a percent of GDP.	Israel's expenditure rule has helped maintain fiscal stability by limiting how fast government spending may grow. An independent fiscal body monitors the rule.

Source: GAO analysis of the Organization for Economic Co-operation and Development (OECD) and International Monetary Fund (IMF) reports. | GAO-18-299SP

^aTypes of rules are identified by the OECD and IMF. Researchers at the OECD identify an additional type of rule, but we chose to highlight the four rules that both organizations have in common.

Using fiscal rules in combination may address shortcomings of any one individual rule. According to the IMF, as of 2015, more than 70 countries have combined two or more fiscal rules, and most countries that use fiscal rules today have more than one in place. For example, at the supranational level, the European Union's (EU) stability and growth pact combines an expenditure rule, budget balance rule, and a debt rule, which are designed to ensure that countries in the EU pursue sound public finances and coordinate their fiscal policies. The pact permits sanctions against member states that fail to comply with these fiscal rules. In recent years, however, several EU nations have struggled to meet the targets set forth in the agreement.

Economic literature also notes that mechanisms can be designed to help fiscal rules strike a balance between flexibility and enforceability. For example, many fiscal rules include escape clauses which allow for a level of flexibility in responding to events like recessions or natural disasters. Other fiscal rules include features such as independent fiscal councils, which are institutions that can help formulate and implement sound fiscal policy, and constitutional mandates, which enshrine the rule in a country's constitution with the intent of making it more difficult to reverse or abandon the rules. Some countries choose to use automatic correction mechanisms, which are designed to trigger automatically to respond to past deviations from a rule. For example, the IMF and OECD pointed out that Switzerland's budget balance rule created a threshold for deficit

spending. If the amount of deficit spending exceeds the threshold, the excess must be eliminated within the next 3 years.

At the national level, researchers at the IMF have identified Lithuania as a country that combines all four types of rules with selected flexibility and enforceability mechanisms. For example, both its expenditure rule and budget balance rule contain escape clauses and are enshrined in the country's constitution. Since 2015 an independent fiscal council has monitored the implementation of all four fiscal rules. As a member of the EU, Lithuania is also subject to the fiscal rules in the EU's stability and growth pact.

International economic organizations have found that fiscal rules are associated with successful efforts to stabilize debt. Empirical evidence, however, suggests that while fiscal rules may improve balance sheets, the correlation between fiscal rules and reductions in the debt-to-GDP ratio is weaker. In general, observers and budget experts have noted that success depends not only on effective enforcement of fiscal rules but on a sustained commitment by both policymakers and the public.

Experts and observers have also noted several trade-offs associated with fiscal rules. For example, fiscal rules may limit the ability to increase spending in response to adverse events. Some experts believe that fiscal rules may also undermine credibility or transparency, if governments try to subvert the rules through creative accounting.

It is unlikely that any of the rules we highlighted could be adopted by the United States without adaptation to reflect the priorities of the nation and its economic situation. An understanding of other countries' approaches to help improve their fiscal health as well as the strengths and challenges of the U.S. government's efforts to address its own fiscal health, such as the Budget Control Act of 2011 and similar proposals, offer a basis for discussion.

Fiscal Risks Place Additional Pressure on the Federal Budget

None of the long-term projections include certain fiscal risks that could affect the federal government's financial condition in the future.⁵³ Fiscal risks or fiscal exposures are responsibilities, programs, and activities that may legally commit or create expectations for future federal spending based on current policy, past practices, or other factors. A more complete understanding of fiscal risks can help policymakers anticipate changes in future spending and can enhance oversight of federal resources.⁵⁴ Fiscal risks include the following examples:

- The Pension Benefit Guaranty Corporation's (PBGC) financial future is uncertain because of long-term challenges related to PBGC's governance and funding structure. PBGC's liabilities exceeded its assets by almost \$76 billion as of the end of fiscal year 2017—an increase of about \$40 billion from the end of fiscal year 2013 (see figure 9).⁵⁵ PBGC reported that it is subject to potential further losses of \$252 billion if plan terminations occur that are considered reasonably possible. PBGC's single-employer program covers defined benefit pension plans that generally are sponsored by one employer, while the multiemployer program is a pension plan created through a collective bargaining agreement between employers and a union. The multiemployer program protects over 10 million workers and retirees in about 1,400 pension plans and the single-employer program protects about 30 million workers and retirees in about 22,500 pension plans. While the single-employer program's financial condition is likely to improve over the next 10 years, the multiemployer program faces serious challenges and is likely to run out of money by the end of fiscal year 2025.⁵⁶

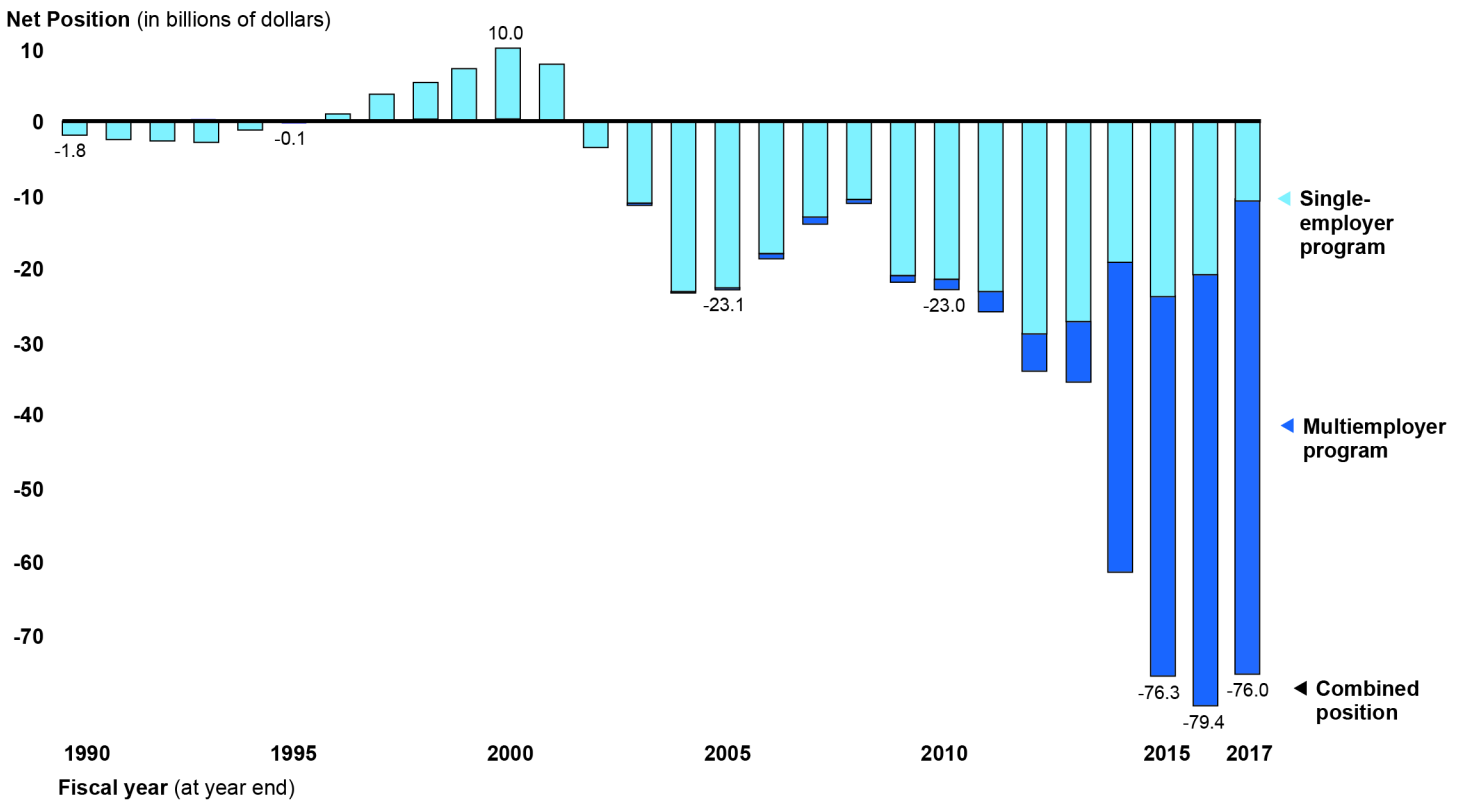
⁵³The *2017 Financial Report* discusses various contingencies where the government may face the need for additional spending.

⁵⁴See our infographic on federal fiscal risks at <https://www.gao.gov/assets/670/668649.pdf>.

⁵⁵[GAO-18-316R](#).

⁵⁶In May 2018, PBGC released its *FY 2017 Projections Report* which stated that the agency projected a very high likelihood of insolvency during fiscal year 2025 and a near certainty of insolvency in fiscal year 2026. The report updated the agency's earlier projections and showed the single employer insurance program is expected to reach a \$20.1 billion surplus by fiscal year 2027, while its multi-employer insurance program is projected to reach a \$68 billion deficit by fiscal year 2027. See PBGC, *FY 2017 Projections Report*, (Washington, D.C.: May 31, 2018). The Bipartisan Budget Act of 2018 created a Joint Select Committee on Solvency of Multiemployer Pension Plans, which is to issue a report before the end of calendar year 2018. Pub. L. 115-123, Div. C, Title IV, Subtitle A, § 30422.

Figure 9: The Pension Benefit Guaranty Corporation's Net Position Is Unstable



Source: Pension Benefit Guaranty Corporation financial data. | GAO-18-299SP

- In 2008, during the financial crisis, the federal government placed the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac) under conservatorship and entered into preferred stock purchase agreements with these government-sponsored enterprises (GSE) to help ensure their financial stability. These agreements could affect the federal government's financial position. At the end of fiscal year 2017, the federal government continued to report about \$93 billion of investments in the GSEs, which is net of about \$102 billion in valuation losses. The GSEs paid Treasury cash dividends of \$25.3 billion and \$11.5 billion during fiscal years 2017 and 2016, respectively. The reported maximum remaining contractual commitment to the GSEs, if needed, is \$258.1 billion. Importantly, the ultimate role of the GSEs in the mortgage market could affect the financial condition of the Federal Housing Administration, which in the

past expanded its lending role in distressed housing and mortgage markets.

- The U.S. Postal Service (USPS) continues to be in poor financial condition. The fiscal year 2017 net loss of \$2.7 billion marked its 11th consecutive year of net losses—totaling \$65.1 billion. USPS's business model continues to put it at risk of not being able to sufficiently fund its services and financial obligations.⁵⁷
- Since 2001 Congress has provided about \$1.8 trillion in appropriations to fund overseas contingency operations.⁵⁸ We reported in January 2017 that the Department of Defense's (DOD) overseas contingency operations budget request has included amounts for contingency operations primarily in Iraq and Afghanistan, but more recently has included amounts for other activities, such as efforts to deter Russia and reassure U.S allies and partners.⁵⁹ DOD has acknowledged that some of its overseas contingency operations costs could be enduring once current combat operations cease. At the time of our report, officials with DOD's Office of the Under Secretary of Defense (Comptroller) said the estimate of enduring costs was between \$20 to 30 billion, but DOD continues to evaluate and revise this estimate, which might be closer to the higher end of that range.

We recommended that DOD, in collaboration with OMB, re-evaluate and revise the criteria for determining what can be included in DOD's overseas contingency operations budget requests, but DOD has yet to take action. We also recommended that DOD develop a complete and reliable estimate of its enduring overseas contingency operations costs to report in future budget requests. As of May 2018, DOD

⁵⁷GAO, U.S. Postal Service's Financial Viability – High Risk Issue, accessed on June 7, 2018, http://www.gao.gov/key_issues/us_postal_service_financial_viability/issue_summary.

⁵⁸DOD defines "contingency operations" as small-, medium-, or large-scale military operations, including support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts. Appropriated amounts designated for overseas contingency operations that would otherwise exceed the annual limits established for defense spending will instead result in an adjustment to the overall defense spending limit established for a particular fiscal year, and will not trigger a sequestration, which is an automatic cancellation of budgetary resources provided by discretionary appropriations or direct spending laws. These funds were designated for the Global War on Terror from 2001 to 2009, and from 2009 to the present these funds have been designated for overseas contingency operations.

⁵⁹GAO, *Overseas Contingency Operations: OMB and DOD Should Revise the Criteria for Determining Eligible Costs and Identify the Costs Likely to Endure Long Term*, GAO-17-68 (Washington, D.C.: Jan. 18, 2017).

provided information indicating it was taking steps to implement this recommendation. For example, it had received direction from OMB to develop a plan for the fiscal year 2020 President's budget to shift the enduring costs in the overseas contingency operations budget to the base budget on a one-for-one basis. The remaining overseas contingency operations budget will fund only those costs directly associated with combat operations. In its budget justification materials for fiscal year 2019, DOD estimated the funds that would be shifted from the overseas contingency operations to the base budget request ranged from \$53.0 billion to \$45.8 billion from fiscal years 2020 through 2023.

- Some government insurance programs such as the National Flood Insurance Program have not collected sufficient premiums or do not have sufficient dedicated resources to cover expected costs without borrowing from Treasury.⁶⁰ As of the end of fiscal year 2017, the Federal Emergency Management Agency (FEMA), which administers the National Flood Insurance Program, owed \$30.4 billion to Treasury for money borrowed to pay claims and other expenses, including \$1.6 billion borrowed following a series of floods in 2016. We have reported that FEMA was unlikely to collect enough in premiums in the future to repay this debt.⁶¹ In response to the disaster assistance needed as a result of the hurricane season in 2017, in October 2017 Congress and the President enacted the Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, which, among other things, canceled \$16 billion of FEMA's debt to Treasury for the National Flood Insurance Program.⁶²
- Climate change is considered by many to be a complex, crosscutting issue that poses risks to many environmental and economic systems and presents a significant financial risk to the federal government.⁶³

⁶⁰We have suggested an alternative way to record insurance commitments in the budget such that the federal government's commitment would be more fully recognized. See GAO, *Fiscal Exposures: Improving Cost Recognition in the Federal Budget*, [GAO-14-28](#) (Washington, D.C.: Oct. 29, 2013).

⁶¹GAO, *Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience*, [GAO-17-425](#) (Washington, D.C.: Apr. 27, 2017).

⁶²Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2017, Pub. L. No. 115-72, 131 Stat. 1224 (Oct. 26, 2017).

⁶³GAO, *Limiting the Federal Government's Fiscal Exposure by Better Managing Climate Change Risks - High Risk Issue*, accessed on June 7, 2018, https://www.gao.gov/key_issues/limiting_federal_government_fiscal_exposure/issue_summary?from=topics.

Over the past 20 years, the federal government has spent billions of dollars to address climate-related risks in the areas of climate change research, technology, international assistance, and adaptation as reported by OMB. In its reports to Congress, OMB reported that annual federal climate change funding increased by \$4.4 billion from fiscal years 2010 through 2017.⁶⁴ However, we have found that reported funding increased over time but was not aligned with strategic priorities because there was no coherent government-wide approach for addressing climate change. Further, we found that more complete information on programs with fiscal exposures—such as disaster assistance—whose costs were likely to increase due to climate change, would help policymakers understand the long-term effects of decisions and make trade-offs between spending with long-term and short-term benefits. Coordination and planning are critical to effective and efficient efforts.

- The nation’s surface transportation system—roads, rails, ports, and public transit—is critical to the economy and affects the daily lives of most Americans. However, the system is under growing strain and costs to repair and upgrade it to meet current and future demands are estimated in the hundreds of billions of dollars at a time when traditional funding sources are eroding. The Highway Trust Fund, the principal source of federal surface transportation funding, is increasingly unable to maintain current spending levels for highway and transit programs.⁶⁵ Spending is projected to exceed revenues after 2020. In April 2018, CBO estimated that \$119 billion in additional funding would be required to maintain current spending levels plus inflation from 2021 through 2028.

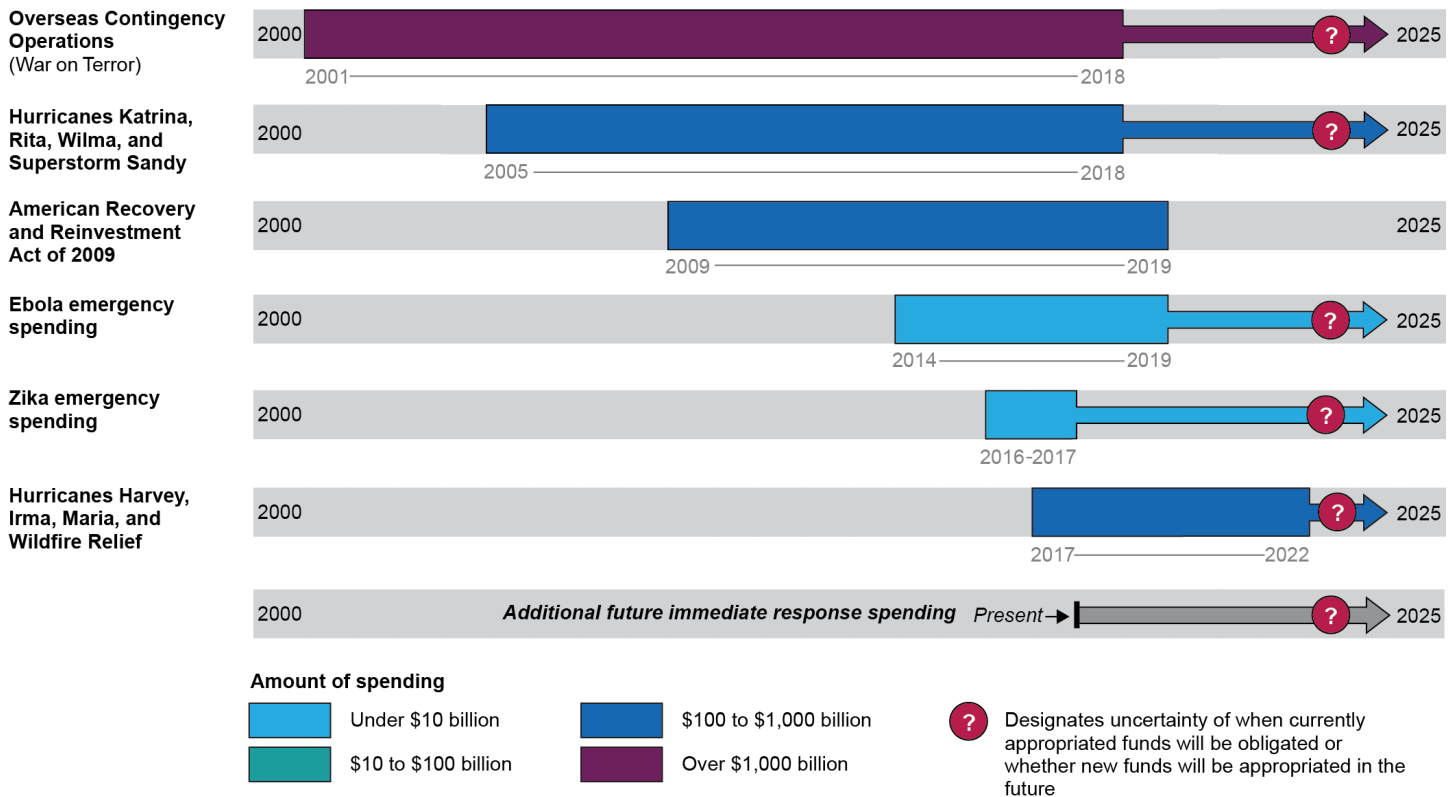
Citizens also look to the federal government for assistance when crises happen and immediate federal action is expected. This can take the form of expectations for large, additional amounts of federal spending. These expectations have come in part from the way the government has responded to crises in the past. Recent examples of responses to events include federal funding provided after Hurricanes Harvey, Irma, and Maria, and wildfire relief. The federal government is expected to respond quickly, often in an ad hoc manner, as events occur. Figure 10 provides

⁶⁴GAO, *Climate Change: Analysis of Reported Federal Funding*, [GAO-18-223](#) (Washington, D.C.: Apr. 30, 2018).

⁶⁵GAO, *High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

some illustrative examples of resource allocation for such events as well as the length of time over which the resources were allocated.

Figure 10: Illustrative Examples of Immediate Response Spending



Source: GAO analysis of legislation and Federal Emergency Management Agency, Congressional Research Service, Department of Homeland Security, Department of the Treasury, Centers for Disease Control and Prevention, and Congressional Budget Office data. | GAO-18-299SP

Note: Spending ranges are approximate and based on budget estimates as well as reported agency obligations and appropriations.

These crises often cannot be predicted and are difficult to budget for. According to the Congressional Research Service, the federal budget does contain some funds for disaster response through the Disaster Relief Fund; however, this fund often is insufficient to respond to the number and scope of natural disasters, and it is not typically used as a funding source for other types of unforeseen events such as wars, financial crises, cyberattacks, or health pandemics.

Executive Agencies Have Opportunities to Contribute Toward Fiscal Health

Changes in spending and revenue to ensure long-term fiscal sustainability require legislative actions to alter fiscal policies, but in our prior work we have identified numerous actions for executive agencies to contribute toward a more sustainable fiscal future. It is important for agencies to act as stewards of federal resources, but executive actions alone cannot put the U.S. government on a sustainable fiscal path.

Reduce Improper Payments: Agencies Need to Curtail Billions in Improper Payments

Improper payments—payments that should not have been made or that were made in an incorrect amount—have consistently been a government-wide issue.⁶⁶ Since fiscal year 2003—when certain agencies were required by statute to begin reporting estimated improper payments for certain programs and activities—cumulative improper payment estimates have totaled about \$1.4 trillion.

For fiscal year 2017, the total of federal entity reported improper payment estimates was about \$141 billion. This figure was down from about \$144 billion for fiscal year 2016 but up from about \$137 billion for fiscal year 2015. For fiscal year 2017, the total of federal entity reported improper payment estimates was comprised of 90 programs across 21 agencies. Of those federal programs, 15 reported improper payment estimates

⁶⁶We have reported improper payments as a material weakness in internal control in our audit reports on the U.S. government's consolidated financial statements. See [GAO-18-316R](#). Under the Improper Payments Information Act of 2002, as amended, an improper payment is statutorily defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. See 31 U.S.C. § 3321 note. OMB guidance also provides that when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an improper payment.

greater than \$1 billion and 17 programs reported estimated improper payment rates of 10 percent or greater.⁶⁷

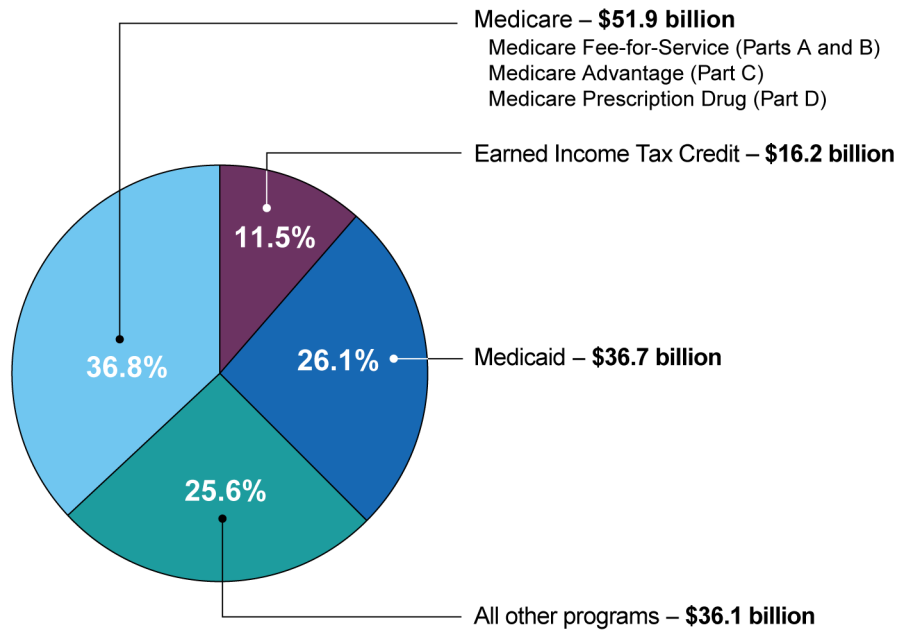
As shown in figure 11, Medicare programs, Medicaid, and the Earned Income Tax Credit account for about 74.4 percent of the total of federal entity reported improper payment estimates for fiscal year 2017.⁶⁸ The total of the reported estimates for the three Medicare programs was \$51.9 billion for fiscal year 2017, down from \$59.7 billion for fiscal year 2016. This reduction was primarily attributable to a reduction in estimated improper payments for the Medicare Fee-for-Service program in fiscal year 2017. The Department of Health and Human Services' (HHS) reported in its fiscal year 2017 annual financial report the reduction in estimated Medicare Fee-for-Service improper payments was driven by a reduction in improper payments for home health and inpatient rehabilitation facility claims. Federal spending for Medicare programs and Medicaid is expected to significantly increase, so it is especially critical to take appropriate measures to reduce improper payments in these programs.⁶⁹

⁶⁷The 15 programs and activities with reported improper payment estimates greater than \$1 billion in fiscal year 2017 were the (1) HHS's Medicaid, (2) HHS's Medicare Fee-for-Service, (3) Department of the Treasury's Earned Income Tax Credit, (4) HHS's Medicare Advantage, (5) Department of Veterans Affairs' (VA) VA Community Care, (6) Social Security Administration's (SSA) Supplemental Security Income, (7) Department of Labor's Unemployment Insurance, (8) Department of Education's (Education) Direct Loan, (9) SSA's Old-Age, Survivors, and Disability Insurance program, (10) Education's Pell Grant, (11) VA's Purchased Long-Term Services and Support, (12) Department of Agriculture's School Lunch, (13) VA's Prosthetics, (14) HHS's Medicare Prescription Drug, and (15) HHS's Children's Health Insurance Program.

⁶⁸The fiscal year 2017 annual estimate of improper payments is attributable to 90 programs and activities, a decrease of 23 programs and activities from fiscal year 2016. The reduction in the number of programs and activities that reported improper payment estimates was mostly attributable to programs and activities that received funding under the Disaster Relief Appropriations Act of 2013, Pub. L. No. 113-2, div. A. 127 Stat. 4 (Jan. 29, 2013) (DRAA).

⁶⁹For more information on our work on Medicare and Medicaid improper payments and our recommendations for how to address this issue, see GAO, *High-Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, [GAO-17-317](#) (Washington, D.C.: Feb. 15, 2017).

Figure 11: Improper Payment Estimates Were Concentrated in Three Areas in Fiscal Year 2017



Source: GAO analysis of agencies' fiscal year 2017 data. | GAO-18-299SP

To address the issue of improper payments, agencies should first identify the root causes of improper payments and then implement internal controls aimed at both prevention and detection. However, the government's ability to understand the scope of the issue is hindered by incomplete, unreliable, or understated estimates; risk assessments that may not accurately assess the risk of improper payment; and noncompliance with criteria listed in federal law. For example, 27 federal programs and activities determined to be at risk for improper payments did not report estimates of improper payments for fiscal year 2017, including the Premium Tax Credit, Temporary Assistance for Needy Families, and the Supplemental Nutrition Assistance Program. In addition, DOD lacks quality assurance procedures to ensure the completeness and

accuracy of the payment populations from which it develops estimates.⁷⁰ Further, various inspectors general reported their respective federal entities had deficiencies related to compliance with the criteria listed in the Improper Payments Elimination and Recovery Act of 2010 for fiscal year 2016.⁷¹ Our work has identified a number of strategies and specific actions agencies can take to reduce improper payments, which could yield significant savings, and help ensure that taxpayer funds are adequately safeguarded.⁷²

Address the Persistent Tax Gap: Opportunities to Increase Revenues Require Strategies on Multiple Fronts

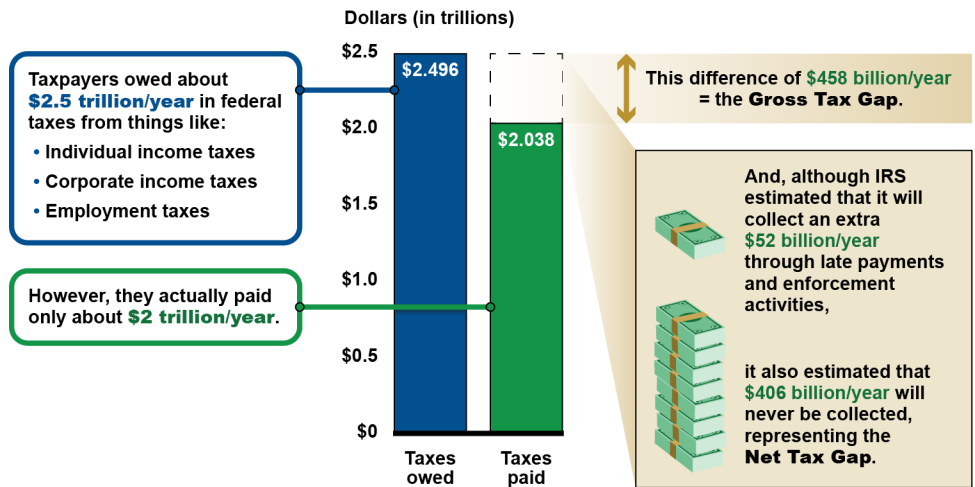
The tax gap is the difference between tax amounts that taxpayers should pay and what they actually pay voluntarily and on time. According to the Internal Revenue Service (IRS), the estimated size of the annual gross tax gap is \$458 billion for tax years 2008 through 2010. IRS also estimated it would recover \$52 billion through enforcement actions and late payments. This resulted in an annual net tax gap of \$406 billion (see figure 12). Given the size of the tax gap, even modest reductions would yield significant financial benefits and help improve the government's fiscal position.

⁷⁰In May 2013, we reported on major deficiencies in DOD's process for estimating fiscal year 2012 improper payments in the Defense Finance and Accounting Service Commercial Pay program, including deficiencies in identifying a complete and accurate population of payments; see GAO, *DOD Financial Management: Significant Improvements Needed in Effort to Address Improper Payment Requirements*, GAO-13-227 (Washington, D.C.: May 13, 2013). The foundation of reliable statistical sampling estimates is a complete, accurate and valid population from which to sample. As of May 2018, DOD's efforts to establish and implement key quality assurance procedures to ensure the completeness and accuracy of sampled populations were still under development.

⁷¹The most recent inspectors general reports on compliance with the criteria listed in the Improper Payments Elimination and Recovery Act were issued in 2017 for fiscal year 2016.

⁷²For more information on our work on improper payments and related recommendations, see GAO, *Reducing Government-wide Improper Payments*, accessed June 14, 2018, http://www.gao.gov/key_issues/reducing_government-wide_improper_payments/issue_summary.

Figure 12: IRS's Annual Average Tax Gap Estimate for Tax Years 2008–2010



Source: Internal Revenue Service (IRS). | GAO-18-299SP

The tax gap arises when taxpayers, whether intentionally or inadvertently, fail to (1) accurately report tax liabilities on tax returns (underreporting), (2) pay taxes due from filed returns (underpayment), or (3) file a required tax return altogether or on time (non-filing). Underreporting accounted for 84 percent of the tax gap across tax years 2008 to 2010.

This issue has been on our High-Risk List since its inception in 1990. Addressing the tax gap will require strategies on multiple fronts. Key factors that contribute to the tax gap include limited third-party reporting, challenges with customer service, and tax code complexity. For example, the extent to which individual taxpayers accurately report their income is correlated with the extent to which the income is reported to them and IRS by third parties. Where there is little or no information reporting, such as with business income, taxpayers tend to significantly misreport their income.

Our work has identified a number of strategies and specific actions Congress and agencies can take to reduce the tax gap. For example, in 2017, we recommended that IRS develop and document a strategy that outlines how IRS will use data to update compliance strategies that could help address the tax gap.⁷³ Given that the tax gap has been persistent

⁷³GAO, *Tax Gap: IRS Needs Specific Goals and Strategies for Improving Compliance*, GAO-18-38 (Washington, D.C.: Oct. 31, 2017).

across different types of taxes and taxpayers, reducing it will be a challenging task requiring action on multiple fronts.⁷⁴ Therefore, we have previously made recommendations to IRS aimed at enhancing taxpayer services, determining resource allocation strategies for its enforcement efforts, and collecting more data on noncompliance, among others.⁷⁵ Many of these recommendations have not yet been fully implemented by IRS. We have also previously suggested targeted legislative actions such as expanding third-party information reporting, enhancing electronic filing, and regulating paid preparers.⁷⁶

Continue to Address Duplication, Overlap, and Fragmentation: Agencies Have the Potential to Achieve Billions in Financial Benefits for the Government

Since 2011, we have reported on federal programs, agencies, offices, and initiatives that have duplicative goals or activities as well as opportunities to achieve greater efficiency and effectiveness that result in cost savings or enhanced revenue collection. In our eight annual reports from 2011 through 2018, we presented about 300 areas and 798 actions for Congress or executive branch agencies to reduce, eliminate, or better manage fragmentation, overlap, or duplication; achieve cost savings; or enhance revenue. Actions taken by Congress and the executive branch on these issues have resulted in roughly \$125 billion in financial benefits from fiscal years 2010 through 2017, with at least an additional \$53 billion in estimated benefits projected to be accrued in 2018 or later. As of March 2018, about 52 percent of the actions were fully addressed, about

⁷⁴For more information on our work on the tax gap and our recommendations, see GAO, *Enforcement of Tax Laws – High Risk Issue*, accessed on June 14, 2018, http://www.gao.gov/key_issues/tax_laws/issue_summary.

⁷⁵See GAO, *2016 Filing Season: IRS Improved Telephone Service but Needs to Better Assist Identity Theft Victims and Prevent Release of Fraudulent Refunds*, [GAO-17-186](#) (Washington, D.C.: Jan. 31, 2017); *Partnerships and S Corporations: IRS Needs to Improve Information to Address Tax Noncompliance*, [GAO-14-453](#) (Washington, D.C.: May 14, 2014); *IRS Website: Long-Term Strategy Needed to Improve Interactive Services*, [GAO-13-435](#) (Washington, D.C.: Apr. 16, 2013); *2012 Tax Filing: IRS Faces Challenges Providing Service to Taxpayers and Could Collect Balances Due More Effectively*, [GAO-13-156](#) (Washington, D.C.: Dec. 18, 2012); *Tax Gap: IRS Could Significantly Increase Revenues by Better Targeting Enforcement Resources*, [GAO-13-151](#) (Washington, D.C.: Dec. 5, 2012); and *2010 Tax Filing Season: IRS's Performance Improved in Some Key Areas, but Efficiency Gains Are Possible in Others*, [GAO-11-111](#) (Washington, D.C.: Dec. 16, 2010).

⁷⁶See GAO-14-453; *Paid Tax Return Preparers: In a Limited Study, Preparers Made Significant Errors*, [GAO-14-467T](#) (Washington, D.C.: Apr. 8, 2014); *Tax Gap: IRS Could Do More to Promote Compliance by Third Parties with Miscellaneous Income Reporting Requirements*, [GAO-09-238](#) (Washington, D.C.: Jan. 28, 2009); and *Tax Gap: Actions That Could Improve Rental Real Estate Reporting Compliance*, [GAO-08-956](#) (Washington, D.C.: Aug. 28, 2008).

24 percent were partially addressed, and about 17 percent were not addressed.⁷⁷ We estimate that tens of billions of dollars in additional financial benefits are possible by fully implementing our recommended actions.

Improve Information: Agencies Could Aid Fiscal Decision Making by Providing Improved Information on Programs and Fiscal Operations

In many cases, agencies also need to take action to provide decision makers with additional or improved information on the performance and costs of policies or programs. In particular, decision making could be improved by

- strengthened internal controls over financial reporting,
- increased attention to tax expenditures, and
- effective implementation of the Digital Accountability and Transparency Act of 2014 (DATA Act).

Eliminating material weaknesses in internal control over financial reporting. Eliminating these weaknesses would improve the reliability of financial information and improve financial decision making. The U.S. government’s consolidated financial statements are intended to present the results of operations and the financial position of the federal government as if the government were a single enterprise. Since the federal government began preparing consolidated financial statements over 20 years ago, three major impediments have continued to prevent us from rendering an opinion on the federal government’s accrual-based consolidated financial statements over this period: (1) serious financial management problems at DOD that have prevented its financial statements from being auditable, (2) the federal government’s inability to adequately account for and reconcile intragovernmental activity and balances between federal entities, and (3) the federal government’s ineffective process for preparing the consolidated financial statements.

⁷⁷Seven percent of the actions have been consolidated or other—replaced or subsumed by new actions based on additional audit work or other relevant information or closed as not addressed because the action is no longer relevant due to changing circumstances. Percentages do not include actions introduced in the 2018 annual report. For more information on our work on duplication, overlap, and fragmentation including cost-savings and revenue enhancements, see GAO, *2018 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-18-371SP](#) (Washington, D.C.: Apr. 25, 2018); *Government Efficiency and Effectiveness: Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-18-571T](#) (Washington, D.C.: May 23, 2018); and *Duplication & Cost Savings: Action Tracker*, accessed on June 7, 2018, <https://www.gao.gov/duplication/overview#t=1>.

Over the years, we have made a number of recommendations to OMB, Treasury, and DOD to address these issues.⁷⁸ Generally, these entities have taken or plan to take actions to address these recommendations.

The material weaknesses in internal control underlying these three major impediments continue to (1) hamper the federal government's ability to reliably report a significant portion of its assets, liabilities, costs, and other related information; (2) affect the federal government's ability to reliably measure the full cost, as well as the financial and nonfinancial performance of certain programs and activities; (3) impair the federal government's ability to adequately safeguard significant assets and properly record various transactions; and (4) hinder the federal government from having reliable financial information to operate in an efficient and effective manner.

Increased attention to tax expenditures. Tax expenditures are sometimes used to provide economic relief to selected groups of taxpayers or to encourage certain behavior or to accomplish other goals. The goals they seek to advance may be similar to the goals of mandatory or discretionary spending programs. According to Treasury, in fiscal year 2017, tax expenditures were estimated to reduce tax revenues by approximately \$1.47 trillion.⁷⁹ Although they are routinely used as a policy tool, tax expenditures are not regularly reviewed and their outcomes are not measured as closely as those from spending programs.

In September 2005, we recommended that OMB take actions to develop a framework for evaluating tax expenditure performance and to regularly review tax expenditures in executive branch budget and performance

⁷⁸See, GAO, *Management Report: Improvements Needed in Controls over the Processes Used to Prepare the U.S. Consolidated Financial Statements*, GAO-17-524 (Washington, D.C.: July 12, 2017). In addition, see GAO, *DOD Financial Management – High Risk Issue*, accessed on June 7, 2018, http://www.gao.gov/key_issues/dod_financial_management/issue_summary. Further, other auditors have made recommendations to DOD to improve DOD's financial management.

⁷⁹Aggregate tax expenditure estimates must be interpreted carefully because of inherent limitations in the meaning of the summed estimates. The sum of the specific tax expenditure estimates is useful for gauging the general magnitude of revenue forgone through provisions of the tax code, but does not take into account interactions between individual provisions.

review processes.⁸⁰ However, OMB has not developed a systematic approach for conducting such reviews and has not reported progress on addressing data availability and analytical challenges in evaluating tax expenditures since the President's fiscal year 2012 budget. In July 2016, we recommended that OMB work with agencies to identify which tax expenditures contribute to agency goals, and OMB generally agreed with the recommendation but had taken no action as of January 2018.⁸¹ Absent such analysis, policymakers have little way of knowing whether these tax provisions support achieving the intended federal outcomes and lack information to compare their cost and efficacy with other policy tools.

Reporting complete and accurate spending information under the DATA Act. We have reported that to provide increased transparency to agencies, Congress, and the public, the Digital Accountability and Transparency Act of 2014 (DATA Act) required OMB, Treasury, and other federal agencies to increase the types of information available on over \$3.7 trillion in annual federal spending.⁸² Accordingly, the law directed OMB and Treasury to establish data standards to enable the reporting and tracking of agency spending at multiple points in the spending lifecycle.⁸³

Across the federal government, agencies are now submitting data according to requirements established by the DATA Act. In the 3 years since enactment, OMB, Treasury, and federal agencies have made significant strides to address many of the policy and technical challenges presented by the act's requirements, including standardizing data elements across the federal government, linking data contained in agencies' financial and award systems, and expanding the type of data reported. However, we reviewed the initial data submitted by agencies and made available to the public on Treasury's Beta.USAspending.gov

⁸⁰GAO, *Government Performance and Accountability: Tax Expenditures Represent a Substantial Federal Commitment and Need to Be Reexamined*, [GAO-05-690](#) (Washington, D.C.: Sept. 23, 2005).

⁸¹GAO, *Tax Expenditures: Opportunities Exist to Use Budgeting and Agency Performance Processes to Increase Oversight*, [GAO-16-622](#) (Washington, D.C.: July 7, 2016).

⁸²Pub. L. No. 113-101, 128 Stat. 1146 (May 9, 2014). The DATA Act amended the Federal Funding Accountability and Transparency Act of 2006 (FFATA). Pub. L. No. 109-282, 120 Stat. 1186 (Sept. 26, 2006), *codified at* 31 U.S.C. § 6101 note.

⁸³GAO, *DATA Act: OMB, Treasury, and Agencies Need to Improve Completeness and Accuracy of Spending Data and Disclose Limitations*, [GAO-18-138](#) (Washington, D.C.: Nov. 8, 2017).

website and we found that much more needs to be done to fully realize the DATA Act's promise of improving the accuracy and transparency of federal spending data. Specifically, we found that inconsistencies in key award data elements—similar to the issues we identified with its predecessor website in 2014—persist that may limit the usefulness of the data for Congress and the public.

In addition, there continue to be issues with the completeness of the information reported. There is also a need for Treasury to increase the transparency of information about known data quality challenges to the public. While the DATA Act holds agencies accountable for the accuracy and completeness of their data submissions, these data quality challenges demonstrate the critical importance of having OMB and Treasury make additional progress in addressing our open recommendations. Implementing these actions will help to develop a robust and transparent data governance structure to ensure the integrity of established data standards, as well as controls for monitoring agency compliance with DATA Act requirements.⁸⁴

This publication was prepared under the direction of Susan J. Irving, Senior Advisor to the Comptroller General, Debt and Fiscal Issues, who may be reached at (202) 512-6806 or irvings@gao.gov; Robert F. Dacey, Chief Accountant, who may be reached at (202) 512-3406 or daceyr@gao.gov; and Dawn B. Simpson, Director, Financial Management and Assurance, who may be reached at (202) 512-3406 or simpsondb@gao.gov if there are any questions. GAO staff who made key contributions to this publication are listed in appendix II. Contact points for

⁸⁴See [GAO-18-138](#), appendix III for a list of our previous recommendations relating to the DATA Act and their implementation status.

our Offices of Congressional Relations and Public Affairs may be found on the last page of this publication. In addition, this publication will be available at no charge on GAO's website at <http://www.gao.gov>.

A handwritten signature in black ink that reads "Gene L. Dodaro". The signature is written in a cursive style with a large, prominent "D" and a long horizontal flourish extending to the right.

Gene L. Dodaro
Comptroller General of the United States

Appendix I: Objectives, Scope, and Methodology

This report summarizing the fiscal health of the federal government was conducted under the authority of the Comptroller General. In this report we discuss the federal government's current fiscal condition and how it changed in fiscal year 2017, the federal government's unsustainable long-term outlook, the risks to the government's financial condition, and opportunities to improve its fiscal health.

To summarize the current fiscal condition and how it changed in fiscal year 2017, we reviewed the *Fiscal Year 2017 Financial Report of the United States Government (2017 Financial Report)* prepared by the Secretary of the Department of the Treasury (Treasury) in coordination with the Director of the Office of Management and Budget (OMB), International Monetary Fund (IMF) reports on global finance and government debt, Congressional Budget Office (CBO) data on the effects of legislation on its projections of federal debt, and our prior work on federal debt.

For the federal government's long-term outlook, we reviewed the projections from the Statements of Long-Term Fiscal Projections in the *2017 Financial Report*, CBO's 2017 long-term budget outlook report, CBO's April 2018 budget and economic outlook report, and our long-term simulations of federal revenues and spending. Our two simulations are the baseline extended and the alternative. To conduct our simulations in the short term (10 years), we used data from CBO for most projections through 2028. In the long term, we used data from the Medicare and Social Security Trustees and the Office of the Actuary in the Centers for Medicare & Medicaid Services. The baseline extended begins with a baseline using CBO estimates and generally assumes current law continues into the future; for example, tax provisions expire as scheduled. The alternative generally reflects historical trends; for example, tax expenditures scheduled to expire are extended. For a description of the methodologies of these simulations, see <https://www.gao.gov/assets/700/690292.pdf>.

To describe the debt limit and alternative approaches to delegating borrowing authority, we drew from our prior work. We used CBO projections to describe the current status of the debt limit and Treasury's extraordinary actions. To examine the use of fiscal rules in the United States and other countries, we reviewed our prior work on the subject and relevant economic literature by the IMF and the Organization for Economic Co-operation and Development.

To describe the risks to the federal government's financial condition, we drew from our audit report on the consolidated financial statements included in the *2017 Financial Report*, our prior work on fiscal exposures, and CBO and Congressional Research Service reports on the budgetary costs of fiscal exposures.

To identify opportunities to improve the federal government's fiscal health, we reviewed our reports on improper payments, the tax gap, our audit report on the consolidated financial statements included in the *2017 Financial Report*, and our work on duplication, overlap, and fragmentation.

We conducted our work from July 2017 to June 2018 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

Appendix II: GAO Contacts and Staff Acknowledgments

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Staff Acknowledgments

In addition to the contacts named above, Janice Latimer (Assistant Director), Katherine D. Morris (Analyst-in-Charge), Robert Gebhart, Matthew Dalton Lauderback, J. Lawrence Malenich, Meredith Moles, Alexander Ray, Robert Robinson, Oliver Richard, and Ardith Spence made key contributions to this report. Additional assistance in their areas of expertise was provided by Jeff Arkin, Barbara Bovbjerg, Nikki Clowers, Michael Collins, Ann Marie Cortez, James Cosgrove, Beryl Davis, Jeffrey DeMarco, Daniel Flavin, Richard Geiger, Charles Jeszeck, Sarah Kaczmarek, Shannon Legeer, Julie Matta, Thomas J. McCabe, James McTigue, Omari Norman, Joseph O'Neill, John Pendleton, Ernest Powell, Jr., Marylynn Sergent, Frank Todisco, Robyn Trotter, Matthew Ullengren, Matthew Valenta, Rebecca Rust Williamson, Carolyn Yocom, and Charles Young.

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