10-K REPORT

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FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

UNITED STATES GOVERNMENTS

PREPARED BY

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As of September 30, 2018, the aggregate value of debt securities issued by the federal, state, and local governments of the United States combined and held by the public was $17.8 trillion.

United States Governments

10-K Report

For the Fiscal Year Ended September 30, 2018

Index

Part I

About This Report

Purpose

This report is intended to provide the American people with a comprehensive view of the combined US federal, state, and local governments' (our Government) revenues, expenditures, key metrics that measure progress towards our constitutional objectives, and the factors that may affect future operations of our Government. It is intended to foster a more constructive and reasoned public debate by providing an authoritative and comprehensive set of data from Government sources on certain facets of our Government: how it raises money, for what purpose, and how it spends that money; actions that it takes through its authorities; and related key metrics. Greater transparency will help voters judge the effectiveness of our Government's programs, improving the accountability that is essential to a well-functioning democracy. A more civil and rational public debate will enable us to define our goals as a society and choose the best people and policies to carry out those goals.

This report is not intended to provide our opinion on our Government's efficiency or effectiveness. Rather, it is intended to provide the data necessary for you to develop your own opinions.

Structure and content

Other individuals and groups have created reports with similarities to this one; however, we are not aware of a document for our Government that has the scope and perspective of this one. We have discussed some of the reports with similarities to ours in Exhibit 99.09.

Overall structure and content

This report is modeled on the Form 10-K, which public companies are required to file annually with the US Securities and Exchange Commission (SEC). In preparing the report, we have conceptualized the requirements of the Form 10-K and applied them to our Government. Our goal is to bring the same level of transparency, accuracy, and lack of bias to our Government that public corporations are required to offer their shareholders.

Of course, our Government is not a corporation; its purpose is not to make a profit but to provide services to its citizens that improve the quality of life. But this Form 10-K format does have the advantage of providing a thorough account of government finances, structure, and activities.

In this report, you will find:

- *Part I* – an overview of our Government's structure and operations;
- *Part II* – information regarding financial and other key metrics of our Governments' operations, including:
  - Management's Discussion and Analysis (MD&A), which provides analysis of financial and other information, including trends in revenue, expenditures, and key metrics; and
  - financial statements and the related notes to the financial statements; and
- *Part III* – information regarding our Government's officers and certain relationships and transactions.

We have excluded certain sections of Form 10-K that are not obviously applicable to our Government. We have also excluded certain financial statements normally found in a Form 10-K. See Exhibit 99.10 for a discussion of this excluded content.

Timeliness of data

Information included in each section of this report is generally based on the most current information from government sources for the majority of the data in the particular section.

Part II of this report generally includes information through September 30, 2018, which marks the end of the latest fiscal year for which aggregated state and local income statement data is available. More recent federal data is available, but to provide a consolidated picture of our Government as a whole, we generally limit the financial data we present to the latest period for which both state and local and federal data is available. We acknowledge that this information is not timely. We do, however, believe that there is value in looking at a longer time series of data, as we have presented in this report and on our website, and that the longer-term trends noted in our analyses likely did not change materially between fiscal years 2018 and 2020. We will continue to search for more current data and explore ways that we might aggregate it ourselves to provide more timely information.

In general, Parts I and III of this report include more recent data, with dates depending on availability of the majority of the respective data.

This year's report is subject to additional data availability challenges due to a changing federal administration (e.g. budget data for the new administration is not yet available, we may see data continuity issues, policy changes are possible) and the decennial census that was conducted in 2020, through which a significant amount of population data was gathered but has not yet been released.

Item 1. Purpose and Function of Our Government

General

Who we are

The United States of America (US) is a federal republic composed of 50 states, a federal district of Washington, D.C., five major and various minor insular areas, as well as over 90,000 local governments, including counties, municipalities, townships, school districts, and special district governments. At 3.8 million square miles and with over 329 million people, the US is the world's third-largest country by total area and the third most populous.

Our vision and mission

As documented in the US Constitution, the people of the US, through our Government, seek to form a more perfect union by establishing justice, ensuring domestic tranquility, providing for the common defense, promoting the general welfare, and securing the blessings of liberty to ourselves and our posterity.

Our strategy

To achieve the mission of the people, our Government raises money, spends money, and exercises its authority. Through these actions, it enables, incentivizes, and forces certain behaviors (e.g. saving for retirement through Social Security and Medicare, attending minimum years of school, getting vaccinated) in an effort to maintain or improve various key metrics related to American life.

Raising and spending money

Our Government raises money through taxes and non-tax sources, including businesses it runs. This money is used to pay government expenditures and to transfer money to individuals and others. At the federal level, when the money raised is not sufficient to cover the money spent (most years), the US Department of the Treasury may borrow money to finance the difference. States may borrow funds for projects but may not borrow to fund annual deficits, except Vermont, where its constitution does not preclude it from doing so.

Exercising authority

Our Government exercises its authority directly by regulating, legislating, and issuing executive orders and court orders. It also grants authority to, and rescinds it from, government agencies and state and local governments.

See more at *Government operations* below.

Government structure

The US is a constitutional republic and representative democracy. Our Government is regulated by a system of checks and balances defined by the US Constitution, which serves as the country's supreme legal document. In the US, citizens are usually subject to three levels of government: federal, state, and local. The original text of the Constitution establishes the structure and responsibilities of the federal government and its relationship with the individual states. The Constitution has been amended 27 times, including the first 10 amendments, the Bill of Rights, which forms the central basis of Americans' individual rights.

Federal government structure

The Constitution divides the federal government into three branches to ensure a central government in which no individual or group gains too much control:

- *Legislative* – Makes laws (Congress)
- *Executive* – Carries out laws (President, Vice President, Cabinet)
- *Judicial* – Evaluates laws (Supreme Court and other courts)

Each branch of government can change acts of the other branches as follows:

- The president can veto legislative bills passed by Congress before they become law (subject to Congressional override).
- Congress confirms or rejects the president's appointments and can remove the president from office in exceptional circumstances.
- The justices of the Supreme Court, who can overturn unconstitutional laws, are appointed by the president and confirmed by the Senate.

Legislative

The legislative branch enacts legislation, confirms or rejects presidential appointments, and has the authority to declare war. This branch comprises Congress (the Senate and House of Representatives) and several agencies that provide support services to Congress.

Executive

The executive branch carries out and enforces laws. It includes the president, vice president, the Cabinet, 15 executive departments, independent agencies, and other boards, commissions, and committees.

Judicial

The judicial branch interprets the meaning of laws, applies laws to individual cases, and decides if laws violate the Constitution. The judicial branch comprises the Supreme Court and other federal courts.

THE UNITED STATES GOVERNMENT

THE CONSTITUTION

LEGISLATIVE BRANCH	EXECUTIVE BRANCH	JUDICIAL BRANCH
THE CONGRESS **SENATE | HOUSE** 100 Senators 435 Representatives	**THE PRESIDENT** **THE VICE PRESIDENT** **EXECUTIVE OFFICE OF THE PRESIDENT** 15 Cabinet Members	**THE SUPREME COURT OF THE UNITED STATES** 9 Justices
Architect of the Capitol United States Botanic Garden Government Accountability Office Government Printing Office Library of Congress Congressional Budget Office US Capitol Police	White House Office Office of the Vice President Council of Economic Advisers Council on Environmental Quality National Security Council Office of Administration Office of Management and Budget Office of National Drug Control Policy Office of Policy Development Office of Science and Technology Policy Office of the US Trade Representative	United States Courts of Appeals United States District Courts Territorial Courts United States Court of International Trade United States Court of Federal Claims Administrative Office of the United States Courts Federal Judicial Center United States Sentencing Commission

SIGNIFICANT REPORTING ENTITIES (15)

DEPARTMENT OF AGRICULTURE	DEPARTMENT OF COMMERCE	DEPARTMENT OF DEFENSE	DEPARTMENT OF EDUCATION	DEPARTMENT OF ENERGY
DEPARTMENT OF HEALTH AND HUMAN SERVICES	DEPARTMENT OF HOMELAND SECURITY	DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	DEPARTMENT OF THE INTERIOR	DEPARTMENT OF JUSTICE
DEPARTMENT OF LABOR	DEPARTMENT OF STATE	DEPARTMENT OF TRANSPORTATION	DEPARTMENT OF THE TREASURY	DEPARTMENT OF VETERANS AFFAIRS

OTHER SIGNIFICANT REPORTING ENTITIES

Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
National Science Foundation
Office of Personnel Management
Small Business Administration
Social Security Administration
US Agency for International Development
US Nuclear Regulatory Commission
Defense Security Cooperation Agency
Export-Import Bank of the United States
Farm Credit System Insurance Corporation
Federal Communications Commission
Federal Deposit Insurance Corporation
General Fund of the US Government
Millennium Challenge Corporation
National Credit Union Administration
Overseas Private Investment Corporation
Pension Benefit Guaranty Corporation
Railroad Retirement Board
Securities and Exchange Commission
Smithsonian Institution
Tennessee Valley Authority
US Postal Service

IN CONSERVATORSHIP

Fannie Mae
Freddie Mac

SIGNIFICANT RELATED ENTITIES

The Federal Reserve
Federal Home Loan Banks
The Farm Credit System

For a discussion of each of the federal government departments and offices, please see *The United States Government Manual* at https://www.govinfo.gov/app/collection/GOVMAN.

State government structure[1]

Under the Tenth Amendment to the US Constitution, all powers not granted to the federal government are reserved to the states and the people. All state governments are modeled after the federal government and consist of three branches: executive, legislative, and judicial. The US Constitution mandates that states uphold a "republican form" of government, although the three-branch structure is not required.

Legislative

All 50 states have legislatures made up of elected representatives, who consider matters brought forth by the governor or introduced by its members to create legislation that becomes law. The legislature also approves a state's budget and initiates tax legislation and articles of impeachment. The latter is part of a system of checks and balances among the three branches of government that mirrors the federal system and prevents any branch from abusing its power.

Every state except one has a bicameral legislature made up of two chambers: a smaller upper house and a larger lower house. Together the two chambers make state laws and fulfill other governing responsibilities. The smaller upper chamber is always called the Senate, and its members generally serve longer terms, usually four years. The larger lower chamber is most often called the House of Representatives, but some states call it the Assembly or the House of Delegates. Its members usually serve shorter terms, often two years. Nebraska is the lone state that has just one chamber in its legislature.

Executive

In every state, the executive branch is headed by a governor who is directly elected by the people. In most states, other leaders in the executive branch are also directly elected, including the lieutenant governor, the attorney general, the secretary of state, and auditors and commissioners. States reserve the right to organize in any way, so they often vary greatly with regard to executive structure. No two state executive organizations are identical.

Judicial

Most states have a supreme court that hears appeals from lower-level state courts. Court structures and judicial appointments/elections are determined either by legislation or by the state constitution. The state supreme court usually focuses on correcting errors made in lower courts and therefore holds no trials. Rulings made in state supreme courts are normally binding; however, when questions are raised regarding consistency with the US Constitution, matters may be appealed directly to the United States Supreme Court.

STATE GOVERNMENTS (50)

LEGISLATIVE BRANCH	EXECUTIVE BRANCH	JUDICIAL BRANCH
ELECTED REPRESENTATIVES TO UPPER AND LOWER HOUSES: SENATE HOUSE (Except Nebraska)	**GOVERNOR** Most states also elect: LIEUTENANT GOVERNOR ATTORNEY GENERAL SECRETARY OF STATE AUDITORS AND COMMISSIONERS	**STATE SUPREME COURT** Appellate Courts Trial Courts

Local government structure[2]

A government is an organized entity that, in addition to having governmental character, has sufficient discretion in the management of its own affairs to distinguish it as separate from the administrative structure of any other governmental unit.

To be counted as a government, any entity must possess all three of the following attributes:

- *Existence as an organized entity* – the presence of some form of organization and the possession of some corporate powers, such as perpetual succession, the right to sue and be sued, have a name, make contracts, acquire and dispose of property, and the like.
- *Governmental character* – In essence, an organization can only be considered to be a government if it provides services, wields authority, or bears accountability that is of a public nature.
- *Substantial autonomy* – This requirement is met when, subject to statutory limitations and any supervision of local governments by the state, an entity has considerable fiscal and administrative independence.

LOCAL GOVERNMENTS (90,075)

GENERAL PURPOSE GOVERNMENTS (38,779)	SPECIAL DISTRICT GOVERNMENTS (51,296)	
County (3,031)	**Independent School Districts (12,754)**	
Municipality (19,495)	**Other Special Districts (38,542)**	
Township (16,253)	Air transportation Cemeteries Corrections Electric power Fire protection Gas supply Health Highways Hospitals Housing and community development Industrial development	Libraries Mortgage credit Natural resources Parking facilities Parks and recreation Sea and inland port facilities Sewerage Solid waste management Transit Water supply

Insular area government structure

The US has many insular areas, or jurisdictions that are neither a state nor a federal district, including any commonwealth, freely associated state, possession, or territory. Five of the insular areas – Puerto Rico, Guam, Northern Mariana Islands, US Virgin Islands, and American Samoa – are self-governing, each with a non-voting member of the House of Representatives and permanent populations. The remaining areas are small islands, atolls, and reefs in the Pacific Ocean and Caribbean Sea. US possession of certain of these areas is disputed by other countries. The population of these areas are excluded from our reported population figures. However, these individuals may contribute to the revenues, expenditures, and other figures included in this report.

American Indian tribal government structure

Our Government officially recognizes 574 Indian tribes in the contiguous 48 states and Alaska. The US observes tribal sovereignty of the American Indian nations to a limited degree, as it does with the states' sovereignty. American Indians are US citizens and tribal lands are subject to the jurisdiction of the US Congress and the federal courts. Like the states, the tribal governments have a great deal of autonomy with respect to their members, including the power to tax, govern, and try them in court, but also like the states, tribes are not allowed to make war, engage in their own foreign relations, or print and issue currency.

Government operations

Our Government has a few tools by which it carries out its mission:

- *Raises money* – taxes, mandates savings, licenses, and charges fees and fines for dedicated and general-purpose uses;

- *Spends money* – employs people, invests in equipment and infrastructure, contracts services, disburses savings to seniors, transfers money to and subsidizes services for the poor, subsidizes businesses and individuals directly;
- *Regulates, legislates, issues executive orders and court orders* – makes rules, delegates or rescinds authority, incentivizes and forces behavior (e.g. save for retirement through Social Security and Medicare, buy health insurance, attend minimum years of school, get vaccinated); and
- *Runs businesses* – operates post offices, transit systems, hospitals, etc., sometimes at a financial loss.

Our Government performs the above activities in an effort to maintain or improve various key metrics related to American life.

Federal government authority to raise money

Tax revenue[3]

For most taxes, Congress does not need to pass a new law every year authorizing the IRS to collect. They continue to operate as established unless Congress chooses to change the law. Some changes to tax laws can occur in a given year because Congress previously enacted a timeline for the law to change at some specified point in time. For example, Congress often enacts sunset provisions on certain tax breaks or new programs to take effect at some date in the future. That is, they are scheduled to change unless Congress acts again.

Federal individual income tax

The individual income tax is the largest source of revenue for the federal government and the single biggest tax paid by Americans (in aggregate). The federal individual income tax is levied on most sources of individual income with some notable exceptions, such as employer-provided health insurance premiums. Taxes are levied based on a progressive rate structure, with rates that range from 10% to 39.6% for the periods presented in this report and that increase as taxable income increases. People who file tax returns may qualify for some tax credits, such as the child tax credit, the earned income tax credit, and education tax credits, among others. Some credits are refundable, meaning that a filer may receive a refund that is larger than the amount of income tax withheld.

Beginning in 2013, an additional income tax is levied on individuals – the Unearned Income Medicare Contribution Tax, which provides for a 3.8% tax on net investment income for those whose earnings exceed certain levels. This provision was enacted as part of the Affordable Care Act and went into effect January 1, 2013. Despite its name, this tax revenue is not legally earmarked to the Medicare trust funds; rather, it is used for general government purposes. In this report, this tax is included in individual income tax revenue.

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) became law. Effective January 1, 2018, the TCJA reduces the top individual income tax rate from 39.6% to 37%, changes the income tax brackets associated with each tax rate, increases the child tax credit, and provides for a 20% deduction of qualified business income and certain dividends for individuals.

Federal corporate income tax

The federal corporate income tax is levied on the net incomes of C-corporations (corporations recognized as separate taxpaying entities). C-corporations are allowed deductions for normal business expenditures that are typical of accounting for net income as well as some special provisions inserted by Congress. The federal statutory corporate income tax rate in the US was 35% until January 1, 2018. For companies headquartered in the US that earn income from overseas sources, such income was taxed only when repatriated back to the US. Effective January 1, 2018, the TCJA reduces the federal statutory income tax rate from 35% to 21%. The TCJA also requires foreign income of US businesses to be taxed at 21% but provides one-time reduced tax rates for foreign profits accumulated in the form liquid assets (15.5% tax rate) and illiquid assets (8% tax rate) if the assets are brought to the US.

Not all business profits are subject to the corporate income tax. Income derived from S-corporations (closely-held corporations), partnerships, sole proprietorships, and real estate investment trusts is only subject to tax under the federal individual income tax.

Federal payroll taxes

Federal payroll taxes to finance Social Security and Medicare are levied on both employees and employers.

Social Security tax revenues

Social Security tax revenues are earmarked for the Social Security Trust Fund, which funds both Old-Age Survivors Insurance (OASI) and Disability Insurance (DI). See discussion of OASI and DI in *Major Government Programs, Social Security* below. Individuals and employers each pay a 6.2% tax (5.015% for OASI and 1.185% for DI) on payrolls (wages and salaries and self-employment income) up to the payroll tax cap, for a total of 12.4%. Beyond the payroll tax cap, there is no Social Security tax. In tax year 2020, the payroll tax cap was $137,700 per employee. In the case of self-employed individuals, a tax equal to the employee plus the employer portion (12.4%) is levied.

Medicare tax revenues

Medicare tax revenues are earmarked to the Hospital Insurance Trust Fund portion of Medicare (HI Trust Fund). Employees and employers each pay a 1.45% tax on payrolls (wages and salaries) with no cap. People who are self-employed pay both the employee and the employer portion for a total of 2.9%. In addition, beginning in 2013, individuals pay an additional 0.9% Medicare tax on their wages, compensation, or self-employment income exceeding $200,000 for single filers ($250,000 for married filing jointly, $125,000 for married filing separately).

Unemployment tax revenues

Together with state unemployment tax systems, the Federal Unemployment Tax Act (FUTA) tax provides funds to pay unemployment compensation to workers who have lost their jobs. Only employers pay a FUTA tax, and most pay both a federal and a state unemployment tax. Generally, employers can take a credit against FUTA tax amounts they have paid to state unemployment funds. For 2020, the FUTA tax rate is 6% on the first $7,000 paid to each employee as wages during the year.

Other taxes

The federal government levies other taxes including:

- excise taxes on select products such as motor fuel, airport usage, tobacco, and alcohol, among others;
- tariffs and duties charged for certain products imported from certain other countries;
- special taxes on some participants in the medical industry, such as medical device manufacturers, pharmaceutical companies, and health insurers, as well as penalties related to health insurance mandates on employers and individuals; and
- taxes on the estates of high net-worth individuals after they die.

Non-tax revenue

Federal non-tax revenue comprises mainly earnings of the Federal Reserve and sales of government resources.

Federal Reserve earnings

The residual earnings of each of the 12 Federal Reserve member banks are distributed to the Treasury after providing for the costs of operations, payment of dividends, and transfers to surplus (the amount necessary to equate surplus with capital paid-in, limited to $6,825,000,000).[4] See additional discussion of the Federal Reserve in *Other related entities, The Federal Reserve* below.

Sales of government resources

The largest portion of revenue from sales of government resources is made up of rents and royalties on leases of oil, gas, and other marine minerals on the outer continental shelf. Our Government also receives proceeds from auctions of licenses for the rights to transmit signals over the electromagnetic spectrum.

Receipts that offset expenses

Our Government records money collected in one of two ways, either as revenue or as a reduction of expenditures. Those recorded as revenue are discussed under *Tax revenue* and *Non-tax revenue* above. Those recorded as reductions of expenditures derive mainly from business-like transactions with the public. Unlike revenues, which are derived from our Government's exercise of its sovereign power, these collections arise primarily from voluntary payments from the public for goods or services provided by our Government. The collections are classified as offsets to government outlays for the cost of producing, marketing, and delivering the goods or services for sale. These activities include the sale of postage stamps, land, timber, electricity, and services to the public (e.g. admission to national parks), as well as premiums for healthcare benefits (e.g. Medicare Parts B and D).

We have shown all significant offsetting amounts that are known to us in *Note 24 – Offsetting amounts* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report. Certain amounts have already been offset in the federal financial data before we sourced it and therefore the related gross amounts are not available to us for disclosure in *Note 24 – Offsetting amounts*.

Federal government authority to spend money

To understand federal authority to spend money, the first step is to divide spending laws into two different categories: those that do not require action every year (mandatory, generally) and those that do (discretionary, generally).

Mandatory spending

For most mandatory spending programs, as with most taxes, Congress does not need to pass a new law every year authorizing major programs like Medicare and Social Security to continue sending out checks. They continue to run as established unless Congress chooses to change the law. Some changes to mandatory spending programs can occur in a given year because Congress previously enacted a timeline for the law to change at some specified point in time.

For mandatory spending programs, unlike discretionary programs which are discussed next, it is important to note that the amount to be spent is unknown at the beginning of the year. For example, the amount that is spent on SNAP (food stamps) or unemployment insurance in a given year depends on the number of people who qualify based upon the program's rules and then decide to make claims for benefits. This will vary depending on conditions such as inflation, economic growth, and shifting demographics, among other factors. There is no upper limit in the law on how much can be spent on these mandatory programs, and in fiscal year 2018, they accounted for approximately 70% of outlays (including interest on federal debt), limiting the flexibility of Congress and the president to decide spending and policy priorities.

Discretionary spending

For discretionary spending, Congress must first create a program and then fund it on a regular basis; otherwise, the program ceases to exist. The funding of discretionary programs is called the appropriations process. Appropriations passed by Congress and signed into law by the president grant agencies budget authority to spend some fixed amount of money for a specific purpose over a specified period (one year to indefinitely, with the majority within three years). When those funds are exhausted, no more money can be spent for that purpose by that department unless Congress acts again.

State and local government authority to raise money

Tax revenue

Like the federal government, state governments do not need to pass a new law every year authorizing the state departments of revenue to collect. They continue to run as established until changes are approved, generally either through committee review followed by approval by the governor or a vote by the citizens. Certain states have constitutional restrictions on their authority to tax. For example, seven states have no individual income tax, while other states have caps on the taxes that can be levied, such as Proposition 13 in California, which limits real property taxes in California. Some changes to tax laws can occur in a given year because a state government previously enacted a timeline for the law to change at some specified point in time.

A local government's authority to tax must be granted to it by its state government.

State and local individual income tax

Individual income taxes are levied by most states with the tax base generally defined by federal income tax regulations (with some exceptions). State income tax rates are generally lower and less progressive than the federal income tax. Seven states do not have an individual income tax, while the other states differ in terms of their individual income tax rate levels and the degree of progressivity. The Wisconsin Legislative Fiscal Bureau published an informational paper in 2021, which reports that for tax year 2019: "The highest marginal tax rate used by a state was 12.3% in California. Hawaii had the greatest number of tax brackets at 12. Ten states imposed a single (flat) tax rate on all taxable income, while one state (Massachusetts) had two flat tax rates, each of which applied to different types of income."[5] You can see more detail by state at the source provided.

With respect to the impact of combined state and local government taxation of individual income, the government of the District of Columbia performs a nationwide study of the tax burdens of 51 US cities. For 2019, it found: "In twenty-four of the cities that are in states that levy an income tax, the percentage of income paid in individual income taxes by the family earning $25,000 per year is zero percent (or less than zero due to refundable credits). Notably, residents of Burlington, Vermont would receive a refund of $2,666, making it the lowest income tax burden on a family earning $25,000 per year. The highest income tax burden at this lower income level is $1,736, or 6.94% in Philadelphia, Pennsylvania, and next at $1,106, or 4.4% in Louisville, Kentucky. At the $150,000 income level, the burden ranges from a low of $1,923, or 1.3% of income in Fargo, North Dakota, to $11,249, or 7.5% in New York City, New York. (New Hampshire and Tennessee income taxes are applicable only to interest and dividend income and the exemptions are high enough to eliminate individual income taxes at all income levels used in the study)."[6]

State and local corporate income tax

Most states levy corporate income taxes that are significantly lower than federal income taxes. State corporate income taxes vary in two key dimensions: (1) rates and (2) apportionment factors. In 2019, Iowa, Pennsylvania, Minnesota, Illinois, Alaska, and New Jersey had the highest statutory corporate income tax rates, each at 9% or higher. Because major corporations operate across state lines, each must apportion its net income to each state. However, states have different rules as to how companies must apportion their income between states. Generally, there are three factors whose weights differ across states, with weight attributed to a state based on: property held in the state, payroll paid to employees in the state, and sales to customers in the state.

Property taxes

Local governments levy property taxes on real estate and business property (and in some states, on personal property such as automobiles). Nationally, for owner-occupied housing, the typical real estate tax rate paid is approximately 1% of the home value. In 2019, for the largest city in each state as a group, the median effective residential property tax rate was 1.40%, while the unweighted average rate was 1.69%. These tax rates vary widely by city and state. In 2019, the highest effective residential property tax rate, among the largest cities in each state, was in Bridgeport, CT at 4.27%, while the lowest was in Honolulu, HI at 0.35%.

General sales taxes

General sales taxes, or taxes that are applied at a consistent rate to purchases of all non-exempted items, are a key source of revenue for most states and many localities. Illinois, Arkansas, Oklahoma, Louisiana, Colorado, and Arizona have the highest combined state and local general sales tax rates. New Hampshire, Alaska, Delaware, Oregon, and Montana have no statewide general sales tax. In most states, items such as food and medical products are either exempt from general sales taxes or are taxed at a lower rate. Services such as housing, healthcare, and education are generally exempt. Sales taxes tend to be regressive, meaning that low-income households tend to pay a higher percentage of their income in sales taxes than high-income households. However, because of the exemptions or preferential treatment for many household necessities in most general sales taxes, sales taxes are not as regressive as a broad-based consumption tax. Furthermore, goods and services provided by our Government to low-income households, such as food assistance benefits, those transactions are tax exempt.

Other taxes

State governments levy other taxes including:

- selective sales taxes on specific products, both on a per unit basis and based on the value of the product, including taxes on alcoholic beverages, tobacco products, insurance receipts, public utilities, motor fuels, gambling, and others;
- licenses, including those for motor vehicle and operator registration, hunting and fishing, general business, occupational, alcoholic beverage, and gambling; and
- severance taxes on the extraction of specified natural resources, including oil, coal, and gas in states such as Alaska, Louisiana, and West Virginia, and timber in states such as Washington and Oregon.

Non-tax revenue

State non-tax revenue comprises mainly earnings and losses on investments, mostly investments of Public Employee Retirement Systems assets. State non-tax revenue also includes: proceeds from sales of government resources, including rents and royalties primarily from commercial activity on state land such as leasing of state-owned office buildings and mineral extraction on state-owned land; donations to our Government; and fines and forfeitures.

State and local government authority to spend money[7]

State budgets are approved anew each year. Certain items carry over but must be reauthorized as a part of the full budget. According to a survey by the National Association of State Budget Officers (NASBO), 30 states report using an annual budget cycle and 20 states report using a biennial budget cycle, while in practice a number use a combination of annual and biennial budgeting.

The state budget cycle typically begins with the state budget office providing guidance, including financial assumptions such as spending targets, inflation, and the governor’s priorities, to state agencies. Agencies submit requests back to the state budget office. After review and analysis of the agencies’ budget requests, the budget office staff make recommendations to the governor on the overall budget proposal. The governor reviews the recommendations and often provides additional direction, which the budget office uses to compile the governor’s proposed budget. The governor then usually presents the proposed budget to the legislature for review. Typically, each chamber of the legislature approves its own version of the budget, and a conference committee is appointed to resolve the differences between the two versions.

Once the legislature passes the budget, generally the governor must sign it in order for it to become law. If the governor does not approve of the budget, he or she may veto the bill(s). The legislature generally has the power to override the governor’s veto, though this usually requires a super-majority vote.

According to NASBO, “The governor is required to submit a balanced budget in 44 states, the legislature is required to enact a balanced budget in 41 states, and the budget signed by the governor is required to be balanced in 40 states. Eleven states indicated that they are permitted to carry over a budget deficit in certain conditions.”

A local government's authority to spend must be granted to it by its state government.

Other related entities

The entities discussed in this section are legally separate from our Government but are related to it in important ways, generally through subsidies or other transactions with our Government and either explicit or implicit guarantees of these organizations by our Government. Transactions between these entities and our Government are included in our financial statements, while the financial statements of these entities themselves are excluded.

The Federal Reserve[8]

The Federal Reserve System, created by Congress in 1913, is the US central bank. Although the Federal Reserve is supervised by Congress, its monetary policy decisions aren't subject to approval either by Congress or the president. It carries out the following functions:

- conducts monetary policy with the twin goals of ensuring full employment and low and stable inflation;
- supervises and regulates commercial banks to ensure the safety and soundness of the financial system and to protect the credit rights of consumers;
- maintains the stability of the financial system and contains so-called systemic risk; and
- provides financial services to banks and the federal government.

The Federal Reserve aims to keep US employment at the highest level consistent with low and stable inflation. It currently has an inflation goal of 2%. It seeks to meet its goals by influencing the level of interest rates, or the cost of borrowing money, across the economy. Lower interest rates stimulate the economy by encouraging consumers to buy goods and employers to invest in equipment. Higher rates cool the economy by discouraging consumption and investment.

The Federal Reserve influences borrowing costs by using tools to maintain a target range for the federal funds rate, or the rate that banks pay to borrow from one another in the overnight money markets. (Banks must borrow overnight funds if the amount of money they hold in reserve at the Federal Reserve falls short of the level required by the central bank.) The federal funds rate, in turn, influences a broad array of interest rates for consumer and business credit, from corporate loans to mortgages. The Federal Reserve uses the following tools to target the federal funds rate:

- *Open-market operations* – The central bank buys and sells short-term Treasury securities from banks. In doing so, it influences the overall level of reserves in the banking system, which in turn affects the price of reserves, or the federal funds rate.
- *Interest on excess reserves* – The Federal Reserve is empowered by Congress to pay interest on the reserves that banks hold at the central bank in excess of the required level. By paying interest on excess reserves, the Federal Reserve encourages banks to keep that money on deposit at the central bank, rather than lend it out to consumers or businesses.

The Federal Reserve has other tools for influencing longer-term interest rates. These include:

- *Large-scale asset purchases* – During the 2008 financial crisis, the Federal Reserve cut the federal funds rate almost to zero, but longer-term rates remained higher than it wanted. In response, the Federal Reserve started buying trillions of dollars of longer-term Treasury securities and housing debt, pushing down the yields on those securities.
- *Forward guidance* – After each policy meeting, the Federal Reserve issues a statement describing its view of the economy and explaining its current policy stance. These statements may contain language about the outlook for the federal funds rate, which can influence the level of longer-term rates.
- *Quarterly forecasts* – In addition to its policy statements, the Federal Reserve announces policy makers' forecasts for the federal funds rate and the pace of economic growth, inflation, and the unemployment rate. These quarterly forecasts affect investor perceptions of the future path of interest rates.

The Federal Reserve System is composed of the seven-person Board of Governors, which is based in Washington, D.C., and 12 regional Federal Reserve Banks based in major cities across the country, from Boston to San Francisco. Together, the members of the Board of Governors and five presidents of regional Federal Reserve Banks make up the Federal Open Market Committee (FOMC), which conducts monetary policy.

The Federal Reserve receives no appropriations from Congress, and its income consists primarily of interest earned on its holdings of Treasury and other US government agency securities. By law, national banks are members of the Federal Reserve System. State-chartered banks that meet certain requirements may also choose to join. Member banks must subscribe to stock in the regional Reserve Banks. The profits of the Federal Reserve are contributed to the Treasury and are included in non-tax revenues in our income statements.

Federal Reserve balance sheets

(In billions) **December 31,**	**2017**	**2018**	**2019**
Assets			
Treasury securities	$ 2,633	$ 2,338	$ 2,541
Agency- and GSE-backed securities	1,815	1,645	1,471
Debt securities	4,448	3,983	4,012
Other assets	124	113	367
Total assets	$ 4,572	$ 4,096	$ 4,379
Liabilities and net worth			
Depository institution reserves	$ 1,949	$ 1,556	$ 1,549
Deposits and currency	1,935	2,200	2,291
Security repurchase agreements	564	304	337
Other liabilities	39	40	40
Total liabilities	4,487	4,100	4,217
Net worth	85	(4)	162
Total liabilities and net worth	$ 4,572	$ 4,096	$ 4,379

Government-sponsored enterprises

A government-sponsored enterprise (GSE) is a financial services corporation created by the US Congress for public policy purposes. Its intended function is to enhance the availability, and reduce the cost of, credit to the targeted borrowing sectors, primarily agriculture, home finance, and education.

Government-sponsored enterprise financial statements are not included in our financial statements because GSEs are private companies. However, because of their public purpose, we discuss them here. In addition, though they are not government entities, our Government may help determine policy, provide oversight, and appoint board members to the organizations. Even though GSE securities are not explicitly backed by the federal government, their importance to our Government may lead them to be implicitly backed; our Government may bail them out if they are in financial distress, as was done in 2008 with Fannie Mae and Freddie Mac (see Conservatorship below). Within our combined income statements, payments for these bailouts are included in economy and infrastructure within *Promote the general welfare expenditures* if they are general purpose bailouts made directly to financial institutions or in each respective segment's expenditures if the bailout relates to a specific area. For example, housing bailouts are in general housing support expenditures, while student loan bailouts are in education expenditures, both within *Secure the blessings of liberty to ourselves and our posterity expenditures*. In addition, certain of these GSEs receive considerable federal and state and local tax benefits.

GSEs consist of Federal Home Loan Banks, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Agricultural Mortgage Corporation, the Farm Credit System, the Financing Corporation, and the Resolution Funding Corporation. They also included the Student Loan Marketing Association until it was fully privatized in the fourth quarter of 2004. The most significant of these GSEs are described below.

Federal Home Loan Banks[9]

The 11 Federal Home Loan Banks (FHLBanks) are federally-chartered but privately capitalized and independently managed. The FHLBanks serve the public by providing a readily available, low-cost source of funds to FHLBank member banks through advances, which in turn loan money to local institutions that lend directly to borrowers. These funds may be used for residential mortgages, community investments, and other services for housing and community development. In addition, some of the banks provide member banks with a means of enhancing liquidity by purchasing home mortgages through mortgage programs developed for their member banks. Member banks can also borrow from an FHLBank to fund low-income housing. As of December 31, 2020, 2019, and 2018, the FHLBanks had outstanding advances of $423 billion, $642 billion, and $729 billion, respectively.

The Federal Housing Finance Agency (FHFA), an independent agency in the executive branch of the US government, supervises and regulates the FHLBanks. The Housing Act created the FHFA with regulatory authority over FHLBank issues such as: board of director composition, executive compensation, risk-based capital standards and prompt corrective action enforcement provisions, membership eligibility for community development financial institutions, and low-income housing goals. The FHFA's mission, with respect to the FHLBanks, is to ensure that the FHLBanks operate in a safe and sound manner so that the FHLBanks serve as a reliable source of liquidity and funding for housing finance and community investment.

The FHLBanks are exempt from all corporate federal, state, and local taxation, except for local real estate tax. However, by regulation, the FHLBanks must annually set aside for the Affordable Housing Program (AHP) the greater of the aggregate of $100 million or 10% of each individual FHLBank's income subject to assessment. An AHP subsidizes the cost of owner-occupied housing provided that the household's income may not exceed 80% of the area median income, and in the case of rental housing, the household's income in at least 20% of the units may not exceed 50% of the area median income. The subsidy may be in the form of a grant or an advance with a reduced interest rate. AHP funds are primarily available through a competitive application program at each of the FHLBanks. AHP assessments were $315 million, $362 million, and $404 million for the years ended December 31, 2020, 2019, and 2018, respectively.

Fannie Mae and Freddie Mac

Fannie Mae[10]

The Federal National Mortgage Association (Fannie Mae) is a GSE that was chartered by Congress in 1938, and in 1968 became a publicly traded company. Its public mission is to support liquidity and stability in the secondary mortgage market, where existing mortgage-related assets are purchased and sold, and to increase the supply of affordable housing. Its charter does not permit it to originate loans or lend money directly to consumers in the primary mortgage market.

Fannie Mae provides reliable, large-scale access to affordable mortgage credit and indirectly enables families to buy, refinance, or rent homes. Fannie Mae securitizes mortgage loans originated by lenders by placing the loans in a trust and issuing Fannie Mae mortgage-backed securities (MBS) comprising these securitized loans, which it then guarantees (Fannie Mae MBS). One of its key functions is to evaluate, price, and manage the credit risk on the loans and securities that it guarantees.

Mortgage loans purchased or securitized by Fannie Mae must meet minimum standards required by its charter:

- conform to maximum original principal limits, known as "conforming loan limits," which are established each year based on the average prices of one-family residences; and
- include credit enhancement on any single-family conventional mortgage loan if the loan-to-value ratio is greater than 80% at the time of purchase. Credit enhancement can take one or more of the following forms:

(1) insurance or guarantee by a qualified insurer of the over-80% portion of the unpaid principal balance of the mortgage; (2) a seller's agreement to repurchase or replace the mortgage in the event of default; or (3) retention by the seller of at least a 10% participation interest in the mortgage. Regardless of the loan-to-value ratio, the Fannie Mae charter does not require credit enhancement to purchase or securitize loans insured by Federal Housing Administration or guaranteed by the US Department of Veterans Affairs.

Fannie Mae has two primary sources of revenue: (1) the guarantee fees received for managing the credit risk on loans underlying Fannie Mae MBS held by third parties, and (2) the difference between interest income earned on the assets in the retained mortgage portfolio and the interest expense associated with the debt that funds those assets. It also obtains funds to support its business activities by issuing a variety of debt securities in the domestic and international capital markets, which attract global capital to the US housing market.

Fannie Mae is subject to the GSE Act, including government regulation and oversight. The FHFA has general supervisory and regulatory authority over Fannie Mae.

Freddie Mac[11]

The Federal Home Loan Mortgage Corporation (Freddie Mac) is a publicly-traded GSE chartered by Congress in 1970 with a public mission to provide liquidity, stability, and affordability to the US housing market. Freddie Mac does this primarily by purchasing residential mortgages originated by mortgage lenders. In most instances, Freddie Mac will package these mortgage loans into MBS, which are guaranteed by Freddie Mac and sold in the global capital markets. In addition to selling MBS, Freddie Mac also invests in mortgage loans and mortgage-related securities. Freddie Mac's charter does not permit it to originate mortgage loans or lend money directly to consumers in the primary mortgage market.

Freddie Mac supports the US housing market and the overall economy by: (1) providing America's families with access to mortgage funding at lower rates; (2) helping distressed borrowers keep their homes and avoid foreclosure; and (3) providing consistent liquidity to the multifamily mortgage market, which includes providing financing for affordable rental housing. Freddie Mac is also working with FHFA, its customers and the industry to build a stronger housing finance system for the nation.

Net interest income, comprising interest income (which includes income from loan guarantee fees) less interest expense, is Freddie Mac's primary source of revenue.

Conservatorship[12]

On September 6, 2008, the FHFA used its authority to place Fannie Mae and Freddie Mac into conservatorship. This was in response to a substantial deterioration in the housing markets that severely damaged Fannie Mae's and Freddie Mac's financial condition and left them unable to fulfill their mission without government intervention.

A key component of the conservatorships is the commitment of the Treasury to provide financial support to Fannie Mae and Freddie Mac to enable them to continue to provide liquidity and stability to the mortgage market. The Treasury has provided $190 billion in support.

In accordance with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 as amended, FHFA is authorized to "take such action as may be: (i) necessary to put the regulated entity in a sound and solvent condition; and (ii) appropriate to carry on the business of the regulated entity and preserve and conserve the assets and property of the regulated entity."

While FHFA has broad authority over Fannie Mae and Freddie Mac, the focus of the conservatorships is not to manage every aspect of their operations. Instead, FHFA leadership reconstituted Fannie Mae's and Freddie Mac's boards of directors in 2008 and charged them with ensuring that normal corporate governance practices and procedures are in place. The boards are responsible for carrying out normal board functions, which are subject to FHFA review and approval on critical matters. Fannie Mae and Freddie Mac continue to operate legally as business corporations and must follow the laws and regulations governing financial disclosure, including the requirements of the SEC.

According to FHFA, long-term, continued operation in a government-run conservatorship is not sustainable for Fannie Mae and Freddie Mac because each company lacks capital, cannot rebuild its capital base, and is operating on a remaining, finite line of capital from taxpayers. Until Congress determines the future of Fannie Mae and Freddie Mac and the housing finance market, FHFA will continue to carry out its responsibilities as Conservator.

Farm Credit System[13]

The Farm Credit System (Farm Credit) is a nationwide network of 71 independent customer-owned lending institutions, providing more than $315 billion in loans, leases, and related services to more than 500,000 customers. Farm Credit helps rural communities and agriculture grow and thrive by providing reliable, consistent credit and financial services, including loans, leases, and financial services to farmers, ranchers, and rural businesses across the US and in Puerto Rico.

Farm Credit raises funds by selling debt securities on the nation's money markets through the Federal Farm Credit Banks Funding Corporation. Farm Credit debt is insured by the Farm Credit System Insurance Corporation, a self-funded insurance entity. Once the Funding Corporation issues debt securities on behalf of all Farm Credit institutions, Farm Credit's four regional wholesale banks, AgFirst, AgriBank, CoBank, and Farm Credit Bank of Texas then fund the individual Farm Credit associations who support farmers, ranchers, and rural homebuyers. In addition to funding local retail associations, CoBank also uses the proceeds from Farm Credit debt securities to make loans directly to farmer-owned cooperatives, rural infrastructure providers, and other agribusinesses.

Farmer Mac[14]

The Federal Agricultural Mortgage Corporation (Farmer Mac) is designated by statute as a Farm Credit institution but is different from other Farm Credit institutions in several respects. In general, most Farm Credit institutions are primary lenders to farmers and ranchers and other borrowers in rural America. In contrast, Farmer Mac serves as a secondary market for lenders that extend credit in rural America. Also, Farmer Mac is a stockholder-owned company while the other Farm Credit institutions are organized as cooperatives.

Farmer Mac is a stockholder-owned, federally chartered corporation that combines private capital and public sponsorship to serve a public purpose: providing a secondary market for a variety of loans made to borrowers in rural America. In a secondary market, the owners of financial assets, such as the originators of loans, may sell all or part of those assets or pay a fee to otherwise offset some or all of the inherent risks of holding the assets. This secondary market is designed to increase the availability of credit at stable interest rates to America’s rural communities and to provide rural borrowers with the benefits of capital markets pricing and product innovation.

Farmer Mac’s main secondary market activities are:

- purchasing eligible loans directly from lenders;
- providing advances against eligible loans by purchasing obligations secured by those loans;
- securitizing assets and guaranteeing the payment of principal and interest on the resulting securities that represent interests in, or obligations secured by, pools of eligible loans; and
- issuing long-term standby purchase commitments for eligible loans.

Farmer Mac funds its purchases of eligible loans (including participation interests in eligible loans) and guaranteed securities primarily by issuing debt obligations in the public capital markets. As of December 31, 2020, its total outstanding business volume was $22 billion.

Major government programs

These summaries are provided as background for this report and should not be used to determine eligibility for any government program.

Social Security

Fiscal year, except as otherwise noted	1980	1990	2000	2010	2017	2018	2019	2020
Old Age and Survivors Insurance								
Total benefits paid (in millions, calendar year)	$ 105,074	$ 222,993	$ 352,706	$ 577,448	$ 798,722	$ 844,924	$ 902,833	na
Number of recipients	30,631,213	35,441,163	38,676,621	43,621,258	51,191,697	52,448,921	53,813,045	55,018,400
Average monthly benefit per recipient	$ 304	$ 525	$ 759	$ 1,107	$ 1,304	$ 1,347	1,403	1,446
Disability Insurance								
Total benefits paid (in millions, calendar year)	$ 15,437	$ 24,803	54,938	$ 124,191	$ 142,740	$ 143,656	$ 145,049	na
Number of recipients	4,699,942	4,225,933	6,624,978	10,034,403	10,450,339	10,213,144	9,980,251	9,731,824
Average monthly benefit per recipient	$ 269	$ 437	$ 625	$ 922	$ 1,038	$ 1,066	$ 1,104	$ 1,126
Total Social Security								
Total benefits paid (in millions, calendar year)	$ 120,511	$ 247,796	$ 407,644	$ 701,639	$ 941,462	$ 988,580	1,047,882	na
Number of recipients	35,331,155	39,667,096	45,301,599	53,655,661	61,642,036	62,662,065	63,793,296	64,750,224
Average monthly benefit per recipient	$ 299	$ 515	$ 740	$ 1,072	$ 1,259	$ 1,302	$ 1,356	$ 1,398

† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

Social Security is a federal government program that provides a source of income for individuals or their legal dependents (spouse, children, or parents) if they qualify for benefits. The program collects taxes from employees and employers and deposits the receipts into the two Social Security trust funds – the Old Age and Survivors Insurance (OASI) fund and the Disability Insurance (DI) fund. While the two are legally separate, they are often referred to together as OASDI.

In 2018, Social Security payments were $988 billion or 16% of our Government's aggregate expenditures. Partially offsetting Social Security expenditures (but shown separately as revenue in our income statement), is $873 billion of Social Security tax receipts, which comprised 16% of our Government's aggregate revenue.

Eligibility and enrollment[15]

The Social Security program pays benefits to qualified individuals out of the trust funds. Qualified individuals include, among others, disabled workers, retirees and their surviving spouses, and surviving children of deceased workers. Social Security benefits are subject to federal income taxes using a two-tiered scheme if the recipient's income exceeds certain thresholds. According to the Wisconsin Fiscal Legislative Bureau, in 2019: "A total of 30 states…exempted social security income from taxation. Fourteen states taxed social security benefits in 2019. Four states followed current federal practice and taxed up to 85% of benefits, including Minnesota, which provided a second separate state subtraction, subject to an income-based phaseout. An additional ten states provided their own taxation treatment."[5]

Disability

The Social Security Administration uses a five-step process to decide if a person is disabled, including verifying that:

- the applicant's earnings average less than a certain amount each month;
- the applicant's medical condition significantly limits his or her ability to do basic work activities – such as lifting, standing, walking, sitting, and remembering – for at least 12 months;
- the applicant's medical condition is of at least a certain severity, preventing the applicant from completing substantial gainful activity, regardless of age, education, or work experience;
- the applicant's medical impairment(s) prevents him or her from performing any of his or her past work; and

- there is no other work the applicant can do despite his or her impairment(s) given his or her age, education, past work experience, and skills.

In general, to get disability benefits, an applicant must also meet two earnings tests, one related to how recently the applicant has worked and the other related to the duration of the applicant's work history.

There are special rules for people who are blind.

Retirement

Those who pay Social Security taxes earn "credits" toward Social Security benefits. The number of credits needed to qualify for retirement benefits depends on one's birthdate. People born in 1929 or later need 40 credits (10 years of work).

The more a recipient has earned during a working career, the greater the retirement benefit. Retirement age also affects the size of benefit payments. Age 62 is the earliest possible Social Security retirement age, and those who retire at this age will have reduced benefits. Age 66 is the earliest age at which one can retire with full benefits. Each extra year of work thereafter adds another year of earnings to your Social Security record, increasing your benefits until you start receiving benefits or you reach age 70.

Spouses who never worked or have low earnings can get up to half of a retired worker's full benefit. Those who are eligible for both their own retirement benefits and spousal benefits are paid their own benefits first. Those whose spousal benefit is higher than their own retirement benefit will get a combination of benefits equaling the higher spousal benefit. Divorced people aged 62 and older whose marriage lasted 10 years or longer may be able to receive benefits on their ex-spouse's record even if the ex-spouse has remarried.

Social Security replaces a percentage of a worker's pre-retirement income based on their lifetime earnings. The amount of average wages that Social Security retirement benefits replaces varies depending on one's earnings and when one chooses to start receiving benefits. According to the Social Security Administration, if benefits start at age 67, this percentage ranges from as much as 75% for very low earners, to about 40% for medium earners, and about 27% for high earners. If benefits start earlier than age 67, these percentages would be lower, and after age 67 they'd be higher.

Survivor benefits

Widows and widowers may be eligible to receive Social Security benefits at age 60, or at age 50 if suffering from a disability that started before or within seven years of the spouse's death. Widows and widowers can take reduced benefits on one record, and then switch to full benefits on another record later. For example, a woman can take a reduced widow's benefit at 60 or 62, and switch to her own full retirement benefit at full retirement age.

Children's benefits

Children whose parents are disabled, retired, or deceased may be eligible for Social Security benefits. Biological children, adopted children, and dependent stepchildren of the worker are eligible. To get benefits, a child must have:

- A parent who is disabled or retired and entitled to Social Security benefits; or
- A parent who died after having worked long enough in a job where the parent paid Social Security taxes.

The child must also be any of the following:

- Unmarried;
- Younger than age 18;
- 18-19 years old and a full-time student (no higher than grade 12); or
- 18 or older and disabled. (The disability must have started before age 22.)

Enrollment

A person needs a Social Security number to get a job legally, and this nine-digit number remains one's first and continuous link with Social Security. Information on how to apply for a new or replacement Social Security number and card can be found at https://www.ssa.gov/. Having this number and beginning work at a job that participates in the Social Security program enrolls one in the program. When an individual is ready to make a claim, he or she can apply to receive Social Security retirement benefits on the above-referenced site.

Funding and financial condition of the program[16]

Funding

The Social Security program is funded primarily by a 12.4% payroll tax levied on employers and workers (each pay 6.2%, self-employed individuals pay the entire 12.4%). During the periods discussed in this report, there were two temporary tax rate reductions. For calendar year 2010, most employers were exempt from paying the employer share of OASDI tax on wages paid to certain qualified individuals hired after February 3. For calendar years 2011 and 2012, the OASDI tax rate was reduced by 2 percentage points for employees and for self-employed workers, resulting in a 4.2% effective tax rate for employees and a 10.4% effective tax rate for self-employed workers. Reductions in tax revenue due to these lower tax rates were made up by transfers from the general fund of the Treasury to the OASI and DI trust funds.

The payroll tax is levied on employee earnings up to a maximum taxable amount, which varies each year. Recent maximum taxable earnings were:

1980	$	25,900	**1990**	$	51,300	**2000**	$	76,200	**2010**	$	106,800
2017	$	127,200	**2018**	$	128,400	**2019**	$	132,900	**2020**	$	137,700

When the Social Security trust funds have surpluses, our Government generally uses the excess funds to purchase Treasury securities. Therefore, the trust funds earn some interest income.

Financial condition

Social Security funds are deposited in trust funds. The table below shows that at the end of 2019, the OASDI trust funds had an aggregate balance of $2.9 trillion.

Old-Age and Survivors Insurance and Disability Insurance trust funds

Fiscal year (In millions)	1980	1990	2000	2010	2017	2018	2019
Total cash income [1]	**$ 117,439**	**$ 307,921**	**$ 561,321**	**$ 788,061**	**$ 992,091**	**$ 992,568**	**$ 1,051,120**
Social insurance and retirement receipts (payroll taxes)	113,209	281,656	480,584	631,687	850,618	854,747	914,303
Intergovernmental receipts:	4,230	26,265	80,685	156,281	141,396	137,745	136,690
Government employer share of employee retirement	1,204	5,567	7,637	14,936	17,499	18,193	18,055
Interest	2,340	15,991	59,796	118,502	86,512	83,809	82,504
Other	686	4,707	13,252	22,843	37,385	35,743	36,131
Other cash income	—	—	52	93	77	76	127
Total cash outgo [1]	**$ 118,559**	**$ 249,705**	**$ 409,473**	**$ 706,351**	**$ 944,904**	**$ 987,904**	**$ 1,044,606**
Benefit payments	115,514	243,263	402,104	695,459	933,897	976,566	1,032,919
Payments to railroad retirement	1,442	3,049	3,697	4,392	4,523	4,943	4,946
Interest payments	—	1,082	—	—	—	—	—
Administrative expenses	1,494	2,273	3,606	6,390	6,246	6,423	6,626
Beneficiary services and other	109	38	66	110	238	(28)	115
Surplus (deficit)	**$ (1,120)**	**$ 58,216**	**$ 151,848**	**$ 81,710**	**$ 47,187**	**$ 4,664**	**$ 6,514**
Adjustment to balances	—	—	—	3	(2)	(1)	(1)
Fund balance, end of year:	**$ 32,259**	**$ 214,900**	**$ 1,006,852**	**$ 2,585,484**	**$ 2,889,545**	**$ 2,894,208**	**$ 2,900,721**
Invested balance	31,251	215,222	1,007,226	2,586,333	2,889,869	2,894,655	2,900,916
Uninvested balance	1,008	(322)	(374)	(849)	(324)	(447)	(195)

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*
†† *Source: Office of Management and Budget.*
††† *Our website shows the OASI and DI trust fund financials separately. You can find them here.*
1 *Offsetting collections from Federal sources that are credited to the OASI account are treated as offsets to cash outgo rather than as cash income.*

The Board of Trustees of OASI and DI Trust Funds projects the OASDI trust funds may become depleted as early as 2031. You can see their projections in Exhibit 99.06.

Medicare[17]

Fiscal year (In thousands)	1980	1990	2000	2010	2017	2018	2019
Total enrollment by part: [1]	**28,433**	**34,251**	**39,688**	**47,720**	**58,683**	**60,147**	**61,222**
Part A (Hospital Insurance)	28,002	33,747	39,257	47,365	58,344	59,794	60,857
Part B (Medical Insurance)	27,278	32,567	37,335	43,882	53,446	54,798	56,115
Part C (Private Insurer-Provided Medicare)	na	2,017	6,856	11,692	19,816	21,336	22,942
Part D (Outpatient Prescription Drug Insurance)	na	na	na	34,772	44,480	45,778	47,197

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*
†† *Source: Office of Management and Budget.*
††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*
na *An "na" reference in the table means the data is not available.*
1 *Starting in 1983, includes amounts from Postal Service.*

Medicare is our country's health insurance program for people age 65 or older. People younger than age 65 with certain disabilities, permanent kidney failure, or amyotrophic lateral sclerosis (Lou Gehrig's disease) can also qualify for Medicare. The program helps with the cost of healthcare, but it does not cover all medical expenses or the cost of most long-term care. As of 2013, on average, Medicare covered about 66%[18] of the healthcare charges for those enrolled. A person can buy a Medicare supplement policy from a private insurance company to cover some of the costs that Medicare does not. Medicaid may also cover a portion of costs for those who are eligible.

In 2019, Medicare provided benefits to 61 million Americans, 86% (53 million) of whom were age 65 and older and 14% (9 million) of whom were disabled.

In 2018, Medicare payments (net of premiums of $100 billion) were $692 billion or 11% of our Government's aggregate expenditures. Partially offsetting these expenditures (but shown separately as a payroll tax revenue in our income statement) were $265 billion of Medicare tax receipts, which comprised 5% of our Government's aggregate revenue.

Programs

Medicare is the combination of two separate programs with three parts:

- the Hospital Insurance (HI) program, also known as Medicare Part A:
  - Part A covers in-patient hospital treatment along with some other medical services, with 60 million enrollees as of 2018; and
- the Supplemental Medical Insurance (SMI) program, also known as Medicare Parts B and D:
  - Part B covers much of what Part A does not, such as physician visits, out-patient hospital treatments, and some drugs, with 55 million enrollees as of 2018; and
  - Part D is the newest addition to the Medicare program (introduced January 1, 2006) and provides subsidies for prescription drugs, with 46 million enrollees as of 2018.

Medicare Part C (aka Medicare Advantage) is a privately-run health insurance option available via Medicare, with 21 million enrollees as of 2018. Part C enrollees pay premiums for their Part B, as well as additional fees to the private insurer, while the federal government covers an amount similar to what it would pay for the person to be enrolled in traditional Medicare.

Eligibility and enrollment

Part A

People age 65 or older, who are citizens or permanent residents of the US, are eligible for Medicare Part A at no cost if they:

- or their spouse receives or is eligible to receive Social Security benefits or railroad retirement benefits;
- or their spouse worked long enough in a government job through which they paid Medicare taxes; or
- are the dependent parent of a fully insured deceased child.

If they don't meet these requirements, they may be able to get Medicare Part A by paying a monthly premium. People who are already receiving Social Security retirement or disability benefits will be automatically enrolled in Medicare Parts A and B when they turn 65. Those who aren't yet receiving Social Security benefits should enroll in Medicare Part A even if they don't plan to retire at age 65. The enrollment period begins three months before the month of an applicant's 65th birthday and continues for three months after the month he or she turns 65. One can enroll online at https://www.ssa.gov/, by phone, or by visiting a local Social Security Administration office.

Part B

Individuals eligible for Medicare Part A at no cost can enroll in Medicare Part B by paying a monthly premium. Some people with higher incomes will pay a higher monthly Part B premium. A person who is not eligible for Part A at no cost, can purchase Part B without having to buy Part A, if the person is 65 or older and is a US citizen or a lawfully admitted noncitizen who has lived in the US for at least five years. Those who fail to enroll in Part B when they are first eligible may be subject to a penalty if they enroll later. If, however, they are active employees past the age of 65 and are eligible for health insurance that their employer subsidizes, it may not be in their interest to enroll in Parts B or D until they retire.

Part C (Medicare Advantage)

Individuals who receive Part A and Part B benefits directly from our Government have original Medicare. Individuals who receive benefits from a Medicare Advantage organization or other company approved by Medicare have Medicare Advantage plans, which are offered by Medicare-approved private companies. Many of these plans provide extra coverage and may lower out-of-pocket costs. Individuals who have Medicare Parts A and B can join a Medicare Advantage plan.

Part D

Anyone who has Medicare Part A or Part B is eligible for Part D (Medicare prescription drug coverage). Joining a Medicare prescription drug plan, which charges an extra monthly premium, is voluntary. Some beneficiaries with higher incomes will pay a higher monthly Part D premium.

Participant costs

No part of Medicare pays for all of a beneficiary's covered medical costs, and many costs are not covered at all. The program contains premiums, deductibles, and coinsurance, which the covered individual must pay out-of-pocket. Some people may qualify to have other governmental programs (such as Medicaid) pay premiums and some or all of the costs associated with Medicare. Deductibles and coinsurance are paid directly to providers and are excluded from this report. Premiums are reported in the financial statements within this report as reductions of Medicare expenditures rather than as revenues. See the overall discussion of what revenues are netted against expenses and why at *Receipts that offset expenses* above.

Most Medicare enrollees do not pay a monthly Part A premium, because they (or a spouse) have had 40 or more 3-month quarters in which they paid Federal Insurance Contributions Act (FICA) taxes. The benefit is the same no matter how much or how little the beneficiary paid as long as the minimum number of quarters is reached. Medicare-eligible persons who do not have 40 or more quarters of Medicare-covered employment (or a spouse who does) may buy into Part A for a monthly premium of:

- $259 per month (as of 2021) for those with 30 – 39 quarters of Medicare-covered employment, or
- $471 per month (as of 2021) for those with fewer than 30 quarters of Medicare-covered employment and who are not otherwise eligible for premium-free Part A coverage.

Most Medicare Part B enrollees pay an insurance premium for this coverage. Part B premiums for 2021 are $148.50 to $504.90 per month, depending on the enrollee's yearly income, with the highest premium paid by individuals earning more than $500,000 or married couples earning more than $750,000.

Premiums for Parts C and D vary by plan, and some Part C plans do not charge premiums.

Funding and financial condition of the program

Funding

Each part of Medicare relies on different funding mechanisms:

- Part A is largely funded by a 2.9% payroll tax levied on employers and workers (each pay 1.45%; self-employed individuals pay the entire 2.9%). Beginning in 2013, the rate of Part A tax on earned income exceeding $200,000 for individuals ($250,000 for married couples filing jointly) rose to 3.8% (paid 2.35% by employee and 1.45% by employer, or 3.8% by a self-employed individual), in order to pay part of the cost of the subsidies mandated by the Patient Protection and Affordable Care Act (PPACA).
- Part B is funded primarily by revenue from the federal government general fund and by premiums paid by Medicare enrollees.
- Part C is funded by the Medicare Trust Funds at a fixed amount per month, plus any additional premiums paid by Part C plan members.
- Part D is financed primarily by revenue from the federal government general fund with small amounts coming from enrollee premiums (16% of funding in 2019) and transfers from states (12% of funding in 2019). In 2006, a surtax was added to Part B premiums for higher-income seniors to partially fund Part D.

Financial condition

Each of the three primary parts of Medicare (Parts A, B, and D) has its own account managed by trustees (a trust fund account). Part C does not have a trust fund.

Medicare trust funds financials

At the end of fiscal year 2019, the HI (Part A) trust fund had a balance of $199 billion and the SMI (Parts B and D) trust fund had a balance of $104 billion, for a combined balance of $303 billion.

Fiscal year (In millions)	1980	1990	2000	2010	2017	2018	2019
Total cash income	**$ 35,690**	**$ 125,697**	**$ 248,921**	**$ 505,217**	**$ 718,533**	**$ 746,142**	**$ 785,384**
Social insurance and retirement receipts (payroll taxes)	23,217	68,556	135,529	180,068	255,930	260,659	277,572
Excise taxes (SMI)	—	—	—	—	4,147	4,095	2,437
Intergovernmental receipts:	9,529	45,531	91,333	250,528	347,119	358,230	373,067
Government employer share for government employee retirement [1]	249	2,153	2,630	4,042	4,416	4,478	4,479
Interest	1,477	9,370	13,630	17,602	9,769	9,733	9,673
Federal payment (OASDI taxes)	—	—	8,787	13,760	24,206	24,192	23,781
Federal contributions and other	7,803	34,008	66,286	215,124	308,728	319,827	335,134
Premium income	2,944	11,607	21,907	65,307	100,029	111,738	120,150
Other cash income [2]	—	3	152	9,314	11,308	11,420	12,158
Total cash outgo	**$ 35,034**	**$ 109,709**	**$ 219,022**	**$ 525,640**	**$ 708,298**	**$ 711,502**	**$ 782,547**
Benefit payments	33,937	107,172	214,867	518,832	699,784	701,888	772,844
Administrative expenses [3]	1,080	2,298	3,042	5,279	5,527	6,660	6,660
Payments to the Patient-Centered Outcomes Research Trust Fund	—	—	—	—	131	144	145
Other	17	239	1,113	1,529	2,856	2,810	2,898
Surplus (deficit)	**$ 656**	**$ 15,988**	**$ 29,899**	**$ (20,423)**	**$ 10,235**	**$ 34,640**	**$ 2,837**
Adjustment to balances	—	—	—	22	1	5	(63)
Fund balance, end of year	**$ 19,029**	**$ 110,158**	**$ 213,968**	**$ 350,842**	**$ 265,528**	**$ 300,173**	**$ 302,947**
Invested balance	19,214	110,535	213,934	349,203	268,424	301,002	303,341
Uninvested balance	(185)	(377)	34	1,639	(2,896)	(829)	(394)

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*

†† *Source: Office of Management and Budget.*

††† *Our website shows the HI and SMI trust fund financials separately. You can find them here.*

1 *Starting in 1983, includes amounts from Postal Service.*

2 *For years after 1986, SMI receipts for kidney dialysis. For years after 2004, includes Medicare refunds, which were shown as offsets to cash outgo in years prior to 2005.*

3 *For 1989 and 1990, includes transactions and balances of the HI and SMI Catastrophic Insurance trust funds, which began in 1989 and were abolished in 1990.*

The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds project the Medicare HI (Part A) trust fund may become depleted as early as 2023. See their projections in Exhibit 99.07.

Medicaid and Children's Health Insurance Program (CHIP)[19]

Federal fiscal year, except as otherwise noted	1980	1990	2000	2010	2017	2018	2019
Medicaid							
Spending (in billions) [1]	$ 25.2	$ 72.2	$ 206.2	$ 401.5	$ 600.0	$ 616.1	$ 626.9
Average monthly enrollment (in millions) [1]	19.6	22.9	34.5	54.5	73.4	73.9	75.1
Spending per enrollee [1] (calendar year)	$ 1,285	$ 3,147	$ 5,972	$ 7,361	$ 8,024	$ 8,339	$ 8,343
Total beneficiaries (in thousands of people) [2]	**21,605**	**25,255**	**41,212**	**63,730**	**na**	**82,940**	**na**
Children	9,333	11,220	18,528	30,024	na	30,769	na
Adults	4,877	6,010	8,538	15,368	na	28,870	na
Disabled	2,911	3,718	6,688	9,341	na	9,062	na
Aged	3,440	3,202	3,640	4,289	na	6,086	na
Unknown	1,044	1,105	3,817	4,709	na	8,153	na
Total enrollees (in thousands of people, to the nearest 100,000) [3]	**19,600**	**22,900**	**34,500**	**54,500**	**73,400**	**73,900**	**75,100**
Children	na	na	16,100	26,400	27,900	28,100	28,400
Adults	na	na	6,900	13,100	15,400	15,600	15,700
Newly eligible adults	na	na	—	—	12,200	12,200	12,600
Disabled	na	na	6,700	9,200	10,600	10,700	10,800
Aged	na	na	3,600	4,900	5,800	6,000	6,200
Territories	na	na	900	1,000	1,400	1,400	1,400
State fiscal year	**1980**	**1990**	**2000**	**2010**	**2017**	**2018**	**2019**
Medicaid share of state budgets (all federal and state funds) [4]	na	12.5%	19.1%	22.2%	28.9%	29.2%	na
Medicaid share of state budgets (state general funds only; no federal) [4]	na	9.5%	15.0%	14.8%	19.9%	20.0%	na
Medicaid as share of state budgets (all state funds; no federal) [4]	na	6.9%	11.0%	11.6%	16.0%	16.3%	na
Children's Health Insurance Program (CHIP) [5]							
Average monthly enrollment (in millions)	na	na	2.1	5.4	na	na	na

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis. Details may not foot to total due to rounding.*

†† *Source: Centers for Medicare and Medicaid Services (CMS).*

††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail on Medicaid" and "More detail on CHIP" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *All numbers exclude CHIP-financed coverage. The amounts shown in this table may differ from those published elsewhere due to slight differences in the timing of data and the treatment of certain adjustments. The amounts may also differ from prior versions of MACStats due to changes in methodology by the CMS Office of the Actuary. Spending consists of federal and state Medicaid expenditures for benefits and administration, excluding the Vaccines for Children program. Enrollment counts are full-year equivalents and, for fiscal years prior to 1980, have been estimated from counts of persons served. Enrollment data for fiscal year 2017 is projected; those for fiscal years 2000 – 2019 include estimates for the territories.*

2 *Beneficiaries (enrollees for whom payments are made) are shown here because they provide the only historical time series data directly available prior to FY 1990. Most current analyses of individuals in Medicaid reflect enrollees. Beginning in fiscal year 1998, a Medicaid-eligible person who received only coverage for managed care benefits was included in this series as a beneficiary. Excludes Medicaid-expansion CHIP and the territories. Children and adults who qualify for Medicaid on the basis of a disability are included in the disabled category. In addition, although disability is not a basis of eligibility for aged individuals, states may report some enrollees age 65 and older in the disabled category. For fiscal years prior to 2017, this data does not recode individuals age 65 and older who are reported as disabled, due to lack of detail in the historical data. Due to the way eligibility is reported in the Transformed Medicaid Statistical Information System (T-MSIS), age must be used to separate beneficiaries eligible on the basis of age from those eligible based on disability. This means that the 2018 beneficiary count for the disabled category no longer includes anyone age 65 and older. Generally, individuals whose eligibility group is unknown are persons who were enrolled in the prior year but had a Medicaid claim paid in the current year. Due to the transition from the Medicaid Statistical Information System (MSIS) to T-MSIS, complete and valid data were not available for all states for several years and jumped to fiscal year 2018 because this was the most complete year of data available to develop the MACStats data.*

3 *The CMS temporarily stopped reporting numbers of beneficiaries in 2013. Accordingly, we also report enrollees. Details may not add up to the total. Total enrollees and enrollees by type were taken from two separate data sources.*

4 *The all federal and state funds category reflects amounts from any source. The state general funds category reflects amounts from revenues raised through income, sales, and other broad-based state taxes. The all state funds category reflects amounts from any non-federal source; these include state general funds, other state funds (amounts from revenue sources that are restricted by law for particular government functions or activities, which for Medicaid includes provider taxes and local funds), and bonds (expenditures from the sale of bonds, generally for capital projects).*

5 *CHIP numbers include adults covered under waivers. Enrollment for Territories for fiscal year 2000 and later is estimated.*

Medicaid is a joint federal and state program that, together with the Children's Health Insurance Program (CHIP), provides health coverage to more than 77.3 million Americans, including children, pregnant women, parents, seniors, and individuals with disabilities. Medicaid is the single largest source of health coverage in the US. States establish and administer their own Medicaid programs and determine the type, amount, duration, and scope of services within broad federal guidelines. Federal law requires states to provide certain mandatory benefits and allows states the choice of covering other optional benefits. Mandatory benefits include services like inpatient and outpatient hospital services, physician services, laboratory and x-ray services, and home health services, among others. Optional benefits include services like prescription drugs, case management, physical therapy, and occupational therapy.

In 2018, Medicaid and CHIP payments were $604 billion or 10% of our Government's aggregate expenditures.

Eligibility and enrollment

In order to participate in Medicaid, federal law requires states to cover certain groups of individuals. Low-income families, qualified pregnant women and children, and individuals receiving Supplemental Security Income (SSI) are examples of mandatory eligibility groups. States have additional options for coverage and may choose to cover other groups, such as individuals receiving home and community-based services and children in foster care who are not otherwise eligible.

As of 2020, 37 states have expanded their Medicaid programs to cover all people with household incomes below a certain level. Whether you qualify for Medicaid coverage depends partly on whether your state has expanded its program through the Affordable Care Act.

- *In all states* - You can qualify for Medicaid based on income, household size, disability, family status, and other factors. Eligibility rules differ between states.
- *In states that have expanded Medicaid coverage* - You can qualify based on your income alone. If your household income is below 133% of the federal poverty level (FPL), you qualify.

Modified Adjusted Gross Income (MAGI), calculated as adjusted gross income (AGI) (gross income less adjustments as defined by the IRS at the time) plus untaxed foreign income, non-taxable Social Security benefits, and tax-exempt interest, is used to determine financial eligibility for Medicaid, CHIP, and premium tax credits and cost sharing reductions available through the health insurance marketplace. Eligibility is expressed as a percentage of the FPL and varies by state; a recipient's MAGI must be below the stated threshold to qualify. The eligibility ranges, expressed as a percentage of the FPL (including states with expanded rates), are as follows:

Medicaid:

- *Children ages 0-1* – ranging from 139% in Utah to 375% in Iowa
- *Children ages 1-5* – ranging from 133% in Oregon to 319% in District of Columbia
- *Children ages 6-18* – ranging from 133% in 16 states to 319% in District of Columbia
- *Pregnant women* – ranging from 133% in four states to 375% in Iowa
- *Adult parent/caretaker* – ranging from 13% in Alabama to 216% in District of Columbia

CHIP:

- *Children from birth to age 19 with exceptions, including 15 states that don't offer CHIP to children* – ranging from 185% in Idaho to 400% in New York
- *Pregnant women* – only six states offer – ranging from 200% in two states to 300% in two states

The FPL for 2020 ranges from $12,760 for individuals to $44,120 for a family of eight.

To be eligible for Medicaid, individuals must also meet certain non-financial criteria. Beneficiaries must generally be residents of the state in which they are receiving Medicaid. They must either be citizens of the US or certain qualified non-citizens, such as lawful permanent residents. In addition, some eligibility groups are limited by age, or by pregnancy or parenting status.

Applications are accepted at any time; there is no open enrollment period. Applicants may enroll electronically via https://www.healthcare.gov/ or at their local Center for Medicare and Medicaid Services or Medicaid office.

Funding and financial condition of the program

Medicaid is funded jointly by states and the federal government. Its federal funding source is among the mandatory expenditures in the annual federal budget. Congress could act to modify or remove the program's funding, but otherwise, it will continue as scheduled. The program does not have a trust fund.

Medicaid is also funded by state funds and to a lesser degree, premiums and cost sharing. States may charge limited premiums and enrollment fees to certain groups of Medicaid enrollees with incomes above 150% of the Federal Poverty Level (FPL). States may establish cost sharing requirements for Medicaid enrollees, but allowable charges vary by income and service. In addition, children with incomes below 133% of the FPL generally cannot be charged cost sharing. Overall, premium and cost sharing amounts for family members enrolled in Medicaid may not exceed 5% of a family's annual income. States can choose to impose limited enrollment fees, premiums, deductibles, coinsurance, and copayments for children and pregnant women enrolled in CHIP, generally limited to 5% of a family's annual income.

Food assistance – Supplemental Nutrition Assistance Program (SNAP)

Fiscal year	**1980**	**1990**	**2000**	**2010**	**2017**	**2018**	**2019**	**2020**
Total benefits (in millions)	$ 8,721	$ 14,143	$ 14,983	$ 64,702	$ 63,711	$ 60,917	$ 55,622	$ 74,205
Average monthly recipients (in thousands)	21,082	20,049	17,194	40,302	42,317	40,776	35,702	39,885
Average monthly benefits per person	$ 34	$ 59	$ 73	$ 134	$ 125	$ 125	$ 130	$ 153

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*

†† *Source: Department of Agriculture.*

††† *2018 and 2019 participation and benefits totals exclude North Carolina's data.*

†††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

The Supplemental Nutrition Assistance Program (SNAP) offers nutrition assistance to millions of eligible, low-income individuals and families and provides economic benefits to communities when recipients spend money on food locally. SNAP is the largest program in the domestic hunger safety net. The maximum monthly benefit for the first person in a household is $234, with the amount per additional person decreasing with each person. These maximum benefits are reduced by 30% of the net monthly income of the household, as SNAP households are expected to spend 30% of their resources on food. In 2018, SNAP payments were $61 billion or 1% of our Government's aggregate expenditures.

Eligibility and enrollment[20]

SNAP benefits are available to US citizens and certain immigrants who meet certain tests, including resource, income, and employment tests.

The Food and Nutrition Service works with state agencies, nutrition educators, and neighborhood and faith-based organizations to ensure that those eligible for nutrition assistance can make informed decisions about applying for the program and can access benefits.

Resources

Households may have $2,250 in countable resources, such as a bank account, or $3,500 in countable resources if at least one person is age 60 or older or is disabled. However, certain resources are not counted, such as a home and lot, the resources of people who receive SSI, the resources of people who receive Temporary Assistance for Needy Families (TANF), and most retirement (pension) plans, as well as vehicles in certain states.

Income

Households have to meet income tests unless all members are receiving TANF, SSI, or in some places general assistance. Most households must have gross income and net income (gross income minus allowable deductions) of no more than 130% and 100% of the poverty level, respectively, except in Alaska and Hawaii, where income limits are higher. A household with a person 60 years of age or older or a person who is receiving certain types of disability payments only has to meet the net income test.

Employment

In general, people must meet work requirements in order to be eligible for SNAP. These work requirements include registering for work, not voluntarily quitting a job or reducing hours, taking a job if offered, and participating in employment and training programs, if assigned by the state. In addition, able-bodied adults without dependents are required to work or participate in a work program for at least 20 hours per week in order to receive SNAP benefits for more than three months in a 36-month period. Some special groups may not be subject to these requirements, including children, seniors, pregnant women, and people who are exempt for physical or mental-health reasons.

Immigrants

SNAP is available to most legal immigrants who meet the tests above and:

- have lived in the US for five years; or
- are receiving disability-related assistance or benefits; or
- are children under 18.

Certain non-citizens, such as those admitted for humanitarian reasons and those admitted for permanent residence, may also be eligible for the program. Eligible household members can get SNAP benefits even if there are other members of the household who are not eligible. Non-citizens who are in the US temporarily, such as students, are not eligible.

Funding and financial condition of the program

SNAP is funded by mandatory expenditures in the annual federal budget. Congress could act to modify or remove the program's funding, but otherwise, it will continue as scheduled. SNAP does not have a dedicated trust fund.

Unemployment Insurance[21]

Fiscal year	1980	1990	2000	2010	2017	2018	2019
Regular Benefits							
Total # weeks claimed (in thousands)	148,952	115,954	96,007	203,149	87,582	79,298	75,958
Average weekly benefit (non-partial)	$ 100	$ 162	$ 221	$ 299	$ 351	$ 356	$ 369
Aggregate benefits paid (in millions)	$ 14,191	$ 17,956	$ 20,479	$ 57,891	$ 29,443	$ 27,838	$ 25,642
Extended Benefits							
Total # weeks claimed (in thousands)	17,940	247	28	31,786	6	26	—
Average weekly benefit (non-partial)	$ 98	$ 105	$ 182	$ 295	$ 261	$ 203	$ 197
Aggregate benefits paid (in millions)	$ 1,704	$ 30	$ 4	$ 8,919	$ 23	$ —	$ (3)
Emergency Benefits							
Total # weeks claimed (in thousands)	—	—	—	237,307	10	9	6
Average weekly benefit (non-partial)	$ —	$ —	$ —	$ 289	$ 381	$ 296	$ 370
Aggregate benefits paid (in millions)	$ —	$ —	$ —	$ 70,229	$ 4	$ 3	$ 2
Total Benefits (All Types)							
Aggregate UI benefits paid (in millions)	$ 15,895	$ 17,986	$ 20,483	$ 137,039	$ 29,470	$ 27,841	$ 25,641

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†† Source: Department of Labor.

††† We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.

The Department of Labor's Unemployment Insurance (UI) programs provide benefits to eligible workers who become unemployed through no fault of their own and meet certain other eligibility requirements. Unemployment insurance payments (benefits) are intended to provide temporary financial assistance to unemployed workers who meet the requirements of state law. Each state administers a separate UI program within guidelines established by federal law. In general, UI benefits are based on a percentage of an individual's earnings over a recent 52-week period, up to a state maximum amount. Benefits can be paid for a maximum of 26 weeks in most states. Additional weeks of benefits may be available during times of high unemployment (extended and emergency benefits). The basic extended benefits program provides up to 13 additional weeks of benefits. Some states have also enacted a voluntary program to pay up to 7 additional weeks (20 weeks maximum) of extended benefits during periods of extremely high unemployment. Some states provide additional benefits for specific purposes. In 2018, UI payments were $32 billion or 1% of our Government's aggregate expenditures.

According to the Bureau of Economic Analysis, total unemployment benefits increased from $28 billion in calendar year 2019 to $550 billion in calendar year 2020. This was the result of an increase in regular benefits, as well as new pandemic-related unemployment programs created by Congress. This $550 billion includes, among other things, the additional $600/week unemployment benefit payments made to people through July 31, 2020 as part of the "Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act," as well as the new eligibility for self-employed workers (including so-called gig economy workers).

Eligibility and enrollment

Eligibility for UI, benefit amounts, and the length of time benefits are available are determined by the state law under which UI claims are established. Applicants should contact the state UI agency as soon as possible after becoming unemployed. In some states, applicants can now file a claim by telephone.

Funding and financial condition of the program

In most states, UI benefit funding is based solely on a tax imposed on employers, the Federal Unemployment Tax Act (FUTA) tax. Employers owe FUTA tax on the first $7,000 they pay to each employee during the calendar year after subtracting any payments exempt from FUTA tax. The FUTA tax is 6.0% for 2020, however, employers can receive a credit of up to 5.4% against this FUTA tax if they pay state unemployment tax during the calendar year.[22] Three states require minimal employee contributions. Funds received by the federal government are distributed to state trust funds held by the Treasury, which are used to finance the programs. If a state uses all of its state funds, it may borrow from the federal government (authorized under Title XII of the Social Security Act). The Treasury will apply all tax revenue greater than the amount for benefit payments to the outstanding loan. States are also able to use private sector borrowing instruments, such as revenue bonds, to repay the federal government for their outstanding loans. If a state fails to repay the outstanding Title XII advance by November 10th of the year in which the second January 1st has passed, then all taxable employers in that state will be subject to a reduced credit on their FUTA tax of 0.3%.

As of December 31, 2020, the aggregate state UI trust fund balance was $25 billion, which is the balance since the beginning of the 2020 recession. Because of the 2020 recession, 21 states and one insular area depleted their UI funds and took advances totaling $52 billion (since January 1, 2020) from the federal government to continue to pay benefits. As of the end of 2020, 17 states and one insular-area UI program still had a total of $45 billion in outstanding federal loans. Many states were able to supplement their unemployment funds during 2020 by using relief funds available through the CARES Act. No states had outstanding private borrowings. During 2020, the states earned a total of $1 billion on their UI trust fund investments. No interest expense was owed to the federal government for their Title XII loans due to a provision included in the "Families First Coronavirus Response Act," as amended by the "Continued Assistance Act of 2020" and the

"American Rescue Plan Act of 2021," which waived interest on all Title XII advances from March 18, 2020 through September 6, 2021.[23]

Earned Income Tax Credit (EITC)[24]

Calendar year	1980	1990	2000	2010	2017	2018
Total EITC claims (in millions)	$ 1,986	$ 7,542	$ 32,296	$ 59,562	$ 66,443	$ 64,924
Total EITC claims for returns with children (in millions)	$ 1,986	$ 7,542	$ 31,593	$ 57,809	$ 64,349	$ 62,828
Number of EITC returns (in thousands)	6,954	12,542	19,277	27,368	27,030	26,492
Number of EITC Returns with children (in thousands)	6,954	12,542	15,872	20,720	20,021	19,557
Average amount of EITC	$ 286	$ 601	$ 1,675	$ 2,176	$ 2,458	$ 2,451
Average amount of EITC for returns with children	$ 286	$ 601	$ 1,990	$ 2,790	$ 3,214	$ 3,213

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*

†† *Source: Internal Revenue Service.*

††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

Earned Income Tax Credit (EITC) is a tax credit for working people who have low to moderate income. EITC is a refundable credit, which means that if the credit exceeds the amount of tax owed, the taxpayer can receive the excess credit as a refund.

The maximum federal credit amounts for the latest tax year, 2020, are:

- $6,660 with three or more qualifying children;
- $5,920 with two qualifying children;
- $3,584 with one qualifying child; and
- $538 with no qualifying children.

Eligibility and enrollment

To be eligible for the EITC, one must meet financial and non-financial qualifications.

Financial qualifications

To be eligible for the EITC, one may not earn more than $3,650 in investment income for the year (as of 2020). In addition, earned income and adjusted gross income (AGI) for 2020 must each be less than:

	Qualifying Children Claimed			
If filing	Zero	One	Two	Three or more
Single, Head of Household or Widowed	$ 15,820	$ 41,756	$ 47,440	$ 50,594
Married Filing Jointly	$ 21,710	$ 47,646	$ 53,330	$ 56,844

Non-financial qualifications

To read about non-financial qualifications, see the IRS website at https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/eitc-earned-income-tax-credit-questions-and-answers.

Funding and financial condition of the program

Refundable federal EITCs are primarily funded by mandatory expenditures in the annual federal budget. Congress could act to modify or remove the program's funding, but otherwise, it will continue as scheduled. Twenty-seven states, plus the District of Columbia and New York City, have established their own EITCs or similar credits to supplement the federal credit. Certain states use federally provided TANF money (see *Welfare – Temporary Assistance for Needy Families (TANF)* below) to fund their state-level EITCs. EITCs do not have a dedicated trust fund.

Premium Tax Credit (PTC)[25]

Calendar year	2014	2015	2016	2017	2018
Total PTC claims (in millions)	$11,175	$18,081	$22,183	$28,756	$41,772
Number of PTC returns (in thousands)	3,105	5,003	5,426	5,336	5,362
Average amount of PTC	$ 3,600	$ 3,614	$ 4,088	$ 5,390	$ 7,790

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*

†† *Source: Internal Revenue Service.*

Premium Tax Credit (PTC) is a refundable tax credit that began in 2014 in connection with the Affordable Care Act. This credit is designed to help eligible individuals and families with low or moderate income afford health insurance purchased through the Health Insurance Marketplace (Marketplace), a shopping and enrollment service for medical insurance. The size of one's premium tax credit is based on a sliding scale; those who have a lower income get a larger credit.

When enrolling in Marketplace insurance, an individual can choose to have the Marketplace compute an estimated credit that is paid to the enrollee's insurance company ("advance credit payments") to lower what the enrollee pays for monthly premiums or choose to get all of the benefit of the credit when you file your tax return for the year. The credit is "refundable" because, if the amount of the credit is more than the amount of your tax liability, you will receive the difference as a refund. If you owe no tax, you can get the full amount of the credit as a refund. However, if advance credit payments were made to your insurance company and your actual allowable credit on your return is less than your advance credit payments, the difference, subject to certain repayment caps, will be subtracted from your refund or added to your balance due.

The maximum credit amounts for the latest tax year, 2020, are:

- $6,660 with three or more qualifying children;
- $5,920 with two qualifying children;
- $3,584 with one qualifying child; and
- $538 with no qualifying children.

Eligibility and enrollment

You are eligible for the premium tax credit if you meet all of the following requirements:

- have household income that falls within a certain range (see *Income limits* below);
- do not file a Married Filing Separately tax return (with limited exceptions);
- cannot be claimed as a dependent by another person; and
- in the same month, you, or a family member:
  - enroll in coverage (excluding "catastrophic" coverage) through a Marketplace;
  - are not able to get affordable coverage through an eligible employer-sponsored plan that provides minimum value;
  - are not eligible for coverage through a government program, like Medicaid, Medicare, CHIP or TRICARE; and
  - pay the share of premiums not covered by advance credit payments.

Income limits

In general, individuals and families may be eligible for the premium tax credit if their household income for the year is at least 100% but no more than 400% of the federal poverty line for their family size. For residents of one of the 48 contiguous states or Washington, D.C., the following illustrates when household income would be at least 100% but no more than 400% of the federal poverty line in computing your premium tax credit for 2020:

- $12,760 (100%) up to $51,040 (400%) for one individual;
- $17,240 (100%) up to $68,960 (400%) for a family of two; and
- $26,200 (100%) up to $104,800 (400%) for a family of four.

Funding and financial condition of the program

Refundable federal PTCs are primarily funded by mandatory expenditures in the annual federal budget. Congress could act to modify or remove the program's funding, but otherwise, it will continue as scheduled. PTCs do not have a dedicated trust fund.

Supplemental Security Income (SSI)[26]

Fiscal year	**1980**	**1990**	**2000**	**2010**	**2017**	**2018**	**2019**
Total payments (in millions):	**$ 7,771**	**$ 16,181**	**$ 32,160**	**$ 51,357**	**$ 57,298**	**$ 57,766**	**$ 58,760**
Blind or disabled	5,142	12,624	27,438	45,618	51,190	51,556	52,406
Aged	2,629	3,557	4,722	5,739	6,108	6,210	6,354
SSI federal payments [1]	$ 5,923	$ 12,943	$ 28,778	$ 47,767	$ 54,648	$ 55,161	$ 56,198
SSI federally administered state supplementation payments	$ 1,848	$ 3,239	$ 3,381	$ 3,589	$ 2,650	$ 2,604	$ 2,562
SSI recipients (in thousands): [2]	**4,142**	**4,817**	**6,601**	**7,912**	**8,227**	**8,129**	**8,077**
Blind or disabled	2,334	3,363	5,312	6,728	7,051	6,960	6,910
Aged	1,808	1,454	1,289	1,184	1,176	1,169	1,167
SSI payments per recipient: [2]	**$ 1,876**	**$ 3,359**	**$ 4,872**	**$ 6,491**	**$ 6,965**	**$ 7,106**	**$ 7,275**
Blind or disabled	2,203	3,754	5,165	6,780	7,260	7,407	7,584
Aged	1,454	2,446	3,663	4,847	5,194	5,312	5,445

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis. Details may not add to the total due to rounding.*

†† *Source: Social Security Administration.*

††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

1 *Total historical payments for 1980 are estimated.*

2 *Recipients are those with Federally Administered Payments in Current-Payment Status.*

Supplemental Security Income (SSI) is a federal program designed to help aged, blind, and disabled people who have little or no income. It provides cash to meet basic needs for food, clothing, and shelter.

The monthly maximum benefit amounts for 2021 are $794 for an eligible individual, $1,191 for an eligible individual with an eligible spouse, and $397 for an essential person. The monthly amount is reduced by subtracting monthly countable income. In the case of an eligible individual with an eligible spouse, the amount payable is further divided equally between the two spouses. Some states supplement SSI benefits.

In 2018, SSI payments were $52 billion or 1% of aggregate government expenditures.

Eligibility and enrollment

To be eligible for SSI, one must be:

- age 65 or older;
- blind; or
- disabled;

and:

- have limited income, which varies depending on where one lives, the nature of one's income, and the number of people living in a household;
- have limited resources (individual/child – $2,000, couple – $3,000);
- be a US citizen or national, or in one of certain categories of aliens;
- be a resident of one of the 50 states, the District of Columbia, or the Northern Mariana Islands;
- not be absent from the country for a full calendar month or for 30 consecutive days or more;
- not be confined to an institution (such as a hospital or prison) at our Government's expense;
- apply for any other cash benefits or payments for which one may be eligible, (for example, pensions, Social Security benefits); and
- meet certain other requirements.

Funding and financial condition of the program

SSI's funding source is primarily mandatory expenditures in the annual federal budget. Congress could act to modify or remove this source of the program's funding, but otherwise, it will continue as scheduled. Certain states also supply funding for the program. SSI does not have a dedicated trust fund.

Affordable housing

Calendar year	2000	2005	2010	2017	2018	2019	2020
All HUD programs							
Annual federal spending for all HUD programs (in billions)	$ 30.8	$ 42.5	$ 60.1	$ 55.6	$ 54.7	$ 29.2	$ 36.0
Subsidized units available (in thousands) [1]	4,881	5,092	5,095	5,019	5,036	5,035	5,077
Average monthly household rent contribution [2]	$ 212	$ 258	$ 288	$ 337	$ 346	$ 357	$ 355
Average monthly federal spending per unit [3]	$ 421	$ 503	$ 631	$ 693	$ 743	$ 765	$ 810
Demographics							
Total number of people (in thousands)	8,494	8,809	9,859	9,653	9,535	9,440	9,338
Average household size (persons)	2.2	2.2	2.1	2.1	2.1	2.0	2.0
% household with children	46%	44%	41%	37%	36%	36%	34%
% household headed by female	79%	79%	78%	76%	75%	75%	75%
% minority households	58%	59%	63%	64%	64%	65%	66%
Average household income per year	$ 10,300	$ 11,500	$ 12,364	$ 13,958	$ 14,347	$ 14,835	$ 14,693
% extremely low income (<30% median) [4]	70%	77%	76%	73%	75%	75%	78%
Average months on waiting list [5]	22	18	18	27	26	26	27
Average months since moved in [6]	75	74	84	107	110	115	118

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*

†† *Source: Department of Housing and Urban Development.*

††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

1 *Number of units under contract for federal subsidy and available for occupancy.*

2 *Average household contribution towards rent per month (includes utilities).*

3 *Average federal spending per unit per month. For public housing, the operating subsidy is divided by the total number of occupied units. For tenant-based Section 8 the housing assistance payment is divided by the total number of reported households. Average total household income per year (shown in thousands of dollars per year). (Numerator includes zero income but excludes missing income; denominator includes all households.)*

4 *% of households with income below 30% of local area median family income, adjusted for household size.*

5 *Average months on waiting list among new admissions. Excludes programs that do not report waiting list dates. (Excludes zero and missing values.)*

6 *Average number of months since moved in. (Excludes zero and missing values.)*

According to the US Department of Housing and Urban Development (HUD), families that pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care. An estimated 18 million households pay more than 50% of their annual incomes for housing.

HUD's Office of Housing and Office of Public and Indian Housing administer programs to increase the amount of affordable housing available to low-income households across the nation. The largest of these are Section 8 rental housing assistance programs named after Section 8 of the *Housing Act of 1937*. There are two main Section 8 programs:

- *Tenant-based rental assistance through the Housing Choice Voucher Program* – participants find their own home or apartment and use a voucher to pay for all or part of the rent; and
- *Project-based rental assistance* – our Government gives funds directly to apartment owners, who lower the rents they charge low-income tenants.

Within HUD, the Office of Affordable Housing Programs administers the following grant programs designed to increase the stock of housing affordable to low-income households:

- The HOME Investments Partnerships Program provides grants to states and local governments to fund a wide range of activities including building, buying, and/or rehabilitating housing for rent or homeownership or providing direct rental assistance to low-income families. It is the largest federal block grant program for state and local governments designed exclusively to create affordable housing for low-income households; and
- The National Housing Trust Fund supports the acquisition, new construction, or reconstruction of rental units for extremely low-income families or families with incomes below the poverty line, whichever is greater.

In 2018, government housing support generated net revenue of $8 billion. In some years, the programs have incurred net expenditures and in other years, they have generated net revenue. The aggregate for all the years we tracked (1980 through 2018) was net revenue generation of $118 billion. Housing support programs have generated net revenue in aggregate because our Government's investments in Fannie Mae and Freddie Mac securities have generated a net $124 billion in revenue (between 2008 and 2018).

Eligibility and enrollment

Income limits that determine eligibility for assisted housing programs are based on Median Family Income estimates and Fair Market Rent area definitions. The income limits are too numerous to list in this document but are available at https://www.huduser.gov/portal/datasets/il.html.

Funding and financial condition of the program

Affordable housing programs are funded through mandatory expenditures in the annual federal budget. Congress could act to modify or remove the programs' funding, but otherwise, they will continue as scheduled. Affordable housing programs do not have a dedicated federal trust fund.

Student financial aid[27]

This section discusses student financial aid, excluding direct state appropriations to educational institutions.

(In millions, except as otherwise noted)	1980	1990	2000	2010	2017	2018	2019	2020
Federal grants								
Pell Grant expenditures by type of institution:	**$ 2,357**	**$ 4,778**	**$ 7,209**	**$ 29,992**	**$ 26,894**	**$ 28,672**	**na**	**na**
Public [1]	na	na	na	$ 18,145	$ 18,512	$ 19,951	na	na
Private [1]	na	na	na	$ 3,884	$ 4,424	$ 4,851	na	na
Proprietary [1]	na	na	na	$ 7,332	$ 3,958	$ 3,869	na	na
Number of valid Pell Grant applicants (in thousands):	**3,868**	**6,165**	**8,527**	**16,542**	**15,516**	**15,587**	**na**	**na**
Eligible applicants	3,030	4,348	4,903	10,969	10,555	10,742	na	na
Ineligible applicants	839	1,818	3,624	5,574	4,960	4,845	na	na
Federal Pell Grant recipients (in thousands)	**2,538**	**3,322**	**3,370**	**8,234**	**7,195**	**7,112**	**na**	**na**
Average Pell Grant (actuals):	**$ 929**	**$ 1,438**	**$ 1,915**	**$ 3,706**	**$ 3,738**	**$ 4,031**	**na**	**na**
Minimum grant	$ 200	$ 200	$ 400	$ 976	$ 589	$ 596	$ 650	$ 650
Maximum grant	$ 1,800	$ 2,300	$ 3,125	$ 5,350	$ 5,815	$ 5,920	$ 6,095	$ 6,195
Federal Supplemental Educational Opportunity Grants	$ 338	$ 437	$ 619	$ 736	$ 733	$ 733	$ 839	$ 840
Veterans (fiscal year)	na	na	$ 1,629	$ 8,260	$ 13,182	$ 13,178	$ 13,811	na
Federal Work-Study	$ 547	$ 609	$ 850	$ 972	$ 981	$ 981	$ 1,120	$ 1,110
Federal loans								
Federal loans receivable by the government, net (in billions)	na	na	$ 192	$ 368	$ 1,144	$ 1,208	$ 1,201	na
Perkins Loan disbursements [2]	**$ 651**	**$ 903**	**$ 1,101**	**$ 818**	**$ 886**	**$ 631**	**$ —**	**$ —**
Federal Family Education Loan Program (FFEL) disbursements by type of institution: [3]	**na**	**na**	**$ 21,442**	**$ 57,243**	**$ —**	**$ —**	**$ —**	**$ —**
Public [1]	na	na	$ 8,319	$ 20,018	$ —	$ —	$ —	$ —
Private [1]	na	na	$ 10,043	$ 22,030	$ —	$ —	$ —	$ —
Proprietary [1]	na	na	$ 2,865	$ 14,300	$ —	$ —	$ —	$ —
Foreign [1]	na	na	$ 216	$ 894	$ —	$ —	$ —	$ —
William D. Ford Federal Direct Loan Program (Direct Loan) disbursements by type of institution:	**na**	**na**	**$ 10,141**	**$ 42,582**	**$ 93,786**	**$ 92,721**	**$ 90,191**	**$ 87,488**
Public [1]	na	na	$ 2,554	$ 9,933	$ 44,487	$ 43,663	$ 42,187	$ 40,608
Private [1]	na	na	$ 6,930	$ 22,430	$ 35,830	$ 36,225	$ 35,626	$ 34,750
Proprietary [1]	na	na	$ 657	$ 10,209	$ 12,192	$ 11,465	$ 11,001	$ 10,627
Foreign [1]	na	na	$ —	$ 10	$ 1,278	$ 1,368	$ 1,377	$ 1,503

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†† *Source: Department of Education.*

††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *May not add to total. Total expenditures and expenditures by institution type were taken from two separate data sources. In addition, numbers have been rounded.*

2 *The Perkins Loan Program was discontinued on September 30, 2017. Final disbursements were permitted through June 30, 2018.*

3 *The FFEL Program was discontinued on June 30, 2010.*

Federal

The Federal Student Aid office of the US Department of Education awards about $120 billion a year in grants, work-study funds, and low-interest loans to more than 13 million students. Federal student aid covers expenses such as tuition and fees, room and board, books and supplies, and transportation. Aid also can help pay for other related expenses, such as a computer and dependent care. Federal student aid includes:

- *Grants* – financial aid that does not have to be repaid;
- *Loans* – borrowed money for college or career school and repaid with interest; and
- *Work Study* – a work program through which money is earned to help pay for school.

Student financial aid payments are dispersed in our segment income statements according to the nature of the program and the individual served. Pell Grants are in the General Welfare segment, within standard of living and aid to the disadvantaged. Veterans and military grants are in the Common Defense segment, within national defense and support for veterans. Federal student loans are included in the Secure the Blessings segment, within education.

Eligibility and enrollment

Applicants for federal financial aid for college must complete a Free Application for Federal Student Aid (FAFSA). To qualify, applicants must:

- demonstrate financial need (for most programs);
- be a US citizen or an eligible noncitizen;
- have a valid Social Security number (with the exception of students from the Republic of the Marshall Islands, Federated States of Micronesia, or the Republic of Palau);
- be registered with Selective Service, if a male (men must register between the ages of 18 and 25);
- be enrolled or accepted for enrollment as a regular student in an eligible degree or certificate program;
- be enrolled at least half-time to be eligible for Direct Loan Program funds;
- maintain satisfactory academic progress in college or career school;
- sign the certification statement on the FAFSA stating that:
  - the applicant is not in default on a federal student loan and does not owe money on a federal student grant; and
  - will use federal student aid only for educational purposes; and
- show they are qualified to obtain a college or career school education by:
  - having a high school diploma or a recognized equivalent such as a General Educational Development (GED) certificate;
  - completing a high school education in a homeschool setting approved under state law; or
  - enrolling in an eligible career pathway program and meeting one of the "ability-to-benefit" alternatives.

Funding and financial condition of the program

Federal student aid programs are funded by federal general funds, part of which are mandatory and part of which are discretionary, as well as by repayments of prior loans and interest.

As of September 30, 2020, 42.9 million unduplicated recipients of federal student loans owed a total of $1.6 trillion or approximately $36,500 per borrower, including principal and interest. Direct loans constituted the largest portion of the total, with $1.3 trillion owed by 35.9 million unduplicated recipients or approximately $36,600 per borrower. Of these direct loans, $14 billion or approximately $36,400 per borrower were in repayment status, all of which was current due to changes to borrower accounts as a result of executive actions and provisions in the CARES Act. This resulted in borrowers in repayment being moved into a forbearance status unless they opted out. Due to these changes, the number of borrowers in repayment has been drastically reduced and delinquencies were cured. Prior to these changes, $623 billion or approximately $38,500 per borrower was current and $8 billion, or 1% or approximately $27,900 per borrower, was in technical default (271 days plus delinquent) or transferring to a collection agency, with the remaining balance in various stages of delinquency.

State and local

State and local governments also provide financial aid to students. However, we are not aware of a government source for aggregated information on these programs, so we have not presented any information here.

Welfare – Temporary Assistance for Needy Families (TANF)[28]

Fiscal year	1980	1990	2000	2010	2017	2018	2019	2020
TANF expenditures (in millions) [1]	na	na $	24,781 $	33,255 $	28,660 $	28,720 $	28,483	na
TANF/AFDC average monthly total recipients (in thousands) [2]	10,597	11,460	5,943	4,371	2,565	2,259	2,045	2,033
TANF/AFDC average monthly child recipients (in thousands) [2]	7,322	7,755	4,370	3,289	1,985	1,767	1,610	1,584
TANF/AFDC average monthly families (in thousands) [2]	3,642	3,974	2,265	1,848	1,097	1,013	917	896
TANF SSP average monthly total recipients [3]	na	na	380,522	221,868	1,085,189	975,846	896,028	788,736
TANF SSP average monthly child recipients [3]	na	na	227,615	132,913	674,683	615,223	561,202	494,048
TANF SSP average monthly total number of families [3]	na	na	90,811	69,459	307,282	222,539	203,815	179,835

† *Source: Department of Health and Human Services.*

†† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Includes State Separate Programs expenditures*

2 *In 1996, Aid to Families with Dependent Children (AFDC) was replaced by TANF.*

3 *State Separate Programs (SSP) are assistance programs that are administered by TANF agencies but are paid for wholly from state funds. When SSPs are conducted in a manner consistent with federal regulations, the money states spend on SSPs counts toward federal maintenance-of-effort (MOE) requirements, under which states must sustain a certain level of contribution to the costs of TANF and approved related activities..*

The Temporary Assistance for Needy Families (TANF) program, often referred to as "welfare," is designed to help needy families with children achieve self-sufficiency by providing temporary cash assistance while aiming to get people off of that assistance, primarily through employment. TANF was created by the Personal Responsibility and Work Opportunity Act instituted in 1996 and is administered by the Department of Health and Human Services (DHHS). The states design and operate programs that accomplish one of the purposes of the TANF program, which are:

- provide assistance to needy families so that children can be cared for in their own homes;
- reduce the dependency of needy parents by promoting job preparation, work, and marriage;
- prevent and reduce the incidence of out-of-wedlock pregnancies; and
- encourage the formation and maintenance of two-parent families.

In 2018, TANF payments were $17 billion or less than 1% of our Government's aggregate expenditures.

Eligibility and enrollment

State and local agencies are responsible for establishing the eligibility criteria and procedures that apply in their TANF programs, not the federal government. For more information, you can contact your state TANF director's office. You can find their contact information at https://www.acf.hhs.gov/ofa/help.

Funding and financial condition of the program

TANF is funded in part by mandatory federal block grants to the states and by matching state funds (not dollar-for-dollar but according to a formula). Its federal funding source is mandatory expenditures in the annual federal budget. Congress could act to modify or remove the program's funding, but otherwise, it will continue as scheduled. TANF does not have a dedicated trust fund.

Research and development

Fiscal year (In millions)	1980	1990	2000	2010	2017	2018	2019
Federal R&D outlays by agency [1]							
All agencies	**$29,154**	**$62,135**	**$76,898**	**$131,388**	**$110,000**	**$117,072**	**$127,853**
Department of Defense	13,501	36,703	38,519	67,615	41,292	44,843	49,640
Department of Health and Human Services	3,477	8,309	18,187	34,928	31,169	32,997	35,778
Department of Energy	4,697	5,508	6,068	8,986	12,020	14,607	17,173
NASA	3,465	6,324	6,424	7,316	10,528	10,765	10,759
All other	4,014	5,291	7,700	12,543	14,991	13,860	14,503
Higher education R&D expenditures [2]							
Total higher education	**$6,063**	**$16,290**	**$30,084**	**$61,287**	**$75,278**	**$79,165**	**83,653**
Federal government – all agencies [3]	4,098	9,640	17,548	37,478	40,295	41,910	44,534
Department of Health and Human Services	na	na	na	na	21,620	22,829	24,413
Department of Defense	na	na	na	na	5,635	5,894	6,655
National Science Foundation	na	na	na	na	5,205	5,270	5,331
All other	na	na	na	na	7,765	7,843	8,056
State and local government	491	1,324	2,200	3,887	4,174	4,311	4,505
Institution funds	835	3,006	5,925	11,943	18,916	20,254	21,154
Business	236	1,127	2,156	3,202	4,432	4,721	5,058
All other	403	1,193	2,255	4,777	7,461	7,969	8,402

[†] *Source: National Science Foundation. Details may not add to totals due to rounding.*

[††] *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

[na] *An "na" reference in the table means the data is not available.*

[1] *Represents pure R&D, excludes facilities and fixed equipment.*

[2] *Science and Engineering R&D only.*

[3] *Federal Expenditures are also counted in Federal R&D Outlays by Agency above. Details may not add to totals, as details and totals were taken from two separate data sources. In addition, for the agency detail, beginning in FY 2012, institutions reporting less than $1 million in total R&D expenditures completed a shorter version of the survey questionnaire and those totals are not reflected here.*

Our Government spends money on research and development (R&D) to provide for the common defense and promote the general welfare of our citizens and in pursuit of specific goals, such as weapons in an effort to assure the safety and security of US citizens and vaccines against disease. More broadly, R&D spending can foster innovation, which can fuel economic growth, create jobs, and ultimately enhance our Government's financial position by broadening the tax base. Government R&D spending also promotes scientific and engineering skills in the workforce, in an effort to keep the US at the forefront of global innovation.

In 2019, 39% of federal R&D outlays were for the Department of Defense, with most of that devoted to the development of advanced weapons systems such as the Joint Strike Fighter. The Department of Energy also carries out R&D on nuclear weapons, in addition to basic scientific research in areas such as nuclear physics and the biological and environmental sciences. At the National Institutes of Health, which accounts for about a third of federal R&D spending, research is focused in understanding, diagnosing, preventing, and treating illnesses such as cancer and Alzheimer's disease. NASA is funding research for projects, including advanced electronic propulsion systems and space habitation projects.

Much of our Government's research is carried out under contract by private-sector companies or at colleges, universities, hospitals, and private research institutions. Our Government conducts research in several hundred laboratories around the country, such as the Brookhaven National Laboratory in Long Island, New York, and the Los Alamos National Laboratory near Santa Fe, New Mexico.

Marketing, sales, and distribution

Our Government markets, sells, and distributes services either directly to the public or via contracts with private firms.

Marketing

Our Government uses television, radio, print, the Internet, and social media to advertise and market government services. Many government agencies employ media spokespeople to tout their achievements, build public awareness, and promote their services and build websites to offer information. They may also hire advertising agencies for marketing campaigns. The military uses advertising campaigns to recruit soldiers.

Federal agencies spent $909 million on advertising in fiscal year 2015, according to an estimate by the Government Accountability Office. The top three advertisers were the Departments of Defense, Health and Human Services, and Homeland Security. These and other agencies spend for purposes such as advertising job openings, federal contracts and sales of surplus property.

Federal agencies also advertise to promote their services or influence public behavior. The Centers for Disease Control, for example, has carried out campaigns to encourage people to quit smoking and get tested for HIV. The Office of National Drug Control Policy is mandated by law to produce advertising campaigns to discourage the use of illegal drugs. State, local, and federal governments use the services of the Ad Council, a non-profit group backed by advertising agencies and media outlets, for free public-service advertising campaigns through a nationwide network of media outlets. These have included anti-drunk-driving campaigns by the National Highway Traffic Safety Administration and efforts by the US Forest Service to prevent forest fires.

The military uses advertising and marketing campaigns to recruit soldiers and has promoted public goodwill by staging patriotic events at professional sports games. The United States Army Recruiting Command employs about 10,900 recruiters working out of more than 1,400 recruiting stations across the US and overseas.

Many state and local agencies market their services through trade organizations such as the American Public Transportation Association, which lobbies the federal government for funding for local transit systems, carries on campaigns to generate public support for mass transit, and conducts research. Agencies also conduct their own marketing campaigns; the Los Angeles Metro, for example, has an in-house agency that uses billboard advertising to encourage residents to leave their cars at home and use public buses, rail or carpooling instead.

Sales

Many government services are sold directly to the public. State and local governments provide higher education via networks of state and county colleges, universities, and community colleges, and deliver health at state and county hospitals. Postal services are sold through the federal government’s network of over 31,000 retail outlets. Customers pay for transportation when they buy rides on local bus and subway networks and pay tolls on highways. Many states and counties have a monopoly on distribution and sales of some or all alcoholic beverages, often through chains of government-operated retailers.

Distribution

Our Government sometimes use third-party distributors to carry out government objectives. Private universities and research institutions conduct government-funded research. Healthcare funded under government programs such as Medicare and Medicaid may be delivered by private health-care practitioners, hospitals, and clinics, in addition to public hospitals. Lottery tickets are sold through retailers such as convenience stores and gasoline stations.

Public and cooperative utilities supply services such as water, sewage treatment, electricity, and natural gas directly to commercial, residential, and industrial customers through dedicated distribution networks. The Tennessee Valley Authority, a federally owned utility that generates hydroelectric power, supplies electricity to most of Tennessee and parts of six other states. It sells power wholesale, about half to federal agencies and half to large industries and locally owned municipal and cooperative distribution systems.

Reporting segments

When businesses report their financial results, they organize them into "segments." A segment is a portion of an organization that engages in activities from which it may earn revenue and incur expenses, has discrete financial information available, and whose results are regularly reviewed by the organization's decision maker(s) for performance assessment and resource allocation decisions. This framework is what the business itself, investors, and the media use to explain in a common language the financial results and operations of the company. Adopting a similar framework, we have chosen to report our Government's operations in four segments – Justice and Domestic Tranquility (JDT), Common Defense (CD), General Welfare (GW), and Blessings of Liberty (BL), aligned with the preamble to the US Constitution:

> "We the People of the United States, in Order to form a more perfect Union, establish Justice, ensure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America."

Federal, state, and local governments play a role in each of these segments. Some initiatives reported herein as state and local government activities and related expenditures were funded by transfers from the federal government. So, though the state and local governments fulfill them, they originate with the federal government.

We do not report revenues by segment but do report expenditures and key metrics on a segment basis. Certain expenditures, including 2% of total fiscal year 2018 expenditures, are not allocated to any segment and are categorized as general government support, outside of our reporting segments. These expenditures are for the costs of central government functions, including general property and records management, financial management, Congress, and general claims against our Government that our Government has not allocated to one agency.

Justice and Domestic Tranquility

This segment works to establish justice and ensure domestic tranquility among the US population, keeping citizens safe, alive, and living in peace with one another. To do this, our Government works to reduce crime, administer justice, mitigate and prevent disasters, help populations who cannot protect themselves (such as children), protect people from dangerous products, businesses, and commercial practices, and prevent accidents of all kinds. In 2018, 8% or $473 billion of our Government's expenditures were made by this segment.

The Justice and Domestic Tranquility segment can be further divided into the following reporting units, with their associated key initiatives, departments, and metrics.

Crime and disaster ($361 billion in spending in 2018)

- *Key initiatives* – reduce crime, administer justice, and mitigate and prevent disasters, including fires
- *Key departments* – Department of Justice, Department of Homeland Security (primarily Federal Emergency Management Agency), and Judicial Branch (primarily courts of appeals, district courts, and other judicial services) at the federal level and state and local police, correctional, judicial, and fire departments
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – numbers of crimes reported, arrests, people incarcerated, fire incidents and related civilian deaths, disaster declarations and related aid

Safeguarding consumers and employees ($21 billion in spending in 2018)

- *Key initiatives* – keep people away from harm by regulating, primarily commercial interests, including consumer product safety, financial protection and regulation, workplace safety and labor fairness, and transportation safety
- *Key departments* – Department of Health and Human Services (primarily Food and Drug Administration), Department of Agriculture (primarily Food Safety and Inspection Service), Department of Labor (primarily Occupational Safety and Health Administration and Mine Safety Administration), Federal Trade Commission, and Securities and Exchange Commission at the federal level and state and local protective inspection and regulation offices
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – numbers of consumer complaints and consumer product injuries, transportation crashes and fatalities, workplace violations, fatal and non-fatal workplace injuries, and back wages recovered

Child safety and miscellaneous social services ($90 billion in spending in 2018)

- *Key initiatives* – maintain the welfare and safety of all children, including through child protective services, child welfare, and foster care programs
- *Key departments* – Department of Health and Human Services (primarily Administration for Children and Families), Department of Education (primarily Office of Special Education and Rehabilitative Services), Corporation for National and Community Service, and Office of Social Innovation and Civic Participation at the federal level and state and local child welfare offices
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – numbers of child victims and fatalities, children in foster care and their time spent there, foster children reunited with family or adopted, and children in poverty

State and local governments perform most Justice and Domestic Tranquility activities.

A little more than 76% of this segment's expenditures are for crime and disaster. The key drivers of crime and disaster costs are costs of police protection operations and corrections, driven by the number of employees, facilities, and crimes committed. The drivers of the most significant fluctuations in annual crime and disaster costs are generally the occurrence and magnitude of natural disasters. Excluding costs of natural disasters, 36% of the segment's expenditures are for payroll for current employees.

Common Defense

This segment works to provide for the common defense of the US population and citizens abroad by protecting them from external threats. To do so, our Government prevents conflict where possible, engages in conflict when threatened, manages relationships with other nations, and keeps the US borders secure. To achieve these goals, our Government operates a military and provides benefits to veterans. It also manages immigration, controls entrance to the country at the borders, and operates a diplomatic force around the world that promotes American ideals and values on behalf of its citizens. In 2018, 14% or $874 billion of our Government's expenditures were made by this segment.

The Common Defense segment can be further divided into the following reporting units, with their associated key initiatives, departments, and metrics.

National defense and support for veterans ($809 billion in spending in 2018)

- *Key initiatives* – operate a military, including raise an army, navy, and air force, employ troops, provide benefits to veterans, and invest in defense technology and equipment
- *Key departments* – Department of Defense, Department of Veterans Affairs (primarily the Veterans Health Administration), Department of Energy (primarily the National Nuclear Security Administration and

Environmental and Other Defense Activities), and Department of Justice (primarily the Federal Bureau of Investigation) at the federal level and veterans' services offices at the state level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – numbers of military personnel deployed, military deaths, civilian deaths overseas, veterans, and unique Veterans Affairs patients, and rates of veteran unemployment, poverty, and disability

Immigration and border security ($16 billion in spending in 2018)

- *Key initiatives* – maintain a system for immigration and control entrance to the country at the borders, including managing visas, Green Cards, and customs
- *Key departments* – Department of Homeland Security (primarily US Customs and Border Protection, US Immigration and Customs Enforcement, and Citizenship and Immigration Services) at the federal level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – the estimated numbers of immigrants who are in the US without authorization and the numbers of those who were removed or returned, border apprehensions, numbers of naturalizations, Green Cards, and visas granted, intellectual property and drug seizures, and airport firearm discoveries

Foreign affairs and foreign aid ($49 billion in spending in 2018)

- *Key initiatives* – operate a diplomatic force around the world, including embassies and ambassadors, that promotes American ideals and values on behalf of its citizens, and provide economic and military foreign assistance
- *Key departments* – Department of State and International Assistance Programs at the federal level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – number of US passports in circulation, and foreign aid obligations

Nearly all Common Defense activities are performed by the federal government, though the states do provide certain veterans services.

More than 70% of the expenditures of this segment are for national defense activities and are driven mainly by investment in preparation for future military conflicts and the occurrence and magnitude of conflicts. The costs are largely for personnel, equipment procurement, operations and maintenance, and services. Federal military employee wages and salaries was $113 billion in 2018.

General Welfare

This segment works to promote the general welfare of the US population by maximizing the day-to-day experience of the population and enabling them to live happy, healthy, productive lives and contribute to society. To do this, our Government works to stimulate the economy through investment and business promotion with the ultimate goal that every American who wants a job has one that pays a livable wage. Our Government attempts to balance taxes with income so Americans can have the standard of living they desire, while also providing a minimum standard of living through welfare and transfer programs for those in need. Government promotes good health as the foundation of a good standard of living, and it manages the structure of the healthcare industry so that people who do get sick can afford care. Finally, our Government operates services as businesses where they otherwise may not exist, such as the post office and transit systems. In 2018, 23% or $1,447 billion of our Government's expenditures were made by this segment, with a third spent by the federal government and the remainder by state and local governments.

The General Welfare segment can be further divided into the following reporting units, with their associated key initiatives, departments, and metrics.

Economy and infrastructure ($264 billion in spending in 2018)

- *Key initiatives* – stimulate the economy through tax policy, investment, business promotion, and trade and operate services as businesses where they otherwise may not exist (for example, post offices, transit, utilities, lotteries – see the full list at Exhibit 99.04 and quantification of key businesses in *Note 24 – Offsetting amounts* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report)
- *Key departments* – Department of Homeland Security (primarily United States Coast Guard and Transportation Security Administration), Department of Transportation (primarily Federal Aviation Administration), Federal Deposit Insurance Corporation, Federal Communications Commission, Department of the Treasury, National Science Foundation, Department of Energy, Department of Commerce, National Credit Union Administration, and US Postal Service at the federal level and liquor stores, lotteries, airports, ports, highways, mass transit, and parking facilities at the state and local level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – numbers of new businesses and businesses that close, bankruptcy filings, bank failures, new home sales and prices, gross rents and vacancy rates, gross domestic product (GDP), values of the S&P 500, private investment, our net trade deficit, total employment, jobs per person in the working age population, median annual and federal minimum wages, and the condition of our roads and bridges

Standard of living and aid to the disadvantaged ($1,019 billion in spending in 2018)

- *Key initiatives* – manage a fair tax structure, provide a minimum standard of living through welfare and transfer programs for those in need
- *Key programs* – Earned Income Tax Credit, SNAP, Unemployment Insurance, Student Financial Aid (primarily Pell Grants), Subsidized Housing, TANF, SSI, Medicaid and CHIP
- *Key departments* – Department of the Treasury (primarily Internal Revenue Service), Department of Agriculture (primarily Food and Nutrition Service), Social Security Administration, Department of Labor (primarily Employment and Training Administration), Department of Education (primarily Office of Federal Student Aid), Department of Housing and Urban Development, and Department of Health and Human Services (primarily Indian Health Service) at the federal level and state and local departments of housing and community development and welfare offices
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – overall and child poverty rates, numbers of people in subsidized housing, and the amount of purchases a family makes in a year (an indicator of standard of living)

Health (excluding Medicaid and Medicare) ($164 billion in spending in 2018)

- *Key initiatives* – promote good health as the foundation of a good living and manage the structure of the healthcare industry as well as public health and health regulation
- *Key departments* – Department of Health and Human Services at the federal level and state and local public hospitals
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – life expectancy at birth, average age at death, deaths from various sicknesses, percentages of adults who suffer from certain health conditions, and the amount of money individuals spend on healthcare

Approximately 70% of this segment's expenditures are spent on standard of living and aid to the disadvantaged. These expenditures are driven primarily by macroeconomic conditions, including the health of the overall economy and costs of healthcare, housing, and food, which influence enrollment in, and program costs of, Medicaid and CHIP, SNAP, housing assistance, and other poverty-based programs.

Blessings of Liberty

This segment works to secure the blessings of liberty to the US population, which it does through investing in the future. Our Government invests in the future by providing educational opportunities and standards, promoting retirement savings and homeownership, and mandating savings through Social Security and Medicare. In order to prevent future conflict and destabilization, our Government manages its debt to limit the burden on future generations, protects the environment and manages natural resources, works to maintain a healthy democracy, and supports opportunity for economic mobility for each individual. In 2018, 53% or $3,355 billion of our Government's expenditures were made by this segment.

The Blessings of Liberty segment can be further divided into the following reporting units, with their associated key initiatives, departments, and metrics.

Education ($921 billion in spending in 2018)

- *Key initiatives* – increase educational attainment in the US
- *Key programs* – Student Financial Aid (state aid and federal student loans)
- *Key departments* – Department of Education (primarily Office of Federal Student Aid and Office for Postsecondary Education) and Department of the Treasury (primarily Internal Revenue Service, for refundable American Opportunity Credits) at the federal level and school districts, schools, and libraries at the state and local level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – Head Start funded and other pre-kindergarten enrollment, public school enrollment, reading and math skills, high school graduation and GED rates, college enrollment, the cost of college, and higher education graduation rates

Wealth and savings ($2,324 billion in spending in 2018)

- *Key initiatives* – encourage wealth creation through tax incentives and tools for homeownership and saving for retirement through pension plans, Social Security, and Medicare, and maintain a manageable balance between current expenditures and future debt
- *Key programs* – Social Security and Medicare
- *Key departments* – Department of the Treasury, Social Security Administration, and Department of Health and Human Services (primarily Centers for Medicare and Medicaid Services) at the federal level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – rates of savings, total and average household financial assets and mortgage debt, rates of homeownership, poverty of the elderly (over 65), retirement plan participation and performance, and national debt held by the public as a percentage of Gross Domestic Product (GDP) and per capita

Sustainability and self-sufficiency ($110 billion in spending in 2018)

- *Key initiatives* – protect the environment, manage natural resources responsibly, and maintain national self-sufficiency, including energy and agriculture
- *Key departments* – Department of Agriculture, Environmental Protection Agency, Corps of Engineers – Civil Works, Department of the Interior, Department of Commerce (primarily National Oceanic and Atmospheric Administration), and Department of Energy at the federal level and utilities (including energy, water, sewer, and solid waste management) and departments of forestry, fish and game, and parks and recreation at the state and local level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – emissions; numbers of days with unhealthy air quality; percentage of assessed waters threatened or impaired; primary and net energy consumption; energy consumption from renewable sources; air, drinking water, hazardous waste and pesticide violations; crops harvested and crop failures; and our net agricultural surpluses

American Dream ($2 billion in spending in 2018, also included within other subsegments)

- *Key initiatives* – increase intergenerational economic mobility, build strong communities throughout the US, and encourage philanthropy and civic participation, including voting
- *Key departments* – Department of Justice (primarily Civil Rights Division), Corporation for National and Community Service, Federal Election Commission
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – rates of children with parents in the bottom income quintiles making it to a higher income quintile, numbers of hate crime incidents, equal employment charges, housing discrimination complaints, health discrimination investigations, citizen voting in presidential and midterm elections, rates of volunteering, and amounts of charitable giving

Over 60% of the segment's expenditures are spent by the federal government, while the remainder is spent by state and local governments.

Nearly 50% of this segment's expenditures are for Social Security and Medicare payments, which are driven primarily by the number and mix of beneficiaries and for Medicare, the costs of healthcare, and premiums paid by enrollees. Another nearly 30% of this segment's expenditures are for education, which are driven primarily by the number of government employees in the education sector and their salaries and related benefits, and by student fees, including tuition, room, board, and event entrance fees.

Customers

Our Government's customers are the individuals living in the US and US citizens living overseas, including members of the armed forces. As of July 1, 2020, the population of the US, excluding US territories, was 329 million. The population of the US is growing but at a rate that is generally decelerating; the population of the US grew less than 1% during each of the years ended July 1, 2020 and July 1, 2019, 17% in the 20 years following July 1, 2000, and 45% in the 40 years following July 1, 1980.

Demographics of our population

Below are tables with demographics of our population, as follows:

- *the first two tables* show demographics of our overall population, first combined and then by race and ethnicity;
- *the third and fourth tables* show demographics of our largest non-white race population (African-American people) and our largest ethnic population (Hispanic people), respectively; and
- *the fifth and sixth tables* show demographics for our native-born and foreign-born populations, respectively.

Population demographics

	1980	1990	2000	2010	2016	2017	2018	2019	2020
Total population (in thousands) [1,4]	**227,225**	**249,623**	**282,162**	**309,327**	**323,072**	**325,122**	**326,838**	**328,330**	**329,484**
Population change [2]	2,920	2,588	2,457	2,395	2,333	2,050	1,716	1,492	1,154
Natural	2,021	1,959	1,579	1,659	1,268	1,102	996	923	677
Births	4,492	4,114	3,966	4,150	3,971	3,890	3,835	3,770	3,748
Deaths	2,471	2,155	2,387	2,491	2,703	2,788	2,839	2,847	3,071
Net migration	na	na	878	735	1,065	948	720	569	477
Residual [3]	899	534	—	—	—	—	—	—	—
Age and gender [1,4]									
Male	48.6%	48.8%	49.1%	49.2%	49.2%	49.2%	49.2%	49.2%	na
Female	51.4%	51.2%	50.9%	50.8%	50.8%	50.8%	50.8%	50.8%	na
<5 years of age	7.2%	7.6%	6.8%	6.5%	6.2%	6.1%	6.0%	6.0%	na
5 to 14 years	15.3%	14.1%	14.6%	13.3%	12.7%	12.6%	12.6%	12.5%	na
15 to 24 years	18.7%	14.8%	14.0%	14.1%	13.5%	13.3%	13.1%	13.0%	na
25 to 34 years	16.5%	17.3%	14.1%	13.3%	13.8%	13.9%	14.0%	14.0%	na
35 to 44 years	11.4%	15.1%	16.0%	13.2%	12.5%	12.5%	12.6%	12.7%	na
45 to 54 years	10.0%	10.1%	13.5%	14.5%	13.2%	13.0%	12.7%	12.4%	na
55 to 64 years	9.6%	8.5%	8.7%	11.9%	12.8%	12.9%	12.9%	12.9%	na
65+ years	11.3%	12.5%	12.4%	13.1%	15.2%	15.6%	16.0%	16.5%	na
18+ years	na	na	74.3%	76.0%	77.2%	77.3%	77.5%	77.7%	na
Median age (years)	30.0	33.0	35.3	37.2	37.9	38.0	38.2	38.4	na
Race and ethnicity [1,4,5]									
White	85.7%	83.9%	81.0%	78.3%	76.9%	76.7%	76.5%	76.3%	na
Black/African American	11.7%	12.3%	12.7%	13.0%	13.3%	13.3%	13.4%	13.4%	na
Asian	1.6%	3.0%	4.0%	4.9%	5.7%	5.8%	5.9%	5.9%	na
American Indian/Alaska Native	0.6%	0.8%	1.0%	1.2%	1.3%	1.3%	1.3%	1.3%	na
Other/Mixed Race	na	na	1.4%	2.3%	2.6%	2.7%	2.7%	2.8%	na
Hispanic	6.4%	9.0%	12.6%	16.4%	17.8%	18.0%	18.2%	18.4%	na
Non-Hispanic, White only	na	75.6%	69.4%	63.8%	61.2%	60.8%	60.4%	60.1%	na
Regional [1,4]									
Northeast	21.6%	20.4%	19.0%	17.9%	17.4%	17.2%	17.2%	17.1%	17.0%
Midwest	25.9%	24.0%	22.9%	21.7%	21.1%	21.0%	20.9%	20.8%	20.7%
South	33.3%	34.4%	35.6%	37.1%	37.9%	38.0%	38.1%	38.3%	38.4%
West	19.1%	21.3%	22.5%	23.3%	23.7%	23.8%	23.8%	23.8%	23.9%
Educational attainment [6]									
Population 25 years and over (in thousands)	na	158,868	175,230	199,928	215,015	216,921	219,830	221,478	na
Less than high school graduate	na	24.8%	15.9%	12.9%	10.9%	10.4%	10.2%	9.9%	na
High school graduate	na	30.0%	33.1%	31.2%	28.8%	28.8%	28.5%	28.1%	na
Some college or associate's degree	na	24.9%	25.4%	26.0%	26.8%	26.6%	26.3%	25.9%	na
Bachelor's degree	na	13.1%	17.0%	19.4%	20.8%	21.3%	21.9%	22.5%	na
Graduate or professional degree	na	7.2%	8.6%	10.5%	12.6%	12.8%	13.1%	13.5%	na
Households and families [6, 8, 9]									
Total households (in thousands)	80,776	93,347	104,705	117,538	125,819	126,224	127,586	128,579	128,451
Total family households (in thousands)	59,550	66,091	72,026	78,833	82,183	82,828	83,088	83,482	83,677
% total households married no kids	29.9%	29.8%	28.7%	28.8%	29.0%	29.4%	29.3%	29.7%	30.1%
% total households married parents	30.9%	26.3%	24.1%	20.9%	18.9%	18.7%	18.7%	18.5%	18.4%
% total households single fathers	0.8%	1.2%	1.7%	1.9%	2.0%	1.9%	1.9%	1.9%	1.8%
% total households single mothers	6,7%	7.1%	7.2%	7.2%	6.8%	6.5%	6.4%	6.0%	5.8%
% total households other family	5.4%	6.5%	7.0%	8.3%	8.7%	9.0%	8.8%	8.8%	8.9%
Total non-family households (in thousands)	21,226	27,257	32,680	38,705	43,635	43,396	44,498	45,096	44,774
% total households single person	22.7%	24.6%	25.5%	26.7%	28.1%	27.9%	28.0%	28.4%	28.2%
% total households multiple people non-family	3.6%	4.6%	5.7%	6.2%	6.6%	6.5%	6.9%	6.7%	6.7%
Young adults (25-34 years) living at home (in thousands)	3,194	4,987	3,989	5,520	7,020	7,108	7,537	7,580	8,032
Rate of young adults living at home	8.7%	11.5%	10.6%	13.4%	16.0%	16.1%	16.8%	16.8%	17.8%
Average household size	2.76	2.63	2.62	2.59	2.53	2.54	2.53	2.52	2.53
Average family size	3.29	3.17	3.17	3.16	3.15	3.14	3.14	3.14	3.15
Marital status (age 15 years+) [6, 7]									
Currently married	**61.0%**	**58.7%**	**56.2%**	**53.6%**	**52.1%**	**52.4%**	**52.1%**	**52.3%**	**52.0%**
All men	63.2%	60.7%	57.9%	54.8%	53.4%	53.8%	53.4%	53.6%	53.2%
All women	58.9%	56.9%	54.7%	52.4%	50.8%	51.0%	50.8%	51.1%	50.9%
Net divorce rate [10]	**7.8%**	**10.7%**	**12.9%**	**14.1%**	**14.6%**	**14.5%**	**14.6%**	**14.3%**	**14.3%**
All men	6.8%	9.7%	12.1%	12.9%	13.2%	13.3%	13.4%	12.9%	12.9%
All women	8.6%	11.5%	13.6%	15.2%	15.8%	15.5%	15.6%	15.5%	15.4%

† *Source: US Census Bureau.*

†† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

[na] *An "na" reference in the table means the data is not available.*

[1] *Population statistics are from intercensal estimates taken on July 1 of each year, providing detailed, current information to communities every year. Decennial census figures are published April 1 each decade, providing an official count of the population. We retain the intercensal estimates in this table despite decennial census figures being released, as this allows us to report details consistent with the total population reported. The US Census Bureau announced that the 2020 Census (the official decennial census figure) shows the resident population of the United States on April 1, 2020, was 331,449,281.*

[2] *Components of population change are from yearly intercensal estimates taken on July 1 of each year. Estimates have not been revised for all years and as a result total population change does not always add to the gap between annual population estimates.*

[3] *The "residual" shown here includes the components of population change: net international migration, Federal Citizen movement, net domestic migration, and a statistical residual. For post-1990 estimates, the estimates methodology was refined to allow separate identification of these components.*

[4] *Total population estimates by the Census Bureau are released in March of each year while the demographic statistics are released in July. All figures will be updated when full data is available in July.*

[5] *Race categories have been redefined many times in the history of the census. Due to the ability to choose "some other race" in census years and select more than one race in 2000 and later, race estimates in census years sometimes vary significantly from intercensal estimates.*

[6] *Educational attainment, living arrangements, marital status, and household and family statistics are from the Current Population Survey Annual Social and Economic Supplement produced in March of each year. It includes the civilian non-institutional population plus armed forces living off post or with their families on post.*

[7] *Marital status includes householders whose race was reported as only one race (rather than in combination with one or more other races) after 2003.*

[8] *A household is an occupied housing unit.*

[9] *In table titles, "family" is used to refer to a family household. In general, family consists of those related to each other by birth, marriage or adoption. A non-family household consists of a householder living alone (a one-person household) or where the householder shares the home only with people to whom he/she is not related.*

[10] *Net divorce rate is calculated as currently divorced as a percentage of ever married.*

From 1980 through 2018, our population has remained 49% male and 51% female but has shifted in the ways discussed below.

We're getting older – the median age of our population has increased by 8 years or 27%, from 30.0 years old in 1980 to 38.2 years old in 2018.

We're becoming more diverse racially, ethnically, and in our country of origin –

- The US population of non-Hispanic white people has decreased 15 percentage points since 1990 to 60% of our population in 2018, with other races and ethnicities increasing over this same time.
- The share of foreign-born individuals within our population has increased 3 percentage points since 2000 to 14% of our population in 2018. Foreign-born individuals:
  - have a higher labor participation rate (67% in 2018) than native-born individuals (63% in 2018);
  - work in more manual jobs (e.g. service, natural resources, construction, maintenance, moving); and
  - have lower annual earnings (44% earned $50,000 or more in 2018) than native-born individuals (51% earned $50,000 or more in 2018).
- Our annual population growth from migration (0.7 million in 2018) is approaching the growth from births and deaths (1.0 million in 2018).

We're moving south and west – our population is migrating from the Northeast and Midwest to the South and West. States range in population from just under 600,000 (Wyoming) to over 39 million (California).

We're becoming more educated – the rate of individuals with less than a high school diploma has decreased 15 percentage points since 1990 to 10%, while the share of adults 25 years and over with at least some college experience has increased 16 percentage points to 61% in 2018.

The composition of our households and families is changing – our total number of households has increased, but:

- the size of the average household (a person or people residing together in a housing unit) has decreased 0.3 people or 8% since 1980 to 2.5 people per household in 2018, as more people are living alone and fewer people are having children;
- the size of the average family (two or more people related by birth, marriage, or adoption and residing together) has decreased 0.2 people or 5% since 1980 to 3.1 people per family in 2018;
- the share of households that comprise married families has decreased 13 percentage points since 1980 to 48% in 2018, while the share of households that comprise unmarried individuals or families have increased 13 percentage points to 52% in 2018;
- the share of our population that is currently married has decreased 10 percentage points for men and 8 percentage points for women since 1980 to 53% and 51%, respectively, in 2018, while the rate of individuals

currently divorced has increased 7 percentage points each for men and women to 13% and 16%, respectively, in 2018; and

- the number of young adults (25 – 34 years old) living at home has increased 136% since 1980 to 7.5 million or 17% of all young adults in 2018.

Demographics by race and ethnicity

For US federal government reporting, race and ethnicity are two separate and distinct concepts that generally reflect social definitions recognized in this country and do not conform to any biological, anthropological, or genetic criteria. Data for ethnicity is reported as Hispanic or non-Hispanic. Hispanic origin can be viewed as the heritage, nationality, lineage, or country of birth of the person or the person's parents or ancestors. People who identify as Hispanic may be any race. People may choose to report more than one race to indicate their racial mixture, such as "American Indian" and "white." Federal government agencies report data for at least five race categories: white, Black or African American, American Indian/Alaska Native, Asian, and Native Hawaiian or Other Pacific Islander.

	1980	1990	2000	2010	2016	2017	2018	2019	2020
Total population (in thousands)	**227,225**	**249,623**	**282,162**	**309,327**	**323,072**	**325,122**	**326,838**	**328,330**	**329,484**
White	194,713	209,367	228,530	242,235	248,413	249,271	249,961	250,522	na
Black/African American	26,683	30,648	35,815	40,355	42,970	43,374	43,732	44,075	na
Asian	3,729	7,549	11,173	15,261	18,280	18,764	19,134	19,505	na
Hispanic	14,609	22,573	35,662	50,743	57,451	58,574	59,640	60,572	na
Poverty rate of all persons	**13.0%**	**13.5%**	**11.3%**	**15.1%**	**12.7%**	**12.3%**	**11.8%**	**10.5%**	na
White population [1]	10.2%	10.7%	9.5%	13.0%	11.0%	10.5%	10.1%	9.1%	na
Black [1]	32.5%	31.9%	22.5%	27.4%	22.0%	21.7%	20.8%	18.8%	na
Asian [1]	na	12.2%	9.9%	12.2%	10.1%	9.7%	10.1%	7.3%	na
Hispanic	25.7%	28.1%	21.5%	26.5%	19.4%	18.3%	17.6%	15.7%	na
Crime									
Total arrests (in thousands) [6]	**10,458**	**14,217**	**13,986**	**13,122**	**10,662**	**10,555**	**10,311**	**10,085**	na
White	74.0%	69.8%	68.9%	69.5%	69.6%	68.9%	69.0%	69.4%	na
Black/African American	24.2%	28.3%	28.8%	27.9%	26.9%	27.2%	27.4%	26.6%	na
American Indian/Alaska Native	1.2%	1.1%	1.3%	1.4%	2.0%	2.4%	2.1%	2.4%	na
Asian/Pacific Islander	0.6%	0.8%	1.1%	1.2%	1.5%	1.5%	1.4%	1.6%	na
Total sentenced prisoners (in thousands) [7]	**330**	**774**	**1,394**	**1,614**	**1,508**	**1,489**	**1,464**	**1,431**	na
White (non-Hispanic) [8]	na	na	35.6%	31.2%	30.2%	30.3%	30.5%	30.6%	na
Black (non-Hispanic) [8]	na	na	46.2%	36.9%	33.4%	33.1%	32.9%	32.8%	na
Hispanic	na	na	16.4%	22.3%	23.3%	23.4%	23.4%	23.2%	na
High school dropout rate [2]	**14.1%**	**12.1%**	**10.9%**	**7.4%**	**6.1%**	**5.8%**	**5.7%**	**na**	na
White	11.4%	9.0%	6.9%	5.1%	5.2%	4.6%	4.6%	na	na
Black	19.1%	13.2%	13.1%	8.0%	6.2%	5.7%	5.8%	na	na
Hispanic	35.2%	32.4%	27.8%	15.1%	8.6%	9.5%	9.0%	na	na
College graduation rate (at 4 yr institutions, within 6 yrs of start) [3]	**na**	**na**	**na**	**58.4%**	**59.7%**	**60.4%**	**62.4%**	**63.4%**	na
White	na	na	na	61.6%	63.7%	64.4%	65.9%	66.6%	na
Black	na	na	na	39.6%	39.3%	39.8%	42.4%	44.3%	na
Hispanic	na	na	na	50.2%	54.3%	55.0%	56.7%	57.8%	na
Civil rights violations									
Equal employment charges	**na**	**na**	**79,896**	**99,922**	**91,503**	**84,254**	**76,418**	**72,675**	**67,448**
By race	na	na	28,945	35,890	32,309	28,528	24,600	23,976	22,064
By ethnicity/national origin	na	na	7,792	11,304	9,840	8,299	7,106	7,009	6,377
By color	na	na	1,290	2,780	3,102	3,240	3,166	3,415	3,562
Hate crimes based on race/ethnicity/ancestry [4]	**na**	**na**	**5,248**	**3,982**	**3,489**	**4,131**	**4,047**	**3,963**	na

	1980	1990	2000	2010	2016	2017	2018	2019	2020
Employment (as % of working-age population) [5]									
White	60.0%	63.7%	64.9%	59.4%	60.2%	60.4%	60.7%	61.0%	57.3%
Black	52.3%	56.7%	60.9%	52.3%	56.4%	57.6%	58.3%	58.7%	53.6%
Asian	na	na	64.8%	59.9%	60.9%	61.5%	61.6%	62.3%	57.3%
Hispanic	57.6%	61.9%	65.7%	59.1%	62.0%	62.7%	63.2%	63.9%	58.7%
% of births to mothers under 18 (by race of mother)	**na**	**4.7%**	**4.1%**	**2.8%**	**1.4%**	**1.3%**	**1.2%**	**na**	**na**
White	na	3.6%	3.5%	2.5%	0.8%	0.8%	0.7%	na	na
Black/African American	na	10.1%	7.8%	4.9%	2.3%	2.0%	1.9%	na	na
Asian/Pacific Islander	na	2.1%	1.5%	0.7%	0.2%	0.2%	0.2%	na	na
Hispanic/Latina (of any race)	na	6.6%	6.3%	4.7%	2.5%	2.3%	2.1%	na	na
Life expectancy at birth	**73.7**	**75.4**	**76.8**	**78.7**	**78.7**	**78.6**	**78.7**	**78.8**	**77.8**
White	74.4	76.1	77.3	78.8	78.6	78.5	78.7	78.8	78.0
Black	68.1	69.1	71.8	74.7	74.8	74.9	74.9	74.7	72.0
Hispanic	na	na	na	81.7	81.8	81.8	81.8	81.8	79.9
Mortality rate (per 100,000 persons)	**878.3**	**863.8**	**854.0**	**799.5**	**849.3**	**863.8**	**867.8**	**869.7**	**na**
White	892.5	888.0	900.2	861.7	919.3	936.6	939.9	955.4	na
Black/African American	875.4	871.0	781.1	682.2	732.3	742.4	754.1	798.4	na
Asian/Pacific Islander	296.9	283.3	296.6	301.1	340.0	349.3	355.9	370.4	na
American Indian/Alaska Native	487.4	402.8	380.8	365.1	425.6	434.6	438.2	459.1	na
Hispanic	na	na	303.8	286.2	327.6	334.6	341.9	350.7	na
Non-Hispanic	na	na	929.6	897.6	958.8	977.4	982.6	984.6	na
Infant (under 1 year old) mortality (per 1,000 births)	**na**	**8.9**	**6.9**	**6.1**	**5.9**	**5.8**	**5.7**	**na**	na
White	na	7.3	5.7	5.2	4.9	4.9	4.7	na	na
Black/African American	na	16.9	13.5	11.2	10.8	10.4	10.5	na	na
Asian/Pacific Islander	na	6.6	4.9	4.3	4.0	4.2	4.0	na	na
Hispanic/Latina (of any race)	na	7.5	5.6	5.3	5.0	5.1	4.9	na	na
Number of children in foster care on September 30	**na**	**na**	**552,000**	**404,878**	**436,551**	**442,995**	**437,283**	**423,997**	na
White	na	na	38%	41%	44%	44%	44%	44%	na
Black	na	na	39%	29%	23%	23%	22%	23%	na
Hispanic	na	na	15%	21%	21%	21%	22%	21%	na
Asian	na	na	1%	1%	1%	—%	—%	1%	na

† *Sources: US Census Bureau, Bureau of Labor Statistics, Centers for Disease Control and Prevention, Department of Health and Human Services, Bureau of Justice Statistics, Federal Bureau of Investigation, National Center for Education Statistics.*

na *An "na" reference in the table means the data is not available.*

1 *Includes mixed races prior to 2002.*

2 *16-24 years old who are not enrolled in school and who have not completed a high school program, regardless of when they left school.*

3 *Data are for 4-year degree-granting postsecondary institutions participating in Title IV federal financial aid programs. Graduation rates refer to students receiving bachelor's degrees from their initial institutions of attendance only. Graduation rate is for cohort starting six years earlier. Totals include data for persons whose race/ethnicity was not reported. Race categories exclude persons of Hispanic ethnicity.*

4 *A hate crime is a traditional offense like murder, arson, or vandalism with an added element of bias. For the purposes of collecting statistics, the FBI has defined a hate crime as a "criminal offense against a person or property motivated in whole or in part by an offender's bias against a race, religion, disability, sexual orientation, ethnicity, gender, or gender identity." Hate itself is not a crime – and the FBI is mindful of protecting freedom of speech and other civil liberties.*

5 *Total employment is from the current employment statistics (CES) survey and represents average annual national non-farm employment. All self-employed workers, both incorporated and unincorporated, are excluded from these earnings estimates.*

6 *Arrests include each separate instance in which a person is arrested, cited, or summoned for an offense. A single arrest may be for a single criminal incident or for many incidents that occurred over a long time period. Because a person may be arrested multiple times during a year, arrest figures do not reflect the number of individuals who have been arrested. Rather, the arrest data show the number of times that persons are arrested, as reported by law enforcement agencies. Data reflect the hierarchy of offenses, meaning that the most serious offense in a multiple-offense arrest instance is used to characterize the arrest.*

7 *Sentenced prisoners are prisoners with sentences of more than 1 year under the jurisdiction of state or federal correctional officials.*

8 *Data source used to estimate race and Hispanic origin changed in 2010. Use caution when comparing to prior years.*

African-American population

	1980	1990	2000	2010	2016	2017	2018	2019
African-American population (in thousands)	**26,683**	**29,931**	**34,658**	**40,355**	**42,970**	**43,374**	**43,732**	**44,075**
% of total population	11.8%	12.0%	12.3%	13.0%	13.3%	13.4%	13.4%	13.4%
Age and gender								
Male	47.3%	47.2%	47.5%	47.7%	47.9%	47.9%	47.9%	47.9%
Female	52.7%	52.8%	52.5%	52.3%	52.1%	52.1%	52.1%	52.1%
<5 years of age	9.2%	9.2%	8.1%	7.6%	7.0%	6.9%	6.9%	6.7%
5 to 14 years	19.5%	17.7%	18.3%	15.3%	14.3%	14.2%	14.1%	14.0%
15 to 24 years	21.6%	17.1%	16.0%	16.9%	15.7%	15.3%	14.9%	14.6%
25 to 34 years	15.9%	18.1%	14.9%	14.1%	15.2%	15.5%	15.7%	15.9%
35 to 44 years	10.2%	14.0%	15.9%	13.5%	12.9%	12.9%	12.9%	13.0%
45 to 54 years	8.6%	8.9%	11.8%	14.0%	12.9%	12.7%	12.5%	12.3%
55 to 64 years	7.2%	6.7%	6.8%	9.9%	11.4%	11.5%	11.7%	11.7%
65+ years	7.8%	8.4%	8.1%	8.7%	10.6%	10.9%	11.3%	11.7%
18+ years	64.5%	68.0%	68.6%	72.0%	74.2%	74.5%	74.8%	75.1%
Median age (years)	24.9	28.3	30.2	32.1	33.4	33.6	33.8	34.1
Regional								
Northeast	18.3%	18.7%	17.6%	16.8%	16.3%	16.5%	16.2%	16.2%
Midwest	20.1%	19.0%	18.8%	17.9%	17.2%	17.1%	17.1%	17.0%
South	53.0%	52.8%	54.8%	56.5%	57.8%	57.7%	57.8%	57.9%
West	8.5%	9.4%	8.9%	8.8%	8.7%	8.7%	8.8%	8.8%
Educational attainment								
Population 25 years and over (in thousands)	na	15,761	19,858	22,969	25,976	26,455	27,047	27,428
Less than high school graduate	na	32.9%	27.7%	18.4%	16.1%	15.8%	12.1%	12.1%
High school graduate	na	29.7%	29.8%	32.6%	30.3%	29.8%	32.7%	32.6%
Some college or associate's degree	na	25.3%	28.2%	29.2%	30.3%	30.4%	30.0%	29.2%
Bachelor's degree	na	8.0%	9.5%	10.4%	14.8%	15.1%	16.3%	16.6%
Graduate or professional degree	na	4.1%	4.8%	8.9%	8.5%	8.8%	8.9%	9.5%
Income								
Number of households (in thousands)	8,847	10,671	13,174	15,265	16,733	16,997	17,167	17,054
Earning <$15,000 annually	24.9%	24.9%	17.6%	22.1%	19.6%	19.1%	19.1%	17.2%
$15,000 to $24,999	16.3%	13.9%	11.9%	13.5%	12.4%	12.2%	12.6%	11.5%
$25,000 to $34,999	12.6%	10.9%	11.5%	11.3%	11.4%	11.8%	11.3%	11.4%
$35,000 to $49,999	14.7%	14.1%	14.5%	14.7%	13.6%	13.9%	13.9%	13.7%
$50,000 to $74,999	16.6%	16.5%	18.1%	15.3%	16.7%	15.7%	16.3%	16.8%
$75,000 or more	15.0%	19.7%	26.5%	23.1%	26.3%	27.2%	26.8%	29.4%
Employment								
Population 16 years and over (in thousands)	17,824	21,477	24,902	28,708	31,889	32,247	32,761	33,036
Civilian labor force	61.0%	64.0%	65.8%	62.2%	61.6%	62.3%	62.3%	62.5%
Employed	52.2%	56.7%	60.9%	52.3%	56.4%	57.6%	58.3%	58.7%
Unemployed	8.7%	7.3%	5.0%	9.9%	5.2%	4.7%	4.0%	3.8%
Not in labor force	39.0%	36.0%	34.2%	37.8%	38.4%	37.7%	37.7%	37.5%

† *Source: US Census Bureau.*

na *An "na" reference in the table means the data is not available.*

Hispanic population

	1980	1990	2000	2010	2016	2017	2018	2019
Hispanic population (in thousands)	**14,609**	**21,900**	**35,306**	**50,743**	**57,451**	**58,574**	**59,640**	**60,572**
% of total population	6.4%	8.8%	12.5%	16.4%	17.8%	18.0%	18.3%	18.5%
Age and gender								
Male	49.8%	50.8%	51.4%	50.7%	50.5%	50.5%	50.5%	50.5%
Female	50.2%	49.2%	48.6%	49.3%	49.5%	49.5%	49.5%	49.5%
<5 years of age	11.4%	10.6%	10.5%	10.1%	8.9%	8.8%	8.6%	8.4%
5 to 14 years	20.6%	19.0%	19.2%	18.4%	17.9%	17.8%	17.6%	17.4%
15 to 24 years	21.9%	19.1%	18.6%	17.5%	16.7%	16.5%	16.4%	16.3%
25 to 34 years	17.1%	20.0%	18.4%	16.7%	15.9%	15.8%	15.8%	15.7%
35 to 44 years	10.7%	13.3%	14.5%	14.5%	14.4%	14.4%	14.3%	14.3%
45 to 54 years	8.1%	7.8%	8.9%	10.9%	11.6%	11.7%	11.7%	11.8%
55 to 64 years	5.3%	5.3%	4.8%	6.4%	7.7%	7.9%	8.2%	8.4%
65+ years	4.9%	4.8%	4.9%	5.6%	6.9%	7.1%	7.4%	7.7%
18+ years	61.5%	65.1%	65.0%	66.1%	68.0%	68.4%	68.8%	69.1%
Median age (years)	23.2	25.6	25.8	27.3	28.9	29.2	29.5	29.8
Regional								
Northeast	17.8%	16.6%	14.9%	13.9%	14.0%	14.0%	13.8%	13.8%
Midwest	8.7%	7.6%	8.8%	9.2%	9.1%	9.1%	9.1%	9.1%
South	30.6%	30.4%	32.8%	36.1%	37.2%	37.5%	37.8%	38.0%
West	42.8%	45.4%	43.5%	40.8%	39.7%	39.4%	39.2%	39.1%
Educational attainment								
Population 25 years and over (in thousands)	na	11,227	18,270	26,375	32,019	32,660	33,877	34,575
Less than high school graduate	na	50.2%	47.6%	39.4%	34.8%	32.6%	28.4%	28.2%
High school graduate	na	21.6%	22.1%	27.4%	27.3%	27.9%	30.7%	31.4%
Some college or associate’s degree	na	19.1%	19.9%	19.3%	21.5%	22.6%	22.5%	21.6%
Bachelor’s degree	na	5.9%	6.7%	10.1%	11.1%	12.2%	13.0%	13.1%
Graduate or professional degree	na	3.3%	3.8%	3.8%	5.3%	5.1%	5.3%	5.7%
Income								
Number of households (in thousands)	3,906	6,220	10,034	14,435	16,915	17,336	17,758	17,667
Earning <$15,000 annually	15.9%	15.5%	11.3%	14.6%	11.9%	11.8%	11.2%	10.7%
$15,000 to $24,999	14.0%	15.0%	11.9%	12.8%	10.8%	10.4%	10.9%	8.8%
$25,000 to $34,999	13.4%	11.8%	11.6%	12.3%	11.3%	11.4%	10.7%	10.5%
$35,000 to $49,999	17.0%	15.8%	15.9%	15.7%	15.4%	14.3%	15.0%	14.1%
$50,000 to $74,999	19.6%	19.5%	20.0%	17.7%	18.0%	19.0%	18.6%	19.5%
$75,000 or more	19.9%	22.3%	29.4%	26.7%	32.8%	33.0%	33.6%	36.4%
Employment								
Population 16 years and over (in thousands)	9,598	15,904	23,938	33,713	40,697	41,371	42,734	43,507
Civilian labor force	64.0%	67.4%	69.7%	67.5%	65.8%	66.1%	66.3%	66.8%
Employed	57.6%	61.9%	65.7%	59.0%	62.0%	62.7%	63.2%	63.9%
Unemployed	6.5%	5.5%	4.0%	8.4%	3.8%	3.4%	3.1%	2.9%
Not in labor force	36.0%	32.6%	30.3%	32.5%	34.2%	33.9%	33.7%	33.2%

† *Source: US Census Bureau.*

na *An “na” reference in the table means the data is not available.*

Demographics of native-born and foreign-born population

Native-born population

	2000	2005	2010	2014	2015	2016	2017	2018	2019
Total population (in thousands) [1]	**281,422**	**288,378**	**309,350**	**318,857**	**321,419**	**323,128**	**325,719**	**327,167**	**328,240**
Native-born	250,314	252,688	269,394	276,465	278,128	279,388	281,193	282,439	283,307
Foreign-born	31,108	35,690	39,956	42,392	43,290	43,739	44,526	44,729	44,933
Foreign-born; naturalized	12,543	14,968	17,476	19,985	20,697	21,238	21,949	22,630	23,183
Foreign-born; not a US citizen	18,565	20,722	22,480	22,407	22,593	22,501	22,577	22,099	21,750
Native-born demographics (in thousands) [1]	**250,314**	**252,688**	**269,394**	**276,465**	**278,128**	**279,388**	**281,193**	**282,439**	**283,307**
White	na	78.6%	78.0%	77.3%	77.2%	76.8%	76.5%	76.4%	76.3%
Black/African American	na	12.8%	13.2%	13.3%	13.2%	13.2%	13.2%	13.2%	13.3%
Asian	na	1.6%	1.8%	2.0%	2.1%	2.1%	2.2%	2.2%	2.3%
Hispanic	na	9.9%	11.9%	13.0%	13.3%	13.5%	13.9%	14.1%	14.3%
Non-Hispanic, White only	na	73.3%	70.3%	68.6%	68.2%	67.9%	67.3%	67.0%	66.7%
Median age (years)	na	35.7	35.9	35.9	36.0	36.1	36.2	36.3	36.5
Educational attainment									
Population 25 years and over (in thousands)	na	159,699	170,663	176,980	178,726	180,299	182,305	183,902	185,345
Less than high school graduate	na	12.7%	11.0%	9.6%	9.4%	9.1%	8.7%	8.4%	8.2%
High school graduate	na	30.8%	29.7%	28.8%	28.6%	28.2%	28.1%	27.9%	27.9%
Some college or associate's degree	na	29.2%	30.9%	31.2%	31.1%	31.2%	31.0%	31.0%	30.7%
Bachelor's degree	na	17.5%	18.1%	19.1%	19.4%	19.8%	20.1%	20.4%	20.7%
Graduate or professional degree	na	9.8%	10.3%	11.3%	11.4%	11.8%	12.1%	12.3%	12.5%
Employment									
Population 16 years and over (in thousands)	na	na	206,115	213,149	214,802	216,181	218,066	219,463	220,650
In labor force	na	na	63.8%	62.7%	62.6%	62.6%	62.7%	62.6%	62.9%
Civilian labor force	na	na	63.3%	62.3%	62.1%	62.1%	62.2%	62.2%	62.4%
Employed	na	na	56.3%	57.7%	58.1%	58.5%	58.8%	59.0%	59.5%
Unemployed	na	na	6.9%	4.6%	4.0%	3.7%	3.4%	3.2%	2.9%
Armed Forces	na	na	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%	0.5%
Not in labor force	na	na	36.2%	37.3%	37.4%	37.4%	37.3%	37.4%	37.1%
Total civilian employed (in thousands)	na	115,788	116,126	122,971	124,810	126,379	128,284	129,585	131,204
Management, business, science, and arts	na	35.3%	37.4%	38.2%	38.4%	38.8%	39.4%	39.7%	41.0%
Service occupations	na	15.2%	16.6%	16.9%	16.7%	16.8%	16.7%	16.7%	16.6%
Sales and office	na	27.3%	26.4%	25.1%	25.0%	24.7%	24.3%	22.7%	21.6%
Natural resources, construction, maintenance	na	9.9%	8.4%	8.1%	8.2%	8.0%	8.0%	8.0%	8.1%
Production, transportation and moving	na	12.4%	11.2%	11.7%	11.8%	11.6%	11.6%	12.9%	12.8%
Annual earnings									
Population 16+ years with earnings (in thousands)	na	77,501	80,425	85,945	87,849	89,331	91,392	92,847	94,993
Earning <$15,000 annually	na	6.9%	5.9%	5.3%	5.1%	4.8%	4.4%	4.2%	4.2%
$15,000 to $24,999	na	16.4%	13.9%	13.0%	12.8%	12.1%	11.5%	10.8%	10.0%
$25,000 to $34,999	na	19.3%	17.0%	16.1%	15.8%	15.5%	15.2%	15.0%	14.6%
$35,000 to $49,999	na	22.2%	21.6%	20.7%	20.6%	20.4%	20.2%	20.0%	19.9%
$50,000 to $74,999	na	19.6%	21.8%	22.0%	22.3%	22.6%	23.1%	23.3%	23.4%
$75,000 or more	na	15.6%	19.8%	22.8%	23.5%	24.5%	25.6%	26.8%	27.9%

† *Source: US Census Bureau.*

na *An "na" reference in the table means the data is not available.*

1 *2005-2019 data is sourced from the American Community Survey and therefore total population may differ from other tables; 2000 data is sourced from the decennial census survey.*

Foreign-born population

	2000	2005	2010	2014	2015	2016	2017	2018	2019
Total population (in thousands) [1]	**281,422**	**288,378**	**309,350**	**318,857**	**321,419**	**323,128**	**325,719**	**327,167**	**328,240**
Native-born	250,314	252,688	269,394	276,465	278,128	279,388	281,193	282,439	283,307
Foreign-born	31,108	35,690	39,956	42,392	43,290	43,739	44,526	44,729	44,933
Foreign-born; naturalized	12,543	14,968	17,476	19,985	20,697	21,238	21,949	22,630	23,183
Foreign-born; not a US citizen	18,565	20,722	22,480	22,407	22,593	22,501	22,577	22,099	21,750
Foreign-born demographics (in thousands) [1]	**31,108**	**35,690**	**39,956**	**42,392**	**43,290**	**43,739**	**44,526**	**44,729**	**44,933**
White	na	46.7%	47.9%	47.5%	47.0%	46.1%	45.5%	45.5%	45.2%
Black/African American	na	7.6%	8.3%	8.7%	8.9%	9.0%	9.3%	9.5%	9.7%
Asian	na	23.5%	24.5%	26.2%	26.6%	26.6%	27.1%	27.1%	27.2%
Hispanic	na	47.0%	47.1%	45.7%	45.0%	44.9%	44.3%	44.3%	44.2%
Non-Hispanic, White only	na	20.9%	18.8%	18.1%	18.1%	18.1%	17.9%	17.7%	17.4%
Median age (years)	na	39.3	41.4	43.5	43.9	44.4	44.8	45.2	45.7
Educational attainment									
Population 25 years and over (in thousands)	na	29,252	33,626	36,746	37,721	38,176	38,945	39,257	39,554
Less than high school graduate	na	32.4%	31.7%	29.9%	29.3%	28.8%	27.5%	26.9%	26.3%
High school graduate	na	22.8%	22.5%	22.7%	22.5%	22.4%	22.7%	22.3%	22.3%
Some college or associate's degree	na	18.1%	18.8%	18.9%	18.7%	18.7%	18.8%	18.9%	18.7%
Bachelor's degree	na	15.7%	15.9%	16.5%	17.0%	17.2%	17.6%	18.1%	18.5%
Graduate or professional degree	na	11.0%	11.1%	12.0%	12.4%	12.8%	13.4%	13.9%	14.2%
Employment									
Population 16 years and over (in thousands)	na	na	37,718	40,440	41,366	41,770	42,498	42,723	42,884
In labor force	na	na	67.7%	66.3%	66.0%	66.2%	66.1%	66.5%	66.9%
Civilian labor force	na	na	67.6%	66.1%	65.8%	66.0%	66.0%	66.4%	66.7%
Employed	na	na	60.7%	61.9%	62.2%	62.7%	63.0%	63.7%	64.3%
Unemployed	na	na	6.9%	4.2%	3.6%	3.3%	3.0%	2.7%	2.4%
Armed forces	na	na	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.2%
Not in labor force	na	na	32.3%	33.7%	34.0%	33.8%	33.9%	33.5%	33.1%
Total civilian employed (in thousands)	na	20,671	22,908	25,049	25,724	26,192	26,774	27,198	27,554
Management and professional	na	27.2%	28.6%	30.3%	31.0%	31.6%	32.4%	33.1%	34.6%
Service occupations	na	22.2%	25.1%	24.6%	24.0%	24.1%	23.4%	23.1%	22.8%
Sales and office	na	18.3%	17.8%	17.0%	16.9%	16.6%	16.4%	15.4%	14.6%
Farming, fishing, and forestry	na	15.3%	13.0%	12.9%	13.1%	12.9%	12.8%	12.7%	12.5%
Production, transportation, and moving	na	16.9%	15.5%	15.2%	15.0%	14.9%	15.0%	15.7%	15.5%
Annual earnings									
Population 16+ years with earnings (in thousands)	na	14,266	16,023	17,833	18,499	18,881	19,521	19,922	20,860
Earning <$15,000 annually	na	13.4%	10.4%	8.5%	7.5%	6.7%	5.8%	5.3%	5.1%
$15,000 to $24,999	na	25.6%	23.4%	21.4%	20.8%	19.6%	17.9%	16.3%	14.7%
$25,000 to $34,999	na	18.4%	17.7%	17.8%	17.7%	18.1%	18.0%	17.9%	17.8%
$35,000 to $49,999	na	16.6%	17.1%	17.0%	17.3%	17.4%	18.2%	18.4%	18.9%
$50,000 to $74,999	na	13.5%	14.7%	15.7%	15.8%	16.4%	17.1%	17.5%	17.8%
$75,000 or more	na	12.6%	16.7%	19.7%	20.9%	21.9%	23.0%	24.5%	25.7%

† *Source: US Census Bureau.*

na *An "na" reference in the table means the data is not available.*

1 *2005-2019 data is sourced from the American Community Survey and therefore total population may differ from other tables; 2000 data is sourced from the decennial census survey.*

Cohorts of our population

To get a consistent and informative picture of our populations, we chose to view several statistics in cohorts of people grouped by family structure and income. In the tables throughout this report which have these groupings, there are two types of economic units: families and individuals. We use the Census Bureau's definition for each. If there are two or more related individuals living together, they are a family economic unit. If a person is living alone or in a household with no other related persons, that person is considered an individual economic unit. Therefore, some economic units have only one person, while other economic units have multiple persons.

We rank these economic units, which we call FIUs (family and individual units) by market income to place each in a percentile that shows the unit relative to other units in the population. (There are approximately 150 million family and individual units). After determining each unit's market income percentile relative to all other units, we then place each unit into one of five categories:

- Single person under 65 with no children under 18
- Single person under 65 with children under 18
- Married couple with head of household under 65 with no children under 18
- Married couple with head of household under 65 with children under 18
- Head of household aged 65 or over

It should be the noted that although we divide the families based on presence of children under 18, if a person is aged 18+ and still living in the family with relatives, she would not be her own economic unit unless she had her own subfamily.

We use these FIU groupings to present certain information because:

- The tax structure and many federal programs are distributed by family structure (e.g. families with children receive certain tax credits unavailable to others);
- General experience is significantly different between the cohorts (e.g. a single individual without children has different needs than a single individual with children);
- Several programs are directed towards the poorest income quintile (or fifth), such as Medicaid and tax credits, and the elderly, such as Social Security and Medicare; and
- Although family structure is changing in the US, there are life stages associated with each cohort, where many individuals go from single no children, to married or single parents, to elderly, while at the same time, in an ideally mobile world, moving from lower income quintiles to higher income quintiles.

See Exhibit 99.08 for more information on the creation of these cohorts. We have included certain cohorts in this section of the document and others in *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment*. Additional cohorts are available on our website at https://usafacts.org.

Family structure and income cohorts (calendar year 2018)

		Average Per Unit			Top Earner by Gender		Race, Ethnicity of Unit Head								Region			
Family and Individual Unit Sub Group/Income %	**# of Units (in K)**	**Persons**	**Children (Under 18)**	**Age of Unit Head**	**% Male**	**% Female**	**% White (all ethnicities)**	**% Black (all ethnicities)**	**% Asian (all ethnicities)**	**% Other Race (all ethnicities)**	**% Hispanic (all races)**	**% US-Born**	**% Urban**	**% Rural**	**% Northeast**	**% Midwest**	**% South**	**% West**
All family and individual units	**149,989**	**2.2**	**0.5**	**50.1**	**56%**	**44%**	**78%**	**14%**	**6%**	**2%**	**15%**	**84%**	**83%**	**17%**	**17%**	**21%**	**38%**	**24%**
Bottom 5% ($0)	5,011	1.4	0.3	50.1	42%	58%	67%	23%	7%	3%	20%	81%	78%	22%	17%	17%	44%	22%
Bottom 5%-20% ($0-$10K)	22,498	1.5	0.3	53.5	44%	56%	74%	18%	6%	2%	17%	83%	79%	21%	16%	20%	41%	23%
Second 20% ($10K-$36K)	29,997	1.8	0.4	51.7	48%	52%	77%	17%	4%	2%	18%	83%	80%	20%	16%	21%	40%	23%
Middle 20% ($36K-$69K)	29,998	2.0	0.5	49.1	56%	44%	78%	15%	5%	2%	17%	84%	82%	18%	16%	22%	39%	23%
Fourth 20% ($69K-$128K)	29,998	2.5	0.6	48.1	63%	37%	81%	11%	6%	2%	14%	84%	84%	16%	17%	22%	36%	25%
Top 2%-20% ($128K-$785K)	28,498	2.9	0.7	49.5	69%	31%	83%	7%	9%	1%	9%	85%	88%	12%	20%	22%	35%	24%
Top 1% ($785K+)	1,500	3.0	0.7	52.4	74%	26%	87%	3%	10%	1%	6%	83%	94%	6%	26%	17%	31%	26%
Married no kids	**24,069**	**2.4**	**—**	**50.5**	**70%**	**30%**	**84%**	**8%**	**7%**	**1%**	**13%**	**83%**	**82%**	**18%**	**17%**	**21%**	**39%**	**23%**
Bottom 5%	181	2.2	—	53.4	62%	38%	77%	5%	15%	3%	15%	75%	73%	27%	15%	8%	56%	21%
Bottom 5%-20%	1,115	2.2	—	53.1	63%	37%	78%	11%	8%	2%	17%	75%	75%	25%	14%	15%	48%	23%
Second 20%	1,725	2.3	—	51.2	68%	32%	82%	9%	7%	2%	21%	74%	78%	22%	15%	17%	43%	25%
Middle 20%	3,172	2.3	—	51.1	69%	31%	83%	10%	5%	2%	20%	77%	78%	22%	15%	20%	43%	23%
Fourth 20%	7,074	2.4	—	49.2	70%	30%	84%	9%	5%	2%	14%	84%	80%	20%	15%	23%	39%	23%
Top 2%-20%	10,058	2.5	—	50.7	71%	29%	85%	6%	8%	1%	8%	86%	87%	13%	20%	22%	36%	23%
Top 1%	497	2.6	—	52.4	73%	27%	92%	1%	6%	0%	5%	85%	94%	6%	26%	19%	29%	26%
Married parents	**24,654**	**4.3**	**2.0**	**40.6**	**76%**	**24%**	**81%**	**8%**	**9%**	**2%**	**20%**	**75%**	**84%**	**16%**	**16%**	**22%**	**37%**	**25%**
Bottom 5%	78	4.0	1.7	42.9	63%	37%	70%	11%	19%	—%	27%	68%	82%	18%	22%	7%	44%	28%
Bottom 5%-20%	648	4.3	2.2	39.7	73%	27%	78%	9%	11%	2%	33%	60%	78%	22%	15%	15%	44%	26%
Second 20%	1,838	4.4	2.2	39.2	77%	23%	80%	9%	9%	3%	41%	54%	81%	19%	13%	17%	41%	28%
Middle 20%	3,842	4.4	2.1	38.8	79%	21%	79%	11%	7%	3%	34%	65%	80%	20%	14%	18%	43%	26%
Fourth 20%	7,515	4.2	2.0	39.8	77%	23%	81%	9%	8%	2%	20%	77%	81%	19%	15%	23%	38%	24%
Top 2%-20%	10,066	4.1	1.9	41.9	73%	27%	81%	7%	11%	1%	11%	81%	89%	11%	19%	23%	34%	24%
Top 1%	523	4.4	2.1	44.5	76%	24%	80%	4%	16%	1%	7%	77%	95%	5%	23%	19%	31%	27%
Single no kids	**51,586**	**1.2**	**—**	**40.5**	**52%**	**48%**	**74%**	**18%**	**6%**	**2%**	**16%**	**86%**	**85%**	**15%**	**17%**	**21%**	**37%**	**24%**
Bottom 5%	2,434	1.1	—	41.9	46%	54%	63%	25%	9%	4%	18%	82%	80%	20%	16%	19%	42%	23%
Bottom 5%-20%	9,744	1.1	—	40.1	49%	51%	70%	20%	7%	3%	17%	85%	82%	18%	16%	21%	39%	24%
Second 20%	12,708	1.2	—	39.0	50%	50%	73%	20%	4%	3%	19%	84%	82%	18%	16%	22%	40%	23%
Middle 20%	13,222	1.2	—	39.8	53%	47%	75%	18%	5%	2%	16%	87%	85%	15%	17%	23%	37%	23%
Fourth 20%	8,801	1.3	—	41.6	56%	44%	77%	14%	8%	1%	12%	87%	89%	11%	21%	20%	32%	27%
Top 2%-20%	3,572	1.4	—	44.1	60%	40%	78%	11%	10%	1%	9%	86%	93%	7%	22%	16%	34%	29%
Top 1%	146	1.3	—	44.9	66%	34%	84%	7%	8%	1%	10%	88%	91%	9%	27%	11%	36%	25%
Single parents	**14,060**	**2.9**	**1.7**	**35.8**	**25%**	**75%**	**67%**	**26%**	**3%**	**3%**	**26%**	**83%**	**81%**	**19%**	**15%**	**21%**	**41%**	**23%**
Bottom 5%	921	2.2	1.5	27.2	28%	72%	67%	24%	4%	5%	29%	85%	76%	24%	18%	15%	47%	20%
Bottom 5%-20%	2,813	2.6	1.7	31.6	23%	77%	68%	26%	3%	3%	28%	82%	78%	22%	15%	19%	43%	24%
Second 20%	4,357	3.0	1.8	35.4	18%	82%	65%	29%	2%	4%	30%	81%	81%	19%	13%	23%	44%	21%
Middle 20%	3,337	3.0	1.7	37.8	28%	72%	68%	26%	3%	4%	25%	84%	83%	17%	15%	22%	40%	23%
Fourth 20%	1,819	3.0	1.6	40.7	37%	63%	70%	21%	6%	2%	19%	84%	87%	13%	18%	19%	38%	25%
Top 2%-20%	593	3.0	1.5	44.1	42%	58%	73%	20%	5%	1%	15%	83%	92%	8%	19%	19%	32%	30%
Top 1%	14	3.5	1.9	40.5	22%	78%	96%	3%	1%	—%	39%	74%	98%	2%	28%	16%	28%	28%
Elderly (age 65+)	**35,620**	**1.7**	**—**	**72.6**	**52%**	**48%**	**84%**	**11%**	**4%**	**1%**	**8%**	**88%**	**79%**	**21%**	**18%**	**21%**	**38%**	**22%**
Bottom 5%	1,397	1.4	—	74.2	41%	59%	72%	22%	5%	1%	19%	78%	76%	24%	17%	17%	45%	21%
Bottom 5%-20%	8,178	1.4	—	74.0	41%	59%	78%	16%	4%	2%	12%	85%	77%	23%	17%	20%	41%	21%
Second 20%	9,370	1.6	—	73.9	49%	51%	86%	10%	3%	1%	7%	90%	78%	22%	17%	22%	38%	22%
Middle 20%	6,424	1.8	—	72.7	54%	46%	87%	8%	4%	1%	6%	91%	80%	20%	19%	23%	36%	22%
Fourth 20%	4,790	1.9	0.1	71.1	57%	43%	87%	8%	4%	1%	6%	90%	82%	18%	18%	22%	36%	24%
Top 2%-20%	4,208	2.1	—	69.7	66%	34%	89%	6%	5%	1%	4%	90%	85%	15%	20%	22%	35%	23%
Top 1%	320	2.1	—	68.8	77%	23%	91%	2%	6%	—%	5%	88%	92%	8%	28%	15%	33%	24%

† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

Marital status and age

In the US, among the non-elderly, marriage tends to be correlated with higher family incomes. In 2018:

- Among married couples with children, the largest fraction (43%) is in the top 20% by income, meaning they earn at least $128,000 per year.
- Among married couples without children, the figure is similar – 44% are in the top 20% income group.
- By contrast, among single parents, a plurality, or 31%, is in the second 20% income group, where incomes range from $10,000 to $36,000 a year, and only 4% are in the top 20% income group.
- Single people without children do slightly better, where the three bottom income cohorts each comprise 24%-26% of the overall group.

The higher levels of income among those who are married relative to those who are not may be due to them having two or more working age individuals in the family who may both be working, as opposed to each individual earning more income relative to unmarried individuals.

Among the elderly, a plurality, or 27%, is in the bottom income cohort, where incomes range from zero to $10,000, followed closely by 26% in the second 20% income group, where incomes range from $10,000 to $36,000. For reference, in 2018, the federal poverty level was $12,140 for an individual and $4,320 for each additional person.

Race and ethnicity

White people make up 78% of all family and individual units (FIUs) but just 67% of single-parent FIUs. Asian people are also underrepresented among single-parent FIUs, accounting for 6% of all FIUs and 3% of single-parent FIUs. However, Black people represent 14% of all FIUs and 26% of single-parent FIUs. For people of Hispanic ethnicity: they make up 15% of all FIUs and 26% of single-parent FIUs.

Black people, who make up 14% of all FIUs, account for 19% of the lowest income quintile (earning less than $10,000 a year). At higher income levels, black representation diminishes, with 3% in the top 1% of income earners. The opposite is true among white people: they make up 78% of all FIUs but 72% of the poorest FIUs and 87% of the wealthiest 1%. People of Hispanic ethnicity, who account for 15% of all FIUs, see 18% of their population in each of the bottom two quintiles and 6% of their population in the top 1% of income earners.

Gender

Women make up 44% of the main earners in all FIUs but 58% of those in the lowest income group. Women are the main earners in just 30% of FIUs in the top 20% by income, who earn over $128,000 a year.

Geography

Southerners make up 38% of all FIUs and 44% of the poorest FIUs. The opposite is true for Northeasterners, who make up 17% of all FIUs and 26% of the top 1% by income. As incomes rise, Americans are more likely to live in urban areas.

Officers

Federal

The federal government's key officers as of March 1, 2021 were as follows:

Name	Age	Position with our Government
Joe Biden	78	President
Kamala Harris	56	Vice President
Nancy Pelosi	80	Speaker of the House
Steny Hoyer	81	House Majority Leader
Kevin McCarthy	56	House Minority Leader
Charles Schumer	70	Senate Majority Leader
Mitch McConnell	79	Senate Minority Leader
John Roberts	66	Chief Justice

President

The President is both the head of state and head of government of the US, and Commander-in-Chief of the armed forces. Under Article II of the US Constitution, the President is responsible for the execution and enforcement of the laws created by Congress. The President also appoints the heads of more than 50 independent federal commissions, such as the Federal Reserve Board or the Securities and Exchange Commission, as well as federal judges, ambassadors, and other federal offices.

Mr. Biden is the 46th President of the US. Mr. Biden was born in Scranton, Pennsylvania, on November 20, 1942, the first of four children to Joseph Sr. and Catherine Biden. Mr. Biden graduated from the University of Delaware and Syracuse Law School and served on the New Castle County Council. At age 29, Mr. Biden became one of the youngest people ever elected to the US Senate. Mr. Biden represented Delaware for 36 years in the US Senate before becoming the 47th Vice President of the US. After leaving the White House, Mr. Biden and first lady Jill Biden continued their efforts to expand opportunity for every American with the creation of the Biden Foundation, the Biden Cancer Initiative, the Penn Biden Center for Diplomacy and Global Engagement, and the Biden Institute at the University of Delaware. On April 25, 2019, Mr. Biden announced his candidacy for President of the United States.

Vice President

The primary responsibility of the Vice President of the US is to be ready at a moment's notice to assume the Presidency if the President is unable to perform his duties. This can be because of the President's death, resignation, or temporary incapacitation, or if the Vice President and a majority of the Cabinet judge that the President is no longer able to discharge the duties of the presidency. The Vice President also serves as the President of the US Senate, where he or she casts the deciding vote in the case of a tie.

Mrs. Harris was born in Oakland, California, on October 20, 1964, to parents who emigrated from India and Jamaica. Mrs. Harris graduated from Howard University and the University of California, Hastings College of Law. In 1990, Mrs. Harris joined the Alameda County District Attorney's Office where she specialized in prosecuting child sexual assault cases. She then served as a managing attorney in the San Francisco District Attorney's Office and later was chief of the Division on Children and Families for the San Francisco City Attorney's Office. Mrs. Harris was elected District Attorney of San Francisco in 2003. In 2010, Mrs. Harris was elected California's Attorney General and oversaw the largest state justice department in the US. In 2017, Mrs. Harris was sworn into the US Senate representing California. On August 11, 2020, Mrs. Harris accepted President Biden's invitation to become his running mate. She is the first woman, the first Black American, and the first South Asian American to be elected Vice President.

Speaker of the House

The Speaker of the US House of Representatives is elected by the majority party to lead the House. The Speaker presides over debate, appoints members of select and conference committees, establishes the legislative agenda, maintains order within the House, and administers the oath of office to House members. The individual in this office is second in the line of presidential succession, following the Vice President.

Mrs. Pelosi is the House Speaker of the US House of Representatives for the 117th Congress having previously served as the House Minority Leader. From 2007 to 2011, Mrs. Pelosi served as Speaker of the House, the first woman to do so in American history. For 31 years, Leader Pelosi has represented San Francisco, California's 12th District, in Congress. She has led House Democrats for 16 years and previously served as House Democratic Whip. Mrs. Pelosi comes from a family tradition of public service. Her late father, Thomas D'Alesandro Jr., served as Mayor of Baltimore for 12 years, after representing the city for five terms in Congress. Her brother, Thomas D'Alesandro III, also served as Mayor of Baltimore. She graduated from Trinity College in Washington, D.C.

House Majority Leader

The House of Representatives has chosen majority and minority leaders since the 19th century to expedite legislative business and to keep their parties united. These leaders are elected every two years in secret balloting of the party caucus or conference. The House Majority Leader is charged with: scheduling legislation for floor consideration; planning the daily, weekly, and annual legislative agendas; consulting with members to gauge party sentiment; and, generally, working to advance the goals of the majority party.

Mr. Hoyer has served Maryland's 5th district since 1981 and is currently the Majority Leader in the US House of Representatives. From 2007 to 2011, Mr. Hoyer served as House Majority Leader, which made him the highest-ranking member of Congress from Maryland in history. He previously served as House Democratic Whip from 2003 to 2007 and from 2011 to 2019. He graduated from the University of Maryland and received his law degree from Georgetown University. At the age of 27, he won a seat in the Maryland Senate and in 1975, he was elected President of the Senate, the youngest ever in Maryland state history.

House Minority Leader

The House Minority Leader serves as floor leader of the "loyal opposition" and is the minority counterpart to the Speaker. Although many of the basic leadership responsibilities of the minority and majority leaders are similar, the Minority Leader speaks for the minority party and its policies and works to protect the minority's rights.

Mr. McCarthy serves California's 23rd district and is currently the Minority Leader in the US House of Representatives. He previously served as Majority Leader of the House from 2014 to 2019. Mr. McCarthy was first elected to Congress in 2006 and is a native of Bakersfield and a fourth-generation Kern County resident. At the age of 21, he started his own small business, Kevin O's Deli. He later sold his business to put himself through college and graduate school at California State University, Bakersfield. While at school, he interned for Congressman Bill Thomas and later became a member of Congressman Thomas's staff. In 2000, he won his first public election as Trustee to the Kern Community College District and then, in 2002, he was elected to represent the 32nd Assembly District in the California State Assembly. As a freshman legislator, Mr. McCarthy was selected by his Republican colleagues to serve as the Assembly Republican Leader, becoming the first freshman legislator and the first legislator from Kern County to assume this top post in the California Legislature. After he was elected to Congress in 2006, Mr. McCarthy became Chief Deputy Whip and later served as Majority Whip.

Senate Majority Leader

The primary functions of a Majority Leader usually relate to floor duties. The Senate Majority Leader is the lead speaker for the majority party during floor debates, develops the calendar, and assists the President or Speaker with program development, policy formation, and policy decisions.

Mr. Schumer was born in Brooklyn, NY to parents Selma, a homemaker active in the community, and Abe, who owned a small exterminating business. After graduating from Harvard College and Harvard Law School in 1974, Mr. Schumer returned home and was elected to the New York State Assembly. In 1980, at 29, he ran for and won the seat in the 9th Congressional District (CD). Mr. Schumer represented the 9th CD in Brooklyn and Queens for 18 years. In 1998, he was elected to the US Senate. Following the elections of 2006, Majority Leader Harry Reid appointed Mr. Schumer to serve as Vice Chair of the Democratic Conference, the number three position on the Democratic Leadership team.

Senate Minority Leader

The Minority Leader is the principal leader of the minority caucus. The Senate Minority Leader is responsible for: developing the minority position, negotiating with the majority party, directing minority caucus activities on the chamber floor, and leading debate for the minority.

Mr. McConnell graduated with honors from the University of Louisville College of Arts and Sciences and is also a graduate of the University of Kentucky College of Law. First elected to the Senate in 1984, he was elected Majority Leader in the US Senate by his Republican colleagues first in 2014 and again in 2016. Mr. McConnell previously served as the Republican Leader from the 110th through the 113th Congresses, as the Majority Whip in the 108th and 109th Congresses, and as chairman of the National Republican Senatorial Committee during the 1998 and 2000 election cycles. Mr. McConnell worked as an intern on Capitol Hill for Senator John Sherman Cooper before serving as chief legislative assistant to Senator Marlow Cook and as Deputy Assistant Attorney General to President Gerald Ford. Before his election to the Senate, he served as judge-executive of Jefferson County, Kentucky, from 1978 until he commenced his Senate term on January 3, 1985.

Chief Justice

The Chief Justice of the US is the head of the US federal court system, is the highest judicial officer in the country, and acts as a chief administrative officer for the federal courts. As head of the Judicial Conference of the US, the Chief Justice appoints the director of the Administrative Office of the US Courts. The Chief Justice also serves as a spokesperson for the judicial branch. The Chief Justice leads the business of the Supreme Court and presides over oral arguments. When the court renders an opinion, the Chief Justice, when in the majority, decides who writes the court's opinion. The Chief Justice also has significant agenda-setting power over the court's meetings. In modern tradition, the Chief Justice also has the ceremonial duty of administering the oath of office of the President of the US.

Mr. Roberts was born in Buffalo, New York, January 27, 1955. He received an A.B. from Harvard College in 1976 and a J.D. from Harvard Law School in 1979. He served as a law clerk for Judge Henry J. Friendly of the US Court of Appeals for the Second Circuit from 1979 – 1980 and as a law clerk for then-Associate Justice William H. Rehnquist of the Supreme Court of the US during the 1980 Term. He was Special Assistant to the Attorney General, US Department of Justice from 1981 – 1982, Associate Counsel to President Ronald Reagan, White House Counsel's Office from 1982 – 1986, and Principal Deputy Solicitor General, US Department of Justice from 1989 – 1993. From 1986 – 1989 and 1993 – 2003, he practiced law in Washington, D.C. He was appointed to the United States Court of Appeals for the District of Columbia Circuit in 2003. President George W. Bush nominated him as Chief Justice of the US, and he took his seat September 29, 2005.

State and local[29]

In each state and territory, the chief executive is the governor, who serves as both head of state and head of government. As state managers, governors are responsible for implementing state laws and overseeing the operation of the state executive branch. As state leaders, governors advance and pursue new and revised policies and programs using a variety of tools, among them executive orders, executive budgets, and legislative proposals and vetoes. Governors play two broad roles in relation to state legislatures. First, they may be empowered to call special legislative sessions, provided in most cases that the purpose and agenda for the sessions are set in advance. Second, governors coordinate and work with state legislatures in: approval of state budgets and appropriations; enactment of state legislation; confirmation of executive and judicial appointments; and legislative oversight of executive branch functions.

Our state governors as of March 1, 2021 were as follows:

Name	Age	State Represented	Party *	Name	Age	State Represented	Party *
Kay Ivey	76	Alabama	R	Greg Gianforte	59	Montana	R
Mike Dunleavy	59	Alaska	R	John (Pete) Ricketts	56	Nebraska	R
Douglas Ducey	56	Arizona	R	Steve Sisolak	67	Nevada	D
Asa Hutchinson	70	Arkansas	R	Chris Sununu	46	New Hampshire	R
Gavin Newsom	53	California	D	Phil Murphy	63	New Jersey	D
Jared Polis	45	Colorado	D	Michelle Lujan Grisham	61	New Mexico	D
Ned Lamont	67	Connecticut	D	Andrew Cuomo	63	New York	D
John Carney	64	Delaware	D	Roy Cooper	63	North Carolina	D
Ron DeSantis	42	Florida	R	Doug Burgum	64	North Dakota	R
Brian Kemp	57	Georgia	R	Richard (Mike) DeWine	74	Ohio	R
David Ige	64	Hawaii	D	John (Kevin) Stitt	48	Oklahoma	R
Brad Little	67	Idaho	R	Kate Brown	60	Oregon	D
Jay (J.B.) Pritzker	56	Illinois	D	Thomas Wolf	72	Pennsylvania	D
Eric Holcomb	52	Indiana	R	Gina Raimondo	49	Rhode Island	D
Kim Reynolds	61	Iowa	R	Henry McMaster	73	South Carolina	R
Laura Kelly	71	Kansas	D	Kristi Noem	49	South Dakota	R
Andy Beshear	43	Kentucky	D	Bill Lee	61	Tennessee	R
John Bel Edwards	54	Louisiana	D	Gregory Abbott	63	Texas	R
Janet Mills	73	Maine	D	Spencer Cox	45	Utah	R
Larry Hogan	64	Maryland	R	Phil Scott	62	Vermont	R
Charles Baker, Jr.	64	Massachusetts	R	Ralph Northam	61	Virginia	D
Gretchen Whitmer	49	Michigan	D	Jay Inslee	70	Washington	D
Tim Walz	56	Minnesota	D	Jim Justice	69	West Virginia	R
Tate Reeves	46	Mississippi	R	Tony Evers	69	Wisconsin	D
Michael Parson	65	Missouri	R	Mark Gordon	63	Wyoming	R

Our other territory leaders as of March 1, 2021 were as follows:

Name	Age	Area Represented	Party *
Lemanu Mauga	72	American Samoa	D
Muriel Bowser	48	District of Columbia	D
Lou Leon Guerrero	70	Guam	D
Ralph Torres	41	Northern Mariana Islands	R
Pedro Pierluisi	61	Puerto Rico	PNP
Albert Bryan	53	US Virgin Islands	D

* Party Affiliation Key	
D	Democrat
I	Independent
R	Republican
PNP	New Progressive Party of Puerto Rico

Employees

As of the dates shown below, there were 23.7 million full-time and part-time employees of our Government, including:

- 4.0 million federal employees, of whom 8% (excluding armed forces) work part-time;
- 5.5 million state employees, of whom 29% work part-time; and
- 14.2 million local government employees, of whom 23% work part-time.

The functions of our Government employing the most people and the respective percentage of Government employees were:

- Education – 47%, of which 69% relate to elementary and secondary education, 30% relate to higher education, and 1% relate to other education;

- Active duty military – 6%;
- Hospitals – 6%; and
- Police – 5%.

Employees by segment and reporting unit (to the extent allocable) were as follows:

March	Total	State and Local 2019	Federal 2014 [4]
All government employees (part-time and full-time)	**23,727,154**	**19,688,199**	**4,038,955**
Establish Justice and Ensure Domestic Tranquility	**2,895,512**	**2,610,273**	**285,239**
Police protection	1,185,942	1,000,312	185,630
Fire protection	450,073	450,073	—
Corrections	755,724	716,713	39,011
Judicial and legal	503,773	443,175	60,598
Provide for the Common Defense	**2,082,300**	**—**	**2,082,300**
National defense and international relations [1]	743,813	—	743,813
Active duty military [2]	1,338,487	—	1,338,487
Promote the General Welfare	**4,753,590**	**3,687,163**	**1,066,427**
Highways	509,287	506,404	2,883
Transit	268,093	268,093	—
Air transportation	99,550	54,487	45,063
Water transport and terminals	18,611	14,118	4,493
Space research and technology	17,736	—	17,736
Public welfare	554,009	544,322	9,687
Housing and community development	123,009	110,782	12,227
Health	656,289	487,159	169,130
Hospitals	1,327,406	1,100,691	226,715
Social insurance administration (state and local) [3]	66,396	66,396	—
Solid waste management	113,578	113,578	—
Sewerage	131,169	131,169	—
Water supply	187,504	187,504	—
Electric power	78,254	78,254	—
Gas supply	11,578	11,578	—
Postal service	578,493	—	578,493
State liquor stores	12,628	12,628	—
Secure the Blessings of Liberty to Ourselves and Our Posterity	**12,299,936**	**12,028,433**	**271,503**
Education	11,232,173	11,222,799	9,374
Libraries	186,642	183,262	3,380
Parks and Recreation	454,539	432,185	24,354
Social Insurance Administration (federal) [3]	62,708	—	62,708
Natural Resources	361,874	190,187	171,687
General Government and Other	**1,695,816**	**1,362,330**	**333,486**
Financial administration	572,273	455,122	117,151
Other government administration	441,964	417,829	24,135
All other and unallocable	681,579	489,379	192,200

† *Sources: US Census Bureau, Bureau of Economic Analysis*
†† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*
1 *Civilian military employees are included in national defense and international relations.*
2 *Active duty military are as of September of each year, reserves are not included.*
3 *At the federal level, social insurance administration employees are primarily those responsible for administering Social Security and Medicare and therefore have been allocated to "Secure the Blessings of Liberty to Ourselves and Our Posterity." State and local social insurance administration employees administer unemployment and job services and therefore are allocated to "Promote the General Welfare."*
4 *Federal employees are as of March of 2014, the latest date available.*

For 2020, 38% of government employees were represented by unions, including 30% of federal government employees, 34% of state government employees, and 45% of local government employees.[30]

Talented employees are critical to the success of our Government, and the market for talented employees is competitive. The Government Accountability Office has found that mission-critical skills gaps within the federal workforce pose a high risk to the nation. Regardless of whether the shortfalls are in such government-wide occupations as cybersecurity and acquisitions, or in agency-specific occupations such as nurses at the Veterans Health Administration (VHA), skills gaps impede the federal government from cost-effectively serving the public and achieving results. Agencies can have skills gaps for different reasons: they may have an insufficient number of people or their people may not have the appropriate skills or abilities to accomplish mission-critical work. Moreover, current budget and long-term fiscal pressures, the changing nature of federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge, threaten to aggravate the problems created by existing skills gaps. Indeed, the government's capacity to address complex challenges such as disaster response, national and homeland security, and rapidly-evolving technology and privacy security issues requires a skilled federal workforce able to work seamlessly with other agencies, with other levels of government, and across sectors.[31]

Available information

Our website can be found at https://usafacts.org, where we make available free of charge a variety of information. Our goal is to maintain the website as a portal through which users can easily find or navigate to pertinent information about our Government, including:

- USAFacts Annual Report – a detailed annual score card for our Government;
- USAFacts 10-K (this report) – an annual report for our Government in the style of a corporate Form 10-K;
- Facts in Focus – brief topical analyses; and
- a database containing the data used in these reports, plus additional data and analysis.

In addition to our website, we use social media to communicate with the public. You can follow us on Twitter at @usafacts and Facebook and Instagram at USAFacts.

Item 1A. Risk Factors

Our Government's operations, financial results, and satisfaction of its customers are subject to various risks and uncertainties, including those described below.

Social Risks

The COVID-19 pandemic may hinder our Government's ability to achieve its constitutional objectives, at least in the short-term.[31]

Overview and status

The Centers for Disease Control (CDC) is responding to a worldwide pandemic of respiratory disease spreading from person-to-person caused by a novel (new) coronavirus. The disease has been named "coronavirus disease 2019" (abbreviated "COVID-19"). On March 11, 2020, the COVID-19 outbreak was characterized as a pandemic by the World Health Organization (WHO). As of May 7, 2021, there have been 577,041 related deaths and 32,403,159 confirmed cases of COVID-19 in the US, which means nearly 10% of our population has been infected. For current data visit the USAFacts.org website.

COVID-19 is thought to spread mainly through close contact from person to person, including between people who are physically near each other (within about 6 feet). People who are infected but do not show symptoms can also spread the virus to others. Cases of reinfection with COVID-19 have been reported but are rare. We are still learning about how the virus spreads and the severity of illness it causes.

Viruses constantly change through mutation, and new variants of a virus are expected to occur over time. Multiple variants of the virus that causes COVID-19 are circulating globally. These variants seem to spread more easily and quickly than other variants, which may lead to more cases of COVID-19. So far, studies suggest that antibodies generated through vaccination with currently authorized vaccines recognize these variants. This is being closely investigated and more studies are underway.

Mitigation and relief efforts

On March 16, 2020, the White House announced a program called "15 Days to Slow the Spread," which was a nationwide effort to slow the spread of COVID-19 through the implementation of social distancing at all levels of society. The social distancing guidelines were adapted by state and local governments in developing their own unique responses.

Rigorous and increased compliance with public health mitigation strategies, such as vaccination, physical distancing, use of masks, hand hygiene, and isolation and quarantine, is essential to limit the spread of the virus that causes COVID-19 and protect public health. There are currently three COVID-19 vaccines approved for use in the US. As of May 7, 2021, 254,779,333 doses of these vaccines have been administered, which is 78% of the supply distributed. Approximately 45% of the US population has been administered at least one dose of vaccine, while 33% of the population has been fully vaccinated.

To aid the nation's recovery from the coronavirus disease 2019 (COVID-19) pandemic, in 2020, Congress passed four special appropriations laws for the federal government to use in relief efforts. The largest of these was the "Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act." The Congressional Budget Office (CBO) estimates this bill will cost $1.7 trillion[32]. This bill was passed into law on March 27, 2020, and attempts to address economic impacts of, and otherwise respond to, the COVID-19 outbreak by:

- authorizing emergency loans to distressed businesses, including air carriers, and suspending certain aviation excise taxes;
- providing funding for forgivable bridge loans and additional funding for grants and technical assistance to small businesses;
- providing funding for $1,200 tax rebates to individuals (subject to income limitations), with additional $500 payments per qualifying child;
- establishing limits on requirements for employers to provide paid leave;
- revising tax provisions regarding withdrawals from retirement plans, tax due dates, losses, charitable deductions, and business interest;
- providing additional funding for the prevention, diagnosis, and treatment of COVID-19;
- limiting liability for volunteer health care professionals;
- prioritizing Food and Drug Administration (FDA) review of certain drugs and allowing emergency use of certain diagnostic tests that are not approved by the FDA;
- expanding health-insurance coverage for diagnostic testing and requiring coverage for preventative services and vaccines;
- revising other provisions, including those regarding the medical supply chain, the national stockpile, the health care workforce, the Healthy Start program, telehealth services, nutrition services, Medicare, and Medicaid;
- temporarily suspending payments for federal student loans and otherwise revising provisions related to campus-based aid, supplemental educational-opportunity grants, federal work-study, subsidized loans, Pell grants, and foreign institutions; and
- authorizing the Department of the Treasury to temporarily guarantee money-market funds.

On March 11, 2021, the American Rescue Plan Act was passed into law. This bill provides additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. The CBO estimates that the bill will cost $1.9 trillion. Specifically, the bill provides funding for:

- agriculture and nutrition programs, including the Supplemental Nutrition Assistance Program (SNAP, formerly known as the food stamp program);
- schools and institutions of higher education;
- child care and programs for older Americans and their families;
- COVID-19 vaccinations, testing, treatment, and prevention;
- mental health and substance-use disorder services;
- emergency rental assistance, homeowner assistance, and other housing programs;
- payments to state, local, tribal, and territorial governments for economic relief;

- multiemployer pension plans;
- small business assistance, including specific programs for restaurants and live venues;
- programs for health care workers, transportation workers, federal employees, veterans, and other targeted populations;
- international and humanitarian responses;
- tribal government services;
- scientific research and development;
- state, territorial, and tribal capital projects that enable work, education, and health monitoring in response to COVID-19; and
- health care providers in rural areas.

The bill also includes provisions that:

- extend unemployment benefits and related services;
- make up to $10,200 of 2020 unemployment compensation tax-free;
- make student loan forgiveness tax-free through 2025;
- provide a maximum recovery rebate of $1,400 per eligible individual;
- expand and otherwise modify certain tax credits, including the child tax credit and the earned income tax credit;
- provide premium assistance for certain health insurance coverage; and
- require coverage, without cost-sharing, of COVID-19 vaccines and treatment under Medicaid and the Children's Health Insurance Program (CHIP).

Impact

The pandemic and our responses to it have had a significant negative impact on the health and well-being of the US population, as well as on the US economy. Despite mitigation and relief efforts, in 2020:

- 341,508 people died from causes associated with COVID-19, making COVID-19 the third leading cause of death in 2020, after heart disease and cancer.
- 19,852,553 people were diagnosed with COVID-19.
- GDP decreased 3.5%, the lowest growth rate since 1946.
- Monthly unemployment reached a high of 14.8% in April, after a 50-year low in February.
- The economy lost 9.4 million jobs, a 6.2% decrease from 2019, which was larger than the 8.6 million job drop from 2007 to 2009 during the Great Recession.

Further transmission of COVID-19 could translate into large numbers of people needing medical care at the same time. Public health and healthcare systems may become overloaded, with elevated rates of hospitalizations and deaths. Other critical infrastructure, such as law enforcement, emergency medical services, and sectors of the transportation industry may also be affected. Schools, childcare centers, and workplaces may experience more absenteeism, and our economy could be further negatively impacted.

There is also risk that the mitigation and relief efforts will not achieve their intended objectives, including risk of fraud in the relief bills. In 2021, the US Government Accountability Office (GAO) added emergency loans for small businesses to its high risk list noting “limited controls built into the [Paycheck Protection Program] PPP and [Economic Injury Disaster Loan] EIDL approval processes…[and] the related risk of hundreds of millions of dollars in improper payments.”[33]

For ongoing analysis of the impact of COVID-19, please see USAFacts’ Coronavirus hub at https://usafacts.org/issues/coronavirus/.

In a free society, human behavior cannot be fully regulated or controlled.

Our Government provides services, promulgates regulations, and enacts legislation intended to make progress towards our Constitutional objectives; however, citizens are responsible for making their own choices as to employment, healthcare, education, and the like. They may choose wisely or poorly, and they may or may not take advantage of the opportunities open to them. For example:

- While our Government seeks to create a stable economic climate that favors full employment and low inflation, it cannot guarantee these outcomes. Company investment, hiring decisions, and individuals' desire to work are beyond our Government's control.
- Our Government provides access to healthcare and discourages unhealthful behavior (for example, by imposing high excise taxes on tobacco and requiring warning labels); however, individuals may still choose to engage in unhealthful behavior such as smoking.
- Our Government sets emissions standards for automobiles to limit air pollution, but citizens are still free to drive as much as they wish.
- Our Government seeks to promote transportation safety by issuing drivers' licenses, imposing speed limits, requiring the use of seatbelts in cars and regulating the trucking, rail, and airline industries. Even so, accidents will occur as a result of human error or unforeseeable mechanical failures.

Our Government's revenue and spending and our Constitutional objectives may be significantly affected by social unrest.

Establishing justice and ensuring domestic tranquility have been top priorities since the adoption of the Constitution in 1787. If there is civil unrest, most inputs and outcomes of our Government are affected.

Domestic tranquility has periodically been disrupted by localized rebellions, criminal gangs, labor actions, riots, and mass protests. In 1794, President George Washington raised a militia to suppress the "Whisky Rebellion," an uprising by farmers in western Pennsylvania resisting the imposition of an excise tax on whiskey. In 1932, President Herbert Hoover ordered the army to disperse the so-called "bonus army," a group of more than 40,000 veterans, family members and supporters who gathered in Washington to demand cash redemption for bonus certificates awarded for service in World War I. In 1968, the assassination of civil rights leader Martin Luther King, Jr. sparked a wave of riots across American cities, including Washington D.C., Chicago, Baltimore, Detroit, and Kansas City, causing dozens of deaths, more than 10,000 arrests, and widespread property damage. President Lyndon B. Johnson mobilized more than 10,000 federal troops and national guardsmen to quell the disturbances in Washington. The 1960s also saw mass demonstrations to protest the war in Vietnam, including one in 1969 that drew an estimated half a million protesters to the capital. Most significantly, a dispute between southern and northern states over the institution of slavery resulted in the secession of 11 southern states from the union, followed by a civil war to restore the union that lasted from 1861 to 1865, costing the lives of 620,000 soldiers.

Throughout 2020, Domestic Violent Extremists (DVEs) targeted individuals with opposing views engaged in First Amendment-protected, non-violent protest activity. DVEs motivated by a range of issues, including anger over COVID-19 restrictions, the 2020 election results, and police use of force have plotted and on occasion carried out attacks against government facilities. Long-standing racial and ethnic tension—including opposition to immigration—has driven DVE attacks, including a 2019 shooting in El Paso, Texas that killed 23 people. DHS is concerned these same drivers to violence will remain through early 2021 and some DVEs may be emboldened by the January 6, 2021 breach of the US Capitol Building in Washington, D.C. to target elected officials and government facilities. DHS remains concerned that homegrown violent extremists inspired by foreign terrorist groups, who committed three attacks targeting government officials in 2020, remain a threat. Threats of violence against critical infrastructure, including the electric, telecommunications and healthcare sectors, increased in 2020 with violent extremists citing misinformation and conspiracy theories about COVID-19 for their actions.[34]

Today, cities, counties, and states operate police forces and court systems responsible for enforcing local laws and maintaining public order, prisons to accommodate those who have been convicted of breaking the law and sentenced to incarceration, and fire departments to prevent and fight fires. The federal government also operates a number of law-enforcement agencies, including the Federal Bureau of Investigation and the Drug Enforcement Administration. Our Government also seeks to ensure the safety of consumer products, food and pharmaceuticals, and transportation systems; protect the environment; and protect the population against natural disasters.

Our Government's ability to maintain order and protect the population from a variety of threats faces a number of risks and challenges, including:

- Natural disasters such as hurricanes, earthquakes, tornadoes, and forest fires;
- Riots and civil unrest, with potential causes including racial tensions and perceptions that inequality is rising and economic mobility declining;
- Nuclear disasters, caused by an accident or sabotage;
- Terrorist attacks, either homegrown or originating abroad;
- Individuals or groups that seek to harm others, including by committing homicides, and the inability of our Government to control all individuals despite incentives and laws; and
- War with a powerful adversary.

Promoting good health faces key challenges.[33]

First, the Medicare Hospital Insurance Trust Fund is forecast to be depleted as early as 2023, reflecting rising health-care costs and a relative decline in the number of workers paying payroll taxes. See Exhibit 99.07 for more information.

Second, epidemics, such as those caused by the Ebola or Zika viruses, and pandemics, such as the one caused by COVID-19, could bring about widespread illness and loss of life. See *The COVID-19 pandemic may hinder our Government's ability to achieve its constitutional objectives, at least in the short-term* above for discussion of the risks associated with the current pandemic.

Third, in 2021, the GAO added national efforts to prevent, respond to, and recover from drug misuse to its high-risk list, noting "National rates of drug misuse have increased over the past 2 decades and represent a serious risk to public health. This has resulted in significant loss of life and harmful effects to society and the economy, including billions of dollars in costs. GAO identified several challenges in the federal government's response, such as a need for greater leadership and coordination of the national effort, strategic guidance that fulfills all statutory requirements, and more effective implementation and monitoring." As of 2019, nearly 137 people in the US died per day after overdosing on opioids. The misuse of and addiction to opioids—including prescription pain relievers, heroin, and synthetic opioids such as fentanyl—is a serious national crisis that affects public health as well as social and economic welfare. The Centers for Disease Control and Prevention estimates that the total "economic burden" of prescription opioid misuse alone in the United States is $78.5 billion a year, including the costs of healthcare, lost productivity, addiction treatment, and criminal justice involvement.

Data and Cybersecurity Risks

Government data is often untimely and inconsistent, inhibiting informed decision-making.

Unlike information about a corporation, the data for our Government come from numerous and varied sources. The current state of this data poses significant challenges, including:

- Each of the sources may prepare the data on different accounting bases (e.g. cash vs. accrual) and for different time periods (e.g. a point in time vs. a full year, calendar year vs. fiscal year), preventing comparability.
- The data is often not provided timely, sometimes years after-the-fact even for material data sets. For example, the latest date for which we have detailed corporate tax information is 2016. The latest date for which we have Medicaid enrollment data that is not estimates is 2013. The latest date for which we have consolidated financial data for our more than 90,000 state and local governments is 2018. And data on student enrollment and teacher populations is missing for some recent years.
- Sometimes the data conflicts with other data provided by our Government for the same metrics. For example, there are conflicting figures from the same or different government agencies for research and development spending, Unemployment Insurance benefits, Supplemental Security Income payments, and healthcare costs.

This lack of availability and comparability of data makes analysis of our Government challenging, hampering the knowledge and decision-making capability of our leaders, regulators, citizens, and all other interested parties. We have highlighted these and other key data challenges for this 10-K in Exhibits 99.12 and 99.13 to this report.

Government personnel security clearance processing challenges put us at risk.[33]

A high-quality and timely government-wide personnel security clearance process is essential to minimize the risks of unauthorized disclosures of classified information and to identify and assess individuals with criminal histories or other questionable behavior. As of October 1, 2015, the latest date for which data are available, approximately 4.2 million government and contractor employees, at nearly 80 executive branch agencies, were eligible to hold a personnel security clearance. Current challenges in the personnel security clearance process include:

- *Timeliness* - For fiscal year 2020, the government-wide average for the fastest 90% of initial secret clearance investigations was 58 days, while the timeliness objective is 40 days. For fiscal year 2016 (the latest available data), investigations for the fastest 90% of initial top-secret clearances ranged from 168 days to 208 days, while the timeliness objective is 80 days. As of October 2020, there was a backlog of approximately 220,000 background investigations.
- *Investigation quality* – The executive branch has not established measures for the quality of background investigations. Establishing performance measures is one element of a framework for effectively managing program performance to achieve desired outcomes.
- *Resolution of previously identified issues* - Several critical areas of previously identified areas for reform - such as the implementation of continuous evaluation, and the issuance of a reciprocity policy - remain incomplete. The GAO made numerous recommendations to executive branch agencies to address risks associated with the personnel security clearance process since 2011, of which 14 are open as of March 2021.

Increasing cyber security threats challenge our safety, prosperity, and well-being.[33]

Our Government and our nation's critical infrastructures—such as energy, transportation systems, communications, and financial services—are dependent on computerized (cyber) information systems and electronic data to carry out operations and to process, maintain, and report essential information. Ineffectively protecting cyber assets can facilitate security incidents and cyberattacks that disrupt critical operations; lead to inappropriate access to and disclosure, modification, or destruction of sensitive information; and threaten national security, economic well-being, and public health and safety. We are seeing steady advances in the sophistication of cyber-attack technology and the emergence of new and more destructive attacks. Since 2010, the GAO has made more than 3,300 recommendations (103 designated priority) to agencies aimed at addressing cybersecurity challenges facing the government. Nevertheless, many agencies face challenges in safeguarding their information systems and information, in part because many of these recommendations have not been fully implemented, and as of December 2020, more than 750 (67 designated priority) of the GAO's information security–related recommendations had not been fully implemented.

Strategic and Operational Risks

Our Government's revenue and spending are significantly affected by economic conditions.

Our Government's ability to deliver services to citizens is influenced by the state of the economy. Indeed, maintaining economic growth, full employment, and low and stable inflation are among its top priorities, at least in part because these conditions both foster the prosperity and well-being of its citizens and provide tax revenue that funds Government services.

An economic downturn could result in business failures and job losses, with a resulting decline in corporate and personal income-tax revenue. At the same time, spending would rise as government increases outlays for services such as unemployment insurance, Temporary Assistance to Needy Families, and the Supplemental Nutrition Assistance Program.

On the federal level, the combination of lower revenue and higher spending would widen the budget deficit, which would have to be financed either by raising taxes, selling government assets, or issuing debt. The increase of our national debt raises interest costs and constrains our Government's ability to provide services in the future.

An economic downturn could be caused by policy errors, the vagaries of the business cycle, and exogenous factors. In the longer term, the economy could succumb to a slowing pace of growth as an aging society reduces the size of the labor force as a proportion of the total population.

Policy errors

- Keeping interest rates low for too long could stoke inflation, which may then need to be curbed by a sudden, sharp increase in interest rates. Too-low rates also raise the risk of unsustainable asset valuations, or "bubbles."
- Keeping interest rates higher than necessary, which could slow the pace of economic growth by increasing the cost of doing business, as an example, and thereby raise unemployment.
- Excessive government spending with borrowed funds, which could drive inflation higher, eroding citizens' standard of living, creating an uncertain business environment, and discouraging investment.
- Insufficient government spending on services such as policing, health, defense, and education could reduce the effectiveness of key government functions and adversely affect the safety and well-being of the population.
- Raising personal and/or corporate income taxes excessively, thus possibly reducing incentives for certain individuals to work, invest, and innovate.
- Reducing personal and/or corporate income taxes too much and not decreasing government spending accordingly, thereby increasing the budget deficit.

Other potential causes

The state of the economy also depends on factors beyond our Government's control, including:

- *External shocks* – economic downturns or crises in overseas markets could reduce demand for US exports of goods and services, potentially slowing domestic economic growth.
- *Health shocks* – large-scale pandemics could cause economic disruption and budgetary pressures on federal, state, and local governments, reducing government revenues and requiring greater government expenditures.
- *Energy shocks* – a sudden, sharp jump in the price of oil and/or natural gas could result in higher prices for products such as gasoline and heating fuel, curbing consumer spending for other goods and services and slowing the overall pace of growth. More expensive energy could also spur broader consumer-price inflation by pushing up prices companies pay for electricity, fuel, and raw materials for the production of chemicals, plastics, and other goods.
- *Financial shocks* – a sharp drop in financial asset prices (e.g. common stocks) would reduce household wealth, potentially limiting consumer spending and driving companies into bankruptcy.
- *Housing bubble* – a steep increase in home prices, followed by a sharp decline, could push the economy into a recession by causing a drop in household balance sheets, consumer confidence, and spending.

Our Government's revenue and its ability to provide needed services in the long run may also be limited by failure to control budget deficits and the national debt.

Federal debt held by the public is now at its highest level since shortly after World War II. Without a change in current laws and policies, federal spending, especially for Social Security and Medicare, is forecast to outstrip revenue over the next decade, widening the national debt to 107% of GDP in 2031 from 102% in 2021, according to the Congressional Budget Office. In 30 years, the Congressional Budget Office projects the debt will rise to 202% of GDP. That amount would be the highest in the nation's history by far. As a result, there is a risk that interest payments on the debt could consume a growing portion of the budget, possibly limiting the federal government's ability to provide other services unless taxes are raised or revenue is otherwise increased. A rising debt also risks pushing up interest rates, reducing savings and investment, and increasing the chances of a fiscal crisis.

Recently enacted legislation and tax avoidance put downward pressure on tax revenues, reducing Government resources.

On December 22, 2017, the Tax Cuts and Jobs Act (TCJA) became law. Effective January 1, 2018, the TCJA reduces the top individual income tax rate from 39.6% to 37%, changes the income tax brackets associated with each tax rate, eliminates personal exemptions and nearly doubles the standard deduction, caps state and local tax deductions at $10,000, increases the child tax credit, provides for a 20% deduction of qualified business income and certain dividends for individuals, reduces the corporate tax rate to 21%, and provides changes to treatment of earnings from foreign subsidiaries, among other provisions.

The Joint Committee on Taxation, a nonpartisan committee of the US Congress, estimates that the TCJA will reduce federal income tax revenue by $1.5 trillion between 2018 and 2027, including $1.1 trillion between 2018 and 2022. The estimated impacts on annual tax revenues range from a gain of $33 billion in 2027 to a loss of $280 billion of revenue in 2019. This works out to an average estimated annual revenue loss of $146 billion, or about 3% of our Government's annual revenue.

Enforcement of tax laws helps fund our Government. Internal Revenue Service (IRS) enforcement collects revenue from noncompliant taxpayers and, perhaps more importantly, promotes voluntary compliance by giving taxpayers confidence that others are paying their fair share. The IRS's capacity to implement new initiatives, carry out ongoing enforcement and taxpayer service programs, and combat identity theft (IDT) refund fraud under an uncertain budgetary environment remains a challenge. In 2019, the IRS estimated that the average annual gross tax gap—the difference between taxes owed and taxes paid on time—was $381 billion, on average, for tax years 2011-2013. In addition, the IRS estimates that at least $6.1 billion in individual IDT tax refund fraud was attempted in 2018, of which it prevented at least $6 billion. The IRS estimates that it paid between $90 million and $380 million to fraudsters.

Failure to raise the debt limit could create operational and economic risk.

Gross federal debt, or the sum of the debt held by the public and debt held by government entities (such as the Social Security trust fund) is subject to a statutory ceiling set by Congress. The ceiling, known as the debt limit, has been suspended (there is no limit) through July 31, 2021. The Treasury must take extraordinary measures to continue funding government activities after August 1, 2021. Even then, it will be able to continue borrowing only for a limited time. Once the limit is reached, the Treasury may not issue new debt to pay bills already incurred by Congress. Since 1960, Congress has raised, extended, or altered the definition of the debt ceiling or suspended it numerous times, most recently effective August 2, 2019. Failure to raise the ceiling when needed could prompt an unprecedented default on Treasury securities, which are generally considered the world's safest government debt and form a foundation for the global financial system. A US default, in turn, could trigger a financial crisis and throw the nation into a recession.

Ongoing efforts to modernize the financial regulatory system and the federal role in housing finance also pose risks to the budget outlook and economic stability.[33]

Following massive bailouts of financial firms during the 2007-2008 crisis, in 2010, the federal government enacted the Dodd-Frank Act, which was intended to strengthen oversight of the financial system and reduce the risk of another crisis. In May 2018, the Financial CHOICE Act rolled back a number of provisions of the Dodd-Frank Act. This act, as amended, has not been tested, and it's unclear whether it is adequate to prevent future financial crises that would involve the use of government funds to rescue financial institutions.

As a reaction to the financial crisis, our Government also took over two housing-finance agencies, Fannie Mae and Freddie Mac, which guarantee about half of the new mortgages in the US and have combined assets of about $7 trillion. Our Government's role in housing finance could require the use of significant government funds.

Our Government has significant fiscal exposure to risks associated with a changing environment.[33]

Changes in our environment may pose risk to agriculture, infrastructure, and the health of citizens. Possible effects include coastal flooding as a result of rising sea levels, changes to the productivity of farms, and more intense and frequent weather events, according to our Government Accountability Office. Drought and diminishing water supplies are also risks. Our Government is the owner and operator of infrastructure that is vulnerable to changes in our environment, insures crops that could be damaged, and provides disaster aid in emergencies.

The federal government is also financially liable for cleaning up areas where federal activities have contaminated the environment. Various federal laws, agreements with states, and court decisions require the federal government to clean up environmental hazards at federal sites and facilities—such as nuclear weapons production facilities and military installations. Such sites are contaminated by many types of waste. The GAO reports that the federal government's environmental liability has been growing for the past 20 years and is likely to continue to increase. For fiscal year 2020, the federal government's estimated environmental liability was $595 billion—up from $212 billion for fiscal year 1997. However, this estimate does not reflect all of the future cleanup responsibilities federal agencies may face. The GAO has found that federal agencies cannot always address their environmental liabilities in ways that maximize the reduction of health and safety risks to the public and the environment in a cost-effective manner, and that some agencies do not take a holistic, risk-informed approach to environmental cleanup that aligns limited funds with the greatest risks to human health and the environment.

Our Government's ability to achieve its vision is affected by foreign relations.

Cultivating friendly relations with foreign powers that share our values as well as improving relations or avoiding conflicts with actual and potential adversaries are essential to providing for the common defense. When necessary, we go to war to protect our vital national interests. Threats to our national security include:

- *Russia*, a nuclear power and principal successor to the USSR, seeks veto authority over nations on its periphery in terms of their governmental, economic, and diplomatic decisions, to shatter NATO and change European and Middle East security and economic structures to its favor. The use of emerging technologies to discredit and subvert democratic processes in Georgia, Crimea, and eastern Ukraine is concern enough, but when coupled with its expanding and modernizing nuclear arsenal the challenge is clear.
- *China*, which also possesses a nuclear arsenal, is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional dominance in the near-term and displacement of the US to achieve global preeminence in the future.
- *Global terrorism* – Groups such as Islamic State have taken advantage of instability in the Middle East, including the collapse of Libya, civil war in Syria, and a weak, US-backed regime in Iraq, to extend control over territory and natural resources that can then be used to stage terrorist attacks across the globe. Such groups are difficult to counter because they usually deploy suicide attackers and their radical ideology, alien to our own values, makes it difficult if not impossible to negotiate with them.
- *Nuclear proliferation* – While the US has continued to reduce the number and salience of nuclear weapons, others, including Russia and China, have moved in the opposite direction. They have added new types of nuclear capabilities to their arsenals, increased the salience of nuclear forces in their strategies and plans, and engaged in increasingly aggressive behavior, including in outer space and cyber space. North Korea continues its illicit pursuit of nuclear weapons and missile capabilities in direct violation of United Nations (UN) Security Council resolutions. Iran has agreed to constraints on its nuclear program in the Joint Comprehensive Plan of Action (JCPOA). Nevertheless, it retains the technological capability and much of the capacity necessary to

develop a nuclear weapon within one year of a decision to do so.

- *Alliances* – Our Government has concluded alliances and partnerships with a number of nations around the world, including Turkey, Pakistan, Israel, and Saudi Arabia. The goals and interests of these nations may not be identical to our own, and they may become embroiled in local conflicts that end up involving the US.
- *Cyberwarfare* could disrupt our military capabilities and command and control; adversaries could also create economic havoc through cyber-attacks on the financial system, the power grid, our water sources, and nuclear power plants.

Our Government's ability to secure the financial future of retirees is threatened by the risk of insolvency facing Social Security trust funds and the Pension Benefit Guaranty Corporation.[33]

The cost of providing Social Security and disability benefits is rising faster than revenue generated by the payroll tax. Reserves of the DI Trust Fund may be depleted as early as 2026, and reserves of the OASI Trust Fund may be depleted as early as 2031, according to projections by the funds' trustees. See Exhibit 99.06 for more information. The Pension Benefit Guaranty Corporation (PBGC), which backs the pension benefits of over 34 million Americans through insurance programs that guarantee pension benefits when plans fail, may not be able to meet its long-term obligations, due in part to a long-term decline in the number of traditional defined benefit plans and the collective financial risk of the many underfunded pension plans that PBGC insures. According to the PBGC's 2020 Annual Report, the PBGC's deficit was $48 billion as of September 30, 2020. Its projections show that the multiemployer program continues to show a very high likelihood of insolvency during 2026, and that insolvency is a near certainty by the end of 2027. When the program becomes insolvent, PBGC will be unable to provide financial assistance to pay the current level of guaranteed benefits in insolvent plans. At that time, the only money available to provide financial assistance will be incoming multiemployer premiums and thus PBGC will be only able to pay financial assistance to the extent of PBGC's multiemployer premium income.

Failure to maintain and upgrade the nation's surface transportation system could curb economic growth and adversely affect the quality of life for citizens.[33]

The nation's highways, mass transit, and rail systems are under growing strain, reflecting increasing congestion and freight demand, and traditional funding sources are eroding. For example, federal taxes on gasoline haven't been raised since 1993. Inflation-adjusted revenue from motor fuel taxes that support the Highway Trust Fund, a major source of federal surface transportation funding, is declining, according to the Government Accountability Office, and our Government has been using general revenues to maintain spending levels. This trend is forecast to continue as consumers turn to vehicles that are more fuel efficient or that use alternative energy sources. The Congressional Budget Office estimates that $159 billion in additional funding would be needed between 2022 and 2029 to maintain inflation adjusted spending on current levels.

Recruiting and retaining skilled Government workers is key to delivering essential, and in many cases life-saving, services to the American people.[33]

High levels of training and education are required to address complex challenges such as disaster response, national and homeland security, and rapidly evolving technology and privacy-security issues. However, current budget and long-term fiscal pressures, declining levels of federal employee satisfaction, and a potential wave of employee retirements could produce gaps in leadership and institutional knowledge.

Item 2. Properties

Domestic

Land

Federal government owned land

The federal government owns and manages more than a quarter of the roughly 2 billion acres of land in the US. These lands are managed for many purposes, primarily preservation, recreation, and development of natural resources. Five primary federal agencies manage about 95% of this federally-owned-and-managed land. The five agencies and the land they managed are:

Fiscal year (Acres in thousands)	1990	2000	2010	2018
Agency				
Bureau of Land Management	272,029	264,398	247,859	244,391
Forest Service	191,367	192,355	192,881	192,919
Fish and Wildlife Service	86,822	88,226	88,949	89,206
National Park Service	76,134	77,931	79,691	79,946
Department of Defense	20,501	24,052	19,422	8,850
Total federally-owned land	646,853	646,962	628,802	615,312
Total land in US	2,271,343	2,271,343	2,271,343	2,271,343
Percentage of land in US federally-owned	28%	28%	28%	27%

† *Data source is the Congressional Research Service paper titled Federal Land Ownership: Overview and Data, dated February 21, 2020.*

INTERACTIVE ANALYSIS

Federal government owned, otherwise managed, and leased land – non-public domain

Our Government sometimes refers to the land it owns and manages as public domain lands and acquired lands. According to the Congressional Research Service, public domain lands are those ceded by the original states or obtained from a foreign sovereign (via purchase, treaty, or other means). Acquired lands were obtained from a state or individual by exchange, purchase, or gift. About 90% of all federal lands are public domain lands, while the other 10% are acquired lands. Many laws were enacted that related only to public domain lands. Even though the distinction has lost most of its underlying significance today, different laws may still apply depending on the original nature of the lands involved. Owned, otherwise managed, and leased non-public domain land and related costs are as follows:

Fiscal year	2015	2016	2019
Land acres [1]	**49,601,819**	**42,343,516**	**26,751,339**
Owned and otherwise managed acres	47,909,576	41,015,497	25,209,573
Total annual operating costs (in thousands) [2,3]	$ 122,890	$ 125,059	$ 137,551
Leased acres	1,692,243	1,328,020	1,361,866
Total annual lease costs (in thousands) [2,4]	$ 49,568	$ 50,728	$ 42,349

† *Data source is the General Services Administration (GSA) FY 2019 Federal Real Property Profile (FRPP) Open Data Set. The GSA reports that Department of Defense (DOD) data is not available for 2017 and 2018. In addition, the GSA reports that the "DOD made progress in addressing data quality concerns and is included in FY 2019. As a result, comparisons between FY 2019 and previous years' data is not recommended." It does not make sense for us to report 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the data in this section to the dates shown in the table above.*

1 *Includes federal government owned and managed museum trust, state government owned, and withdrawn land, and leased land. Does not include public domain land. Details may not add to total due to rounding.*

2 *It is difficult to compare owned and otherwise managed and leased annual operating costs due to their make-up. Owned and otherwise managed annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.*

3 *Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).*

[4] *Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).*

Owned and otherwise managed (OOM) and leased non-public domain land by agency as of 2019 was as follows:

Fiscal year (In thousands)		**Acres**	
Agency	**OOM**	**Leased**	**Total**
Corps of Engineers	7,574	83	7,657
Army Department	6,042	1,004	7,046
Department of Interior	6,271	1	6,272
Department of Energy	2,191	9	2,200
Navy Department	1,728	32	1,760
Air Force Department	725	102	827
Other department or agency	678	131	809
Total	25,209	1,362	26,571

[†] *Data source is the General Services Administration (GSA) FY 2019 Federal Real Property Profile (FRPP) Open Data Set.*

State and local government owned and leased land

We are not aware of a source of state and local government OOM and leased land for each government.

Buildings and other structures

Below is detail of federal and state-OOM and leased buildings and structures.

Fiscal year	**2015**	**2016**	**2019**
Buildings [4]	**273,125**	**267,127**	**286,773**
OOM [1]	253,481	247,723	268,043
Total square feet (in thousands)	2,520,991	2,490,265	2,546,061
Total annual operating costs (in thousands) [3,6]	$ 11,644,642	$ 12,022,269	$ 16,356,346
Leased	19,644	19,404	18,730
Total square feet (in thousands)	283,125	280,103	286,138
Total annual lease costs (in thousands) [3,7]	$ 7,103,442	$ 7,284,160	$ 7,630,462
Structures [7]	**496,022**	**496,174**	**525,240**
OOM [1]	492,263	492,725	521,948
Total annual operating costs (in thousands) [3,6]	$ 8,787,913	$ 6,326,949	$ 12,023,494
Leased	3,759	3,449	3,292
Total annual lease costs (in thousands) [3,7]	$ 58,053	$ 59,135	$ 64,360
Buildings real property utilization [8]			
Utilized	96,718	89,359	117,601
Underutilized	3,598	7,859	4,413
Unutilized	3,414	3,120	15,199
Repair needs [1,2]			
OOM building repair needs costs (in thousands)			$ 123,445,593
OOM structure repair needs costs (in thousands) [5]			$ 126,497,876

[†] *Data source is the GSA FY 2019 FRPP Open Data Set. The GSA reports that DOD data is not available for 2017 and 2018. In addition, the GSA reports that the "DOD made progress in addressing data quality concerns and is included in FY 2019. As a result, comparisons between FY 2019 and previous years' data is not recommended." It does not make sense for us to report 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the data in this section to the dates shown in the table above.*

[1] *Includes federal government, foreign government, museum trust, and state government owned and otherwise managed.*

[2] *Repair needs are only a required data element for owned assets. Repair needs is the objective amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. This should exclude any consideration of the likelihood that the repair will be performed at any time before the asset's disposition.*

3 *It is difficult to compare owned and leased annual operating costs due to their make-up. Owned and otherwise managed annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.*
4 *Buildings (examples): office, laboratories, hospital, warehouse*
5 *Structures (examples): airfield pavements, flood control and navigation, utility systems, navigation, and traffic aids*
6 *Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).*
7 *Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).*
8 *The reporting of utilization is only required for offices, laboratories, hospitals, warehouses, family housing, dormitories, and barracks.*

Buildings detail (2019)

As shown in the table above, our Government occupies 2.8 billion square feet of building space in the US and US territories, of which 2.5 billion square feet are owned and otherwise managed and 286 million square feet are leased. Information by use and by government agency as of 2019 are shown in the tables below:

Buildings Real Property Use Fiscal year (in thousands, except per sq ft)	**OOM sq/ft[1]**	**Annual Operating and Maintenance Costs[1,4]**	**OOM Annual Costs per sq/ft[1,4]**	**Leased sq/ft**	**Leased Annual Costs[2,4]**	**Leased Annual Costs per sq/ft [2,4]**
Total	**2,546,061**	**$ 16,356,346**	**$ 6.42**	**286,138**	**$ 7,630,462**	**$ 26.67**
Office	508,123	$ 3,163,337	$ 6.23	181,657	$ 5,461,767	$ 30.07
Service	401,422	$ 2,154,282	$ 5.37	6,777	$ 96,611	$ 14.26
Warehouses	299,749	$ 812,354	$ 2.71	28,302	$ 264,880	$ 9.36
School	248,705	$ 1,536,556	$ 6.18	3,052	$ 27,393	$ 8.97
Dormitories/Barracks	227,714	$ 1,267,189	$ 5.56	1,828	$ 19,279	$ 10.54
Laboratories	174,046	$ 1,988,073	$ 11.42	5,028	$ 163,855	$ 32.59
Other institutional uses	164,791	$ 1,052,001	$ 6.38	1,702	$ 19,292	$ 11.33
Hospital	118,353	$ 1,215,879	$ 10.27	659	$ 22,218	$ 33.72
Industrial	110,531	$ 941,636	$ 8.52	870	$ 9,845	$ 11.31
Family housing	46,068	$ 185,923	$ 4.04	1,442	$ 13,431	$ 9.31
Prisons and detention centers	42,518	$ 303,840	$ 7.15	92	$ 452	$ 4.90
Outpatient healthcare facility	41,367	$ 465,711	$ 11.26	14,222	$ 496,368	$ 34.90
Communications systems	19,924	$ 220,835	$ 11.08	606	$ 9,883	$ 16.30
Navigation and traffic aids	12,663	$ 252,907	$ 19.97	710	$ 18,285	$ 25.77
Child care center	9,286	$ 35,829	$ 3.86	26	$ 430	$ 16.54
Museum	6,988	$ 36,534	$ 5.23	289	$ 42	$ 0.15
Land port of entry	5,121	$ 64,678	$ 12.63	841	$ 17,208	$ 20.46
Facility security	4,966	$ 23,484	$ 4.73	50	$ 456	$ 9.14
Data centers	3,017	$ 68,536	$ 22.72	405	$ 10,612	$ 26.19
Border/Inspection station	2,794	$ 38,633	$ 13.83	7,037	$ 92,798	$ 13.19
Comfort stations/Restrooms	1,773	$ 30,788	$ 17.37	—	$ —	$ —
Public facing facility	1,576	$ 35,010	$ 22.22	18,368	$ 560,504	$ 30.51
Post office	979	$ 6,517	$ 6.66	—	$ —	$ —
Aviation security related	378	$ 5,463	$ 14.46	3,318	$ 152,074	$ 45.83
All other [3]	93,209	$ 450,351	$ 4.83	8,857	$ 172,779	$ 19.51

† *Data source is the GSA FY 2019 FRPP Open Data Set.*
1 *Includes federal government, foreign government, museum trust, and state government owned and otherwise managed.*
2 *Includes operations and maintenance costs and rent.*
3 *The All Other category is defined as "buildings that cannot be classified elsewhere."*
4 *It is difficult to compare owned and leased annual operating costs due to their make-up. Owned and otherwise managed annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.*

Fiscal year (In thousands)	Building Square Feet		
Agency	**OOM**	**Leased**	**Total**
Army Department	743,582	19,776	763,358
Air Force Department	450,843	5,426	456,269
Navy Department	446,305	3,011	449,316
General Services Administration	228,786	187,928	416,714
Department of Veterans Affairs	156,900	19,656	176,556
Department of Energy	112,691	608	113,299
Department of Interior	99,885	2,959	102,844
Other department or agency	307,069	46,774	353,843
Total	2,546,061	286,138	2,832,199

† *Data source is the GSA FY 2019 FRPP Open Data Set.*

The US Government Accountability Office (GAO) reports that federal agencies continue to face long-standing challenges in several areas of real property management, including: (1) effectively disposing of excess and underutilized property, (2) collecting reliable real property data for decision making, and (3) protecting federal facilities.[31]

Federal Indian reservations[35]

A federal Indian reservation is an area of land reserved for a tribe or tribes under treaty or other agreement with the US, executive order, or federal statute or administrative action as permanent tribal homelands, and where the federal government holds title to the land in trust on behalf of the tribe. Approximately 56.2 million acres (approximately 2% of total US land area) are held in trust by the US for various Indian tribes and individuals. There are approximately 326 Indian land areas in the US administered as federal Indian reservations (i.e. reservations, pueblos, rancherias, missions, villages, communities, etc.). The largest is the 16 million-acre Navajo Nation Reservation located in Arizona, New Mexico, and Utah. The smallest is a 1.32-acre parcel in California where the Pit River Tribe's cemetery is located. Many of the smaller reservations are less than 1,000 acres.

International[36]

We are not aware of a current aggregated source for land held by our Government outside of the US. However, the Department of Defense (DOD) reports on its overseas holdings. As of 2018 (the latest available data), the DOD managed a worldwide real property portfolio that spanned 45 foreign countries, including 514 overseas sites:

- *By country* – Germany (194 sites), Japan (121 sites), and South Korea (83 sites) had the most sites by country;
- *By service* – 202 were for the Army, 166 for the Air Force, 123 for the Navy, and 23 for the Marine Corps; and
- *By value* – 430 had a replacement value of less than $1.102 billion each, 21 had a replacement value of equal to or more than $1.102 billion and less than $2.067 billion each, 24 had a replacement value of equal to or more than $2.067 billion each, and 39 had a replacement value of zero.

Item 3. Legal Proceedings

Our Government is subject to a variety of claims and suits that arise from time to time in the ordinary course of its operations. See *Part II, Item 8. Financial Statements and Supplementary Data*, *Notes to financial statements*, *Note 18 – Contingencies* for a discussion of these items.

Part II

Item 6. Selected Financial Data

The figures below represent financial highlights for our Government, comprising combined federal, state, and local government figures.

(In billions) Year Ended September 30,	2018	2017	2015	2010	2005	2000	1990	1980
As reported								
Revenue	$ 5,716	$ 5,599	$ 5,172	$ 3,931	$ 3,640	$ 3,214	$ 1,638	$ 770
Expenditures	$ 6,292	$ 6,069	$ 5,663	$ 5,130	$ 3,826	$ 2,804	$ 1,817	$ 833
Surplus (deficit)	$ (576)	$ (470)	$ (491)	$ (1,199)	$ (186)	$ 410	$ (179)	$ (63)
Cash, cash equivalents, and short-term investments [1]	$ 1,284	$ 1,043	$ 1,053	$ 991	$ 523	$ 494	$ 310	$ 133
Total assets [1]	$ 23,812	$ 22,343	$ 21,008	$ 17,348	$ 13,119	$ 10,297	$ 5,603	$ 2,867
Total liabilities [1]	$ 31,342	$ 29,922	$ 27,904	$ 20,956	$ 13,835	$ 9,430	$ 5,561	$ 2,150
Net worth [1]	$ (7,530)	$ (7,579)	$ (6,896)	$ (3,608)	$ (716)	$ 867	$ 42	$ 717
Adjusted for inflation [2]								
Revenue	$ 5,716	$ 5,734	$ 5,456	$ 4,517	$ 4,587	$ 4,590	$ 3,103	$ 2,347
Expenditures	$ 6,292	$ 6,216	$ 5,974	$ 5,894	$ 4,821	$ 4,004	$ 3,442	$ 2,539
Surplus (deficit)	$ (576)	$ (482)	$ (518)	$ (1,377)	$ (234)	$ 586	$ (339)	$ (192)
Cash, cash equivalents, and short-term investments [1]	$ 1,284	$ 1,068	$ 1,111	$ 1,139	$ 659	$ 705	$ 587	$ 405
Total assets [1]	$ 23,812	$ 22,884	$ 22,161	$ 19,933	$ 16,531	$ 14,704	$ 10,615	$ 8,738
Total liabilities [1]	$ 31,342	$ 30,646	$ 29,436	$ 24,078	$ 17,433	$ 13,466	$ 10,536	$ 6,553
Net worth [1]	$ (7,530)	$ (7,762)	$ (7,275)	$ (4,145)	$ (902)	$ 1,238	$ 79	$ 2,185

[1] *Balance sheet figures shown here are sourced from the Federal Reserve. The balance sheets we use in all other sections of this document are sourced as described in Exhibit 99.01. Because Item 6 requires us to show more years of financial information than elsewhere in this report, these figures are sourced from the Federal Reserve as this is the only source with an extended time series of combined balance sheet data. Key differences in balance sheets from the two sources are that the Federal Reserve does not include in its data TARP investments, inventories and related property, investments in GSEs, environmental and disposal liabilities, benefits due and payable, loan guarantee liabilities, or other liabilities. They also appear to account for Treasury securities, property, plant, and equipment, and employee and veteran benefits payable on different bases.*

[2] *To show the financial highlights in "real" terms, we have calculated and reported inflation-adjusted amounts. The inflation adjustment factors are based on the Consumer Price Index – All Urban Consumers (CPI-U) with a baseline year of 2018.*

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of our Government. MD&A is provided as a supplement to, and should be read in conjunction with, *Item 8. Financial Statements and Supplementary Information*.

About Management's Discussion and Analysis

Fiscal years presented

In this MD&A, we analyze the one-year, five-year, and 10-year periods ending September 30, 2018, the most recent period for which a nearly complete set of federal, state, and local financial data is available. A public company is generally required to analyze its immediately prior three fiscal years. While decisions can be made and implemented quickly within companies, and the impact of those decisions may be seen shortly thereafter, this is not generally the case within government. Therefore, we have provided a longer-term view within this MD&A than we would for a company.

Which changes are discussed

Throughout this MD&A, we discuss key changes in revenues and expenditures during the periods presented. We define key changes as those that are the largest dollar changes that when added together comprise at least 75% of the total change being explained. These key changes are highlighted in gray in the tables and then are discussed in the sections following each table. Note that only key changes are discussed, though all changes in major categories are shown in the tables for your information.

Modification of data

In cases where only calendar year annual data was available, we used one simple formula to create federal fiscal year (October 1 to September 30) data – 25% of the prior calendar year figure plus 75% of the current calendar year figure. All the figures in this MD&A that were converted from calendar year to federal fiscal year in this manner are indicated by * (one asterisk). To create state and local fiscal year (July 1 to June 30) data, we used a formula of 50% of the prior calendar year figure plus 50% of the current calendar year figure. All the figures in this MD&A that were converted from calendar year to state and local fiscal year in this manner are indicated by ** (two asterisks). Finally, for tax revenues, we calculated the impact of tax rates vs. tax bases by holding one constant while fluctuating the other. See more information at Exhibit 99.13.

Comparability of data

See discussion of the comparability of data within this MD&A in Exhibit 99.12 *Data comparability considerations*.

Overview

The United States of America (US) is a federal republic composed of 50 states, a federal district of Washington, D.C., five major and various minor insular areas, as well as over 90,000 local governments, including counties, municipalities, townships, school districts, and special district governments. At 3.8 million square miles and with over 329 million people (as of 2020), the US is the world's third-largest country by total area and the third most populous.

The people of the US, through our Government as outlined in our Constitution, seek to form a more perfect union, establish justice, ensure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity.

To achieve the vision of the people, our Government raises money, spends money, and exercises, grants, and rescinds authorities. Our Government generates revenue mainly by taxing individuals and businesses in the US, and to a lesser degree through income on assets invested and charges for government services. Our Government's most significant expenditure is transfer payments to individuals and subsidies, comprising 47% of expenditures in 2018, most significantly for Social Security, Medicare, and Medicaid. Personnel and compensation costs is our Government's second-largest expenditure, comprising 27% of expenditures in 2018. By segment, our Government's most significant expenditures are for securing the blessings of liberty to ourselves and our posterity, comprising 53% of expenditures in 2018.

Trends

During the one-year, five-year, and 10-year periods ending in 2018, we saw a mixture of stagnation, progression towards, and retreat from, achievement of our Constitutional objectives. Our Government's role in these trends is not clear. However, we believe it may be useful to observe these trends in evaluating our Government. The 10 year comparison in this year's report is particularly noteworthy, as the Great Recession was underway during 2008; the Great Recession began in December 2007 and was accompanied by a financial crisis that peaked in September-October 2008 as major financial institutions were on the brink of collapse, prompting the federal government to act. Highlights in key metrics for these years are summarized below.

When comparing 2018 to 2008, we made progress towards our objectives by:

- ***growing our economy***, by many measures, including most notably increasing: the S&P 500; private fixed investment; GDP; new home sales; net asset accumulation, including total and average household financial and real estate assets paired with lower mortgage debt; numbers of pension participants, total pension assets, and the rates of return thereon; and numbers of businesses, including those less than one year old; while decreasing workers at or below minimum wage, our overall trade deficit, and bankruptcy filings;
- ***reducing overall crime and physical harm***, including most notably reducing reported crime and arrests and certain jailed and imprisoned populations, border apprehensions and persons removed or returned, and workplace violations and non-fatal workplace injuries;
- ***improving quality of life for certain populations***, including reducing: the number of children ages four and older that are victims of maltreatment; the median time children spend in foster care; the number of children in poverty; and the number of active duty military personnel who are stationed abroad, while increasing passports in circulation and the number of visas granted; and
- ***tending to our environment***, including reducing numbers of poor air quality days in certain large cities and net energy consumption, while increasing energy consumption from nuclear and renewable sources.

We retreated from our objectives through:

- ***continuing fiscal unsustainability of our Government***, as our Government's debt continues to grow as a percentage of GDP and per capita;
- ***increasing specific crime and physical harm***, including increasing civilian deaths from highway vehicle and other non-structure fires (despite decreased vehicle fires), consumer complaints, intellectual property seizures, airport firearm discoveries, and unauthorized persons with a prior criminal conviction who are removed;
- ***increasing challenges to the health of our population***, including increasing rates of obesity and death from most leading and select other causes, costs of natural disasters and acres burned in forest fires, increased crop failures, and increased personal healthcare expenditures;
- ***insufficiently protecting our children***, including increasing: child fatalities as a result of maltreatment, primarily neglect and abuse and of children ages birth to one year old and ages eight to 11; children receiving free and reduced price lunch; and homeless children enrolled in school; and
- ***increasing challenges to the affordability of higher education and housing***, including increasing costs of higher education, median new home prices, and rent.

Our Government's operations are financially unsustainable. It continues to spend more than it takes in each year, amassing total liabilities and an overall accumulated deficit that reached $36.8 trillion and $15.2 trillion, respectively, at September 30, 2018. Expenditures increased 35% between 2008 and 2018, when they reached a record high of $6.3 trillion annually. Our Government has, however, reduced its annual deficit by 75% from its peak of $2.3 trillion in 2009 to $576 billion in 2018 through increased revenue. Increases in revenue have been driven by both overall economic prosperity (primarily increased taxable income and income on invested Government assets) and tax policy changes. See *Part I, Item 1A. Risk Factors*, *Recently enacted legislation and tax avoidance put downward pressure on tax revenues, reducing Government resources*, for discussion of recent significant tax policy changes that could further impact these trends.

Macroeconomy and related government actions

Key economic indicators

Below are some key economic indicators for the periods discussed in this MD&A:

	2018	2017	2013	2008
Interest rates (Calendar year)				
10-year Treasury Rate	2.91%	2.33%	2.35%	3.66%
US Federal Funds Rate	2.27%	1.30%	0.09%	0.16%
US Bank Prime Loan Rate	5.35%	4.40%	3.25%	3.61%

Economic indicators				
Gross domestic product (calendar year)	20,612	19,543	16,785	14,713
Gross domestic product (fiscal year)	20,345	19,344	16,638	14,648
Average annual US inflation rate (calendar year)	2.4%	2.1%	1.5%	3.8%
Average annual US inflation rate (fiscal year)	2.4%	2.1%	1.6%	4.4%
Change in average annual US inflation from the respective fiscal year to 2018	*—ppt*	*0.3ppt*	*0.8ppt*	*(2.0)ppt*
Stock indices				
Standard and Poor's 500 (S&P 500) average daily closing price:				
Federal fiscal year – October 1 to September 30	2,722	2,344	1,556	1,368
Change from the respective year to 2018	*—%*	*16%*	*75%*	*99%*
State and local fiscal year – July 1 to June 30	2,626	2,267	1,486	1,428
Change from the respective year to 2018	*—%*	*16%*	*77%*	*84%*
Differences between beginning and ending closing prices of select stock indices, July 1 of the prior year compared to June 30:				
S&P 500	295	325	244	(223)
Change from the respective year to 2017	*—%*	*(9)%*	*21%*	*232%*
Deutsche Boerse AG German Stock Index, Performance (DAX)	(19)	2,645	1,543	(1,589)
Change from the respective year to 2017	*—%*	*(101)%*	*(101)%*	*99%*
Nikkei 225: N225 (NIKKEI)	(48,700)	101,024	4,671	(4,657)
Change from the respective year to 2017	*—%*	*(148)%*	*(1,143)%*	*(946)%*
Financial Times Stock Exchange 100 Index: UKX (FTSE)	324	808	644	(982)
Change from the respective year to 2017	*—%*	*(60)%*	*(50)%*	*133%*
Chicago Board Options Exchange Volatility Index (VIX) at June 30	25	11	14	40
Asset and service prices				
Gold price (per troy ounce)	$ 1,282	$ 1,297	$ 1,202	$ 865
West Texas Intermediate (WTI) crude oil spot price (per barrel)	$ 65.23	$ 50.80	$ 97.98	$ 99.67
Consumer Price Index (average monthly for the fiscal year):				
Consumer price index	249.7	243.8	232.2	214.5
Growth from the respective year to 2018	*—%*	*2%*	*8%*	*16%*
Food price index	252.5	249.0	236.3	211.2
Growth from the respective year to 2018	*—%*	*1%*	*7%*	*20%*
Medical care price index	482.4	473.3	422.9	361.6
Growth from the respective year to 2018	*—%*	*2%*	*14%*	*33%*
Medical care commodities price index	381.2	375.5	334.6	295.0
Growth from the respective year to 2018	*—%*	*2%*	*14%*	*29%*
Medical care services price index	514.9	504.6	451.0	382.0
Growth from the respective year to 2018	*—%*	*2%*	*14%*	*35%*
Hospital and related services price index	859.7	822.3	694.0	526.7
Growth from the respective year to 2018	*—%*	*5%*	*24%*	*63%*
Housing				
US 30-year fixed-rate mortgage interest rate	4.55%	3.99%	3.98%	6.03%
Median new home sales price (in thousands) [1]	$ 326	$ 323	$ 269	$ 232
Median home value (in thousands) [2]	$ 224	$ 211	$ 173	$ 196
Existing home sales (in thousands of housing units) [3]	5,340	5,510	5,078	na
New home sales (in thousands of housing units)	617	613	429	485

[†] *Sources: Federal Reserve, Bureau of Labor, Freddie Mac, Energy Information Administration, World Gold Council, Bureau of Economic Analysis, US Census, Bureau of Labor Statistics, Yahoo Finance, Google Finance, Investing.com*

[na] *An "na" reference in the table means the data is not available.*

[1] *December of each year*

[2] *Value is the respondent's estimate of how much the property (house and lot) would sell for if it were for sale. Any nonresidential portions of the property (for example, shared spaces in a condominium/co-op), any rental units, and land cost of mobile homes, are excluded from the value. For vacant units, value represents the sales price asked for the property at the time of the interview and may differ from the price at which the property is sold.*

[3] *Existing home sales are based on closing transactions of single-family, townhomes, condominiums, and cooperative homes. Seasonally-adjusted rate.*

The first five years discussed in this MD&A

Between fiscal years 2008 and 2013, nominal GDP increased by 14%, with the following sectors experiencing the largest increases: finance, insurance, real estate, rental, and leasing; educational services, healthcare, and social assistance; professional and business services; and government. The S&P 500 index grew 14%, while the average annual US inflation rate decreased from 4.4% in 2008 to 1.6% in 2013. However, there were significant shocks in the system during this period.

In 2007, the housing bubble peaked and shortly thereafter gave way to a financial crisis. The Great Recession began in December 2007 and was accompanied by a financial crisis that peaked in September-October 2008 as major financial institutions were on the brink of collapse, prompting the federal government to act. Major government action first began in March 2008 when the investment firm Bear Stearns collapsed, and the federal government assisted in J.P. Morgan's takeover of the failed entity. Then in September 2008, Fannie Mae and Freddie Mac were placed in conservatorship by the Federal Housing Finance Agency. Ultimately, a broader package called the Troubled Asset Relief Program (TARP) was authorized by Congress in October 2008 to stabilize the financial system amid the most severe economic downturn since the Great Depression. Its original goal was to buy distressed assets, such as mortgage-backed securities, from financial firms. That was later changed to inject capital directly into banks through the purchase of bank senior preferred shares and warrants. The program was also broadened to include bailouts for auto firms General Motors Company and Chrysler Corporation, mortgage relief for homeowners, and measures to restart credit markets. Congress originally authorized $700 billion for TARP, which was later reduced to $475 billion (96% of which has since been returned to our Government, along with a surplus on certain investments that totals more than $7.9 billion).

During this period, federal and state budget deficits reached record highs as revenues declined and spending increased. Revenues for state and local governments declined significantly because of the economic downturn, prompting some cuts to spending and higher tax rates as states (except Vermont) are not allowed to spend more than they receive.

After President Obama took office in January 2009, he and the Democratic-controlled Congress enacted the American Recovery and Reinvestment Act (ARRA), which was a stimulus package of temporary tax cuts and spending increases with the aim of boosting the macroeconomy. The legislation's numerous spending and revenue provisions can be grouped into several categories according to their focus:

- *Providing funds to states and localities* – for example, by raising federal matching rates under Medicaid, providing aid for education, and increasing financial support for some transportation projects;
- *Supporting people in need* – such as by extending and expanding unemployment benefits and increasing benefits under the Supplemental Nutrition Assistance Program (formerly food stamps);
- *Purchasing goods and services* – for instance, by funding construction and other investment activities that could take several years to complete; and
- *Providing temporary tax relief for individuals and businesses* – such as by raising exemption amounts for the Alternative Minimum Tax, increasing the Earned Income Tax Credit, adding a new Making Work Pay tax credit and a new American Opportunity Credit for higher education, and creating enhanced deductions for depreciation of business equipment.

At the end of fiscal year 2009, the recession waned, and a gradual recovery began. In December 2010, some tax cuts enacted in ARRA and those enacted during President George W. Bush's term were extended for two more years. Some of those were eventually allowed to expire in December 2012 – primarily those affecting high-income taxpayers. In March of 2010, the Affordable Care Act (ACA) was enacted, with most of the associated government revenue increases taking effect on January 1, 2013.

The following five years

The second and final five years of the 10-year window included in this MD&A was marked by economic growth. Overall, between fiscal years 2013 and 2018, nominal GDP grew by 23%, with the following sectors experiencing the largest increases: finance, insurance, real estate, rental, and leasing; professional and business services; educational services, healthcare, and social assistance; and government. The S&P 500 index grew 75%, while the average annual US inflation rate increased from 1.6% in 2013 to 2.4% in 2018.

This period was also one of numerous changes in individual income tax law. In December 2012, following President Obama's reelection, he signed into law an extension of the Bush tax cuts again, albeit this time without the lower tax rates on high-income taxpayers. So, the top two individual income tax rates reverted to their pre-2001 levels of 39.6% and 36%, while the top income tax rate on capital gains moved from 15% to 20%. These tax rates went into effect in January 2013.

Also going into effect in January 2013 were some new taxes from the ACA. This included most notably a new 3.8% tax on unearned income for high-income taxpayers. That is, taxpayers with Adjusted Gross Income (AGI) higher than $200,000 (single) and $250,000 (married) began paying a 3.8% tax on income from interest, dividends, and capital gains, among other sources. Furthermore, there was a 0.9 percentage point increase in the employee Medicare tax for those with AGIs higher than $200,000 (single) and $250,000 (married). This applies to payroll sources of income such as wages and self-employment income. The ACA also put into effect a higher AGI threshold for the medical expenses itemized deduction.

Specifically, taxpayers under the age of 55 can deduct medical expenses in excess of 10% of AGI. Before, it was 7.5% of AGI.

In tax year 2014, key new healthcare coverage provisions of the ACA went into effect, including healthcare exchange cost subsidies provided to individual taxpayers through the Premium Tax Credit and the individual mandate requiring Americans pay a penalty if they lacked adequate health insurance.

In January 2017, Donald Trump was sworn in as the 45th president of the US, marking the transition from a Democrat to a Republican and the beginning of many policy changes. Among the policy changes was the Tax Cuts and Jobs Act (TCJA), which became law effective January 1, 2018 and for which elements are effective at various dates. The TCJA reduced the top individual income tax rate from 39.6% to 37%, changed the income tax brackets associated with each tax rate, eliminated personal exemptions, capped the state and local tax deduction at $10,000, nearly doubled the amount of the standard deduction, increased the child tax credit, provided for a 20% deduction of qualified business income and certain dividends for individuals, reduced the corporate income tax rate from 35% to 21%, and required a one-time tax on all foreign profits accumulated prior to the passing of the act, among other provisions.

Subsequent event

At the time of the publishing of this 10-K, the US is grappling with a worldwide pandemic of a respiratory disease, COVID-19, which is spreading from person-to-person caused by a novel (new) coronavirus. This pandemic, as well as our responses to it, have had a significant negative impact on the health and well-being of the US population, as well as on the US economy. Certain positive economic and other trends noted in management's discussion below will likely reverse during the time of COVID-19. Aggregate individual and corporate income will likely decline, and our Government's primary source of revenue – taxes – will decline accordingly, at least temporarily. Another significant source of revenue for our state and local governments, revenue from investments they make, may also be negatively impacted by stock and bond market volatility. In response to this crisis, our Government will need to spend more to help the population regain its health, to support those who are in need of assistance due to the economic impacts of the crisis, and to stimulate the economy once the serious public health risk abates. To date, our Government has passed two major COVID-19 relief bills into law, which will cost an estimated $3.6 trillion in Government spending and revenue reductions through tax cuts. See key aspects of these laws and other information on COVID-19 outlined in *Item 1A. Risk Factors, The COVID-19 pandemic may hinder our Government's ability to achieve its constitutional objectives, at least in the short-term*.

Other factors affecting this discussion

For each revenue and expenditure table below, we include two rows at the bottom of the table which show the potential impact of inflation and US population growth on the revenues or expenditures analyzed. These inflation and population figures are not meant to provide a precise measure of the impact of inflation and population growth on the respective revenues or expenditures, as such a measurement is not possible. Rather, we have provided these figures as possible benchmarks for how the revenues and expenditures might have been anticipated to change over time due to these factors. To calculate the inflation and population adjustment figures, we multiplied the prior period total revenues or total expenditures by the rates of inflation (using CPIU) and population growth for the respective periods.

Rates of inflation are shown in the *Key economic indicators* table above. During the periods discussed in this MD&A, our total population grew by:

- 2017 to 2018 – 1.7 million people or 1%, 1.0 million through births and deaths and 0.7 million through migration;
- 2013 to 2018 – 10.7 million people or 3%, 6.0 million through births and deaths and 4.7 million through migration; and
- 2008 to 2018 – 22.4 million people or 7%, 13.7 million through births and deaths and 8.7 million through migration.

Our population aged 65 years and older grew by:

- 2017 to 2018 – 1.6 million people or 3%;
- 2013 to 2018 – 7.7 million people or 17%; and
- 2008 to 2018 – 13.6 million people or 35%.

Summary results of operations

(In billions, except percentages)	2018 Total	2018 Federal	2018 State and Local	2017 Total	2017 Federal	2017 State and Local	Changes Total	Changes Federal	Changes State and Local	Changes Total	Changes Federal	Changes State and Local
Revenues	**$ 5,716**	$ 3,359	$ 2,357	**$ 5,599**	$ 3,340	$ 2,259	**$ 117**	$ 19	$ 98	**2%**	1%	4%
Expenditures	**6,292**	3,401	2,891	**6,069**	3,298	2,771	**223**	103	120	**4%**	3%	4%
Intergovernmental (expenditures) revenues [1]	**—**	(736)	736	**—**	(707)	707	**—**	(29)	29	**—%**	(4)%	4%
Net surplus (deficit)	**$ (576)**	$ (778)	$ 202	**$ (470)**	$ (665)	$ 195	**$ (106)**	$ (113)	$ 7	**23%**	(17)%	4%
Estimated impact of inflation on net surplus (deficit)							**$ (11)**	$ (16)	$ 5	**2%**	2%	2%
Estimated impact of population growth on net surplus (deficit)							**(3)**	(4)	1	**1%**	1%	1%

(In billions, except percentages)	2018 Total	2018 Federal	2018 State and Local	2013 Total	2013 Federal	2013 State and Local	Changes Total	Changes Federal	Changes State and Local	Changes Total	Changes Federal	Changes State and Local
Revenues	**$ 5,716**	$ 3,359	$ 2,357	**$ 4,772**	$ 2,803	$ 1,969	**$ 944**	$ 556	$ 388	**20%**	20%	20%
Expenditures	**6,292**	3,401	2,891	**5,280**	2,904	2,376	**1,012**	497	515	**19%**	17%	22%
Intergovernmental (expenditures) revenues [1]	**—**	(736)	736	**—**	(580)	580	**—**	(156)	156	**—%**	(27)%	27%
Net surplus (deficit)	**$ (576)**	$ (778)	$ 202	**$ (508)**	$ (681)	$ 173	**$ (68)**	$ (97)	$ 29	**(13)%**	(14)%	17%
Estimated impact of inflation on net surplus (deficit)							**$ (38)**	$ (51)	$ 13	**8%**	8%	8%
Estimated impact of population growth on net surplus (deficit)							**(17)**	(23)	6	**3%**	3%	3%

(In billions, except percentages)	2018 Total	2018 Federal	2018 State and Local	2008 Total	2008 Federal	2008 State and Local	Changes Total	Changes Federal	Changes State and Local	Changes Total	Changes Federal	Changes State and Local
Revenues	**$ 5,716**	$ 3,359	$ 2,357	**$ 3,945**	$ 2,558	$ 1,387	**$ 1,771**	$ 801	$ 970	**45%**	31%	70%
Expenditures	**6,292**	3,401	2,891	**4,650**	2,550	2,100	**1,642**	851	791	**35%**	33%	38%
Intergovernmental expenditures (revenues) [1]	**—**	(736)	736	**—**	(466)	466	**—**	(270)	270	**—%**	(58)%	58%
Net surplus (deficit)	**$ (576)**	$ (778)	$ 202	**$ (705)**	$ (458)	$ (247)	**$ 129**	$ (320)	$ 449	**18%**	(70)%	182%
Estimated impact of inflation on net surplus (deficit)							**$ (116)**	$ (75)	$ (41)	**16%**	16%	16%
Estimated impact of population growth on net surplus (deficit)							**(52)**	(34)	(18)	**7%**	7%	7%

[1] *See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

Our Government ran a net deficit in each of the years discussed in this MD&A and in all intervening years (between 2008 and 2018).

The deficit peaked in 2009, when revenues declined 26% and spending increased 13% as compared to the prior year. The most significant revenue declines were losses incurred on investments at the state and local level as stock markets dropped worldwide, followed by decreased individual and corporate income tax revenues as the Great Recession hit the bottom lines of individuals and businesses. The expenditure increases reflected significant spending on banking, finance, and housing industry support and increases in general support programs, such as unemployment insurance, Social Security, Medicaid, and SNAP, expenditures intended to boost the economy and support the population in the interim. These dynamics illustrate how government finances can be significantly impacted by the health of the overall economy.

In the sections below, we discuss the material changes in our Government's results of operations during the periods presented.

Revenues[37]

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018 Total	2018 Federal	2018 State and Local [1]	2017 Total	2017 Federal	2017 State and Local [1]	Changes [2] Total	Changes Federal	Changes State and Local [1]	Changes Total	Changes Federal	Changes State and Local [1]
Individual income taxes	**$ 2,109**	$ 1,683	$ 426	**$ 1,972**	$ 1,587	$ 385	**$ 137**	$ 96	$ 41	**7%**	6%	11%
Payroll taxes	**1,189**	1,189	—	**1,180**	1,180	—	**9**	9	—	**1%**	1%	—%
Sales and excise taxes	**706**	95	611	**665**	84	581	**41**	11	30	**6%**	13%	5%
Property taxes	**547**	—	547	**525**	—	525	**22**	—	22	**4%**	—%	4%
Corporate income taxes	**261**	205	56	**350**	297	53	**(89)**	(92)	3	**(25)%**	(31)%	6%
Other taxes	**206**	74	132	**186**	67	119	**20**	7	13	**11%**	10%	11%
Tax revenues	**$ 5,018**	$ 3,246	$ 1,772	**$ 4,878**	$ 3,215	$ 1,663	**$ 140**	$ 31	$ 109	**3%**	1%	7%
Earnings on investments	**$ 439**	$ —	$ 439	**$ 455**	$ —	$ 455	**$ (16)**	$ —	$ (16)	**(4)%**	—%	(4)%
Federal Reserve earnings	**71**	71	—	**82**	82	—	**(11)**	(11)	—	**(13)%**	(13)%	—%
Sales of government resources	**24**	11	13	**19**	5	14	**5**	6	(1)	**26%**	120%	(7)%
Other non-tax revenues	**164**	31	133	**165**	38	127	**(1)**	(7)	6	**(1)%**	(18)%	5%
Total non-tax revenues	**$ 698**	$ 113	$ 585	**$ 721**	$ 125	$ 596	**$ (23)**	$ (12)	$ (11)	**(3)%**	(10)%	(2)%
Total revenues	**$ 5,716**	$ 3,359	$ 2,357	**$ 5,599**	$ 3,340	$ 2,259	**$ 117**	$ 19	$ 98	**2%**	1%	4%
Estimated impact of inflation on total revenues							**$ 134**	$ 80	$ 54	**2%**	2%	2%
Estimated Impact of population growth on total revenues							**30**	18	12	**1%**	1%	1%

1 State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

2 Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

2017 to 2018 | Federal individual income tax revenue

The federal individual income tax revenue increase of $96 billion can be attributed $98 billion* to higher taxable income, offset in part by a decrease of $2 billion* attributed to changes in in average tax rates.

Income changes*

The $98 billion increase in revenue attributable to higher taxable income reflected a $671 billion or 6% increase in aggregate AGI, as well as a $198 billion or 7% decrease in aggregate deductions and exemptions. Following are the income components of AGI shown by AGI group (cohort).

(In billions, except percentages)	2018 Wages and Salaries	2018 Capital Gains	2018 Partnership and S-Corp	2018 All Other [1]	2018 Total AGI	2017 Wages and Salaries	2017 Capital Gains	2017 Partnership and S-Corp	2017 All Other [1]	2017 Total AGI	Changes Wages and Salaries	Changes Capital Gains	Changes Partnership and S-Corp	Changes All Other [1]	Changes Total AGI	Changes Wages and Salaries	Changes Capital Gains	Changes Partnership and S-Corp	Changes All Other [1]	Changes Total AGI
Less than $1	$ 22	$ 17	$ (53)	$ (197)	**$ (211)**	$ 20	$ 17	$ (55)	$ (206)	**$ (224)**	$ 2	$ -	$ 2	$ 9	**$ 13**	10%	0%	4%	4%	**6%**
$1-$50K	1,598	11	7	348	**1,964**	1,594	10	8	353	**1,965**	4	1	(1)	(5)	**(1)**	0%	10%	(13)%	(1)%	**0%**
$50,001-$75K	1,022	12	10	269	**1,313**	991	11	10	264	**1,276**	31	1	-	5	**37**	3%	9%	0%	2%	**3%**
$75,001-$100K	882	17	13	270	**1,182**	866	15	14	264	**1,159**	16	2	(1)	6	**23**	2%	13%	(7)%	2%	**2%**
$100,001-$200K	2,092	67	61	616	**2,836**	1,992	59	61	557	**2,669**	100	8	-	59	**167**	5%	14%	0%	11%	**6%**
$200,001-$500K	1,292	118	146	365	**1,921**	1,182	99	137	307	**1,725**	110	19	9	58	**196**	9%	19%	7%	19%	**11%**
$500,001-$1 million	406	86	124	114	**730**	371	73	124	92	**660**	35	13	-	22	**70**	9%	18%	0%	24%	**11%**
Over $1 million	511	567	375	297	**1,750**	472	502	368	242	**1,584**	39	65	7	55	**166**	8%	13%	2%	23%	**10%**
Total	$ 7,825	$ 895	$ 683	$ 2,082	**$ 11,485**	$ 7,488	$ 786	$ 667	$ 1,873	**$ 10,814**	$ 337	$ 109	$ 16	$ 209	**$ 671**	5%	14%	2%	11%	**6%**

1 All Other includes interest, dividends, state income tax refunds, business or profession net income (loss), taxable individual retirement arrangement distributions, taxable pensions and annuities, taxable social security benefits, and other income (loss), less: self-employed SEP, self-employed health insurance, retirement account deductions, student loan interest deductions, tuition and fees deduction, domestic production activities deduction, and other deductions.

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $599 billion or 9% for the year. The cohort with the largest dollar and rate increases in AGI was the one with AGI between $200,001 and $500,000, at an increase of $196 billion or 11%, driven primarily by higher wages and salaries but with increases across all sources of income. The increases in AGI for these cohorts were offset in part by a $1 billion or 0% decrease in AGI for the cohort where AGI is between $1 and $50,000, driven primarily by decreased All Other income.

AGI by income type

Over half of the overall $671 billion increase in AGI was driven by higher wages and salaries, which increased $337 billion or 5%. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an increase of $110 billion or 9%, was for the cohort with AGI between $200,001 and $500,000. The highest rate of wage and salary growth, at an increase of 10% or $2 billion, was for the cohort with AGI less than $1.

Net capital gains income increased $109 billion or 14%, comprising 16% of the overall increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an aggregate increase of $65 billion or 13%, was for the cohort with AGI over $1 million. The highest rate of growth, at 19% or $19 billion, was for the cohort with AGI between $200,001 and $500,000. The average daily closing price of the S&P 500 between these federal fiscal years (October 1 to September 30) increased 16%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased $16 billion or 2%, comprising 2% of the overall increase in AGI. Experiences varied among cohorts. The largest dollar amount and highest rate of growth, at $9 billion or 7%, respectively, was for the cohort with AGI between $200,001 and $500,000.

Income within the "All Other" category shown in the table above increased $209 billion or 11%, comprising 31% of the overall increase in AGI. This increase was driven primarily by: a $96 billion or 7% increase in taxable retirement income, comprising taxable Individual Retirement Account (IRA), pension, annuity, and Social Security distributions; a $38 billion or 14% increase in dividend income; and a $19 billion or 18% increase in taxable interest income.

- Within the increase in taxable retirement income, the largest dollar amount of growth, at an increase of $48 billion or 11% was for the cohort with AGI between $100,001 and $200,000. The highest rate of growth, at 26% or $7 billion, was for the cohort with AGI between $500,001 and $1,000,000. During this period, the population of those aged 65 years and older, the cohort most likely to be taking retirement income distributions, increased 3%.
- Within the increase in dividend income, the largest dollar amount of increase and highest of growth, at $20 billion or 20%, was for the cohort with AGI greater than $1 million.
- Within the increase in taxable interest income, the largest amount of growth of $10 billion or 24%, was for the cohort with AGI greater than $1 million, while the highest rate of growth at 25% or $2 billion, was for the cohort with AGI between $500,001 and $1 million.

AGI mobility – numbers of income tax returns filed by income cohort

(In thousands, except percentages)	**2018**	**2017**	**Changes**	
Less than $1	1,980	2,045	(65)	(3)%
$1-$50K	87,408	88,857	(1,449)	(2)%
$50,001-$75K	21,335	20,775	560	3%
$75,001-$100K	13,641	13,375	266	2%
$100,001-$200K	20,848	19,678	1,170	6%
$200,001-$500K	6,733	6,057	676	11%
$500,001-$1 million	1,084	981	103	10%
Over $1 million	528	477	51	11%
Total	153,557	152,245	1,312	1%

The number of income tax returns filed for the lowest income cohorts, those with AGI of $50,000 or less, decreased by 1.5 million tax returns in aggregate, while the number of tax returns filed increased for all other AGI cohorts. The group with the highest increase in number of returns filed was the cohort with AGI between $100,001 and $200,000, at an increase of 1.2 million returns, while the groups with the highest percentage increase in the number of returns filed were the cohorts with AGI between $200,001 and $500,000 and with AGI greater than $1 million, both at an increase of 11%.

Deductions and exemptions

	2018					2017					Changes									
(In billions, except percentages)	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions
Less than $1	$ —	$ —	$ 2	$ (213)	**$ (211)**	$ —	$ —	$ 12	$ (236)	**$ (224)**	$ —	$ —	$ (10)	$ 23	**$ 13**	—%	—%	(83)%	10%	**6%**
$1-$50K	85	1,078	143	(162)	**1,144**	159	634	572	(209)	**1,156**	(74)	444	(429)	47	**(12)**	(47)%	70%	(75)%	22%	**(1)%**
$50,001-$75K	79	292	44	7	**422**	142	131	174	(2)	**445**	(63)	161	(130)	9	**(23)**	(44)%	123%	(75)%	450%	**(5)%**
$75,001-$100K	83	195	32	6	**316**	149	73	127	(3)	**346**	(66)	122	(95)	9	**(30)**	(44)%	167%	(75)%	300%	**(9)%**
$100,001-$200K	229	278	53	21	**581**	391	59	210	(2)	**658**	(162)	219	(157)	23	**(77)**	(41)%	371%	(75)%	1,150%	**(12)%**
$200,001-$500K	161	64	15	26	**266**	249	5	58	(2)	**310**	(88)	59	(43)	28	**(44)**	(35)%	1,180%	(75)%	1,400%	**(14)%**
$500,001-$1 million	54	7	—	11	**72**	81	1	—	(1)	**81**	(27)	6	—	12	**(9)**	(33)%	600%	—%	1,200%	**(11)%**
Over $1 million	146	2	—	39	**187**	204	—	—	(1)	**203**	(58)	2	—	40	**(16)**	(28)%	100%	—%	4,000%	**(8)%**
Total	$ 837	$ 1,916	$ 289	$ (265)	**$ 2,777**	$ 1,375	$ 903	$ 1,153	$ (456)	**$ 2,975**	$ (538)	$ 1,013	$ (864)	$ 191	**$ (198)**	(39)%	112%	(75)%	42%	**(7)%**

[1] *Limitations represents the effect of limiting taxable income to no less than zero. If the combination of deductions and exemptions exceeds AGI, the excess deductions and exemptions are disallowed.*

The $198 billion decrease in deductions and exemptions from 2017 to 2018 reflected a $389 billion shift in total deductions and exemptions from larger itemized deductions and exemptions and into smaller standard deductions, presumably largely due to tax law changes from the TCJA. Unfortunately, we are unable to separate the impact of changes in behavior due to the TCJA. The shift from itemized deductions and exemptions to standard deductions occurred across all AGI cohorts. The cohort with the largest dollar change, at a decrease of $100 billion or 15% in deductions and exemptions (before limitations), is the cohort with AGI between $100,001 and $200,000. The cohort with the largest percent change, at a decrease of 75% or $10 billion, is the cohort with AGI less than $1. These decreases in deductions and exemptions were offset in part by lower disallowances due to limitations, which were also seen across all AGI cohorts.

Tax rate changes

There were several key statutory individual income tax rate changes during this period due to the *Tax Cuts and Jobs Act* (TCJA). The TCJA reduced individual income tax rates overall, effective January 1, 2018, including:

- decreasing the top individual income tax rate from 39.6% to 37%;
- eliminating the personal exemptions, and capping the state and local tax deduction at $10,000, while nearly doubling the amount of the standard deduction;
- increasing the child tax credit; and
- providing a 20% deduction of qualified business income and certain dividends for individuals.

2017 to 2018 | State and local individual income tax revenue

The $41 billion state and local individual income tax revenue increase can be attributed $23 billion** to higher taxable income and $18 billion** to changes in average tax rates.

Income changes**

The $23 billion increase attributable to higher individual taxable income reflected an approximately $506 billion or 6% increase in the aggregate AGI of all individual taxpayers in all states that tax individual income. Following are the income components of AGI shown by AGI cohort.

	2018					2017					Changes									
(In billions, except percentages)	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**
Less than $1	$ 13	$ 12	$ (37)	$ (143)	**$ (155)**	$ 12	$ 11	$ (35)	$ (144)	**$ (156)**	$ 1	$ 1	$ (2)	$ 1	**$ 1**	8%	9%	6%	(1)%	**(1)%**
$1-$50K	1,222	11	5	285	**1,523**	1,221	9	6	290	**1,526**	1	2	(1)	(5)	**(3)**	0%	22%	(17)%	(2)%	**0%**
$50,001-$75K	794	11	8	219	**1,032**	775	9	8	210	**1,002**	19	2	0	9	**30**	2%	22%	0%	4%	**3%**
$75,001-$100K	704	14	10	209	**937**	689	11	10	206	**916**	15	3	0	3	**21**	2%	27%	0%	1%	**2%**
$100,001-$200K	1,647	55	47	482	**2,231**	1,569	44	46	451	**2,110**	78	11	1	31	**121**	5%	25%	2%	7%	**6%**
$200,001-$500K	1,013	89	112	271	**1,485**	933	72	108	227	**1,340**	80	17	4	44	**145**	9%	24%	4%	19%	**11%**
$500,001-$1 million	311	61	97	90	**559**	283	50	94	79	**506**	28	11	3	11	**53**	10%	22%	3%	14%	**10%**
Over $1 million	390	397	283	202	**1,272**	355	338	272	169	**1,134**	35	59	11	33	**138**	10%	17%	4%	20%	**12%**
Total	$ 6,094	$ 650	$ 525	$ 1,615	**$ 8,884**	$ 5,837	$ 544	$ 509	$ 1,488	**$ 8,378**	$ 257	$ 106	$ 16	$ 127	**$ 506**	4%	19%	3%	9%	**6%**

AGI by cohort

For states that tax individual income, AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $457 billion or 9% for the year. The largest dollar amount of growth, at an aggregate increase of $145 billion or 11%, was for the cohort with AGI between $200,001 and $500,000, driven primarily by higher wages and salaries but reflecting increases across all sources of income. The highest rate of AGI growth, at 12% or $138 billion, was for the cohort with AGI greater than $1 million, driven primarily by net capital gains but reflecting increases across all sources of income. The increases in AGI for these cohorts were offset in part by an aggregate $3 billion decrease in AGI, a flat rate change, for the cohort where AGI is between $1 and $50,000, driven primarily by decreased All Other income.

AGI by income type

Over half of the overall $506 billion increase in AGI in states that tax individual income was driven by higher wages and salaries, which increased $257 billion or 4%. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an increase of $80 billion or 9%, was for the cohort with AGI between $200,001 and $500,000. The highest rate of wage and salary growth, at an increase of 10% or $28 billion, was for the cohort with AGI between $500,001 and $1 million.

Net capital gains income increased $106 billion or 19%, comprising nearly 21% of the overall increase in AGI in states that tax individual income. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an aggregate increase of $59 billion or 17%, was for the cohort with AGI over $1 million. The highest rate of growth, at an increase of 27% or $3 billion, was for the cohort with AGI between $75,001 and $100,000. The average daily closing price of the S&P 500 between these state and local fiscal years (July 1 to June 30) increased 16%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased $16 billion or 3%, comprising just over 3% of the overall increase in AGI in states that tax individual income. Experiences varied among cohorts. The largest dollar amount and rate of growth, at an increase of $11 billion or 4%, was for the cohort with AGI greater than $1 million.

Income within the "All Other" category shown in the table above increased $127 billion or 9%, comprising 25% of the overall increase in AGI. This increase was driven primarily by a $49 billion or 6% increase in taxable income from IRAs, pensions, and annuities; a $25 billion or 13% increase in dividend income; and a $20 billion or 8% increase in taxable Social Security benefits.

- Within the increase in taxable IRA, pension, and annuity income, the largest amount of growth of $24 billion or 10%, was for the cohort with AGI between $100,001 and $200,000, while the highest rate of growth, at 29% or $4 billion, was for the cohort with AGI between $500,001 and $1 million.
- Within the increase in dividend income, the largest dollar amount and highest rate of growth, at $12 billion and 17%, was for the cohort with AGI greater than $1 million.
- Within the increase in taxable Social Security benefits, the largest dollar amount of growth, at $9 billion or 12%, was for the cohort with AGI between $100,001 and $200,000, while the highest rate of growth, at 33% or $1 billion, was for the cohort with AGI between $500,001 and $1 million.

Tax rate changes

The increase in state and local individual income tax revenue attributable to tax rate changes is due to both more income in higher tax rate brackets and changes in tax rates. Aggregate AGI for all groups with AGI greater than $200,000 increased 2%, while the aggregate AGI for all groups with AGI less than $50,000 decreased 1%, and the aggregate AGI for groups with AGI between $50,001 and $200,000 remained flat. There were multiple statutory tax rate changes at the state level during this period. Three states increased their income tax rates. Hawaii had the largest rate increase, raising the rate on its highest income bracket by 2.8 percentage points. Three states decreased their income tax rates. Maine had the largest rate decrease, lowering the rate on its highest income bracket by 3.0 percentage points.

2017 to 2018 | Federal sales and excise taxes

The $11 billion increase in revenue from federal sales and excise taxes, specifically selective sales taxes, primarily reflects an $8 billion or 38% increase in other selective sales taxes and a $4 billion or 9% increase in motor fuel taxes.

The $8 billion increase in other selective sales taxes is due in part to a $5 billion increase (% increase is not meaningful) related to fees on health insurance providers, which can be attributed in part to the one-year moratorium on the health insurers fees that existed for 2017 only, as well as due to a $3 billion or 339% increase in other federal fund excise taxes. The other federal fund excise taxes comprise miscellaneous excise taxes, primarily on non-major health care items (e.g. tanning beds).

The $4 billion increase in motor fuel tax revenue is primarily attributable to increases in highway trust fund deposits and transportation fuels tax. During this period, the number of miles driven increased 1% while the federal gas tax rates remained unchanged.

2017 to 2018 | State and local sales and excise taxes

The $30 billion increase in revenue from state and local sales and excise taxes reflects a $22 billion or 6% increase in general sales tax revenues and a $10 billion or 13% increase in selective sales tax revenues.

General sales tax revenues

General sales tax revenues increased due to increased consumption of taxable goods and services, offset in part by a net decrease in unweighted state-level general sales tax rates. Household consumption of all categories of taxable goods and services increased during the period, led by recreation and entertainment ($39 billion or 5% increase)**, principal and down payments on cars ($36 billion or 10%)**, and food and non-alcoholic beverages away from home ($34 billion or 6%)**.[38] State-level general sales tax rates did not increase in any state, while there was a decrease in one state of 0.25 percentage points.[39] During the periods presented, local governments both increased and decreased their sales tax rates.

Selective sales tax revenues

Selective sales tax revenues increased across nearly every major category, led by a $3 billion or 7% increase in tax revenues from motor fuels, a $2 billion or 7% increase in tax revenues from insurance premiums, and a $1 billion or 4% increase in tax on tobacco products. The increases in selective sales tax revenues are due to changes in both consumption of the selected goods and services and the related tax rates. Unit consumption of motor fuel/oil increased 13%**[40], spending on insurance premiums increased 7%[41], and unit consumption of tobacco increased 2%**[42]. The unweighted average of gas and tobacco tax rates across all states increased 7% and 2%, respectively, during this period.[39] We are not aware of an aggregated source of data for state and local government tax rates on insurance premiums.

2017 to 2018 | Property taxes

The $22 billion or 4% growth in revenue from property taxes reflects a 6%** increase in the median home value. In addition, there were various changes in property tax rates in 2018. The aggregate unweighted average of the nominal residential property tax rate for the largest city in each state increased 1%.[39] Among this group, the nominal residential property tax rate increased in the largest city in 22 states, with a maximum increase of 13% in Indianapolis, IN, offset in part by decreases in 14 states, with a maximum decrease of 9% in Birmingham, AL.[43]

2017 to 2018 | Federal corporate income taxes

Federal corporate income tax revenues decreased $92 billion or 31%. The federal statutory corporate income tax rate in the US was 35% until December 31, 2017, the first quarter of the fiscal year, and then was reduced to 21% on January 1, 2018 with the enactment of the TCJA, for the remaining three quarters of the fiscal year. For companies headquartered in the US that earn income from overseas sources, such income was taxed only when repatriated back to the US. Effective January 1, 2018, the TCJA requires foreign income of US businesses to be taxed at 21% but provides one-time reduced tax rates for all undistributed and deferred post-1986 foreign profits accumulated in the form liquid assets (15.5% tax rate) and illiquid assets (8% tax rate), which can be paid in installments over eight years, interest-free. The IRS has not yet published 2018 C-Corporation taxable income.

2017 to 2018 | State and local earnings on investments[44]

State and local earnings on investments (primarily funds held by retirement, workers' compensation, and other trusts) decreased $16 billion or 4% due to a decrease in stock market performance, offset in part by a $330 billion or 4% increase in investment balances. During these periods, these funds were invested primarily in US corporate equities (57% of funds invested for both periods), corporate and foreign bonds (12% for both periods), mutual funds (11% for both periods), and miscellaneous assets (increasing from 7% to 8%). Using state and local fiscal year (July 1 to June 30) starting and ending stock prices to calculate the annual changes, there were decreases of 9%, 60%, 101%, and 148% in the annual change in the S&P 500, FTSE, DAX, and NIKKEI, respectively. During the same period, the US Prime rate increased from 4.1% to 5.4%. Of the overall 4% increase in investment balances, the largest increases were in corporate equities ($147 billion or 6% increase), corporate and foreign bonds ($55 billion or 11%), and mutual funds ($35 billion or 7%), offset in part by decreases in commercial paper ($9 billion or 17%), mortgage-backed securities ($5 billion or 64%), and security repurchase agreements ($1 billion or 17%).

2017 to 2018 | Federal Reserve earnings

The $11 billion or 13% decrease in revenue from Federal Reserve earnings reflects a decrease in income of the Federal Reserve itself, the majority of which is remitted to the Treasury by law. The Federal Reserve's income declined as it purchased $152 billion or 6% fewer securities (including Treasury securities and federal agency and government-sponsored enterprise mortgage-backed securities) and it earned returns on those securities.

Note that the interest payments made by the federal government to the Federal Reserve and the earnings received by the federal government from the Federal Reserve can be seen as offsetting each other, in part. This is because these are largely the same dollars; the federal government pays interest on its debt securities held by the Federal Reserve, the

Federal Reserve receives those dollars, and then the Federal Reserve remits most of those dollars back to the federal government. We report the inflows in non-tax revenues and the outflows in net interest paid because the Federal Reserve is a separate legal entity from the federal government.

Fiscal year 2018 compared with fiscal year 2013

	2018			2013			Changes [2]					
(In billions, except percentages)	**Total**	**Federal**	**State and Local [1]**	**Total**	**Federal**	**State and Local [1]**	**Total**	**Federal**	**State and Local [1]**	**Total**	**Federal**	**State and Local [1]**
Individual income taxes	**$ 2,109**	$ 1,683	$ 426	**$ 1,656**	$ 1,316	$ 340	**$ 453**	$ 367	$ 86	**27%**	28%	25%
Payroll taxes	**1,189**	1,189	—	**966**	966	—	**223**	223	—	**23%**	23%	—%
Sales and excise taxes	**706**	95	611	**588**	84	504	**118**	11	107	**20%**	13%	21%
Property taxes	**547**	—	547	**454**	—	454	**93**	—	93	**20%**	—%	20%
Corporate income taxes	**261**	205	56	**326**	273	53	**(65)**	(68)	3	**(20)%**	(25)%	6%
Other taxes	**206**	74	132	**174**	60	114	**32**	14	18	**18%**	23%	16%
Tax revenues	**$ 5,018**	$ 3,246	$ 1,772	**$ 4,164**	$ 2,699	$ 1,465	**$ 854**	$ 547	$ 307	**21%**	20%	21%
Earnings on investments	**$ 439**	$ —	$ 439	**$ 378**	$ —	$ 378	**$ 61**	$ —	$ 61	**16%**	—%	16%
Federal Reserve earnings	**71**	71	—	**76**	76	—	**(5)**	(5)	—	**(7)%**	(7)%	—%
Sales of government resources	**24**	11	13	**26**	12	14	**(2)**	(1)	(1)	**(8)%**	(8)%	(7)%
Other non-tax revenues	**164**	31	133	**128**	16	112	**36**	15	21	**28%**	94%	19%
Total non-tax revenues	**$ 698**	$ 113	$ 585	**$ 608**	$ 104	$ 504	**$ 90**	$ 9	$ 81	**15%**	9%	16%
Total revenues	**$ 5,716**	$ 3,359	$ 2,357	**$ 4,772**	$ 2,803	$ 1,969	**$ 944**	$ 556	$ 388	**20%**	20%	20%
Estimated impact of inflation on total revenues							**$ 359**	$ 211	$ 148	**8%**	8%	8%
Estimated impact of population growth on total revenues							**163**	96	67	**3%**	3%	3%

1 *State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

2013 to 2018 | Federal individual income tax revenue

The federal individual income tax revenue increase of $367 billion can be attributed $346 billion* to higher taxable income and $21 billion* to changes in average tax rates.

Income changes*

The $346 billion increase in revenue attributed to higher taxable income reflected a $2,390 billion or 26% increase in aggregate AGI, offset in part by a $71 billion or 3% increase in aggregate deductions and exemptions. Following are the income components of AGI shown by AGI group (cohort).

	2018					2013					Changes									
(In billions, except percentages)	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**
Less than $1	$ 22	$ 17	$ (53)	$ (197)	**$ (211)**	$ 19	$ 14	$ (43)	$ (187)	**$ (197)**	$ 3	$ 3	$ (10)	$ (10)	**$ (14)**	16%	21%	(23)%	(5)%	**(7)%**
$1-$50K	1,598	11	7	348	**1,964**	1,552	6	7	386	**1,951**	46	5	0	(38)	**13**	3%	83%	0%	(10)%	**1%**
$50,001-$75K	1,022	12	10	269	**1,313**	913	8	9	250	**1,180**	109	4	1	19	**133**	12%	50%	11%	8%	**11%**
$75,001-$100K	882	17	13	270	**1,182**	816	11	13	238	**1,078**	66	6	0	32	**104**	8%	55%	0%	13%	**10%**
$100,001-$200K	2,092	67	61	616	**2,836**	1,649	39	55	439	**2,182**	443	28	6	177	**654**	27%	72%	11%	40%	**30%**
$200,001-$500K	1,292	118	146	365	**1,921**	856	62	115	222	**1,255**	436	56	31	143	**666**	51%	90%	27%	64%	**53%**
$500,001-$1 million	406	86	124	114	**730**	270	47	97	70	**484**	136	39	27	44	**246**	50%	83%	28%	63%	**51%**
Over $1 million	511	567	375	297	**1,750**	357	331	279	195	**1,162**	154	236	96	102	**588**	43%	71%	34%	52%	**51%**
Total	$ 7,825	$ 895	$ 683	$ 2,082	**$ 11,485**	$ 6,432	$ 518	$ 532	$ 1,613	**$ 9,095**	$ 1,393	$ 377	$ 151	$ 469	**$ 2,390**	22%	73%	28%	29%	**26%**

1 *All Other includes interest, dividends, state income tax refunds, business or profession net income (loss), taxable individual retirement arrangement distributions, taxable pensions and annuities, taxable social security benefits, and other income (loss), less: self-employed SEP, self-employed health insurance, retirement account deductions, student loan interest deductions, tuition and fees deduction, domestic production activities deduction, and other deductions.*

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $2,154 billion or 42%. The cohort with the largest dollar and percentage increase in AGI is the one with AGI between $200,001 and $500,000, at an increase of $666 billion or 53%, driven primarily by higher wages and salaries but with increases across all sources of income. The increases in AGI for these cohorts were offset in part by a $14 billion or 7% decrease in AGI for the cohort where AGI is less than $1, driven by decreased Partnership and S-Corporation and All Other income.

AGI by income type

Just over 58% of the overall $2,390 billion increase in AGI was driven by higher wages and salaries, which increased $1,393 billion or 22%. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an increase of $443 billion or 27%, was for the cohort with AGI between $100,001 and $200,000. The highest rate of wage and salary growth, at 51% or $436 billion, was for the cohort with AGI between $200,001 and $500,000.

Net capital gains income increased $377 billion or 73%, comprising 16% of the overall increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an increase of $236 billion or 71%, was for the cohort with AGI over $1 million. The highest rate of growth, at 90% or $56 billion, was for the cohort with AGI between $200,001 and $500,000. The average daily closing price of the S&P 500 between these federal fiscal years (October 1 to September 30) increased 75%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased $151 billion or 28%, comprising 6% of the overall increase in AGI. Most of the increase was for the cohorts with AGI of $200,001 and greater, where Partnership and S-Corporation income increased an aggregate of $154 billion or 31%. The highest rate of growth, at 34% or $96 billion, was for the cohort with AGI greater than $1 million.

Income within the "All Other" category shown in the table above increased $469 billion or 29%, comprising 20% of the overall increase in AGI. This increase was driven primarily by a $311 billion or 29% increase in taxable retirement income, with IRA, pension, and annuity income comprising 70% of the total change. The largest dollar amount of taxable retirement income growth, at an increase of $154 billion or 49%, was for the cohort with AGI between $100,001 and $200,000. The highest rate of taxable retirement income growth, at 93% or $96 billion, was for the cohort with AGI between $200,001 and $500,000. During this period, the population of those aged 65 years and older, the cohort most likely to be taking retirement income distributions, increased 18%.

AGI mobility – numbers of income tax returns filed by income cohort

(In thousands, except percentages)	2018	2013	Changes	
Less than $1	1,980	2,116	(136)	(6)%
$1-$50K	87,408	91,292	(3,884)	(4)%
$50,001-$75K	21,335	19,168	2,167	11%
$75,001-$100K	13,641	12,457	1,184	10%
$100,001-$200K	20,848	16,231	4,617	28%
$200,001-$500K	6,733	4,405	2,328	53%
$500,001-$1 million	1,084	719	365	51%
Over $1 million	528	358	170	47%
Total	153,557	146,746	6,811	5%

The number of income tax returns filed for the lowest income cohorts, those with AGI of $50,000 or less, decreased by more than 4.0 million tax returns in aggregate, while the number of tax returns filed increased for all other AGI cohorts. The group with the highest increase in the number of returns filed was the cohort with AGI between $100,001 and $200,000, at an increase of over 4.6 million returns, while the group with the highest percentage increase in the number of returns filed was the cohort with AGI between $200,001 and $500,000, at an increase of 53%.

Deductions and exemptions

	2018					2013					Changes									
(In billions, except percentages)	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions
Less than $1	$ —	$ —	$ 2	$ (213)	**$ (211)**	$ —	$ —	$ 13	$ (210)	**$ (197)**	$ —	$ —	$ (11)	$ (3)	**$ (14)**	—%	—%	(85)%	1%	(7)%
$1-$50K	85	1,078	143	(162)	**1,144**	173	623	593	(215)	**1,174**	(88)	455	(450)	53	**(30)**	(51)%	73%	(76)%	(25)%	(3)%
$50,001-$75K	79	292	44	7	**422**	145	111	162	(2)	**416**	(66)	181	(118)	9	**6**	(46)%	163%	(73)%	(450)%	1%
$75,001-$100K	83	195	32	6	**316**	151	58	119	(1)	**327**	(68)	137	(87)	7	**(11)**	(45)%	236%	(73)%	(700)%	(3)%
$100,001-$200K	229	278	53	21	**581**	336	40	172	(4)	**544**	(107)	238	(119)	25	**37**	(32)%	595%	(69)%	(625)%	7%
$200,001-$500K	161	64	15	26	**266**	185	3	42	(1)	**229**	(24)	61	(27)	27	**37**	(13)%	2,033%	(64)%	nm	16%
$500,001-$1 million	54	7	—	11	**72**	60	1	2	(1)	**62**	(6)	6	(2)	12	**10**	(10)%	600%	(100)%	nm	16%
Over $1 million	146	2	—	39	**187**	151	—	1	(1)	**151**	(5)	2	(1)	40	**36**	(3)%	100%	(100)%	nm	24%
Total	$ 837	$ 1,916	$ 289	$ (265)	**$ 2,777**	$ 1,201	$ 836	$ 1,104	$ (435)	**$ 2,706**	$ (364)	$ 1,080	$ (815)	$ 170	**$ 71**	(30)%	129%	(74)%	(39)%	3%

[1] *Limitations represents the effect of limiting taxable income to no less than zero. If the combination of deductions and exemptions exceeds AGI, the excess deductions and exemptions are disallowed.*

[nm] *An "nm" reference in the table means the figure is not meaningful.*

The $71 billion increase in net deductions and exemptions during this period was impacted significantly by the shift in mix of deductions and exemptions discussed in the 2017 to 2018 comparison above, presumably driven by the TCJA. As we are unable to isolate the impact of the TCJA, we have excluded the 2017 to 2018 comparison here (see above for that analysis) and instead compare 2013 to 2017 in this section. Excluding the change from 2017 to 2018, the change in total deductions/exemptions in the table above would be a $269 billion increase instead of a $71 billion increase. Most of the adjusted $269 billion increase was for itemized deductions, which increased $174 billion or 14%. However, standard deductions also increased ($67 billion or 8%), as did exemptions ($49 billion or 5%) and limitations ($21 billion or 5%). Cohorts with AGI of $100,000 or less experienced at least a partial shift from itemized deductions to standard deductions, whereas cohorts with AGI of $100,001 or greater experienced increases in both itemized and standardized deductions. Changes in exemptions and limitations varied amongst the cohorts with no discernable pattern.

Tax rate changes

There were several key statutory individual income tax rate changes during this period, among them:

- effective January 1, 2018, the TCJA reduced individual income tax rates overall, as discussed under *2017 to 2018 | Federal individual income tax revenue* above;
- the mid-fiscal year 2013 expiration of several tax cuts as part of the American Taxpayer Relief Act of 2012, which primarily affected high-income taxpayers, including:
  - increasing the top federal individual income tax bracket rate from 35% to 39.6%;
  - increasing the second highest federal individual income tax bracket rate from 33% to 35%;
  - increasing the top federal individual income tax rates on both capital gains and qualified dividends from 15% to 20%;
  - increasing the federal estate tax rate from 35% to 40%; and
  - phasing out certain itemized deductions and personal exemptions; and
- new income taxes effective mid-fiscal year 2013 as part of the Affordable Care Act, including:
  - a new 3.8% Unearned Income Medicare Contribution tax that applies to high-income tax returns;
  - tighter restrictions on what qualifies as an expenditure under Health Savings Accounts and Flexible Savings Accounts; and
  - an increase in the AGI threshold for the medical expenditures itemized deduction from 7.5% of AGI to 10% of AGI for taxpayers under 55.

2013 to 2018 | Payroll tax revenue

The $223 billion increase in payroll tax revenue was driven primarily by a $184 billion or 27% increase in Social Security tax revenues. These increased tax revenues reflect a $160 billion* increase attributable to higher taxable income, driven by a $1,359 billion* or 23%* increase in earnings subject to Social Security taxes.

The remaining $24 billion* increase in Social Security tax revenues is attributable to higher tax rates in 2018, reflecting a temporary reduction of 2 percentage points in the employee share of Social Security tax rate for calendar years 2011 and 2012. Federal fiscal year 2013 includes 3 months of calendar 2012, therefore a quarter of the lower Social Security tax rate was included in the fiscal year 2013 tax revenues. The overall Social Security tax rate (employee and employer combined) was 12.4%* in fiscal year 2018 and 11.9%* in fiscal year 2013.

2013 to 2018 | State and local sales and excise taxes

The $107 billion growth in revenue from state and local sales and excise taxes reflects a $76 billion or 23% increase in general sales tax revenues and a $31 billion or 19% increase in selective sales tax revenues.

General sales tax revenues

General sales tax revenues increased due to increased consumption of taxable goods and services, and a net increase in unweighted state-level general sales tax rates. Household consumption of most categories of taxable goods and services increased during the period, led by recreation and entertainment ($167 billion or 27% increase)**, food and non-alcoholic beverages away from home ($155 billion or 31%)**, and principal and down payments on cars ($125 billion or 45%)**.[38] State-level general sales tax rates increased in seven states by between 0.2 and 1.0 percentage points, while there were decreases in three states of between 0.25 and 1.0 percentage points.[39] During the periods presented, local governments also both increased and decreased their sales tax rates.

Selective sales tax revenues

Selective sales tax revenues increased across nearly every major category, led by an $8 billion or 20% increase in tax revenues from motor fuels and a $5 billion or 29% increase in tax revenues from insurance premiums, offset in part by a $1 billion or 4% decrease in tax revenues from public utilities. The increases in selective sales tax revenues are due to changes in both consumption of the selected goods and services and the related tax rates. Unit consumption of motor fuel/oil decreased 21%**[40], spending on insurance premiums increased 33%[41], and spending on household utilities and fuels increased 9%**[38]. The unweighted average of gas tax rates across all states increased 32% during this period.[39] We are not aware of an aggregated source of data for state and local government tax rates on insurance premiums or household utilities and fuels.

2013 to 2018 | State and local earnings on investments[44]

State and local earnings on investments increased $61 billion or 16% due to stock market performance as well as a $1,046 billion or 29% increase in investment balances. During these periods, these funds were invested primarily in US corporate equities (57% of funds invested for both periods), corporate and foreign bonds (decreasing from 13% to 12%), mutual funds (increasing from 10% to 11%), and miscellaneous assets (increasing from 5% to 8%). Using state and local fiscal year (July 1 to June 30) starting and ending stock prices to calculate the annual changes, there was a 21% increase in the S&P 500, while there were 50%, 101%, and 1,143% decreases in the FTSE, DAX, and NIKKEI, respectively. During the same period, the US Prime rate increased from 3.5% to 4.1%. Of the overall 29% increase in investment balances, the largest increases were in corporate equities ($582 billion or 49% increase), mutual funds ($155 billion or 43%), and miscellaneous assets ($124 billion or 80%), offset in part by a decrease in mortgage-backed securities ($9 billion or 17%). Miscellaneous assets consist primarily of venture capital, partnerships, and real estate investment trusts (REITs).

2013 to 2018 | State and local other non-tax revenues

The $21 billion or 19% increase in state and local other non-tax revenues primarily relates to miscellaneous general revenue streams, not classified as a tax, including but not limited to recovery of losses charged off in a prior fiscal year, premiums on bonds issued, revenues from sponsorship agreements, recoveries of expenditures made in a prior fiscal year, receipts from escheats and other unclaimed monies, and recorded profits from sale of investments. We are not aware of a government source for revenue from each of these revenue streams.

Fiscal year 2018 compared with fiscal year 2008

	2018			2008			Changes [2]					
(In billions, except percentages)	Total	Federal	State and Local [1]	Total	Federal	State and Local [1]	Total	Federal	State and Local [1]	Total	Federal	State and Local [1]
Individual income taxes	**$ 2,109**	$ 1,683	$ 426	**$ 1,451**	$ 1,146	$ 305	**$ 658**	$ 537	$ 121	**45%**	47%	40%
Payroll taxes	**1,189**	1,189	—	**914**	914	—	**275**	275	—	**30%**	30%	—%
Sales and excise taxes	**706**	95	611	**517**	67	450	**189**	28	161	**37%**	42%	36%
Property taxes	**547**	—	547	**410**	—	410	**137**	—	137	**33%**	—%	33%
Corporate income taxes	**261**	205	56	**362**	304	58	**(101)**	(99)	(2)	**(28)%**	(33)%	(3)%
Other taxes	**206**	74	132	**179**	65	114	**27**	9	18	**15%**	14%	16%
Tax revenues	**$ 5,018**	$ 3,246	$ 1,772	**$ 3,833**	$ 2,496	$ 1,337	**$ 1,185**	$ 750	$ 435	**31%**	30%	33%
Earnings on investments	**$ 439**	$ —	$ 439	**$ (67)**	$ —	$ (67)	**$ 506**	$ —	$ 506	**(755)%**	—%	(755)%
Federal Reserve earnings	**71**	71	—	**34**	34	—	**37**	37	—	**109%**	109%	—%
Sales of government resources	**24**	11	13	**36**	20	16	**(12)**	(9)	(3)	**(33)%**	(45)%	(19)%
Other non-tax revenues	**164**	31	133	**109**	8	101	**55**	23	32	**50%**	288%	32%
Total non-tax revenues	**$ 698**	$ 113	$ 585	**$ 112**	$ 62	$ 50	**$ 586**	$ 51	$ 535	**523%**	82%	1,070%
Total revenues	**$ 5,716**	$ 3,359	$ 2,357	**$ 3,945**	$ 2,558	$ 1,387	**$ 1,771**	$ 801	$ 970	**45%**	31%	70%
Estimated impact of inflation on total revenues							**$ 651**	$ 422	$ 229	**16%**	16%	16%
Estimated impact of population growth on total revenues							**295**	191	104	**7%**	7%	7%

1 *State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*
2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

2008 to 2018 | Federal individual income tax revenue

The $537 billion federal individual income tax revenue increase can be attributed $426 billion* to higher individual taxable income and $111 billion* to changes in average tax rates.

Income changes*

The $426 billion increase in revenue attributable to higher taxable income reflected a $3,116 billion or 37% increase in aggregate AGI, offset in part by a $163 billion or 6% increase in aggregate deductions and exemptions. Following are the income components of AGI shown by AGI cohort.

(In billions, except percentages)	2018					2008					Changes									
	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other [1]	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other [1]	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other [1]	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other [1]	Total AGI
Less than $1	$ 22	$ 17	$ (53)	$ (197)	**$ (211)**	$ 23	$ 15	$ (82)	$ (106)	**$ (150)**	$ (1)	$ 2	$ 29	$ (91)	**$ (61)**	(4)%	13%	35%	(86)%	**(41)%**
$1-$50K	1,598	11	7	348	**1,964**	1,564	5	2	360	**1,931**	34	6	5	(12)	**33**	2%	120%	250%	(3)%	**2%**
$50,001-$75K	1,022	12	10	269	**1,313**	936	8	8	232	**1,184**	86	4	2	37	**129**	9%	50%	25%	16%	**11%**
$75,001-$100K	882	17	13	270	**1,182**	792	10	10	202	**1,014**	90	7	3	68	**168**	11%	70%	30%	34%	**17%**
$100,001-$200K	2,092	67	61	616	**2,836**	1,407	36	42	347	**1,832**	685	31	19	269	**1,004**	49%	86%	45%	78%	**55%**
$200,001-$500K	1,292	118	146	365	**1,921**	652	61	90	193	**996**	640	57	56	172	**925**	98%	93%	62%	89%	**93%**
$500,001-$1 million	406	86	124	114	**730**	210	50	76	69	**405**	196	36	48	45	**325**	93%	72%	63%	65%	**80%**
Over $1 million	511	567	375	297	**1,750**	340	389	233	195	**1,157**	171	178	142	102	**593**	50%	46%	61%	52%	**51%**
Total	$ 7,825	$ 895	$ 683	$ 2,082	**$ 11,485**	$ 5,924	$ 574	$ 379	$ 1,492	**$ 8,369**	$ 1,901	$ 321	$ 304	$ 590	**$ 3,116**	32%	56%	80%	40%	**37%**

[1] *See prior federal AGI tables for the definition of All Other.*

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $2,847 billion or 65%. The cohort with the largest dollar increase in AGI is the one with AGI between $100,001 and $200,000, at an increase of $1,004 billion or 55%, driven primarily by higher wages and salaries but with increases across all sources of income. The cohort with the largest percentage increase in AGI is the one with AGI between $200,001 and $500,000, at an increase of 93% or $925 billion, driven primarily by higher wages and salaries but with increases across all sources of income. The increases in AGI for these cohorts were offset in part by a $61 billion or 41% decrease in AGI for the cohort where AGI is less than $1, driven primarily by a decrease in All Other income.

AGI by income type

Over 60% of the $3,116 billion increase in AGI was driven by higher wages and salaries, which increased $1,901 billion or 32%. Nearly all AGI cohorts saw wage and salary growth. The largest dollar amount of wage and salary growth, at an increase of $685 billion or 49%, was for the cohort with AGI between $100,001 and $200,000. The highest rate of growth, at 98% or $640 billion, was for the cohort with AGI between $200,001 and $500,000.

Net capital gains income, making up just over 10% of the overall change in AGI, increased $321 billion or 56%. All AGI cohorts saw an increase in net capital gains income. The largest dollar amount of increase, at $178 billion or 46%, was for the cohort with AGI over $1 million. The highest rate of increase, at 120% or $6 billion, was for the cohort with AGI between $1 and $50,000. The average daily closing price of the S&P 500 between these federal fiscal years (October 1 to September 30) increased 99%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased $304 billion or 80%, comprising just under 10% of the overall increase in AGI. More than 80% of the increase was for the top three cohorts, where AGI is above $200,000, a group which saw an aggregate increase in Partnership and S-Corporation income of $246 billion or 62%. The highest rate of growth, at 250% or $5 billion, was for the cohort with AGI between $1 and $50,000.

Income within the "All Other" category shown in the table above increased $590 billion or 40%, comprising 19% of the overall increase in AGI. This increase was driven primarily by a $571 billion or 69% increase in taxable retirement income, with IRA, pension, and annuity income comprising 72% of the total change. By income type and cohort, the largest dollar amount of growth in taxable retirement income, at an increase of $261 billion or 127%, was for the cohort with AGI between $100,001 and $200,000. The highest rate of taxable retirement income growth, at 197% or $132 billion, was for the cohort with AGI between $200,001 and $500,000. During this period, the population of those aged 65 years and older, the cohort most likely to be taking retirement income distributions, increased 34%.

AGI mobility – numbers of income tax returns filed by income cohort

(In thousands, except percentages)	2018	2008	Changes	
Less than $1	1,980	2,345	(365)	(16)%
$1-$50K	87,408	91,076	(3,668)	(4)%
$50,001-$75K	21,335	19,260	2,075	11%
$75,001-$100K	13,641	11,733	1,908	16%
$100,001-$200K	20,848	13,753	7,095	52%
$200,001-$500K	6,733	3,481	3,252	93%
$500,001-$1 million	1,084	596	488	82%
Over $1 million	528	339	189	56%
Total	153,557	142,583	10,974	8%

The number of income tax returns filed for the lowest income cohorts, those with AGI of $50,000 or less, decreased by more than 4.0 million tax returns in aggregate, while the number of tax returns filed increased for all other AGI cohorts. The group with the highest increase in number of returns filed was the cohort with AGI between $100,001 and $200,000, at an increase of nearly 7.1 million returns, while the group with the highest percentage increase in the number of returns filed was the cohort with AGI between $200,001 and $500,000, at an increase of 93%.

Deductions and exemptions

	2018					2008					Changes									
(In billions, except percentages)	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations [1]	Total Deductions / Exemptions
Less than $1	$ —	$ —	$ 2	$ (213)	**$ (211)**	$ —	$ —	$ 14	$ (164)	**$ (150)**	$ —	$ —	$ (12)	$ (49)	**$ (61)**	—%	—%	(86)%	(30)%	**41%**
$1-$50K	85	1,078	143	(162)	**1,144**	232	537	529	(189)	**1,109**	(147)	541	(386)	27	**35**	(63)%	101%	73%	14%	**3%**
$50,001-$75K	79	292	44	7	**422**	194	87	155	(4)	**432**	(115)	205	(111)	11	**(10)**	(59)%	236%	72%	275%	**(2)%**
$75,001-$100K	83	195	32	6	**316**	181	38	106	—	**325**	(98)	157	(74)	6	**(9)**	(54)%	413%	70%	100%	**(3)%**
$100,001-$200K	229	278	53	21	**581**	345	21	134	(2)	**498**	(116)	257	(81)	23	**83**	(34)%	1,224%	60%	1,150%	**17%**
$200,001-$500K	161	64	15	26	**266**	170	2	29	(2)	**199**	(9)	62	(14)	28	**67**	(5)%	3,100%	(48)%	1,400%	**34%**
$500,001-$1 million	54	7	—	11	**72**	57	—	3	(1)	**59**	(3)	7	(3)	12	**13**	(5)%	100%	(100)%	1,200%	**22%**
Over $1 million	146	2	—	39	**187**	146	—	2	(6)	**142**	—	2	(2)	45	**45**	—%	100%	(100)%	750%	**32%**
Total	$ 837	$ 1,916	$ 289	$ (265)	**$ 2,777**	$ 1,325	$ 685	$ 972	$ (368)	**$ 2,614**	$ (488)	$ 1,231	$ (683)	$ 103	**$ 163**	(37)%	180%	(70)%	28%	**6%**

[1] *Limitations represents the effect of limiting taxable income to no less than zero. If the combination of deductions and exemptions exceeds AGI, the excess deductions and exemptions are disallowed.*

The $63 billion increase in net deductions and exemptions during this period was impacted significantly by the shift in mix of deductions and exemptions discussed in the 2017 to 2018 comparison above, presumably driven by the TCJA. As we are unable to isolate the impact of the TCJA, we have excluded the 2017 to 2018 comparison here (see above for that analysis) and instead compare 2008 to 2017 in this section. Excluding the change from 2017 to 2018, the change in total deductions/exemptions in the table above would be a $361 billion increase instead of a $163 billion increase. Most of the adjusted $361 billion increase was for standard deductions and exemptions, which increased $218 billion or 32% and $181 billion or 19%, respectively. Itemized deductions increased $40 billion or 4%. Cohorts with AGI of $100,000 or less experienced at least a partial shift from itemized deductions to standard deductions, whereas cohorts with AGI of $100,001 or greater experienced increases in both itemized and standardized deductions. Changes in limitations varied amongst the cohorts with no discernable pattern.

Tax rate changes

Key changes in statutory federal individual income tax rates during this period were the same as those discussed above under *Fiscal year 2018 compared with fiscal year 2013*.

2008 to 2018 | Payroll tax revenue

The $275 billion increase in payroll tax revenue primarily reflected a $202 billion or 30% increase in Social Security tax revenues, as well as a $67 billion or 34% increase in Medicare tax revenues.

Social Security payroll tax revenues

The $202 billion increase in Social Security tax revenues primarily reflects a $229 billion* increase attributable to higher taxable income, driven by a $1,826 billion* or 34%* increase in earnings subject to Social Security taxes. The overall Social Security tax rate (employee and employer combined) was 12.4% in each year.

Medicare payroll tax revenues

The $67 billion increase in Medicare tax revenues primarily reflects a $67 billion* increase attributable to higher taxable income, driven by a $2,273 billion* or 34%* increase in earnings subject to Medicare taxes.

The overall base Medicare tax rate (employee and employer combined) was 2.9% in each year. Beginning in calendar year 2013, however, individuals paid an additional 0.9% (on top of the base 2.9%) Medicare tax on their wages, compensation, or self-employment income exceeding $200,000 for single filers ($250,000 for married filing jointly, $125,000 for married filing separately).

2008 to 2018 | State and local sales and excise taxes

The $161 billion growth in revenue from state and local sales and excise taxes reflects a $106 billion or 35% increase in general sales tax revenues and a $55 billion or 38% increase in selective sales tax revenues.

General sales tax revenues

General sales tax revenues increased due to increased consumption of taxable goods and services, and a net increase in unweighted state-level general sales tax rates. Household consumption of most categories of taxable goods and services increased during the period, led by: food and non-alcoholic beverages away from home ($224 billion or 52% increase)**; recreation and entertainment ($192 billion or 32%); technology ($139 billion or 29%); and household supplies, jewelry, and personal care ($126 billion or 32%).[38] State-level general sales tax rates increased in 16 states by between 0.12 and 1.3 percentage points, while there was a decrease in one state of 0.38 percentage points.[39] During the periods presented, local governments also both increased and decreased their sales tax rates.

Selective sales tax revenues

Selective sales tax revenues increased across nearly every major category, led by an $11 billion or 28% increase in tax revenues from motor fuels and a $7 billion or 42% increase in tax revenues from insurance premiums, offset in part by a $1 billion or 2% decrease in tax revenues from public utilities. The increases in selective sales tax revenues are due to changes in both consumption of the selected goods and services and the related tax rates. Unit consumption of motor fuel/oil decreased 8%[40], spending on insurance premiums increased 47%[41], and spending on household utilities and fuels increased 13%.[38] The unweighted average of gas tax rates across all states increased 38% during this period.[39] We are not aware of an aggregated source of data for state and local government tax rates on insurance premiums or household utilities and fuels.

2008 to 2018 | State and local earnings on investments[44]

State and local earnings on investments increased $506 billion or 755% due to a $1,197 billion or 35% increase in investment balances, offset in part by a decrease in stock market performance. During these periods, these funds were invested primarily in US corporate equities (increasing from 51% to 57% of funds invested), corporate and foreign bonds (decreasing from 13% to 12%), mutual funds (decreasing from 14% to 11%), and miscellaneous assets (increasing from 4% to 8%). Using state and local fiscal year (July 1 to June 30) starting and ending stock prices to calculate the annual changes, there was a 946% increase in the annual change in the NIKKEI, while there were decreases of 99%, 133%, and 232%, in the annual change in the DAX, FTSE, and S&P 500, respectively. Of the overall 35% increase in investment balances, the largest increases were in corporate equities ($868 billion or 49% increase), miscellaneous assets ($138 billion or 97%), and Treasury securities ($135 billion or 95%), offset in part by a decrease in agency- and GSE-backed securities ($97 billion or 49%) and mortgage-backed securities ($14 billion or 83%). Miscellaneous assets consist primarily of venture capital, partnerships, and REITs.

Expenditures by function[45]

We review expenditures in this MD&A in two ways, by function and by reporting segment. This section discusses expenditures by function.

Fiscal year 2018 compared with fiscal year 2017

	2018			2017			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Transfer payments to individuals and subsidies	**$ 2,982**	$ 2,206	$ 776	**$ 2,936**	$ 2,202	$ 734	**$ 46**	$ 4	$ 42	**2%**	—%	6%
Personnel and compensation	**1,691**	587	1,104	**1,623**	573	1,050	**68**	14	54	**4%**	2%	5%
Payments to others for goods and services	**705**	143	562	**674**	120	554	**31**	23	8	**5%**	19%	1%
Capital expenditures	**559**	180	379	**534**	172	362	**25**	8	17	**5%**	5%	5%
Net interest paid	**395**	325	70	**333**	262	71	**61**	62	(1)	**18%**	24%	(1)%
Other	**(40)**	(40)	—	**(31)**	(31)	—	**(8)**	(8)	—	**25%**	25%	—%
Total expenditures	**$ 6,292**	$ 3,401	$ 2,891	**$ 6,069**	$ 3,298	$ 2,771	**$ 223**	$ 103	$ 120	**4%**	3%	4%
Estimated impact of inflation on total expenditures							**$ 145**	$ 79	$ 66	**2%**	2%	2%
Estimated impact of population growth on total expenditures							**32**	17	15	**1%**	1%	1%

1 Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

INTERACTIVE ANALYSIS

2 Key changes are highlighted in gray in the table above and are discussed in the sections below.

2017 to 2018 | State and local transfer payments to individuals and subsidies

The $42 billion growth in state and local transfer payments to individuals and subsidies was driven primarily by a $35 billion or 6% increase in Medicaid and CHIP payments. This increase reflects:

- 0.7 million or 1% growth in person-year equivalent enrollment, driven primarily by increases in aged enrollees, children enrollees, and adult enrollees of 0.2 million each, or 3%, 1%, and 1%, respectively; and
- a $74 or 1% increase in annual per enrollee spending, driven by a $420 or 7% increase in per enrollee spending for the expansion adults (adults made newly eligible for Medicaid under the ACA beginning in 2014), offset in part by a $324 or 2% decrease in per enrollee spending for the aged, the second most expensive group served.[46]

The majority of the growth in Medicaid benefit expenditures was in the form of capitation payments, which are payments made to Medicaid healthcare providers at a set amount for each enrolled person assigned to them during the period, based on average expected healthcare utilization for that enrollee, regardless of whether the enrollee seeks care.

2017 to 2018 | State and local personnel and compensation

The $54 billion increase in state and local personnel and compensation payments reflects growth of $40 billion or 5% in compensation for current employees and $14 billion or 4% in compensation for former employees.

Current employees

The 5% increase in compensation for current employees was driven by a 3%** or $1.27** per hour increase in compensation (excluding pension), including 3%** growth in wages and salaries and 3%** growth in health insurance benefits. In addition, there was a 1%** increase in the number of state and local government full-time equivalent employees, including a 2%** increase in full-time equivalent non-education employees during this period.

Compensation for current employees is reported net of current employee contributions to their own pensions. We count the employer portion of pension contributions as expenditures when paid out to the former employees and therefore include them in compensation for former employees below. Pension contributions made by current employees to their own pensions fell 1% during this period. Contributions made by state and local government employers on behalf of their employees grew 7% during this period, primarily related to defined benefit plans, which made up 93% of total employer pension contributions in 2018 and increased 7% during the period.

Former employees

The 4% increase in compensation for former employees was driven by a 3% increase in the number of retirees receiving periodic benefits and a 2% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 3% during this period.

2017 to 2018 | Federal payments to others for goods and services

The $23 billion increase in federal payments to others for goods and services was driven by a $19 billion or 77% increase in net costs associated with the federal government having taken conservatorship over Fannie Mae and Freddie Mac during the financial crisis and a $7 billion or 93% increase in expenditures related to re-estimates of costs of rural housing insurance, offset in part by a $3 billion or 34% decrease in costs of Federal Housing Administration programs.

2017 to 2018 | Federal net interest paid

The $62 billion or 24% increase in federal net interest paid was driven by a $982 billion or 7% increase in federal marketable Treasury securities outstanding along with increased interest rates. The 10-year Treasury rate increased 0.58ppt or 25% during this period.

Fiscal year 2018 compared with fiscal year 2013

	2018			2013			Changes [2]					
(In billions, except percentages)	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local
Transfer payments to individuals and subsidies	**$ 2,982**	$ 2,206	$ 776	**$ 2,447**	$ 1,881	$ 566	**$ 535**	$ 325	$ 210	**22%**	17%	37%
Personnel and compensation	**1,691**	587	1,104	**1,434**	534	900	**257**	53	204	**18%**	10%	23%
Payments to others for goods and services	**705**	143	562	**646**	130	516	**59**	13	46	**9%**	10%	9%
Capital expenditures	**559**	180	379	**493**	173	320	**66**	7	59	**13%**	4%	18%
Net interest paid	**395**	325	70	**295**	221	74	**100**	104	(4)	**34%**	47%	(5)%
Other	**(40)**	(40)	—	**(35)**	(35)	—	**(5)**	(5)	—	**14%**	14%	—%
Total expenditures	**$ 6,292**	$ 3,401	$ 2,891	**$ 5,280**	$ 2,904	$ 2,376	**$ 1,012**	$ 497	$ 515	**19%**	17%	22%
Estimated impact of inflation on total expenditures							**$ 398**	$ 219	$ 179	**8%**	8%	8%
Estimated impact of population growth on total expenditures							**180**	99	81	**3%**	3%	3%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

2013 to 2018 | Federal transfer payments to individuals and subsidies

The $325 billion increase in federal transfer payments to individuals and subsidies reflects increases across all major programs except unemployment insurance, SNAP, and SSI. The most significant changes are discussed below.

Social Security

Social Security payments increased $174 billion or 22%, driven by:

- a 5.0 million person or 9% increase in the number of OASDI recipients, including an increase of 5.7 million recipients or 12% for OASI, offset in part by a decrease of 0.7 million recipients or 6% for DI; and
- a 10% increase in the average monthly benefit payment, including increases of $143 or 12% for OASI and $84 or 9% for DI.

The average OASI recipient age increased from 71 to 72 during these periods, while the average DI recipient age increased 7%, from 46 years old in 2013 to 49 years old in 2018. The population aged 65 years and older, the cohort we track that is most likely to be receiving OASI benefits, increased 17%.

Medicare

Medicare payments (net of premiums received) increased $124 billion or 22%, driven by a 7.7 million* person or 15%* increase in Medicare enrollees and a 10%* increase in average costs per beneficiary (net of premiums received). Medicare premiums received increased $31 billion or 45% during this period.

Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 17% during this period. General medical care cost inflation was 14%, with prices of medical commodities inflating 14%, medical services inflating 14%, and hospitals inflating 24%.[47]

2013 to 2018 | State and local transfer payments to individuals and subsidies

The $210 billion growth in state and local transfer payments to individuals and subsidies was driven primarily by a $186 billion or 44% increase in Medicaid and CHIP payments. This increase reflects:

- 15.2 million or 26% growth in person-year equivalent enrollment, including growth of 0.6 million adults (4% growth), 0.6 million aged enrollees (11% growth), and 12.2 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a $1,048 or 15% increase in annual per enrollee spending, driven by a $3,046 or 18% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by a $748 or 5% decrease in per enrollee spending for the aged, the second most expensive group served.[46]

The majority of the growth in Medicaid benefit expenditures was in the form of capitation payments.

2013 to 2018 | State and local personnel and compensation

The $204 billion increase in state and local personnel and compensation payments comprised growth of $137 billion or 22% in compensation for current employees and $67 billion or 25% in compensation for former employees.

Current employees

The 22% increase in compensation for current employees was driven by a 14%** or $5.33** per hour increase in compensation (excluding pension), including 13%** growth in wages and salaries and 16%** growth in health insurance benefits. In addition, there was a 3%** increase in the number of state and local government full-time equivalent employees, including a 3%** increase in full-time equivalent education employees during this period.

Pension contributions made by current employees to their own pensions grew 21% during this period. Contributions made by state and local government employers on behalf of their employees grew 51% during this period, primarily related to defined benefit plans, which made up 93% of total employer pension contributions in 2018 and increased 53% during the period.

Former employees

The 25% increase in compensation for former employees was driven by a 19% increase in the number of retirees receiving periodic benefits and a 9% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 17% during this period.

2013 to 2018 | Federal net interest paid

The $104 billion or 47% increase in federal net interest paid was driven by a $2,573 billion or 22% increase in federal marketable Treasury securities outstanding along with along with increased interest rates. The 10-year Treasury rate increased 0.56ppt or 24% during this period.

Fiscal year 2018 compared with fiscal year 2008

	2018			2008			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Transfer payments to individuals and subsidies	**$ 2,982**	$ 2,206	$ 776	**$ 1,847**	$ 1,411	$ 436	**$ 1,135**	$ 795	$ 340	**61%**	56%	78%
Personnel and compensation	**1,691**	587	1,104	**1,304**	472	832	**387**	115	272	**30%**	24%	33%
Payments to others for goods and services	**705**	143	562	**720**	258	462	**(15)**	(115)	100	**(2)%**	(45)%	22%
Capital expenditures	**559**	180	379	**511**	161	350	**48**	19	29	**9%**	12%	8%
Net interest paid	**395**	325	70	**272**	252	20	**123**	73	50	**45%**	29%	250%
Other	**(40)**	(40)	—	**(4)**	(4)	—	**(36)**	(36)	—	**900%**	900%	—%
Total expenditures	**$ 6,292**	$ 3,401	$ 2,891	**$ 4,650**	$ 2,550	$ 2,100	**$ 1,642**	$ 851	$ 791	**35%**	33%	38%
Estimated impact of inflation on total expenditures							**$ 766**	$ 420	$ 346	**16%**	16%	16%
Estimated impact of population growth on total expenditures							**348**	191	157	**7%**	7%	7%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

2008 to 2018 | Federal transfer payments to individuals and subsidies

The $795 billion increase in federal transfer payments to individuals and subsidies reflects increases across all major programs except unemployment insurance. The most significant changes are discussed below.

Social Security

Social Security payments increased $370 billion or 61%, driven by:

- a 12.0 million person or 24% increase in the number of OASDI recipients, including increases of 10.9 million recipients or 26% for OASI and 1.1 million recipients or 12% for DI; and
- a 28% increase in the average monthly benefit payment, including increases of $324 or 32% for OASI and $202 or 23% for DI.

The average OASI recipient age increased from 71 to 72 during these periods, while the average DI recipient age increased 9% from 45 to 49 in 2018. The population aged 65 years and older, the cohort we track that is most likely to be receiving OASI benefits, increased 35%.

Medicare

Medicare payments (net of premiums received) increased $246 billion or 55%, reflecting a 14.1 million* person or 32%* increase in Medicare enrollees combined with a 21%* increase in average cost per beneficiary (net of premiums received). Medicare premiums received increased $46 billion or 84% during this period.

Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 35% during this period. General medical care cost inflation was 29%, with prices of medical commodities inflating 29%, medical services inflating 35%, and hospitals inflating 63%.[47]

2008 to 2018 | State and local transfer payments to individuals and subsidies

The $340 billion growth in state and local transfer payments to individuals and subsidies was driven primarily by a $294 billion or 95% increase in Medicaid and CHIP payments. This increase reflects:

- 26.2 million or 55% growth in person-year equivalent enrollment, including growth of 5.3 million children (23% growth), 4.8 million adults (44% growth), and 12.2 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a $1,082 or 16% increase in annual per enrollee spending, driven by a $3,809 or 23% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by a $389 or 3% decrease in per enrollee spending for the aged, the second most expensive group served.[46]

The majority of the growth in Medicaid benefit expenditures was in the form of capitation payments.

2008 to 2018 | State and local personnel and compensation

The $272 billion increase in state and local personnel and compensation payments comprised growth of $140 billion or 22% in compensation for current employees and $132 billion or 66% in compensation for former employees.

Current employees

The 22% increase in compensation for current employees was driven by a 23%** or $8.10** per hour increase in compensation (excluding pension), including 21%** growth in wages and salaries and 36%** growth in health insurance benefits. Meanwhile, the change in the number of state and local government full-time equivalent employees was flat, reflecting a 2%** increase in full-time equivalent education employees during this period, offset by a 2%** decrease in full-time equivalent non-education employees.

Pension contributions made by current employees to their own pensions grew 33% during this period. Contributions made by state and local government employers on behalf of their employees grew 92% during this period, primarily related to defined benefit plans, which made up 93% of total employer pension contributions in 2018 and increased 100% during the period.

Former employees

The 66% increase in compensation for former employees was driven by a 42% increase in the number of retirees receiving periodic benefits and a 24% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 35% during this period.

Expenditures by segment[45]

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2017 Total	2017 Federal [1]	2017 State and Local	Changes Total	Changes Federal [1]	Changes State and Local	Changes Total %	Changes Federal [1] %	Changes State and Local %
Justice and Domestic Tranquility	$ 473	$ 67	$ 406	$ 447	$ 55	$ 392	$ 26	$ 12	$ 14	6%	22%	4%
Common Defense	874	873	1	835	834	1	39	39	—	5%	5%	—%
General Welfare	1,447	429	1,018	1,410	440	970	37	(11)	48	3%	(3)%	5%
Blessings of Liberty	3,355	2,052	1,303	3,238	1,979	1,259	117	73	44	4%	4%	3%
General government support and other	143	(20)	163	139	(10)	149	4	(10)	14	3%	(100)%	9%
Total expenditures	$ 6,292	$ 3,401	$ 2,891	$ 6,069	$ 3,298	$ 2,771	$ 223	$ 103	$ 120	4%	3%	4%
Estimated impact of inflation on total expenditures							$ 145	$ 79	$ 66	2%	2%	2%
Estimated impact of population growth on total expenditures							32	17	15	1%	1%	1%

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2013 Total	2013 Federal [1]	2013 State and Local	Changes Total	Changes Federal [1]	Changes State and Local	Changes Total %	Changes Federal [1] %	Changes State and Local %
Justice and Domestic Tranquility	$ 473	$ 67	$ 406	$ 400	$ 55	$ 345	$ 73	$ 12	$ 61	18%	22%	18%
Common Defense	874	873	1	833	832	1	41	41	—	5%	5%	—%
General Welfare	1,447	429	1,018	1,232	451	781	215	(22)	237	17%	(5)%	30%
Blessings of Liberty	3,355	2,052	1,303	2,678	1,576	1,102	677	476	201	25%	30%	18%
General government support and other	143	(20)	163	137	(10)	147	6	(10)	16	4%	100%	11%
Total expenditures	$ 6,292	$ 3,401	$ 2,891	$ 5,280	$ 2,904	$ 2,376	$ 1,012	$ 497	$ 515	19%	17%	22%
Estimated impact of inflation on total expenditures							$ 398	$ 219	$ 179	8%	8%	8%
Estimated impact of population growth on total expenditures							180	99	81	3%	3%	3%

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2008 Total	2008 Federal [1]	2008 State and Local	Changes Total	Changes Federal [1]	Changes State and Local	Changes Total %	Changes Federal [1] %	Changes State and Local %
Justice and Domestic Tranquility	$ 473	$ 67	$ 406	$ 366	$ 40	$ 326	$ 107	$ 27	$ 80	29%	68%	25%
Common Defense	874	873	1	741	740	1	133	133	—	18%	18%	—%
General Welfare	1,447	429	1,018	1,021	368	653	426	61	365	42%	17%	56%
Blessings of Liberty	3,355	2,052	1,303	2,358	1,390	968	997	662	335	42%	48%	35%
General government support and other	143	(20)	163	164	12	152	(21)	(32)	11	(13)%	(267)%	7%
Total expenditures	$ 6,292	$ 3,401	$ 2,891	$ 4,650	$ 2,550	$ 2,100	$ 1,642	$ 851	$ 791	35%	33%	38%
Estimated impact of inflation on total expenditures							$ 766	$ 420	$ 346	16%	16%	16%
Estimated impact of population growth on total expenditures							348	191	157	7%	7%	7%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this Annual Report).*

INTERACTIVE ANALYSIS

Justice and Domestic Tranquility (JDT)

This segment's expenditures comprise a small portion (8%) of the overall Government budget. The majority (more than 60%) of this segment's expenditures comprises state and local government crime and disaster expenditures, of which more than 65% are law enforcement and corrections expenditures. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2017 Total	2017 Federal [1]	2017 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Crime and disaster	**$ 361**	$ 60	$ 301	**$ 338**	$ 46	$ 292	**$ 23**	$ 14	$ 9	**7%**	30%	3%
Child safety and miscellaneous social services	**91**	1	90	**87**	1	86	**4**	—	4	**5%**	—%	5%
Safeguarding consumers and employees	**21**	6	15	**22**	8	14	**(1)**	(2)	1	**(5)%**	(25)%	7%
Total Justice and Domestic Tranquility	**$ 473**	$ 67	$ 406	**$ 447**	$ 55	$ 392	**$ 26**	$ 12	$ 14	**6%**	22%	4%
As a percentage of total expenditures	**8%**	2%	14%	**7%**	2%	14%						
Estimated impact of inflation on segment expenditures							**$ 10**	$ 1	$ 9	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**2**	—	2	**1%**	1%	1%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

Federal crime and disaster

The $14 billion increase in federal crime and disaster expenditures was driven primarily by a $13 billion or 177% increase in disaster relief expenditures. The number of billion-dollar weather and climate disaster incidents decreased by 2 or 13% during this period.[48] Hurricanes Harvey, Maria, and Irma all occurred in late fiscal year 2017, and the costs associated with addressing these disasters were part of the fiscal year 2018 results.

State and local crime and disaster

The $9 billion increase in state and local crime and disaster expenditures was driven primarily by a $7 billion or 4% increase in law enforcement and corrections costs, reflecting a $5 billion or 4% increase in law enforcement expenditures and a $2 billion or 3% increase in corrections expenditures.

The $5 billion increase in law enforcement expenditures was driven mainly by a $4 billion or 4% increase in police protection operations costs. Annualized gross payroll costs (including wages and healthcare costs, excluding pension benefits) for state and local police protection employees grew $2 billion or 3% during this period, while the number of state and local police protection employees increased 1%. During this period, the violent crime rate decreased 4% and related arrests increased 1%, while the property crime rate decreased 7% and related arrests decreased 7%.

The $2 billion increase in corrections expenditures comprised mainly a $2 billion or 3% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections employees grew $1 billion or 3% during this period, while the number of correctional employees decreased 1%. Comparing these years, there was a 2% and 1% decrease in the number of people incarcerated in state prisons and local jails, respectively.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2013 Total	2013 Federal [1]	2013 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Crime and disaster	**$ 361**	$ 60	$ 301	**$ 306**	$ 50	$ 256	**$ 55**	$ 10	$ 45	**18%**	20%	18%
Child safety and miscellaneous social services	**91**	1	90	**75**	1	74	**16**	—	16	**21%**	—%	22%
Safeguarding consumers and employees	**21**	6	15	**19**	4	15	**2**	2	—	**11%**	50%	—%
Total Justice and Domestic Tranquility	**$ 473**	$ 67	$ 406	**$ 400**	$ 55	$ 345	**$ 73**	$ 12	$ 61	**18%**	22%	18%
As a percentage of total expenditures	**8%**	2%	14%	**8%**	2%	15%						
Estimated impact of inflation on segment expenditures							**$ 30**	$ 4	$ 26	**8%**	8%	8%
Estimated impact of population growth on segment expenditures							**14**	2	12	**3%**	3%	3%

INTERACTIVE ANALYSIS

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*
2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

State and local crime and disaster

The $45 billion increase in state and local crime and disaster expenditures was driven primarily by a $29 billion or 17% increase in law enforcement and corrections costs, reflecting a $20 billion or 20% increase in law enforcement expenditures and a $9 billion or 12% increase in corrections expenditures. In addition, fire protection costs increased $10 billion or 22%.

The $20 billion increase in law enforcement expenditures was driven mainly by a $20 billion or 21% increase in police protection operations costs. Annualized gross payroll costs for state and local police protection employees grew $10 billion or 17% during this period, while the number of state and local police protection employees increased 4%. During this period, the violent crime rate remained flat and related arrests increased 6%, while the property crime rate decreased 19% and related arrests decreased 25%.

The $9 billion increase in corrections expenditures comprised mainly an $8 billion or 14% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections employees grew $6 billion or 16% during this period, while the number of correctional employees remained flat. Comparing these years, there was a 7% decrease in the number of people incarcerated in state prisons, while the number of people incarcerated in local jails increased 1%.

The $10 billion increase in fire protection costs reflects an increase of $4 billion or 18% in annualized gross payroll costs for state and local fire protection employees, while the number of state and local fire protection employees increased 3%. Overall non-natural disaster fire incidents increased 1% during this period.

State and local child safety and miscellaneous social services

The $16 billion increase in state and local child safety and miscellaneous social services expenditures was due to a $15 billion or 20% increase in the costs of public welfare operations.

Fiscal year 2018 compared with fiscal year 2008

	2018			2008			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Crime and disaster	**$ 361**	$ 60	$ 301	**$ 278**	$ 35	$ 243	**$ 83**	$ 25	$ 58	**30%**	71%	24%
Child safety and miscellaneous social services	**91**	1	90	**69**	—	69	**22**	1	21	**32%**	nm	30%
Safeguarding consumers and employees	**21**	6	15	**19**	5	14	**2**	1	1	**11%**	20%	7%
Total Justice and Domestic Tranquility	**$ 473**	$ 67	$ 406	**$ 366**	$ 40	$ 326	**$ 107**	$ 27	$ 80	**29%**	68%	25%
As a percentage of total expenditures	**8%**	2%	14%	**8%**	2%	16%						
Estimated impact of inflation on segment expenditures							**$ 61**	$ 7	$ 54	**16%**	16%	16%
Estimated impact of population growth on segment expenditures							**27**	3	24	**7%**	7%	7%

nm *An "nm" reference in the table means the figures is not meaningful.*
1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*
2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

Federal crime and disaster

The $25 billion increase in federal crime and disaster expenditures was driven primarily by a $9 billion or 516% increase in disaster relief expenditures and a $7 billion or a non-meaningful % change increase in national flood insurance reserve expenditures. The number of billion-dollar weather and climate disaster incidents increased by 2 or 17% during this period.[48]

State and local crime and disaster

The $58 billion increase in state and local crime and disaster expenditures was driven primarily by a $38 billion or 23% increase in costs of law enforcement and corrections, reflecting a $29 billion or 33% increase in law enforcement expenditures and a $9 billion or 12% increase in corrections expenditures. In addition, fire protection costs increased $13 billion or 32%.

The $29 billion increase in law enforcement expenditures was driven by a $29 billion or 34% increase in police protection operations costs. Annualized gross payroll costs for state and local police protection employees grew $13 billion or 24% during this period, while the number of state and local police protection employees decreased 2%. During this period, property and violent crime rates decreased 31% and 19%, respectively, while arrests for property and violent crimes decreased 29% and 13%, respectively.

The $9 billion increase in corrections expenditures was driven by a $12 billion or 20% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections employees grew $6 billion or 17% during this period, while the number of correctional employees decreased 6%. Comparing these years, there was a 6% and 8% decrease in the number of people incarcerated in local jails and state prisons, respectively.

The $13 billion increase in fire protection costs reflects an increase of $6 billion or 27% in annualized gross payroll costs for state and local fire protection employees, while the number of state and local fire protection employees decreased 2%. Overall non-natural disaster fire incidents decreased 12% during this period.

Common Defense

This segment's expenditures comprise 14% of the overall Government budget. Slightly more than 70% of this segment's expenditures are costs of national defense, while most of the rest (slightly more than 20%) comprise costs of support for veterans. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

	2018			2017			Changes [2]					
(In billions, except percentages)	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local
National defense	**$ 631**	$ 631	$ —	**$ 599**	$ 599	$ —	**$ 32**	$ 32	$ —	**5%**	5%	—%
Support for veterans	**178**	177	1	**175**	174	1	**3**	3	—	**2%**	2%	—%
Foreign affairs and foreign aid	**49**	49	—	**46**	46	—	**3**	3	—	**7%**	7%	—%
Immigration and border security	**16**	16	—	**15**	15	—	**1**	1	—	**7%**	7%	—%
Total Common Defense	**$ 874**	$ 873	$ 1	**$ 835**	$ 834	$ 1	**$ 39**	$ 39	$ —	**5%**	5%	—%
As a percentage of total expenditures	**14%**	26%	—%	**14%**	25%	—%						
Estimated impact of inflation on segment expenditures							**$ 20**	$ 20	$ —	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**4**	4	—	**1%**	1%	1%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*
2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

National defense

The $32 billion increase in national defense expenditures reflects:

- a $10 billion or 5% increase in operations and maintenance expenditures, mostly for the Army, which fund the training, supply, and equipment maintenance of military units as well as the infrastructure of military bases;

- a $9 billion or 13% increase in research and development expenditures, mostly for the Air Force; and
- a $9 billion or 8% increase in military procurement expenditures, mostly for the Army and Navy and primarily for the procurement of items other than aircraft, missiles, ammunition, weapons, or tracked combat vehicles, and for space related items.

Comparing these years, the number of active duty military personnel and civilian military personnel increased 1% and 2%, respectively.

Fiscal year 2018 compared with fiscal year 2013

	2018			2013			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
National defense	**$ 631**	$ 631	$ —	**$ 633**	$ 633	$ —	**$ (2)**	$ (2)	$ —	**—%**	—%	—%
Support for veterans	**178**	177	1	**139**	138	1	**39**	39	—	**28%**	28%	—%
Foreign affairs and foreign aid	**49**	49	—	**47**	47	—	**2**	2	—	**4%**	4%	—%
Immigration and border security	**16**	16	—	**14**	14	—	**2**	2	—	**14%**	14%	—%
Total Common Defense	**$ 874**	$ 873	$ 1	**$ 833**	$ 832	$ 1	**$ 41**	$ 41	$ —	**5%**	5%	—%
As a percentage of total expenditures	**14%**	26%	—%	**16%**	29%	—%						
Estimated impact of inflation on segment expenditures							**$ 63**	$ 63	$ —	**8%**	8%	8%
Estimated impact of population growth on segment expenditures							**28**	28	—	**3%**	3%	3%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

Federal support for veterans

The $39 billion increase in federal support for veterans' expenditures was driven primarily by a $20 billion or 40% increase in veterans medical care costs and a $20 billion or 30% increase in pension and disability benefits expenditures, despite a 10% decline in the number of veterans.

The 40% increase in veterans medical care costs was driven primarily by a $9 billion or 100% increase in veterans Medical Community Care expenditures and a $7 billion or 17% increase in veterans medical services costs. Veterans medical community care expenditures are for hospital care and medical services from community providers that are not provided through the Veterans Choice Program, and veterans medical services costs are for inpatient and outpatient care, including treatment in facilities not under the jurisdiction of the Department of Veterans Affairs, as well as salaries and medical supplies for nursing home and hospital care. There was a 7% increase in the number of patients who received care at a Veterans Health Administration facility during this period, while medical care inflation was 14%.

The 30% increase in pension and disability benefits expenditures was driven primarily by growth of $21 billion or 35% in veteran compensation payments. This growth primarily reflects a 1 million or 27% increase in the number of disability compensation recipients, and a $3,042 or 23% increase in the average annual disability compensation payment. There was also a 46 thousand or 12% increase in the number of surviving beneficiary compensation recipients, and an $895 or 6% increase in the average annual surviving beneficiary compensation payment. The overall growth in compensation payments reflects changes in underlying veteran demographics; there was a 65% increase in veteran/beneficiary claimants who served in the Gulf War Era, partially offset by a 55% decrease in veteran/beneficiary claimants who served in World War II.

Fiscal year 2018 compared with fiscal year 2008

	2018			2008			Changes [2]					
(In billions, except percentages)	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local
National defense	**$ 631**	$ 631	$ —	**$ 616**	$ 616	$ —	**$ 15**	$ 15	$ —	**2%**	2%	—%
Support for veterans	**178**	177	1	**85**	84	1	**93**	93	—	**109%**	111%	—%
Foreign affairs and foreign aid	**49**	49	—	**29**	29	—	**20**	20	—	**69%**	69%	—%
Immigration and border security	**16**	16	—	**11**	11	—	**5**	5	—	**45%**	45%	—%
Total Common Defense	**$ 874**	$ 873	$ 1	**$ 741**	$ 740	$ 1	**$ 133**	$ 133	$ —	**18%**	18%	—%
As a percentage of total expenditures	**14%**	26%	—%	**16%**	29%	—%						
Estimated impact of inflation on segment expenditures							**$ 122**	$ 122	$ —	**16%**	16%	16%
Estimated impact of population growth on segment expenditures							**55**	55	—	**7%**	7%	7%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

Federal support for veterans

The $93 billion increase in federal support for veterans expenditures was driven primarily by a $44 billion or 107% increase in pension and disability benefits expenditures and a $36 billion or 98% increase in veterans medical care costs, despite a 20% decline in the number of veterans.

The 107% increase in pension and disability benefits expenditures primarily reflects a 1.8 million or 61% increase in the number of disability compensation recipients, and a $5,919 or 58% increase in the average annual disability compensation payment. There was also an 85 thousand or 25% increase in the number of surviving beneficiary compensation recipients, and a $2,460 or 18% increase in the average annual surviving beneficiary compensation payment. The overall increase in compensation payments reflects changes in underlying veteran demographics; there was a 243% increase in veteran/beneficiary claimants who served in the Gulf War Era, partially offset by a 76% decrease in veteran/beneficiary claimants who served in World War II.

The 98% increase in veterans medical care costs was driven primarily by a $19 billion or 63% increase in medical services expenditures and a $9 billion or 100% increase in veterans medical community care expenditures. There was a 15% increase in the number of patients who received care at a Veterans Health Administration facility between 2008 and 2018, while medical care inflation was 33%.

Foreign affairs and foreign aid

The $20 billion increase in federal foreign affairs and foreign aid expenditures was driven primarily by a $15 billion or 85% increase in foreign military sales trust fund expenditures and an $8 billion or 782% increase in global health programs expenditures.

The foreign military sales trust fund facilitates contracts, agreements and sales of defense articles, defense services, and design and construction services between the US federal government and authorized foreign recipient governments or international organizations. The 85% increase in foreign military sales trust fund expenditures is due, in part, to a 95% increase in foreign military sales, with the largest foreign sales in 2018 being made to Saudi Arabia, Kuwait, Poland, United Arab Emirates, and Iraq, comprising 26%, 13%, 9%, 6%, and 4%, respectively, of the total 2018 sales.

The 782% increase in global health programs expenditures relates to increased federal obligations for programs for funding, equipment, and technical assistance to build the capacity of public health institutions and organizations in developing countries, and for, but not limited to programs for: child survival and maternal health; immunization and oral rehydration; prevention, treatment, control of, and research on, HIV/AIDS and other infectious diseases; assistance to communities severely affected by HIV/AIDS; and disaster preparedness training for health crises.

General Welfare (GW)

This segment's expenditures comprise approximately a quarter of the overall Government budget. Expenditures for standard of living and aid to the disadvantaged comprise just over 70% of this segment's expenditures. Over 68% of the expenditures for standard of living and aid to the disadvantaged are for state and local medical assistance to the poor, including Medicaid and CHIP. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

	2018			2017			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Economy and infrastructure	**$ 264**	$ 58	$ 206	**$ 259**	$ 62	$ 197	**$ 5**	$ (4)	$ 9	**2%**	(6)%	5%
Standard of living and aid to the disadvantaged	**1,019**	320	699	**992**	329	663	**27**	(9)	36	**3%**	(3)%	5%
Health (excluding Medicaid and Medicare)	**164**	51	113	**159**	49	110	**5**	2	3	**3%**	4%	3%
Total General Welfare	**$ 1,447**	$ 429	$ 1,018	**$ 1,410**	$ 440	$ 970	**$ 37**	$ (11)	$ 48	**3%**	(3)%	5%
As a percentage of total expenditures	**23%**	13%	35%	**23%**	13%	35%						
Estimated impact of inflation on segment expenditures							**$ 34**	$ 11	$ 23	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**7**	2	5	**1%**	1%	1%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*
[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

State and local standard of living and aid to the disadvantaged expenditures

The $36 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $35 billion or 6% increase in Medicaid and CHIP benefits payments, as discussed within *Expenditures by function, 2017 to 2018 / State and local transfer payments to individuals and subsidies* above.

Fiscal year 2018 compared with fiscal year 2013

	2018			2013			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Economy and infrastructure	**$ 264**	$ 58	$ 206	**$ 237**	$ 62	$ 175	**$ 27**	$ (4)	$ 31	**11%**	(6)%	18%
Standard of living and aid to the disadvantaged	**1,019**	320	699	**850**	339	511	**169**	(19)	188	**20%**	(6)%	37%
Health (excluding Medicaid and Medicare)	**164**	51	113	**145**	50	95	**19**	1	18	**13%**	2%	19%
Total General Welfare	**$ 1,447**	$ 429	$ 1,018	**$ 1,232**	$ 451	$ 781	**$ 215**	$ (22)	$ 237	**17%**	(5)%	30%
As a percentage of total expenditures	**23%**	13%	35%	**23%**	16%	33%						
Estimated impact of inflation on segment expenditures							**$ 93**	$ 34	$ 59	**8%**	8%	8%
Estimated impact of population growth on segment expenditures							**42**	15	27	**3%**	3%	3%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*
[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

State and local standard of living and aid to the disadvantaged expenditures

The $188 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $186 billion or 44% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, 2013 to 2018 / State and local transfer payments to individuals and subsidies* above.

Fiscal year 2018 compared with fiscal year 2008

	2018			2008			Changes [2]					
(In billions, except percentages)	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local	Total	Federal [1]	State and Local
Economy and infrastructure	**$ 264**	$ 58	$ 206	**$ 250**	$ 88	$ 162	**$ 14**	$ (30)	$ 44	**6%**	(34)%	27%
Standard of living and aid to the disadvantaged	**1,019**	320	699	**638**	242	396	**381**	78	303	**60%**	32%	77%
Health (excluding Medicaid and Medicare)	**164**	51	113	**133**	38	95	**31**	13	18	**23%**	34%	19%
Total General Welfare	**$ 1,447**	$ 429	$ 1,018	**$ 1,021**	$ 368	$ 653	**$ 426**	$ 61	$ 365	**42%**	17%	56%
As a percentage of total expenditures	**23%**	13%	35%	**22%**	14%	31%						
Estimated impact of inflation on segment expenditures							**$ 169**	$ 61	$ 108	**16%**	16%	16%
Estimated impact of population growth on segment expenditures							**77**	28	49	**7%**	7%	7%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

Federal standard of living and aid to the disadvantaged expenditures

The $78 billion increase in federal standard of living and aid to the disadvantaged expenditures was driven by many items. The items that each increased $10 billion or more were:

- $41 billion of newly available refundable tax credits paid to families and individuals to assist them in purchasing health insurance (the Premium Tax Credit);
- a $27 billion or 76% increase in food and nutritional assistance (SNAP) payments;
- an $18 billion or 44% increase in refundable Earned Income Tax Credits, reflecting an 8%* increase in the number of tax returns with qualifying tax credits claimed and a $424* or 21%* increase in the average amount of each tax credit, driven primarily by the ARRA[37];
- a $13 billion or 76% increase in Pell grants, reflecting a 28% increase in the number of Pell grant recipients and a 52% or $1,352 increase in the average grant per recipient, driven primarily by the ARRA; and
- an $11 billion or 26% increase in Supplemental Security Income payments, reflecting a 10%* increase in the number of recipients and a $1,126* or 24%* increase in the average annual payment per recipient, partially offset by
- a $14 billion or 100% decrease in refundable recovery rebate tax credits, payments to taxpayers of up to $600 per qualifying adult and $300 per qualifying child, which were provided as part of the 2008 Economic Stimulus Act of 2008[37], and
- a $15 billion or 45% decrease in refundable child tax credits, reflecting a temporary provision enacted in the Economic Stimulus Act of 2008 that provided anyone eligible for a stimulus payment an additional $300 for each qualifying child, which increased expenditures in 2008[37].

The 76% increase in SNAP payments reflects a 44% increase in the average monthly number of participants and a 22% increase in the average monthly benefit per person. The 48% increase in average number of monthly participants was likely due to the Great Recession, as well as due to the impact of the ARRA, which eased eligibility requirements, and new program tools that made it easier for people to apply for, and continue receiving, benefits. The 22% increase in the average monthly benefit per person reflects an 18% increase in maximum allotments, which are adjusted annually for changes in cost of living, and which during this period reflected the impact of the ARRA, which increased the maximum allotments for participants by 14% (effective April 1, 2009 to October 31, 2013). Inflation of the cost of food for this period was 20%.

State and local standard of living and aid to the disadvantaged expenditures

The $303 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $294 billion or 95% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, 2008 to 2018 / State and local transfer payments to individuals and subsidies* above.

Blessings of Liberty (BL)

This segment's expenditures comprise approximately half of our Government's expenditures. Wealth and savings (primarily Social Security, government obligations, including pension obligations and interest on debt, and Medicare) expenditures comprise nearly 70% of the segment's expenditures, with education expenditures comprising most of the remainder. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

	2018			2017			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Education	**$ 921**	$ —	$ 921	**$ 939**	$ 48	$ 891	**$ (18)**	$ (48)	$ 30	**(2)%**	(100)%	3%
Wealth and savings	**2,324**	1,997	327	**2,192**	1,878	314	**132**	119	13	**6%**	6%	4%
Sustainability and self-sufficiency	**110**	55	55	**107**	53	54	**3**	2	1	**3%**	4%	2%
Total Blessings of Liberty	**$ 3,355**	$ 2,052	$ 1,303	**$ 3,238**	$ 1,979	$ 1,259	**$ 117**	$ 73	$ 44	**4%**	4%	3%
As a percentage of total expenditures	**53%**	60%	45%	**53%**	60%	45%						
Estimated impact of inflation on segment expenditures							**$ 77**	$ 47	$ 30	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**17**	10	7	**1%**	1%	1%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

Federal wealth and savings expenditures

The $119 billion increase in federal wealth and savings expenditures was driven primarily by a $61 billion or 17% increase in government obligations, including interest on debt costs, and a $43 billion or 5% increase in Social Security expenditures.

The 17% increase in government obligations was driven by increased net interest on debt, due to higher federal marketable Treasury securities outstanding and increased interest rates, as discussed within *Expenditures by function, 2017 to 2018 / Federal net interest paid* above.

The 5% increase in Social Security expenditures reflects increased benefits payments, as discussed within *Expenditures by function, 2017 to 2018 / Federal transfer payments to individuals and subsidies, Social Security* above.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2013 Total	2013 Federal [1]	2013 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Education	**$ 921**	$ —	$ 921	**$ 743**	$ (30)	$ 773	**$ 178**	$ 30	$ 148	**24%**	100%	19%
Wealth and savings	**2,324**	1,997	327	**1,813**	1,536	277	**511**	461	50	**28%**	30%	18%
Sustainability and self-sufficiency	**110**	55	55	**122**	70	52	**(12)**	(15)	3	**(10)%**	(21)%	6%
Total Blessings of Liberty	**$ 3,355**	$ 2,052	$ 1,303	**$ 2,678**	$ 1,576	$ 1,102	**$ 677**	$ 476	$ 201	**25%**	30%	18%
As a percentage of total expenditures	**53%**	60%	45%	**51%**	54%	46%						
Estimated impact of inflation on segment expenditures							**$ 202**	$ 119	$ 83	**8%**	8%	8%
Estimated impact of population growth on segment expenditures							**92**	54	38	**3%**	3%	3%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

State and local education expenditures

The $148 billion increase in state and local education expenditures was driven primarily by a $126 billion or 21% increase in costs of elementary and secondary education and a $22 billion or 14% increase in costs of higher education.

The 21% increase in costs of elementary and secondary education during this period primarily reflects:

- a 14% increase in salaries and wages, including 13% for instruction employees and 17% for support employees; and
- a 30% increase in employee benefits, including 30% for instruction employees and 29% for support employees.

Within public elementary and secondary schools, the numbers of students enrolled and teachers both increased 2% and the student/teacher ratio remained flat at 16.0 students per teacher.

The 14% increase in costs of higher education expenses during this period primarily reflects:

- a 15% increase in costs of instruction, including a 17% increase in salaries and wages;
- a 25% increase in costs of academic support, including libraries, academic administration, course curriculum development, and ancillary support; and
- a 16% increase in costs of institutional support, the day-to-day operational costs for institutions (excluding physical plant operations), including general administrative services, executive direction and planning, legal and fiscal operations, and community relations; partially offset by
- a 44% decrease in costs of auxiliary enterprises, essentially self-supporting operations of institutions that furnish a service to students, faculty, or staff, such as residence halls and food services.

Within higher education institutions, the number of faculty staff was flat and administrative staff decreased 8%, while the number of students enrolled decreased 1%. The student/faculty ratio declined 2% from 15.2 to 14.9, while the student/administrative staff ratio increased 7% from 48.6 to 52.2.

Federal wealth and savings expenditures

The $461 billion increase in federal costs of wealth and savings was driven primarily by a $174 billion or 21% increase in Social Security expenditures, a $117 billion or 38% increase in government obligations, and a $91 billion or 18% increase in Medicare expenditures. The increases in Social Security and Medicare expenditures reflect increased benefits payments, as discussed within *Expenditures by function, 2013 to 2018 / Federal transfer payments to individuals and subsidies* above.

The 38% increase in government obligations was driven by increased net interest on debt, due to higher federal marketable Treasury securities outstanding and increased interest rates, as discussed within *Expenditures by function, 2013 to 2018 / Federal net interest paid* above.

Fiscal year 2018 compared with fiscal year 2008

	2018			2008			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Education	**$ 921**	$ —	$ 921	**$ 739**	$ 10	$ 729	**$ 182**	$ (10)	$ 192	**25%**	(100)%	26%
Wealth and savings	**2,324**	1,997	327	**1,499**	1,336	163	**825**	661	164	**55%**	49%	101%
Sustainability and self-sufficiency	**110**	55	55	**120**	44	76	**(10)**	11	(21)	**(8)%**	25%	(28)%
Total Blessings of Liberty	**$ 3,355**	$ 2,052	$ 1,303	**$ 2,358**	$ 1,390	$ 968	**$ 997**	$ 662	$ 335	**42%**	48%	35%
As a percentage of total expenditures	**53%**	60%	45%	**51%**	55%	46%						
Estimated impact of inflation on segment expenditures							**$ 389**	$ 229	$ 160	**16%**	16%	16%
Estimated impact of population growth on segment expenditures							**176**	104	72	**7%**	7%	7%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

State and local education expenditures

The $192 billion increase in state and local education expenditures was driven primarily by a $139 billion or 24% increase in costs of elementary and secondary education and a $50 billion or 39% increase in costs of higher education.

The 24% increase in costs of elementary and secondary education during this period primarily reflects:

- a 16% increase in salaries and wages, including 15% for instruction employees and 18% for support employees; and
- a 48% increase in employee benefits, including 49% for instruction employees and 47% for support employees.

Within public elementary and secondary schools, the number of students enrolled increased 3%, while the number of teachers decreased 1%, and the student/teacher ratio increased 4%, from 15.4 to 16.0 students per teacher.

The 39% increase in higher education expenses during this period primarily reflects:

- a 57% increase in costs of instruction, including a 34% increase in salaries and wages;
- a 61% increase in costs of institutional support; and
- a 79% increase in costs of academic support.

Within higher education institutions, the number of faculty and administrative staff increased 10% and 156%, respectively, along with an 8% increase in the number of students enrolled. From 2008 to 2018, the student/faculty ratio declined 2%, from 15.3 to 14.9, while the student/administrative staff ratio declined 58% from 123.7 to 52.2.

Federal wealth and savings expenditures

The $661 billion increase in federal wealth and savings expenditures was driven primarily by a $371 billion or 60% increase in Social Security expenditures and a $198 billion or 51% increase in Medicare expenditures. These increases reflect increased benefits payments, as discussed within *Expenditures by function, 2008 to 2018 / Federal transfer payments to individuals and subsidies* above.

General government support and other

The costs of central government functions, including general property and records management and general claims against our Government that are not allocable to one agency, are not allocated to our segments and are considered general government support.

Other expenditures include non-grant assistance from the federal government to territories and state and local governments (e.g. direct borrowing subsidies through the Build America Bonds program) and the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments (we assumed the federal government source was accurate).

Fiscal year 2018 compared with fiscal year 2017

	2018			2017			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Costs of central government functions	**$ 183**	$ 20	$ 163	**$ 171**	$ 22	$ 149	**$ 12**	$ (2)	$ 14	**7%**	(9)%	9%
Other	**(40)**	(40)	—	**(32)**	(32)	—	**(8)**	(8)	—	**—%**	25%	—%
Total general government support and other	**$ 143**	$ (20)	$ 163	**$ 139**	$ (10)	$ 149	**$ 4**	$ (10)	$ 14	**3%**	100%	9%
As a percentage of total expenditures	**2%**	1%	6%	**2%**	—%	5%						
Estimated impact of inflation on segment expenditures							**$ 5**	$ 1	$ 4	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**1**	—	1	**1%**	1%	1%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

Other federal expenditures decreased $8 billion due primarily to $8 billion in annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Fiscal year 2018 compared with fiscal year 2013

	2018			2013			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Costs of central government functions	**$ 183**	$ 20	$ 163	**$ 171**	$ 24	$ 147	**$ 12**	$ (4)	$ 16	**7%**	(17)%	11%
Other	**(40)**	(40)	—	**(34)**	(34)	—	**(6)**	(6)	—	**18%**	18%	—%
Total general government support and other	**$ 143**	$ (20)	$ 163	**$ 137**	$ (10)	$ 147	**$ 6**	$ (10)	$ 16	**4%**	100%	11%
As a percentage of total expenditures	**2%**	1%	6%	**3%**	—%	6%						
Estimated impact of inflation on segment expenditures							**$ 13**	$ 2	$ 11	**8%**	8%	8%
Estimated impact of population growth on segment expenditures							**6**	1	5	**3%**	3%	3%

[1] *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

[2] *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

INTERACTIVE ANALYSIS

Other federal expenditures decreased $6 billion due primarily to $6 billion in annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018 Total	2018 Federal [1]	2018 State and Local	2008 Total	2008 Federal [1]	2008 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Costs of central government functions	**$ 183**	$ 20	$ 163	**$ 168**	$ 16	$ 152	**$ 15**	$ 4	$ 11	**9%**	25%	7%
Other	**(40)**	(40)	—	**(4)**	(4)	—	**(36)**	(36)	—	**900%**	900%	—%
Total general government support and other	**$ 143**	$ (20)	$ 163	**$ 164**	$ 12	$ 152	**$ (21)**	$ (32)	$ 11	**(13)%**	(267)%	7%
As a percentage of total expenditures	**2%**	1%	6%	**4%**	—%	7%						
Estimated impact of inflation on segment expenditures							**$ 28**	$ 3	$ 25	**16%**	16%	16%
Estimated impact of population growth on segment expenditures							**12**	1	11	**7%**	7%	7%

1 *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

INTERACTIVE ANALYSIS

2 *Key changes are highlighted in gray in the table above and are discussed in the sections below.*

Other federal expenditures decreased $36 billion due primarily to $36 billion in annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Key metrics by segment

In this section, we analyze by segment certain key metrics that measure progress towards our constitutional objectives of justice and domestic tranquility, common defense, general welfare, and security of the blessings of liberty to ourselves and our posterity. We chose metrics for which government data was available and that seemed representative of the status of these objectives. There are more metrics on our website at https://usafacts.org/, which you can access by selecting the "More detail" links next to the tables below.

As discussed in *Part I, Item 1A. Risk Factors*, in a free society, human behavior cannot be fully regulated or controlled. Government provides services, promulgates regulations, and enacts legislation intended to make progress towards our constitutional objectives; however, people are responsible for making their own choices. In addition, there are many other forces influencing these key metrics, including the natural world, governments and citizens of other countries, and businesses and philanthropic organizations worldwide. Therefore, one should not assume that the revenue and expenditures discussed above and the legislation discussed throughout this document caused the key metrics discussed in this section.

Justice and Domestic Tranquility (JDT)

The JDT segment works to establish justice and ensure domestic tranquility among the US population. Its reporting units are crime and disaster, safeguarding consumers and employees, and child safety and miscellaneous social services. Overall, the long-term trend for the past decade shows we:

- ***made meaningful progress*** on: numbers of overall crimes reported and related arrests; youth in jails and prisons, as well as overall numbers of those in prison for property and drug crimes; highway vehicle fires; median losses per fraud complaint; workplace violations, non-fatal workplace injuries, and back wages recovered; children adopted from foster care and the median time they spent in foster care; children ages four and older that are victims of maltreatment; and the number of children in poverty; and
- ***regressed notably*** in: people in prison for public order and other offenses; civilian deaths from fires that are vehicle and other non-structure fires; the numbers and estimated costs of billion-dollar natural disasters; acres and cost per acre burned in wildland fires; all types of consumer complaints and consumer product safety injuries; highway crashes; victimization of children ages birth to one year old; child fatalities as a result of maltreatment of children, primarily neglect and abuse and of children ages birth to one year old and ages eight to 11; children receiving free and reduced price lunch, and homeless children enrolled in school.

Shorter-term trends may differ.

Crime and disaster

The crime and disaster reporting unit seeks to reduce crime, administer justice, and mitigate and prevent disasters.

Crime

(In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Crimes reported [1] (fiscal year):							
Property crimes [2]	7,219	7,683	8,652	9,774	(6)%	(17)%	(26)%
Property crimes per 100,000 people	*2,210*	*2,363*	*2,734*	*3,215*	*(6)%*	*(19)%*	*(31)%*
Violent crimes [3]	1,210	1,248	1,168	1,394	(3)%	4%	(13)%
Violent crimes per 100,000 people	*370*	*384*	*369*	*459*	*(4)%*	*—%*	*(19)%*
Murder/non-negligent manslaughter (MNM)	16	17	14	16	(6)%	14%	—%
MNMs per 100,000 people	*5*	*5*	*5*	*5*	*—%*	*—%*	*—%*
Arrests by crime:	**10,311**	**10,555**	**11,303**	**14,007**	**(2)%**	**(9)%**	**(26)%**
Drug abuse violations	1,654	1,633	1,501	1,703	1%	10%	(3)%
Drug abuse violations arrests per 100,000 people	*506*	*502*	*475*	*560*	*1%*	*7%*	*(10)%*
Sale/manufacturing	na	238	269	305	*na*	*na*	*na*
Possession	na	1,395	1,232	1,398	*na*	*na*	*na*
Property crimes [2]	1,167	1,250	1,559	1,687	(7)%	(25)%	(31)%
Property crimes arrests rate (of property crimes reported)	*16%*	*16%*	*18%*	*17%*	*—ppt*	*(2)ppt*	*(1)ppt*
Driving under the influence (DUI) of alcohol or narcotics	1,001	991	1,167	1,483	1%	(14)%	(33)%
DUI arrests per 1,000 miles driven	*309*	*308*	*391*	*499*	*—%*	*(21)%*	*(38)%*
Violent crimes [3]	521	519	480	595	—%	9%	(12)%
Violent crimes arrests rate (of violent crimes reported)	*43%*	*42%*	*41%*	*43%*	*1ppt*	*2ppt*	*—ppt*
Other	5,968	6,162	6,596	8,539	(3)%	(10)%	(30)%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Crimes reported by local law enforcement to the Federal Bureau of Investigation*

2 *Property crimes are offenses of burglary, larceny-theft, motor vehicle theft, and arson.*

3 *Violent crimes are offenses of murder and nonnegligent manslaughter, rape, robbery, and aggravated assault.*

Crimes reported

Property crimes and violent crimes reported had generally been declining at accelerating rates each year of the decade covered by this report, and at even higher rates if you adjust for population growth. Declines were seen across most crime sub-categories and major regions (Northeast, Midwest, South, West).

In 2016, this trend temporarily reversed for violent crimes, as reported crimes increased across all sub-categories and in every major region, with the exception of the Northeast. Rates dropped again for most sub-categories and regions in 2017 and 2018 but remained elevated when compared to recent history:

- *By major region* - the change in violent crimes from 2017 to 2018 ranged from a decrease of 5% in the Midwest (to a rate of 361 violent crimes reported per 100,000 people) to remaining flat in the West (to a rate of 423 violent crimes reported per 100,000 people).

- *By state/territory* - the change in violent crimes from 2017 to 2018 ranged from a decrease of 20% in West Virginia (to a rate of 290 violent crimes reported per 100,000 people) to an increase of 10% in New Mexico (to a rate of 857 violent crimes reported per 100,000 people).
- *By type* - Aggravated assaults accounted for 67% of violent crimes reported to law enforcement in 2018, with the number of aggravated assaults reported up 2% from 2017, while robbery offenses accounted for 23% (down 3%), rape accounted for 8% (same as 2017), and murder accounted for 1% (same as 2017).

Arrests

Arrests for property crimes and violent crimes followed similar trends as crimes reported, with property crime arrests decreasing in all periods and violent crime arrests decreasing over the past decade but increasing in 2017 and 2018. Arrests for drug abuse violations also decreased over the past decade but increased in 2017 and 2018. When comparing 2008 to 2017 (the latest available data), we see a shift in the distribution of drug abuse violation arrests towards those for possession (vs. sale/manufacturing) of heroin or cocaine and their derivatives and synthetic or manufactured drugs. Arrests for DUIs decreased for all periods before increasing slightly in 2018.

Underlying the overall arrests trends, there are demographical points to note:

- Youth (under age 18) are more often arrested for property crimes (18% of their arrests in 2018) than violent crimes (7% of their arrests in 2018) and are comprising a disproportionately smaller percentage of all arrests over time (an 8-percentage point decline overall between 2008 and 2018 – compared to a 2-percentage point decline in the percentage of the total population they represent); and
- Black people have been arrested at a rate (27% of total arrests in 2018) that is significantly higher than the rate they comprise of the US population (13% in 2018) throughout the periods discussed in this report. In 2018, Black people accounted for more than 50% of the population arrested for murder and nonnegligent manslaughter and robbery offenses.

Incarceration

December 31, except as otherwise noted (In thousands, except percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Incarcerated population: [1]	**2,123**	**2,154**	**2,223**	**2,310**	**(1)%**	**(4)%**	**(8)%**
Persons in jail (last weekday in June) [2]	738	745	731	786	(1)%	1%	(6)%
Persons in federal and state prison [3]	1,465	1,489	1,577	1,608	(2)%	(7)%	(9)%
Youth in jail (actuals, last weekday in June)	3,400	3,600	4,600	7,700	(6)%	(26)%	(56)%
Youth in state prisons (actuals)	699	893	1,188	2,717	(22)%	(41)%	(74)%
Sentenced prisoners by crime committed:							
Violent crimes	706	723	718	730	(2)%	(2)%	(3)%
Property crimes	209	224	267	261	(7)%	(22)%	(20)%
Drug crimes	253	263	306	346	(4)%	(17)%	(27)%
Public order and other [4]	217	222	216	182	(2)%	—%	19%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

1 *Prisoners held in local jails were excluded from the total to prevent double counting.*

2 *Jails are correctional facilities that confine persons before or after adjudication and are usually operated by local law enforcement authorities. Jail sentences are usually for 1 year or less.*

3 *State and federal prisoner populations differ from the jail inmate population in terms of conviction status, offense distribution, and average length of stay. Prison facilities also differ from local jail facilities in average size, treatment and programming resources, and crowding, among other characteristics.*

4 *Public order includes weapons, drunk driving, and court offenses; commercialized vice, morals, and decency offenses; and liquor law violations and other public-order offenses.*

Our incarcerated populations decreased over the past decade. However, there are racial and other dynamics of note:

- Black (non-Hispanic) people are disproportionately jailed and imprisoned, comprising 33% of each those jailed and imprisoned in 2018 as compared to 13% of the US population. However, the percentages of the jailed and imprisoned populations they comprise are decreasing (declines of 6 and 5 percentage points between 2008 and 2018 of those jailed and imprisoned, respectively) despite remaining 13% of the US population during this period.
- The opposite is true for white (non-Hispanic) people, who represent a disproportionately small percentage of those incarcerated - 50% of those jailed and 30% of those imprisoned in 2018, while comprising 60% of the US population. The percentage of those jailed who are white increased 7 percentage points between 2008 and 2018, while the percentage of those imprisoned who are white decreased 2 percentage points. Meanwhile, white people decreased as a percentage of the US population (a 2-percentage point decrease between 2008 and 2018).
- Hispanic people comprised 15% of those jailed and 23% of those imprisoned in 2018 as compared to 18% of the US population. The percentage of those jailed who are Hispanic decreased 2 percentage points between 2008 and 2018, while the percentage of those imprisoned who are Hispanic increased 2 percentage points.
- The offenses for which people are imprisoned has changed, with violent crime, property crime, and drug offenses decreasing and public order offenses increasing.
- Numbers of incarcerated youth are decreasing.

Fire (non-natural disaster)

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Fire incidents (in thousands, except rates):	**1,319**	**1,319**	**1,240**	**1,452**	**—%**	**6%**	**(9)%**
Home structure fires [1]	363	357	370	387	2%	(2)%	(6)%
Home structure fires per 100,000 housing units	*262*	*260*	*277*	*297*	*1%*	*(5)%*	*(12)%*
Other structure fires [2]	136	142	118	129	(4)%	15%	6%
Highway vehicle fires [3]	182	168	164	207	8%	11%	(12)%
Highway vehicle fires per 1 billion miles driven	*56*	*52*	*55*	*70*	*8%*	*2%*	*(20)%*
Other fires [4]	638	653	589	730	(2)%	8%	(13)%
Civilian deaths from fire incidents:	**3,655**	**3,400**	**3,240**	**3,320**	**8%**	**13%**	**10%**
Home structure fire civilian deaths [1]	2,720	2,630	2,755	2,555	3%	(1)%	6%
Rate of deaths per home structure fire	*0.7%*	*0.7%*	*0.7%*	*0.7%*	*—ppt*	*—ppt*	*—ppt*
Other structure fire civilian deaths [2]	190	185	100	195	3%	90%	(3)%
Rate of deaths per other structure fire	*0.1%*	*0.1%*	*0.1%*	*0.2%*	*—ppt*	*—ppt*	*(0.1)ppt*
Highway vehicle fire civilian deaths [3]	490	400	300	350	23%	63%	40%
Rate of deaths per highway vehicle fire	*0.3%*	*0.2%*	*0.2%*	*0.2%*	*0.1ppt*	*0.1ppt*	*0.1ppt*
Other fire civilian deaths [4]	255	185	85	220	38%	200%	16%
Rate of deaths per other fire	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*—ppt*	*—ppt*	*—ppt*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

1 *Homes are dwellings, duplexes, manufactured homes (also called mobile homes), apartments, rowhouses, and townhouses.*

2 *Includes other residential properties, such as hotels and motels, dormitories, barracks, rooming and boarding homes, and the like.*

3 *Highway vehicles include any vehicle designed to operate normally on highways, such as automobiles, motorcycles, buses, trucks, and trailers, but not manufactured homes on foundations.*

4 *Other fires include fires in non-highway vehicles (i.e., trains, boats, ships, aircraft, farm, and construction vehicles), outside property fires, outside wilderness fires, and fires in rubbish, among others.*

Fire incidents

The number of fire incidents have fluctuated but ultimately declined over the past decade, both on an absolute basis and per housing unit and mile driven. The overall decrease was led by a 92 thousand or 13% decrease in "other" fires. In 2018, the leading cause of fires was cooking for both residential and non-residential buildings, comprising 51% and 31% of those fires, respectively.

Civilian deaths from fire incidents

Civilian deaths from fire incidents have also fluctuated but increased overall in the past decade, led by a 165 or 6% increase in deaths from home structure fire incidents and a 140 or 40% increase in deaths from highway vehicle fire incidents. As a percentage of fire incidents, deaths for all types of fire incidents shown have remained less than 1% throughout the past decade.

Disasters

Calendar year (Dollars in billions, others actuals or as noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Billion-dollar disaster incidents [1]	14	16	9	12	(13)%	56%	17%
Billion-dollar disaster cost estimate [1]	$ 91	$ 306	$ 23	$ 64	(70)%	296%	42%
Cost per billion-dollar disaster [1]	*$ 6*	*$ 19*	*$ 3*	*$ 5*	*(68)%*	*100%*	*20%*
Disaster deaths	247	3,278	113	303	(92)%	119%	(18)%
Billion-dollar disaster incidents							
Severe storm	8	8	6	6	—%	33%	33%
Severe storm cost	$ 12	$ 17	$ 10	$ 9	(29)%	20%	33%
Cost per severe storm	*$ 2*	*$ 2*	*$ 2*	*$ 2*	*—%*	*—%*	*—%*
Tropical cyclone	2	3	—	3	(33)%	nm	(33)%
Tropical cyclone cost	$ 49	$ 265	$ —	$ 37	(82)%	nm	32%
Cost per tropical cyclone	*$ 25*	*$ 88*	*$ —*	*$ 12*	*(72)%*	*nm*	*108%*
Flood	—	2	2	1	(100)%	(100)%	(100)%
Flood cost	$ —	$ 3	$ 3	$ 10	(100)%	(100)%	(100)%
Cost per flood	*$ —*	*$ 2*	*$ 2*	*$ 10*	*(100)%*	*(100)%*	*(100)%*
Drought	1	1	1	1	—%	—%	—%
Drought cost	$ 3	$ 3	$ 10	$ 7	—%	(70)%	(57)%
Cost per drought	*$ 3*	*$ 3*	*$ 10*	*$ 7*	*—%*	*(70)%*	*(57)%*
Wildfire	1	1	—	1	—%	nm	—%
Wildfire cost	$ 24	$ 18	$ —	$ 1	33%	nm	2,300%
Cost per wildfire	*$ 24*	*$ 18*	*$ —*	*$ 1*	*33%*	*nm*	*2,300%*
Other disaster	2	1	—	—	100%	nm	nm
Other disaster cost	$ 3	$ 1	$ —	$ —	200%	nm	nm
Cost per other disaster	*$ 2*	*$ 1*	*$ —*	*$ —*	*100%*	*nm*	*nm*
Wildland fires							
Acres burned in wildland fires (thousands)	8,767	10,026	4,320	5,292	(13)%	103%	66%
Acres burned per wildland fire	*151*	*140*	*91*	*67*	*8%*	*66%*	*125%*

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nm *An "nm" reference in the table means the figure is not meaningful.*

1 Data is limited to billion-dollar disasters as provided by National Oceanic and Atmospheric Administration, as they account for roughly 80% of the total estimated US losses for all combined severe weather and climate events. These loss estimates reflect direct effects of weather and climate events (not including indirect effects) and constitute total estimated losses (both insured and uninsured). Because most of the data sources provide only insured losses, a "factor approach" (based on approximate average insurance participate rates) is used for conversion into the corresponding total estimated losses. For more detailed information regarding the cost estimates see https://www.ncdc.noaa.gov/monitoring-content/billions/docs/smith-and-katz-2013.pdf.

Disaster incidents

The numbers of billion-dollar disaster incidents have fluctuated, with peaks in 2008 and 2011, and a decline thereafter until 2015 when they began increasing again across most disaster types. The number of billion-dollar disaster incidents increased 17% in the past decade. The most frequent type of disaster is severe storm, followed by tropical cyclone and flood.

Disaster costs

Total estimated costs for billion-dollar disasters increased 42% in the past decade, with the most expensive disaster type per disaster being tropical cyclone, followed by wildfire. Per billion-dollar disaster, estimated costs increased 20% over the past decade. The increase in estimated total disaster costs in 2017 reflects $131 billion, $95 billion, and $53 billion related to hurricanes Harvey, Maria, and Irma, respectively.

Disaster deaths

Like billion-dollar disaster incidents, disaster deaths have fluctuated during the past decade, sharply rising in 2017. From 2017 to 2018, there was a decrease in deaths of 3,031 people, or 92%, primarily related to 2,981 deaths attributed to Hurricane Maria in 2017.

Acres burned

Acres burned in wildland fires (in all wildland fires, not just those declared disasters) increased over the past decade but decreased in 2018. Acres burned per wildland fire increased in all periods. Acres burned in wildland fires, categorized as either lightning-caused or human-caused, increased by 3.5 million acres or 66% over the past decade. Human-caused fires increased 2.2 million acres or 64%, and lightning-caused fires increased 1.3 million acres or 68%. The Great Basin region had the largest number and percent increase in total acres burned, at an increase of 1.9 million acres or 1,333%, while the Southern Area region had the largest acre decrease at 613 thousand acres, and the Northern Rockies region had the largest percent decrease at 36%.

Safeguarding consumers and employees

The safeguarding consumers and employees reporting unit seeks to keep people away from harm by regulating, primarily commercial interests.

Safeguarding consumers

Consumer complaints and product safety injuries

Calendar year (In thousands, except percentages, rates, or otherwise noted)	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Consumer fraud complaints	1,504	1,309	1,159	621	15%	30%	142%
Consumer fraud complaints per 100,000 people	*460*	*403*	*367*	*204*	*14%*	*25%*	*125%*
Median loss per fraud complaint	*$ 375*	*$ 429*	*$ 388*	*$ 500*	*(13)%*	*(3)%*	*(25)%*
Identity theft complaints	444	371	290	315	20%	53%	41%
Identity theft complaints per 100,000 people	*136*	*114*	*92*	*104*	*19%*	*48%*	*31%*
Other consumer complaints [1]	1,177	1,240	685	326	(5)%	72%	261%
Other consumer complaints per 100,000 people	*360*	*381*	*217*	*107*	*(6)%*	*66%*	*236%*
Consumer financial protection (CFP) complaints [2]	257	243	108	na	6%	138%	na
CFP complaints per 100,000 people	*79*	*75*	*34*	*na*	*5%*	*132%*	*na*
Consumer product safety injuries [3]	13,249	13,728	12,759	11,902	(3)%	4%	11%

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na *An "na" reference in the table means the data is not available.*

1 *Other consumer complaints are complaints made to the FTC that are other than fraud or identity theft complaints, including: auto-related complaints; banks and lenders; computer equipment and software; credit bureaus, information furnishers, and report users; credit cards; debt collection; education; funeral services; home repair, improvement, and products; and television and electronic media.*

2 *These complaints were reported by the Consumer Financial Protection Bureau while all other complaints in this table were reported by the Federal Trade Commission.*

[3] *These are calendar year national estimates of the number of persons treated in US hospital emergency departments with consumer product-related injuries and are derived by summing the statistical weights for the appropriate injury cases. The data system allows for reporting of up to two products for each person's injury, so a person's injury may be counted in two product groups.*

Consumer complaints

Consumer complaints have grown throughout the period of this report, driven primarily by increased fraud and other consumer complaints, though all categories of complaints have increased.

- *Fraud complaints* are made by adults of all ages with no notable concentrations. Victims who report the method of initial contact primarily report that the fraud was initiated via phone, and those who report transferring funds most often report doing so through wire transfer.
- *Identity theft complaints* are also made by adults of all ages, with a plurality (26%) in the 30-39 year old age group, and most often comprise credit card fraud, followed by other identity theft.
- *Other consumer complaints* made to the Federal Trade Commission have increased due primarily to third-party debt collection complaints.
- *Consumer financial protection complaints* have grown, driven primarily by increases in credit-related complaints, including credit reporting and debt collection. These complaints are made to the Consumer Financial Protection Bureau, which originated in 2010 in response to the financial crisis and Great Recession.

Consumer fraud losses

The median loss per fraud complaint has fluctuated over the past decade but decreased in recent years. In 2018, 75% of the reports resulted in no loss, while the group with the largest number of reported losses (22% of the reports) was the group with losses between $1 and $100. Five percent of losses reported were more than $10,000, the top loss group. By type of fraud, the largest median amount paid per fraud in 2018 was for business and job opportunities at $1,304 per fraud.

Consumer product safety injuries

Consumer product safety injuries have fluctuated from year to year, peaking in 2017. The largest numbers of injuries relate to home structures and construction materials, sports and recreational equipment, and home furnishings and fixtures. Injuries related to home structures and construction materials increased 20% when comparing 2018 to 2008, while sports and recreational equipment injuries decreased 9%, and injuries related to home furnishings and fixtures increased 30%, over this same period.

Transportation safety

Calendar year (In thousands, except percentages, rates, or otherwise noted)	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Transportation crashes	6,760	6,479	5,713	5,839	4%	18%	16%
Highway crashes	6,735	6,453	5,687	5,811	4%	18%	16%
Highway crashes per 100 million miles driven	*210*	*204*	*192*	*192*	*3%*	*9%*	*9%*
Transportation fatalities (actuals)	38,501	39,368	34,691	39,562	(2)%	11%	(3)%
Highway fatalities	36,560	37,473	32,893	37,423	(2)%	11%	(2)%
Highway fatalities per 100,000 highway crashes	*543*	*581*	*578*	*644*	*(7)%*	*(6)%*	*(16)%*

[†] *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

Nearly all transportation crashes (99% in 2018) and transportation fatalities (95% in 2018) are highway crashes and fatalities.

Highway crashes have increased, in absolute terms and per mile driven, over the past decade. Highway fatalities dropped 9% in each calendar year 2008 and 2009 and had remained at roughly 33,000 fatalities per year thereafter until 2015, when they jumped to over 35,000 and then jumped again to over 37,000 in 2016 before decreasing 1% in 2017 and 2% in 2018. Nearly a third of highway fatalities (29% or 10,710 in 2018) involved a driver with a Blood Alcohol Concentration of 0.08 (an illegal level in all 50 States, DC, and Puerto Rico) or higher. Since 2008, distraction-affected fatalities decreased 51%, to 2,841 in 2018.

Safeguarding employees

Calendar year, except as otherwise noted (In thousands, except percentages, rates, or otherwise noted)	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Workplace violations (actual) [1]	49,641	51,307	61,303	67,165	(3)%	(19)%	(26)%
Workplace violations per 100,000 employees	*32*	*33*	*43*	*46*	*(3)%*	*(26)%*	*(30)%*
Non-fatal workplace injuries	3,544	3,476	3,753	4,634	2%	(6)%	(24)%
Non-fatal injuries per 100,000 employees	*2,275*	*2,267*	*2,608*	*3,188*	*—%*	*(13)%*	*(29)%*
Fatal workplace injuries (actual)	5,250	5,147	4,585	5,214	2%	15%	1%
Rate of fatality of workplace injuries	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*—ppt*	*—ppt*	*—ppt*
Back wages recovered (fiscal year)	$ 304,914	$ 270,404	$ 249,954	$ 185,288	13%	22%	65%
Back wages recovered per injury	*$ 86*	*$ 78*	*$ 67*	*$ 40*	*10%*	*28%*	*115%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

1 *Workplace violations are those reported by the Occupational Safety and Health Administration, including violations relating to fall protection, hazard communication, scaffolding, respiratory protection, control of hazardous energy, ladders, powered industrial trucks, machinery and machine guarding, and electrical wiring methods.*

The work safety outcomes discussed here are all generally positive. Workplace violations and non-fatal workplace injuries are down roughly a quarter over the past decade, while fatal workplace injuries have increased 1%. As a rate per workplace injury, fatal injuries have been steady over the past decade. Back wages recovered, in total and per injury, have increased.

Fatal workplace injuries disproportionately take the lives of men (92% of the incidents in 2018). In 2018, 91% of fatal workplace injuries occurred in private industry, with the balance occurring in government. By private industry, in 2018, 43% of the incidents occurred in goods-producing industries, 49% of which were in construction, while the other 57% of the incidents occurred in service-providing industries, of which nearly a third were in transportation and warehousing.

Child safety and miscellaneous social services

The child safety and miscellaneous social services reporting unit works to maintain the welfare and safety of all children.

Child family situation

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Children in single parent households (in thousands, calendar year)	**19,646**	**19,973**	**20,531**	**19,501**	**(2)%**	**(4)%**	**1%**
Children in single parent households per 10,000 children	*2,680*	*2,714*	*2,791*	*2,632*	*(1)%*	*(4)%*	*2%*
Children in foster care (fiscal year)	**437,283**	**442,995**	**400,394**	**463,792**	**(1)%**	**9%**	**(6)%**
Children in foster care per 10,000 children	*60*	*60*	*54*	*63*	*—%*	*11%*	*(5)%*
Percentage of foster children fostered by relatives	27%	32%	28%	24%	(5)ppt	(1)ppt	3ppt
Children entering foster care	262,791	270,081	254,719	280,423	(3)%	3%	(6)%
Children exiting foster care	251,161	248,386	237,721	288,778	1%	6%	(13)%
Median months in foster care	13	13	13	16	—%	—%	(19)%
Percentage of foster children reunited with parents	49%	49%	51%	52%	—ppt	(2)ppt	(3)ppt
Percentage of foster children discharged to live with other relatives	7%	7%	8%	8%	—ppt	(1)ppt	(1)ppt
Children adopted from foster care [1]	62,997	59,469	50,800	55,236	6%	24%	14%
Rate of children adopted from foster care (as a percentage of children in foster homes) [1]	*14%*	*13%*	*13%*	*12%*	*1ppt*	*1ppt*	*2ppt*

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1 *Adoptions are those with Public Child Welfare Agency involvement.*

Children in single parent households

The numbers of children in single parent households, including the rates thereof, have not changed materially during the periods presented here. In 2018, 83% of single-family households were headed by single mothers, while 17% were headed by single fathers.

Children in foster care

The numbers of children in foster care and their median stay have decreased over the past decade. In 2018, the primary cause of children being in foster care was neglect, at 62% of cases, followed by drug abuse by a parent, at 36%. The ratio of male and female children in foster care has been relatively consistent over the last decade, with 52% male and 48% female in 2018. However, there have been some other demographic shifts over this period including:

- the median age of children exiting foster care decreased from 9 to 8 years old;
- the percentage of children in foster care who are African-American decreased 9 percentage points, with all other races and ethnicities remaining flat or increasing over the same period; and
- the race with the most children in foster care is white, at 44% of foster children in 2018, having grown consistently over the past decade.

The percentages of foster children reunited with their parents or other relatives have declined over the past decade, while the numbers and rates of children adopted with welfare agency involvement have increased.

Crimes against children

Fiscal year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Child victims [1] (nearest thousand)	**677,000**	**674,000**	**656,000**	**716,000**	**—%**	**3%**	**(5)%**
Victimization rate by age (per 1,000 children):							
Birth-1	*26.7*	*25.3*	*23.1*	*21.7*	*6%*	*16%*	*23%*
1-3	*11.1*	*11.1*	*11.4*	*12.1*	*—%*	*(3)%*	*(8)%*
4-7	*9.4*	*9.6*	*10.3*	*11.0*	*(2)%*	*(9)%*	*(15)%*
8-11	*8.1*	*8.0*	*7.6*	*9.2*	*1%*	*7%*	*(12)%*
12-17	*6.2*	*6.1*	*5.8*	*13.9*	*2%*	*7%*	*(55)%*
Boys [3]	49%	49%	49%	49%	—ppt	—ppt	—ppt
Girls [3]	51%	51%	51%	51%	—ppt	—ppt	—ppt
White (non-Hispanic)	44%	45%	44%	45%	(1)ppt	—ppt	(1)ppt
African-American (non-Hispanic)	21%	21%	21%	22%	—ppt	—ppt	(1)ppt
Hispanic	22%	22%	22%	21%	—ppt	—ppt	1ppt
Neglect [2]	61%	64%	62%	62%	(3)ppt	(1)ppt	(1)ppt
Physical abuse [2]	11%	16%	14%	14%	(5)ppt	(3)ppt	(3)ppt
Sexual abuse [2]	7%	7%	7%	8%	—ppt	—ppt	(1)ppt
Child fatalities as a result of maltreatment	**1,780**	**1,710**	**1,550**	**1,720**	**4%**	**15%**	**3%**
Fatality rate by age (per 100,000 children):							
Birth-1	*22.8*	*21.9*	*18.1*	*17.2*	*4%*	*26%*	*33%*
1-3	*5.2*	*4.5*	*5.0*	*5.1*	*16%*	*4%*	*2%*
4-7	*1.3*	*1.3*	*1.5*	*1.4*	*—%*	*(13)%*	*(7)%*
8-11	*0.6*	*0.6*	*0.3*	*0.5*	*—%*	*100%*	*20%*
12-17	*0.5*	*0.4*	*0.2*	*0.9*	*25%*	*150%*	*(44)%*
Boys [3]	58%	58%	58%	57%	—ppt	—ppt	1ppt
Girls [3]	42%	42%	42%	43%	—ppt	—ppt	(1)ppt
White (non-Hispanic)	40%	42%	39%	39%	(2)ppt	1ppt	1ppt
African-American (non-Hispanic)	33%	31%	33%	30%	2ppt	—ppt	3ppt
Hispanic	14%	15%	15%	16%	(1)ppt	(1)ppt	(2)ppt
Neglect [2]	73%	75%	71%	32%	(2)ppt	2ppt	41ppt
Physical abuse [2]	46%	42%	47%	23%	4ppt	(1)ppt	23ppt
Sexual abuse [2]	1%	1%	1%	—%	—ppt	—ppt	1ppt

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1 *Victims of maltreatment are defined as children who experienced or who were at risk of experiencing abuse or neglect.*

2 *A child may have suffered from more than one type of maltreatment and therefore, the total number of reported maltreatments exceeds the number of fatalities and the total percentage of reported maltreatments exceeds 100%. The percentages are calculated against the number of child fatalities in the reporting states. Prior to 2009, "multiple maltreatment types" was a separate category. In 2009, the current method of reporting each of the multiple maltreatment types began, resulting in increases in each of the maltreatment categories in 2009 and later years when compared to prior years.*

3 *May not add to 100% due to unknown population.*

Children victimized and who suffer fatalities as a result of reported maltreatment are most often victims of their parents, one year old or younger, neglected, and white. However, African-American children disproportionately suffer victimization and death from reported maltreatment, comprising 14% of the child population in 2018, while comprising 21% of child victims and 33% of child fatalities as a result of reported maltreatment.

Reported child victimization rates decreased over the past decade across most demographics, though victimization rates increased for:

- children ages birth to 1, increasing 23%; and
- Hispanic children, increasing 1 percentage point.

Child fatalities as a result of reported maltreatment increased over the past decade. Increased fatality rates were seen in children less than one year old, ages 1-3, ages 8-11, and for boys. By race and ethnicity, the percentage of child fatalities that were non-Hispanic white and African-American children increased, while those that were Hispanic children decreased.

In 2018, parents represented 92% of the perpetrators of reported child victimization, while 13% were nonparents, and 3% were unknown (figures don't add to 100% due to multiple perpetrator situations). In 2008, parents represented 81% of the perpetrators, while 10% were nonparents, and 9% were unknown.

Child welfare

School year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Children in poverty (in thousands, calendar year)	11,869	12,759	15,801	14,068	(7)%	(25)%	(16)%
Rate of children in poverty	*16%*	*17%*	*20%*	*19%*	*(1)ppt*	*(4)ppt*	*(3)ppt*
Percentage of children receiving free or reduced lunch at school	74%	73%	70%	60%	1ppt	4ppt	14ppt
Homeless children enrolled in school and known to our Government (in thousands) [1]	1,505	1,354	1,203	774	11%	25%	94%
Homeless children enrolled in school and known to our Government per 10,000 children	*205*	*184*	*164*	*104*	*11%*	*25%*	*97%*

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1 *Years represent the school year ending in the year noted. Includes the District of Columbia and Puerto Rico. Enrolled students include those aged 0 to 2, 3 through 5 not in Kindergarten, enrolled in Kindergarten through grade 12, and ungraded. Grade 13 is included for school year 2014. Data is inconsistently reported year over year by state and local educational agencies. Numbers reflect the number of homeless students known to the Government rather than the total number of homeless students in the country. The 2010-2011 school year and earlier contains duplicate counts.*

Child poverty

Children in poverty represent roughly a third of the overall US population in poverty. The number of children in poverty and child poverty rates decreased when compared to a decade ago.

The race and ethnicity with the highest rates of child poverty are the non-Hispanic Black population, ranging from 30% to 35% of children, and the Hispanic population, ranging from 24% to 33% of children, for the periods presented in this report. White and Asian populations have lower rates of child poverty, ranging from 9% to 13% for non-Hispanic white children and 10% to 15% for Asian children, during the periods presented. Child poverty rates for all populations decreased when comparing 2018 to 2008.

Free and reduced lunch

The percentage of children receiving free or reduced lunch at school is growing consistently, including in recent years despite reduced numbers of children in poverty in those years. Any child at a participating school may purchase a meal through the National School Lunch Program. Children from families with incomes at or below 130% of the federal poverty level are eligible for free meals. Those with incomes between 130% and 185% of the federal poverty level are eligible for reduced-price lunch, for which students can be charged no more than 40 cents. These eligibility requirements have not changed in the past decade. The increased percentage of children receiving free or reduced lunch at school may be due to the 2010 Healthy Hunger-Free Kids Act, which allows qualifying schools in high-poverty areas to provide free meals to all students without requiring students to demonstrate eligibility.

Homeless children

Homeless children enrolled in school and known to our Government increased over the past decade. Most (74% in 2018) homeless children are "doubled up," or living with others due to loss of housing, economic hardship, or a similar reason. The next largest source of primary nighttime residence for homeless children, at 12% of the homeless in 2018, was shelters, transitional housing, or awaiting foster care. The fastest growing forms of nighttime residence were doubling up and unsheltered, growing 84% and 158%, respectively, from 2008 to 2018.

Common Defense (CD)

CD works to provide for the common defense of the US population. Its reporting units are national defense and support for veterans, immigration and border security, and foreign affairs and foreign aid. Overall, the long-term trend for the past decade shows we:

- ***made meaningful progress*** on bringing home our active duty military personnel who were stationed abroad, visas granted, border apprehensions and numbers of people removed or returned, and passports in circulation; and
- ***regressed notably*** in naturalizations, numbers of VA patients, unauthorized persons with a prior criminal conviction who are removed, intellectual property seizures, and airport firearm discoveries.

Shorter-term trends may differ.

National defense and support for veterans

The national defense and support for veterans reporting unit provides for our common defense by maintaining and managing the military and providing benefits for veterans, as well as by keeping Americans safe abroad.

National defense

Calendar year, except as otherwise noted	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Total armed forces, excluding reserves (in thousands, fiscal year)	**2,057**	**2,035**	**2,111**	**2,087**	**1%**	**(3)%**	**(1)%**
Number of active duty military stationed in (in thousands): [1]	1,304	1,295	1,370	1,402	1%	(5)%	(7)%
US	1,139	1,133	1,209	1,113	1%	(6)%	2%
Abroad	165	161	161	289	2%	2%	(43)%
Number of active duty military deaths from:	**na**	**na**	**na**	**1,440**	**na**	**na**	**na**
Hostile/terrorist	na	na	na	353	na	na	na
Accidents	na	na	na	506	na	na	na
Self-inflicted	na	na	na	259	na	na	na
Illness	na	na	na	244	na	na	na
Homicide	na	na	na	47	na	na	na
Undetermined or pending	na	na	na	31	na	na	na
Number of US civilian deaths overseas by cause:	**724**	**822**	**858**	**727**	**(12)%**	**(16)%**	**—%**
Vehicle accident	167	264	229	217	(37)%	(27)%	(23)%
Homicide	132	159	176	125	(17)%	(25)%	6%
Suicide	112	106	145	111	6%	(23)%	1%
Drowning	136	122	115	98	11%	18%	39%
Disaster	—	2	—	1	(100)%	—%	(100)%
Terrorist, hostage, and execution	6	8	16	35	(25)%	(63)%	(83)%
Other accident	107	125	153	118	(14)%	(30)%	(9)%
Other	64	36	24	22	78%	167%	191%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Details may not add to total. Totals and by location were taken from two separate data sources. In addition, numbers have been rounded.*

Armed forces

Overall numbers of armed forces (excluding reserve forces) remain at roughly the same level they were a decade ago, however, the number of active duty military personnel have decreased, despite participating in one additional major conflict. The mix of station location changed when comparing 2018 to 2008; there was a decline in those stationed abroad, primarily in the "undistributed" geography, mostly in the Navy followed by the Marines. This decline was offset in part by increased numbers of active duty military personnel stationed in the US, particularly with the Navy, offset in part by decreases in the Army.

Active duty military deaths

We do not have recent (post-2010) data for active duty military deaths, so we are unable to analyze trends.

US civilian deaths overseas

The numbers of deaths of US civilians overseas fluctuates from year to year but were flat compared to a decade ago, reflecting an increase in drownings and uncategorized deaths, offset by decreases in nearly all other categories of death. Compared to a decade ago, drownings increased by 38 instances or 39%, primarily reflecting an increase of 44 drownings in Baja.

Support for veterans

Calendar year, except as otherwise noted (In thousands, except percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Number of veterans	17,964	18,205	19,589	22,425	(1)%	(8)%	(20)%
Rates of veteran:							
Unemployment	4%	4%	7%	5%	—ppt	(3)ppt	(1)ppt
Poverty	7%	7%	7%	6%	—ppt	—ppt	1ppt
Disability	29%	30%	29%	25%	(1)ppt	—ppt	4ppt
Number of unique VA patients (fiscal year)	6,116	6,056	5,690	5,298	1%	7%	15%

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The number of veterans has decreased consistently over the past decade, while indicators of veteran well-being were mixed.

Veteran unemployment

The veteran unemployment rate has fluctuated year to year, but is down approximately one percentage point compared to a decade ago, while overall unemployment has trended downward since 2011. As of 2018, the veteran unemployment rate was generally consistent with the overall unemployment rate. See discussion of overall unemployment at *General Welfare, Economy and Infrastructure, Employment Profile (calendar year 2018)* below.

Veteran poverty

The veteran poverty rate has not changed materially in the last decade, but overall it is trending higher, despite veteran unemployment being flat and veteran compensation and pension payments increasing. In 2018, the veteran poverty rate was less than the poverty rate of all persons of 11.8%. In 2017 (except as otherwise noted, the latest available date):

- female veterans had higher poverty rates than male veterans (9% for females and 6% for males), including much higher rates for those in the service industry (11% for females and 4% for males);
- disabled female veterans had higher poverty rates than disabled male veterans (16% for females and 9% for males), primarily for those ages 35-53 years old (19% for females and 13% for males);

- female veterans had lower median household income than male veterans, at $60,223 for females and $61,986 for males;
- Black/African American veterans had the highest poverty rate among female veterans at 13%, while female veterans of Some Other Race (a race other than white, Black/African American, American Indian/Alaska Native, Asian, or Native Hawaiian/Other Pacific Islander) had the lowest rate at 3%;
- American Indian/Alaska Native veterans had the highest poverty rate among male veterans at 13%, while white male veterans had the lowest rate at 6%;
- post-9/11, World War II, and peacetime veterans had higher poverty rates than veterans of other conflicts;
- the lowest poverty rates for male and female veterans were in the Northeast; and
- in 2018, the rate of veterans in poverty by state/district/territory ranged from 4% in each Hawaii, Maryland, New Hampshire, and Wyoming to 17% in Puerto Rico. The highest rates of veteran poverty were in:
  - Puerto Rico, at 17%, while the overall unemployment rate for the territory was 11%;
  - Washington DC, at 10%, while the overall unemployment rate for the district was 6% (the 2nd highest in the country);
  - West Virginia at 10%, while the overall unemployment rate for the state was 5.2% (the 3rd highest in the country); and
  - Louisiana at 10%, while the overall unemployment rate for the state was 4.8% (the 6th highest in the country).

Veteran disability

The veteran disability rate has fluctuated year to year and increased in the past decade but is currently roughly four percentage points higher than it was a decade ago. The most prevalent service-connected disabilities are Tinnitus (the perception of noise or ringing in the ears), hearing loss, post-traumatic stress disorder (PTSD), general scars, limitation of knee flexion, and lumbosacral or cervical strain, which comprised 8%, 5%, 4%, 4%, 4%, and 4%, respectively, of the disabilities of veterans receiving disability compensation at the end of fiscal year 2018.

VA patients

While the overall veteran population declines, the number of unique patients being treated at VA medical centers is increasing. According to the GAO, this is due in part to servicemembers returning from US military operations in Afghanistan and Iraq and the growing needs of an aging veteran population. The proportion of living veterans who served in World War II and the Korean War decreased 9 and 6 percentage points, respectively, while the proportion of living veterans who served in Vietnam and the Gulf War increased 1 and 19 percentage points, respectively, over the past decade.

Immigration and border security

The immigration and border security reporting unit manages the US immigration process, including borders and customs responsibilities.

Authorized entry to the US

Fiscal year **(In thousands, except percentages or otherwise noted)**	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Naturalizations (citizenship) [1]	762	707	780	1,047	8%	(2)%	(27)%
Naturalizations as a percentage of attempts (total naturalizations and denials)	*89%*	*90%*	*90%*	*90%*	*(1)ppt*	*(1)ppt*	*(1)ppt*
Green Cards (permanent residence) granted [2]	1,097	1,127	991	1,107	(1)%	11%	(3)%
Visas granted	9,028	9,682	9,164	6,603	(7)%	(1)%	37%

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1 *Naturalization is the process by which US citizenship is granted to a foreign citizen or national after he or she fulfills the requirements established by Congress in the Immigration and Nationality Act.*

2 *Foreign nationals granted lawful permanent residence*

The number of employees working in citizenship and immigration services within the Department of Homeland Security increased 70% over the past decade.

Naturalizations (citizenship)

Naturalization is the way a person not born in the US voluntarily becomes a US citizen. General requirements for naturalization require the applicant to be at least 18 years old at the time of filing, be a permanent resident (have a "Green Card") for at least five years, demonstrate continuous residence in the US for at least five years immediately preceding the date of filing, and be able to read, write, and speak basic English, amongst some of the requirements.

Naturalizations decreased in the last decade, as did naturalizations as a percentage of attempted naturalizations. Throughout the periods presented in this report, most people who naturalized were:

- females, including 55% of those who naturalized in 2018;
- 21 years of age or older, including 98% in 2018;
- married, including 65% in 2018;
- working in an unknown occupation, working in management, professional, and related occupations, not working, or working in service occupations, including 34%, 19%, 17%, and 10%, respectively, in 2018; and
- born in Asia or North America, including 36% each in 2018.

Green Cards (permanent residence)

A Green Card allows a person to live and work permanently in the US. There are a few eligibility categories that allow an individual to apply for a Green Card: through family, through employment, as a Special Immigrant, for victims of abuse, through registry, and through other categories. Most people who apply for a Green Card will need to complete two forms – an immigrant petition and a Green Card application. Someone else usually must file the petition on behalf of the applicant (e.g. family, spouse, employer).

Green Cards granted followed similar demographic trends as naturalizations. Throughout the periods presented in this report, most people who were granted Green Cards were:

- females, including 53% of those granted Green Cards in 2018;
- 21 years of age or older, including 76% in 2018;
- married, including 57% in 2018;
- either immediate family members (44% in 2018) or otherwise related (20% in 2018) to US citizens; and
- born in Asia or North America, including 36% and 38%, respectively, in 2018.

The categories of Green Card recipients with the largest numerical and percentage growth, respectively, between 2008 and 2018 were refugees, with growth of 65,704 people or 73%, and "certain Iraqis and Afghans employed by the U.S. Government and their spouses and children," at 4,517% growth or 10,074 people. The categories with the largest numerical and percentage declines between 2008 and 2018 were asylees, declining 46,187 people or 60%, and parolees, declining nearly 99% or 1,155 people.

Visas

The numbers of visas granted increased over the past decade but decreased in 2018. Most visas are granted to temporary visitors for business or pleasure, including 75% of visas granted in 2018. The next largest category of visa recipients are temporary workers and their families, at 9% in 2018, followed by students and their families and exchange visitors and their families, at 4% each in 2018. The category of visa recipients with the largest numerical growth between 2008 and 2018 was temporary visitors for business or pleasure, with growth of 2.1 million people or 45%.

Unauthorized entry to the US

Fiscal year (In thousands, except percentages, rates, or otherwise noted)	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Border apprehensions of illegal aliens	404	311	421	724	30%	(4)%	(44)%
Rate of apprehensions per attempted crossing (apprehensions plus estimated undocumented population)	*na*	*na*	*4%*	*6%*	*na*	*na*	*na*
Persons removed or returned [1]	489	388	611	1,171	26%	(20)%	(58)%
Rate of those removed or returned per estimated undocumented person in the population	*na*	*na*	*6%*	*10%*	*na*	*na*	*na*
Persons removed with a prior criminal conviction	148	110	198	105	35%	(25)%	41%
Rate of those removed that had a prior criminal conviction	*45%*	*38%*	*46%*	*29%*	*7ppt*	*(1)ppt*	*16ppt*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Removals are the compulsory and confirmed movement of an inadmissible or deportable alien out of the US based on an order of removal. An alien who is removed has administrative or criminal consequences placed on subsequent reentry owing to the fact of the removal. Returns are the confirmed movement of an inadmissible or deportable alien out of the US not based on an order of removal.*

The number of employees working in immigration and customs enforcement and in customs and border protection, within the Department of Homeland Security, increased 11% and 15%, respectively, over the past decade. The number of border agents increased 12% nationwide and 8% at the southwest US border over the past decade.

Border apprehensions

Border apprehensions have decreased over the past decade. Nearly all (98% in 2018) border apprehensions occur at the southwest border of the US, and a plurality (38% in 2018) of all illegal aliens apprehended are from Mexico. However, over the last decade, the number of illegal aliens apprehended from Mexico decreased 77%, while the number of illegal aliens apprehended from other locations increased 301%.

Persons removed or returned

The number of persons removed or returned decreased 58% over the past decade. Of those removed in 2018: 64% were Mexican nationals, of whom 43% had a prior criminal conviction; 15% were Guatemalan nationals, of whom 40% had a prior criminal conviction; and 9% were Honduran nationals, of whom 45% had a prior criminal conviction. Of those returned in 2018: 42% were from North America, including 26% from Mexico and 11% from Canada, and 40% were from Asia, including 18% from the Philippines and 10% from China.

Estimated unauthorized immigrant population in the US

January 1	2000	2005	2010	2010 [1]	2015 [2]	2015 [3]	2016 [3]	2017 [3]	2018 [3]
Unauthorized immigrants [†]									
Estimated population (in thousands)	8,460	10,490	10,790	11,590	11,960	11,440	11,750	11,410	11,390
Period of entry									
1980 to 1989	na	21.1%	18.7%	na	na	15.0%	14.0%	13.5%	13.7%
1990 to 1999	na	49.7%	42.6%	na	na	36.5%	34.8%	33.5%	33.5%
2000 to 2009	na	29.2%	38.8%	na	na	41.2%	40.1%	39.4%	37.2%
2010 or later	na	—%	—%	na	na	7.3%	11.1%	12.4%	15.6%
Gender and age									
Male	na	na	57.0%	na	52.6%	52.6%	52.3%	52.0%	51.4%
Female	na	na	43.0%	na	47.4%	47.4%	47.7%	48.0%	48.6%
Under 18 years	na	na	11.4%	na	8.7%	9.9%	8.9%	9.5%	9.8%
18 to 24 years	na	na	12.0%	na	9.5%	10.3%	9.2%	8.4%	7.4%
25 to 34 years	na	na	35.1%	na	29.5%	30.6%	28.9%	27.4%	25.8%
35 to 44 years	na	na	27.7%	na	30.2%	30.1%	31.2%	31.5%	31.9%
45 to 54 years	na	na	10.2%	na	15.1%	14.2%	15.3%	16.6%	17.5%
55+years	na	na	3.6%	na	7.0%	4.9%	6.5%	6.6%	7.6%
Country of birth									
Mexico	55.3%	56.9%	61.5%	58.9%	55.0%	54.2%	50.8%	51.4%	47.6%
El Salvador	5.1%	4.5%	5.7%	5.8%	6.3%	6.3%	6.4%	6.6%	6.4%
Guatemala	3.4%	3.5%	4.8%	4.5%	5.2%	5.2%	5.2%	5.3%	5.4%
Honduras	1.9%	1.7%	3.1%	3.3%	3.7%	3.7%	3.7%	4.4%	4.0%
Philippines	2.4%	2.0%	2.6%	2.5%	3.1%	3.1%	3.5%	2.6%	3.2%
India	1.4%	2.7%	1.9%	2.3%	3.9%	3.9%	4.8%	4.3%	4.7%
Columbia	1.2%	1.0%	1.0%	1.0%	1.2%	1.1%	1.2%	1.1%	1.8%
China	2.2%	2.2%	1.2%	2.6%	2.7%	2.8%	3.6%	3.6%	3.6%
Other countries	27.1%	25.5%	18.2%	19.1%	18.3%	19.7%	20.8%	20.7%	23.3%

[†] *The most recent data available from our Government is shown in this table. Additional years of key metrics data not shown in this table may be found on our website. Click "More detail" to access it.*

[††] *The unauthorized resident immigrant population is defined as all foreign-born non-citizens who are not legal residents and calculated as: the legally resident population (includes all persons who were granted lawful permanent residence; granted asylum; admitted as refugees; or admitted as nonimmigrants for a temporary stay in the US and not required to leave by January of the respective year) on January 1 of the respective year less the total foreign-born population living in the US on the same date. Under section 249 of the Immigration and Nationality Act (INA), the registry provision, qualified persons who have resided continuously in the US since prior to January 1, 1972 may apply for legal permanent resident (LPR) status. Additionally, persons who had resided continuously in the US since prior to January 1, 1982 as unauthorized residents were eligible to adjust for LPR status under the Immigration Reform and Control Act (IRCA) of 1986.*

[na] *An "na" reference in the table means the data is not available.*

[1] *Revised by DHS to be consistent with estimates derived from the 2010 Census.*

[2] *2015 estimates should not be compared with DHS estimates previously released for 2000-2010 due to the use of the 2010 Census population estimates versus the 2000 Census population estimates. A revision for 2010 to be consistent with the 2010 Census has been provided by DHS.*

[3] *2015-2018 incorporate minor updates to improve upon the methodology employed in previous years. A revision for 2015 to be consistent with the new methodology has been provided by DHS.*

Due to a change in methodology, we are not able to compare the estimated undocumented population consistently across all periods presented in this report. However, the estimated undocumented population has increased, with a shift in the mix of immigrants towards older people and countries of birth other than Mexico.

Other border security

Fiscal year, except as otherwise noted (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Intellectual property seizures [1]	34	34	24	15	(1)%	39%	126%
Intellectual property seizures per 100 border agents	*174*	*175*	*112*	*86*	*(1)%*	*55%*	*102%*
Drugs seized at the border coming into the US (kgs)	414	618	1,348	na	(33)%	(69)%	na
Airport firearm discoveries (actual, calendar year)	4,244	3,957	1,813	926	7%	134%	358%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Products that are seized because they infringe on US trademarks, copyrights, and patents.*

Intellectual property seizures

Intellectual property seizures have more than doubled over the last decade, and the average border agent is seizing more goods. There have been changes in the sources and nature of the goods seized:

- *Country of origin* – China, Hong Kong, and India were consistently the top three sources of goods seized during the periods of this report, while many of the other originators have changed; three of the top 10 originators in 2008 were not among the top 10 in 2018. In 2018, most seized goods originated in China or Hong Kong, including 54% and 31%, respectively, of the value of goods seized. In 2008, 81% of the value of goods seized originated in China, while the second highest originator was India at 6% of the value seized, followed by Hong Kong at 5%.
- *Commodities seized* – In 2018, the aggregate Manufacturer's Suggested Retail Price (MSRP) of intellectual property seizures was $1.4 billion, compared to $0.3 billion in 2008. The top (those 7% or more of aggregate MSRP) commodities seized in 2018 were watches/jewelry (44% of aggregate MSRP), handbags/wallets (16%), pharmaceuticals/personal care (9%), and wearing apparel/accessories (8%). In 2008, the top commodities seized were footwear (38% of aggregate MSRP), handbags/wallets/backpacks (11%), pharmaceuticals (10%), wearing apparel (9%), and consumer electronics/electronic articles (8%).

The increase in the MSRP of seizures of the top commodities over the past decade was six-fold the increase in paid consumption of these goods. Paid consumption of luggage and similar personal items; clothing and footwear; and audio-video, photographic, and information processing equipment and media increased 28%, 24%, and 19%, respectively, in the past decade. We were unable to find data on paid consumption of jewelry and watches in 2008.

Drug seizures

We do not have border drug seizures data for periods prior to 2012. However, for the periods for which do have data, total kilograms of drugs seized at the border have declined, reflecting decreased seizures of marijuana, offset in part by increased seizures of methamphetamine. The decline in marijuana seizures began in 2014, when kilograms seized decreased 23% from the prior year. Recreational use of marijuana was legalized in Colorado and Washington states in 2012. Eight additional states, and the District of Columbia, legalized recreational use of marijuana from 2012-2018.

Airport firearm discoveries

Firearm discoveries at Transportation Security Administration airport checkpoints have consistently increased each year. In 2018, discoveries were made at 249 airports, with the greatest numbers discovered at Hartsfield-Jackson Atlanta International Airport and Dallas/Fort Worth International Airport at 298 and 219 discoveries, respectively. Of the overall number of firearms discovered in 2018, 86% were loaded.

Foreign affairs and foreign aid

The foreign affairs and foreign aid reporting unit aims to support American interests and values around the world through diplomacy.

Fiscal year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Number of valid passports in circulation (in thousands)	137,589	136,114	117,444	92,039	1%	17%	49%
Foreign aid obligations by type (in millions):							
Governance	$ 20,991	$ 18,002	$ 18,743	$ 22,036	17%	12%	(5)%
Health and population	$ 8,916	$ 9,930	$ 9,087	$ 7,331	(10)%	(2)%	22%
Humanitarian	$ 8,200	$ 8,502	$ 4,904	$ 4,517	(4)%	67%	82%
Infrastructure	$ 153	$ 806	$ 2,078	$ 4,428	(81)%	(93)%	(97)%
Other	$ 6,878	$ 7,881	$ 8,415	$ 6,680	(26)%	(38)%	8%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

The number of passports in circulation has increased consistently, outpacing the rate of population growth. We are not aware of a government source for data on where Americans are traveling with their passports.

Aid by category

Foreign aid has fluctuated over the past decade, with a shift towards humanitarian aid and away from infrastructure aid. Growth in health and population aid and humanitarian aid outpaced inflation. According to the Congressional Research Service (CRS), "Adjusted for inflation, annual foreign assistance funding over the past decade was the highest it has been since the Marshall Plan in the years immediately following World War II. Key foreign assistance trends in the past decade include growth in development aid, particularly global health programs; increased security assistance directed toward U.S. allies in the antiterrorism effort; and high levels of humanitarian assistance to address a range of crises."[49]

Infrastructure aid has been significantly reduced. According to CRS, "The [infrastructure] aid programs in Iraq and Afghanistan supported the building of schools, health clinics, roads, power plants, and irrigation systems…. The Afghanistan Infrastructure Fund… wound down as the U.S. military presence in that country declined… In Iraq alone, more than $10 billion went to economic infrastructure. Economic infrastructure is now also supported by U.S. assistance in a wider range of developing countries through the Millennium Challenge Corporation. In this case, recipient countries design their own assistance programs, most of which, to date, include an infrastructure component."

Aid by country

According to CRS, "More than 170 countries and territories received some form of U.S. assistance in FY2018, reflecting the broad use of aid as a diplomatic tool. Top U.S. bilateral aid recipients are typically countries that are strategic allies in the Middle East, important partners in counterterrorism efforts, or global health focus countries. Top recipients also often include countries that face humanitarian crises brought on by natural disaster or conflict. In FY2018, the top 10 recipient countries accounted for approximately 37% of aide obligations."

Afghanistan received the most aid in FY2018 of $6 billion, followed by Israel of $3 billion, Jordan of $2 billion, Iraq of $1 billion, Ethiopia of $900 million, and Syria, Kenya, Nigeria and South Sudan all receiving $800 million. Aid to Afghanistan increased significantly (453%) in 2002, generally grew annually from there, peaked at $13.4 billion in 2011 and has generally declined since with some annual fluctuations.

Aid to Israel has been relatively steady over the past 30 years, exceeding $2 billion in 1981 and remaining between $2 billion and $4 billion annually since. Through 2020, according to the Congressional Research Service, "Israel is the largest cumulative recipient of U.S. foreign assistance since World War II… To date, the United States has provided Israel $146 billion (current, or noninflation-adjusted, dollars) in bilateral assistance and missile defense funding. Almost all U.S. bilateral aid to Israel is in the form of military assistance, although from 1971 to 2007 Israel also received significant economic assistance… In 2016, the U.S. and Israeli governments signed their third 10-year Memorandum of Understanding (MOU) on military aid, covering FY2019 to FY2028. Under the terms of the MOU, the United States pledges to provide – subject to congressional appropriation - $38 billion in military aid…to Israel. This MOU replaced a previous $30 billion 10-year agreement, which ran through FY2018… The United States and Israel have maintained strong bilateral relations based on a number of factors, including robust domestic U.S. support for Israel and its security; shared strategic goals in the Middle East; a mutual commitment to democratic values; and historical ties dating from U.S. support for the creation of Israel in 1948. U.S. foreign aid has been a major component in cementing and reinforcing these ties."[50]

General Welfare (GW)

This segment works to promote the general welfare of the US population. Its reporting units are economy and infrastructure, standard of living and aid to the disadvantaged, and health. Overall, the long-term trend for the past decade shows we:

- ***made meaningful progress*** on growing our economy as measured by increases in: GDP; the S&P 500 index; private fixed investment; numbers of businesses, including those less than one year old; and new home sales, and by decreases in workers at or below minimum wage, our overall net trade deficit, bankruptcy filings, and bank failures; and we made meaningful progress in reducing the percentage of Americans who are uninsured; and
- ***regressed notably*** in: increasing rates of senior employment; increasing median housing prices – both new homes and rent; deterioration of the condition of our roads; and in multiple health-related factors, including rates of obesity, out-of-pocket costs for healthcare, and deaths from all leading and select other causes.

Shorter-term trends may differ.

Economy and infrastructure

The economy and infrastructure reporting unit seeks to encourage economic growth and development, and to limit economic volatility. It also works to ensure there are jobs for those who can work and to maintain minimum wages.

Economy

Investment, Gross Domestic Product (GDP), and trade

Calendar year, except as otherwise noted (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Investment and GDP							
S&P 500 (end of December) (actual)	2,507	2,674	1,848	903	(6)%	36%	178%
S&P 500 adjusted for inflation (2018 base)	*2,507*	*2,739*	*1,992*	*1,053*	*(8)%*	*26%*	*138%*
Private fixed investment (in billions) [1]	$ 3,596	$ 3,343	$ 2,721	$ 2,507	8%	32%	43%
Residential	$ 795	$ 755	$ 510	$ 516	5%	56%	54%
Nonresidential	$ 2,755	$ 2,588	$ 2,211	$ 1,991	6%	25%	38%
Private fixed investment per capita	*$ 11,002*	*$ 10,282*	*$ 8,609*	*$ 8,244*	*7%*	*28%*	*33%*
Private fixed investment adjusted for inflation (2018 base)	*$ 3,596*	*$ 3,425*	*$ 2,933*	*$ 2,924*	*5%*	*23%*	*23%*
GDP (in billions)	$ 20,612	$ 19,543	$ 16,785	$ 14,713	5%	23%	40%
GDP (in billions) adjusted for inflation (2018 base, using GDP deflator)	*$ 20,612*	*$ 20,019*	*$ 18,214*	*$ 17,229*	*3%*	*13%*	*20%*
GDP per capita	*$ 63,065*	*$ 60,110*	*$ 53,107*	*$ 48,383*	*5%*	*19%*	*30%*

Trade							
Annual goods, services, and income trade by largest surplus (deficit) between the US and other countries (in millions):	$ (449,693)	$ (365,269)	$ (336,854)	$ (696,523)	23%	33%	(35)%
China	$ (408,943)	$ (361,839)	$ (328,734)	$ (308,264)	13%	24%	33%
Netherlands	$ 92,142	$ 105,576	$ 88,749	$ 64,632	(13)%	4%	43%
Mexico	$ (96,033)	$ (85,493)	$ (64,553)	$ (81,003)	12%	49%	19%
Germany	$ (79,692)	$ (71,885)	$ (76,611)	$ (58,432)	11%	4%	36%
United Kingdom	$ 79,244	$ 58,727	$ 19,728	$ 8,241	35%	302%	862%
Singapore	$ 58,037	$ 48,864	$ 39,261	$ 29,959	19%	48%	94%
Japan	$ (78,681)	$ (82,422)	$ (89,269)	$ (93,422)	(5)%	(12)%	(16)%
Other	$ (15,767)	$ 23,203	$ 74,575	$ (258,234)	(168)%	(121)%	(94)%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail on Investment and GDP" or "More detail on Trade" to access it.*

1 *Private fixed investment (PFI) measures spending by private businesses, nonprofit institutions, and households on fixed assets in the US economy. Fixed assets consist of structures, equipment, and software that are used in the production of goods and services. PFI encompasses the creation of new productive assets, the improvement of existing assets, and the replacement of worn out or obsolete assets.*

S&P 500

The S&P 500 peaked in 2007, dropped and bottomed out in 2009 in connection with the Great Recession, and began climbing again, surpassing its pre-recession value in 2013, and increasing for the rest of the decade until 2018 when it declined.

Private fixed investment

Private fixed investment followed the same trend. Over the past decade, private fixed investment in nonresidential investments increased 38%, while residential investments increased 54%. Within nonresidential, the largest increases were in intellectual property, which increased $332 billion or 58%, followed by equipment, which increased $279 billion or 54%, over the past decade. Within residential, the largest dollar and percentage increase was in non-permanent structures, which increased $161 billion or 58%, followed by single family residential structures, which increased $99 billion or 53%.

GDP

Gross domestic product (GDP) has grown over the past decade, even when adjusted for inflation and population. By industry, the largest increases were in: finance, insurance, real estate, rental, and leasing (up $1.6 trillion or 58%); professional and business services (up $796 billion or 45%); educational services, healthcare, and social assistance (up $597 billion or 50%); and government (up $568 billion or 29%). The lowest growth was in agriculture, forestry, fishing, and hunting (up $31 billion or 21%). Mining declined $61 billion or 16%, the only decline in the major industry categories.

Trade

The US has an overall net trade deficit with other countries, comprising largely a deficit with China. China accounted for 91% of our overall net trade deficit in 2018, made up mostly of a deficit in the trading of goods. The country with whom we had the largest trade surplus in 2018 was the Netherlands. The majority of that surplus comprised a surplus of income, meaning Americans earned more income in the Netherlands than the Dutch earned in the US. The country with the second largest trade surplus in 2018 and the largest surplus growth over the past decade was the United Kingdom, where the majority of the surplus in 2018 was also a surplus of income, having shifted from a surplus of services in 2008.

Businesses

(In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Businesses (end of March)							
Establishments less than one year old	734	733	629	678	—%	17%	8%
Net change in establishments (number of openings less closings)	90	106	95	22	(15)%	(5)%	309%
Bankruptcy filings	**773**	**791**	**1,108**	**1,043**	**(2)%**	**(30)%**	**(26)%**
Business bankruptcy filings (fiscal year)	*22*	23	*35*	*39*	(4)%	(37)%	(44)%
Business bankruptcy filings per 10,000 businesses	*na*	*39*	*60*	*65*	na	na	na
Non-business bankruptcy filings (fiscal year)	751	768	1,073	1,004	(2)%	(30)%	(25)%
Non-business bankruptcy filings per 100,000 adults	*296*	*305*	*442*	*437*	*(3)%*	*(33)%*	*(32)%*
Bank failures (calendar year)	—	8	24	25	(100)%	(100)%	(100)%
Bank failures per 100,000 banks	—	*164*	*413*	*356*	*(100)%*	*(100)%*	*(100)%*

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na *An "na" reference in the table means the data is not available.*

Businesses

Establishments less than one year old and net changes in establishments vary from year to year and decreased in and around the Great Recession. Between 2006 and 2014, the latest year for which the data is available, the service industry had the largest increase in the number of firms, at 286 thousand or 13%, and the agricultural services, forestry, and fishing industry had the largest rate of increase in the number of firms, at 25% or 27 thousand, while the construction industry had the largest decrease and rate of decrease in the number of firms, at 127 thousand or 24%.

Bankruptcy filings

Bankruptcy filings have decreased over the past decade, both business and non-business. Bank failures increased from 2008 to 2010 when they peaked in frequency and declined until they reached zero in 2018.

Housing

Calendar year (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Homeownership rate (inverse is rental rate)	64%	64%	65%	68%	—ppt	(1)ppt	(4)ppt
Homeowners							
New home sales	617	613	429	485	1%	44%	27%
New home sales per 100,000 adults	*243*	*244*	*177*	*211*	*—%*	*37%*	*15%*
Median new home price	$ 326	$ 323	$ 269	$ 232	1%	21%	41%
Median home price adjusted for inflation (2018 base)	*$ 326*	*$ 331*	*$ 290*	*$ 271*	*(2)%*	*12%*	*20%*
Median new home size (sq ft)	2,435	2,457	2,478	2,234	(1)%	(2)%	9%
Median new home lot size (sq ft)	8,511	8,431	8,596	8,854	1%	(1)%	(4)%
Vacancy rates [1]	3%	3%	4%	6%	—ppt	(1)ppt	(3)ppt
Renters							
Median gross rent (actual)	$ 1,058	$ 1,012	$ 905	$ 824	5%	17%	28%
Median gross rent adjusted for inflation (2018 base)	*$ 1,058*	*$ 1,037*	*$ 976*	*$ 961*	*2%*	*8%*	*10%*
Vacancy rates [1]	7%	7%	8%	10%	—ppt	(1)ppt	(3)ppt

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[1] *Vacancy rates are from the Current Population Survey/Housing Vacancy Survey and represent the unweighted average of vacancy rates for housing with 1 unit, 2 or more units, and 5 or more units.*

Rates of homeownership had decreased over the past decade while rates of renting a home had increased, until 2018, when this trend reversed. This is generally true across all major regions of the US.

Homeowners

New home sales peaked in 2005, bottomed out in 2011 after a 76% decline from the peak amidst the Great Recession, and have been increasing annually since, yet have not reached pre-recession levels. In the past decade, unit sales of new homes increased, with a decline in units sold in the Northeast (3 thousand homes or 9%) offset by increases in all other regions. The South saw the largest increase in unit sales (82 thousand or 31%), while the West saw the largest rate increase (40% or 46 thousand).

The median price of a new home followed a similar pattern as new home sales, decreasing during the Great Recession and increasing since, surpassing pre-recession highs in 2013. In the past decade, the largest dollar increase in median sales price was in the Northeast ($141,000 or 41% increase), while the largest rate increase was in the Midwest (46% or $92,000 increase).

The median size of new homes sold increased 9% over the past decade, with increases in all major regions of the US, while the median lot size of new homes sold decreased 4%, with decreases in all major regions. Vacancy rates for homeowner units decreased 3 percentage points over the past decade. In 2018, homeowner vacancy rates for 1 unit was 1%, 2 or more units was 4%, and 5 or more units was 4%.

Renters

Median gross rents increased for each of the periods presented. Median gross rent was $1,058 in 2018, up 10% from a decade ago after adjusting for inflation. In the past decade, the largest dollar and rate increase in median gross rents was in the West (up $328 or 33%). By State or territory, the District of Columbia had the largest dollar increase at $505 and Colorado had the largest rate increase at 52%, while Nevada had the lowest dollar and rate increase (up $97 and 10%). Vacancy rates for rental units decreased 3 percentage points over the past decade. Among the groupings reported, rentals with 5 or more units had the highest vacancy rates, higher than both those with 1 unit and with 2 or more units.

Jobs and wages

Calendar year **(In thousands, except percentages, rates, or otherwise noted)**	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Total working age employment [1]	146,056	144,103	136,248	139,383	1%	7%	5%
Jobs per person in working age population (ages 16-64) [2]	*0.70*	*0.69*	*0.66*	*0.70*	*1%*	*6%*	*—%*
Total senior employment [1]	9,706	9,234	7,681	5,979	5%	26%	62%
Jobs per person in senior population (ages 65+) [2]	*0.20*	*0.19*	*0.19*	*0.16*	*6%*	*12%*	*27%*
Median annual wage (actual)	$ 38,640	$ 37,690	$ 35,080	$ 32,390	3%	10%	19%
Median annual wage adjusted for inflation (2018 base)	*$ 38,640*	*$ 38,611*	*$ 37,813*	*$ 37,776*	*—%*	*2%*	*2%*
Workers at or below minimum wage	1,711	1,824	3,300	2,226	(6)%	(48)%	(23)%
Workers at or below minimum wage per 1,000 hourly employees	*21*	*23*	*43*	*30*	*(9)%*	*(51)%*	(30)%
Federal minimum wage per hour	$ 7.25	$ 7.25	$ 7.25	$ 5.85	—%	—%	24%
Federal minimum wage per hour adjusted for inflation (2018 base)	*$ 7.25*	*$ 7.43*	*$ 7.81*	*$ 6.82*	*(2)%*	*(7)%*	*6%*

[†] *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

[1] *Total working age employment is from the current population survey (CPS) and represents average annual national non-farm employment.*

[2] *Total working age employment divided by the working age population of the US.*

Jobs

Total working age employment increased during the periods presented in this report but has not kept pace with growth in the working age population; over the past decade, total working age employment increased 5% while the working age population increased 5%, resulting in no change in jobs per person of working age. Over this same time period, however, total senior employment increased 62% while the senior population increased 35%, resulting in an increase of 27% in jobs per senior.

Demographically:

- *Gender* - The number of employed women increased more over the past decade (up 8% to 73 million workers) than did the number of employed men (up 7% to 83 million workers).
- *Race and ethnicity* - The number of employed Asian people increased at the greatest rate (up 42% to 10 million workers) followed closely by Hispanic people (up 33% to 27 million workers), while the number of employed white people increased by 2% (to 121 million workers).
- *Type of job* - The number of jobs that increased the most were in food preparation and serving related; personal care and service; healthcare practitioners; technical, business and financial operations; management; and computer and mathematical fields (each adding more than 1 million jobs in a decade), while the number of jobs that decreased the most were in office and administrative support and in production (each losing around 1 million jobs). Production jobs include but are not limited to: assemblers and fabricators; food processing workers; metal workers and plastic workers; printing, textile, apparel, and furnishings workers; and woodworkers.

Wages

The median annual wage increased across all job categories over the past decade and outpaced inflation by 2%. By job (not adjusted for inflation):

- The largest dollar increase in median annual wages was in management jobs, increasing $16,570 or 19% to $104,240.
- The largest percentage increase was in farming, fishing, and forestry, increasing 31% or $5,960 to $25,380.
- The smallest dollar increase was in sales and related, increasing $3,870 or 16% to $28,180.
- The smallest percentage increase was in education, training, and library, increasing 12% or $5,470 to $49,700.

The job category with the highest median annual wage is management, at $104,240 in 2018. The job category with the lowest median annual wage is food preparation and serving related, at $23,070 in 2018.

The number of workers paid at or below minimum wage decreased 23% over the past decade, as opposed to growth in total employment (7%) and the working age population (5%). The federal minimum wage per hour increased at a rate (24%) greater than that of median annual wages (19%), pre- and post-inflation. As of January 1, 2018, the District of Columbia, Guam, and 30 states had higher minimum wages than the federal minimum wage, up to $11.50 per hour in the District of Columbia. Five states had no state level minimum wage.

Employment Profile (calendar year 2018)

We also analyze employment by family and individual units (FIUs) and income cohort. See *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* of this report for a discussion of FIUs and income cohorts. An important thing to note when viewing the table below is that the income cohorts are based on average total Market Income, which equals the sum of average: wages and salaries, supplements to wages and salaries, self-employment income, interest income, rental income, S-Corporation income, dividend income, capital gains income, net retirement income, and other market income. Therefore, an FIU can be counted as unemployed in the table below but still have income.

Family and Individual Unit Sub Group /Income %	16 + Population (in K)	Employed (in K)	Not Participating (in K)	Unemployed (in K)	Employment-Population Ratio	Labor Force Participation Rate	Unemployment Rate	Avg. Number of Hours Worked per Week per Unit: Primary Earners	Avg. Number of Hours Worked per Week per Unit: All Earners	% of Units with # of Primary Earners: 0 Earners	% of Units with # of Primary Earners: 1 Earner	% of Units with # of Primary Earners: 2 Earners
All Family and Individual Units	**262,660**	**156,663**	**99,659**	**6,338**	**59.6%**	**62.1%**	**3.9%**	**35.9**	**39.7**	**28%**	**49%**	**23%**
Bottom 5% ($0)	5,979	439	5,319	221	7.3%	11.0%	33.5%	—	—	100%	—%	—%
Bottom 5%-20% ($0-$10K)	29,567	7,057	21,364	1,146	23.9%	27.7%	14.0%	7.7	8.2	69%	29%	1%
Second 20% ($10K-$36K)	44,212	22,031	20,827	1,354	49.8%	52.9%	5.8%	23.2	25.5	33%	62%	4%
Middle 20% ($36K-$69K)	49,397	30,536	17,610	1,251	61.8%	64.4%	3.9%	35.6	39.1	17%	71%	11%
Fourth 20% ($69K-$128K)	59,707	42,471	16,004	1,232	71.1%	73.2%	2.8%	50.0	55.5	9%	55%	36%
Top 2%-20% ($128K-$785K)	66,227	50,455	14,771	1,001	76.2%	77.7%	1.9%	64.0	71.2	5%	34%	62%
Top 1% ($785K+)	3,629	2,609	976	44	71.9%	73.1%	1.7%	64.5	71.5	4%	39%	57%
Married No Kids	**58,074**	**41,607**	**15,249**	**1,218**	**71.6%**	**73.7%**	**2.8%**	**61.0**	**67.4**	**8%**	**28%**	**64%**
Bottom 5%	391	39	332	20	10.0%	15.1%	33.8%	—	—	100%	—%	—%
Bottom 5%-20%	2,424	691	1,679	54	28.5%	30.7%	7.2%	17.1	17.8	54%	34%	11%
Second 20%	3,952	1,925	1,916	111	48.7%	51.5%	5.4%	33.9	37.0	23%	47%	30%
Middle 20%	7,244	4,193	2,839	212	57.9%	60.8%	4.8%	46.4	49.4	12%	48%	41%
Fourth 20%	16,816	12,674	3,769	373	75.4%	77.6%	2.9%	64.5	70.1	3%	29%	69%
Top 2%-20%	25,390	20,891	4,076	423	82.3%	83.9%	2.0%	74.2	83.4	1%	18%	81%
Top 1%	1,298	1,013	272	13	78.1%	79.0%	1.2%	74.1	84.4	1%	27%	72%
Married Parents	**63,729**	**43,536**	**18,971**	**1,222**	**68.3%**	**70.2%**	**2.7%**	**65.0**	**68.5**	**2%**	**31%**	**67%**
Bottom 5%	198	30	158	10	15.0%	20.1%	25.3%	—	—	100%	—%	—%
Bottom 5%-20%	1,585	578	946	61	36.5%	40.3%	9.6%	25.5	26.2	31%	54%	15%
Second 20%	4,712	2,461	2,097	154	52.2%	55.5%	5.9%	44.7	46.9	3%	65%	32%
Middle 20%	9,851	5,814	3,762	275	59.0%	61.8%	4.5%	54.3	57.3	1%	51%	48%
Fourth 20%	19,379	13,715	5,322	342	70.8%	72.5%	2.4%	66.2	69.9	—%	29%	71%
Top 2%-20%	26,204	19,758	6,089	357	75.4%	76.8%	1.8%	74.7	78.8	—%	17%	83%
Top 1%	1,430	984	433	13	68.8%	69.7%	1.3%	73.8	78.2	—%	27%	73%
Single No Kids	**61,114**	**44,206**	**14,783**	**2,125**	**72.3%**	**75.8%**	**4.6%**	**29.8**	**32.9**	**21%**	**79%**	**—%**
Bottom 5%	2,605	264	2,218	123	10.1%	14.8%	31.8%	—	—	100%	—%	—%
Bottom 5%-20%	10,740	4,005	6,147	588	37.3%	42.8%	12.8%	10.3	10.7	58%	42%	—%
Second 20%	14,673	11,077	3,032	564	75.5%	79.3%	4.8%	29.6	31.6	14%	86%	—%
Middle 20%	15,746	13,770	1,544	432	87.4%	90.2%	3.0%	39.3	42.5	3%	97%	—%
Fourth 20%	11,161	10,107	775	279	90.6%	93.1%	2.7%	42.0	48.0	1%	99%	—%
Top 2%-20%	4,935	4,478	358	99	90.7%	92.8%	2.2%	43.6	53.4	2%	98%	—%
Top 1%	191	172	15	4	90.1%	92.3%	2.3%	47.1	54.1	1%	99%	—%
Single Parents	**21,080**	**12,333**	**7,680**	**1,067**	**58.5%**	**63.6%**	**8.0%**	**27.4**	**31.4**	**24%**	**76%**	**—%**
Bottom 5%	909	75	773	61	8.2%	14.9%	44.9%	—	—	100%	—%	—%
Bottom 5%-20%	3,483	928	2,228	327	26.7%	36.0%	26.0%	6.8	7.6	66%	34%	—%
Second 20%	6,450	4,197	1,894	359	65.1%	70.6%	7.9%	30.8	33.5	6%	94%	—%
Middle 20%	5,465	3,840	1,451	174	70.3%	73.4%	4.3%	38.6	43.4	3%	97%	—%
Fourth 20%	3,231	2,362	754	115	73.1%	76.7%	4.7%	41.5	50.3	1%	99%	—%
Top 2%-20%	1,147	825	304	18	71.9%	73.4%	2.1%	43.4	57.2	1%	99%	—%
Top 1%	33	20	12	1	61.0%	63.4%	3.9%	44.0	53.6	1%	99%	—%
Elderly (age 65+)	**58,662**	**14,981**	**42,975**	**706**	**25.5%**	**26.7%**	**4.5%**	**11.1**	**14.1**	**70%**	**24%**	**7%**
Bottom 5%	1,876	32	1,837	7	1.7%	2.1%	18.2%	—	—	100%	—%	—%
Bottom 5%-20%	11,334	855	10,363	116	7.5%	8.6%	12.0%	2.3	2.6	89%	10%	—%
Second 20%	14,426	2,371	11,888	167	16.4%	17.6%	6.6%	4.7	7.0	81%	17%	2%
Middle 20%	11,091	2,919	8,013	159	26.3%	27.8%	5.2%	10.1	14.2	68%	28%	4%
Fourth 20%	9,119	3,612	5,384	123	39.6%	41.0%	3.3%	21.1	27.1	48%	39%	13%
Top 2%-20%	8,551	4,504	3,942	105	52.7%	53.9%	2.3%	34.4	40.9	28%	46%	26%
Top 1%	677	419	244	14	61.9%	64.0%	3.2%	43.2	49.4	19%	46%	35%

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In 2018, of the 262.7 million FIUs age 16 and older:

- 156.7 million FIUs or 59.6% of FIUs were employed (including the self-employed);
- 99.7 million FIUS or 37.9% were not participating in the workforce (neither employed nor actively looking for work); and
- 6.3 million FIUs or 2.4% were unemployed (not employed and had been actively looking for a job for the prior four weeks). The 3.9% unemployment rate shown in the cohort table above is different from this rate, as the rate in the table above represents the unemployed divided by the labor force (those employed and unemployed, excluding those not participating) rather than being divided by all FIUs age 16 and older.

Employed

By family type

Of the 156.7 million FIUs that were employed in 2018, the families without children had the highest employment rates. By family type:

- 41.6 million FIUs or 72% of the married without kids FIUs were employed;
- 43.5 million FIUs or 68% of the married parent FIUs were employed;
- 44.2 million FIUs or 72% of the single without kids FIUs were employed;
- 12.3 million FIUs or 59% of the single parent FIUs were employed; and
- 15.0 million FIUs or 26% of the elderly FIUs were employed.

By income cohort and disability status

Generally, the percentage of FIUs employed increase as we move up the income cohorts; the employment rate climbs from 7.3% in the lowest 5% income cohort to 76.2% in the second highest cohort, and then declines to 71.9% for the top 1% cohort. Of the working age population that was employed in 2018, 4% had a disability.

Not participating (not working, not looking)

By family type

Of the 99.7 million FIUs that were not participating in the workforce in 2018, a plurality (43.0 million FIUs or 43%) were elderly (age 65 and older). The remainder was, by family type:

- 15.2 million married without kids FIUs (26% of their family type) or 15% of the FIUs aged 16 and older that were not participating;
- 19.0 million married parent FIUs (30% of their family type) or 19% of those not participating;
- 14.8 million single without kids FIUs (24% of their family type) or 15% of those not participating; and
- 7.7 million single parent FIUs (36% of their family type) or 8% of those not participating.

By income cohort and disability status

Generally, the rates of FIUs not participating in the labor force decrease as we move up the income cohorts; the rate of those not participating decreases from 89.0% in the lowest 5% income cohort until it reaches 22.3% in the second highest income cohort, and then increases to 26.9% for the top 1% cohort. Of the working age population that was not participating in 2018, 25% had a disability.

Unemployed (not working, actively looking)

By family type

A third of the 6.3 million FIUs who were unemployed were single without kids, while the elderly comprised the fewest number of FIUs unemployed. By family type:

- 1.2 million FIUs or 19% of the FIUs aged 16 and older that were unemployed were married without kids;
- 1.2 million or 19% were married parents;
- 2.1 million or 34% were single without kids;
- 1.1 million or 17% were single parents; and
- 0.7 million or 11% were elderly.

By income cohort and disability status

Generally, the rate of FIUs unemployed decreases as we move up the income cohorts; the unemployment rate (the percentage of the FIUs age 16 and older that are unemployed) increases from 3.7% for the lowest 5% income cohort to 3.9% for the second lowest income cohort, and then decreases for each cohort through the top 1% cohort where the unemployment rate is 1.2%. Of the working age population that was unemployed in 2018, 8% had a disability.

Workweek

In 2018, the workweek averaged 39.7 hours for all FIUs. The number of hours in a workweek generally rises with incomes, ranging from zero for the bottom 5% income cohort to 71.5 hours among the top 1% income cohort. There may be multiple people in an FIU who work, so this is not the number of hours worked by each individual.

Transportation infrastructure

Fiscal year, except as otherwise noted (In thousands, except percentages and otherwise noted)	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Percentage of roads in unsatisfactory condition by type (calendar year):							
Interstates [1]	3%	3%	3%	3%	—ppt	—ppt	—ppt
Other freeways and expressways	7%	8%	8%	7%	(1)ppt	(1)ppt	—ppt
Other principal arterials	14%	14%	13%	12%	—ppt	1ppt	2ppt
Minor arterials	19%	20%	18%	14%	(1)ppt	1ppt	5ppt
Major collectors	20%	22%	20%	16%	(2)ppt	—ppt	4ppt
Collectors	48%	50%	53%	45%	(2)ppt	(5)ppt	3ppt
Percentage of bridges in poor condition [2]	8%	8%	9%	na	—ppt	(1)ppt	na
Hours of delay per commuter per year per urban highway commuter [3]	na	54	48	42	na	na	na
Fuel wasted due to urban commuter delays (million gallons) [3]	na	6.8	6.7	6.4	na	na	na
Passenger trains							
Number of Amtrak passengers (in millions)	31.7	31.7	30.9	28.7	—%	3%	10%
Amtrak hours of delay, due to:	96	95	79	95	1%	22%	1%
Host railroad issue (e.g. freight train interference)	55	53	45	65	4%	22%	(15)%
Amtrak issue (e.g. equipment failure, passenger handling, holding)	27	28	22	23	(4)%	23%	17%
Other (e.g. weather, customs and immigration, law enforcement)	14	14	12	7	—%	17%	100%
Average age of Amtrak locomotive and car fleets (years):							
Locomotives (diesel and electric)	19.9	19.3	21.9	19.6	3%	9%	2%
Car fleets (railcar and trainset fleets)	31.3	30.6	28.6	24.5	2%	9%	28%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Unsatisfactory condition means an International Roughness Index (IRI) value greater than 170, as used by the National Cooperative Highway Research Program (NHCRP). These percentages were derived from https://www.bts.gov/topics/national-transportation-statistics.*

2 *Poor condition means a bridge that has a condition rating of 4 or less for the deck, superstructures, substructures, or culvert, as defined by the Federal Highway Administration (https://www.fhwa.dot.gov/bridge/britab.cfm).*

3 *Data is based on an analysis by Texas A&M Transportation Institute, Mobility Division and reported by the Bureau of Transportation Statistics (a 494 urban area average).*

Roads

All types of roads except interstates and other freeways and expressways became more unsatisfactory in condition over the past decade, while bridges improved in condition. As of 2018, the roads in the worst condition, at 48% unsatisfactory, are the collectors. Collectors are, for rural areas, routes that serve intra-county rather than statewide travel, and in urban areas, streets that provide direct access to neighborhoods and arterials. As of 2018, 8% of bridges were in poor condition.

Road congestion in urban areas is one of the major causes for commuter delays. Hours of delay per year per urban highway commuter increased 12 hours when comparing 2008 to 2017, the latest date for which data are available. The city that reported the greatest increase in hours of delay was Los Angeles at an increase of 26 hours, while only one city reported a decline – Cape Coral, Florida with a decline of one hour. Fuel wasted due to urban commuter delays increased 6% from 2008 to 2017, the latest date for which data are available.

Passenger trains

The number of Amtrak passengers has increased, and they are experiencing more delays in their travels. During the past decade, host railroad-caused delays decreased, whereas Amtrak and other causes increased. Amtrak owns its trains, however, over 70% of the miles traveled by Amtrak trains are on tracks owned by other railroads known as "host railroads." Host railroads range from large, publicly traded companies based in the US or Canada, to state and local government agencies and small businesses. The leading cause of delay to Amtrak trains on host railroads is freight train interference, which is typically caused by a freight railroad requiring an Amtrak train to wait so that its freight trains can operate first.

The average age of Amtrak trains has increased over the past decade. Amtrak operates a fleet of predominantly custom-built equipment, a significant portion of which is at or nearing the end of its useful service life. Amtrak's railcar fleet is averaging nearly 33 years of age, and its diesel locomotives nearly 21 years of age, both at or beyond Amtrak's estimated useful commercial life of 30 years for railcars and 20-25 years for locomotives before key factors affecting a locomotive or car fleet become significant. With a long lead-time to procure any replacement units, Amtrak is focused on the continued modernization of its passenger car, locomotive, and trainset fleets.

Standard of living and aid to the disadvantaged

The standard of living and aid to the disadvantaged reporting unit seeks to maintain a minimum standard of living for all Americans and reduce levels of poverty among the US population, including children, by providing for their basic needs including welfare, free and subsidized school lunches, and child healthcare.

Poverty

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Rate of poverty of all persons - Official Poverty Measure [1]	12%	12%	15%	13%	—ppt	(3)ppt	(1)ppt
Rate of poverty of all persons - Supplemental Poverty Measure [1]	13%	13%	16%	na	—ppt	(3)ppt	na

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *The poverty rate is calculated by the Census based on income for the calendar year shown, for the population as of March of the following year. For example, the 2018 poverty rate is for the population living in March of 2019 that would be considered in poverty based on calendar year 2018 income.*

There are two primary government poverty measures, the Official Poverty Measure (OPM) and the Supplemental Poverty Measure (SPM), which began in 2010. The key differences are that the SPM uses a different definition of income and a different poverty threshold. The OPM income or resource measure is pre-tax cash income, while the SPM income or resource measure is cash income plus in-kind government benefits (such as food stamps and housing subsidies) minus nondiscretionary expenditures (e.g. taxes and work expenses). The OPM poverty thresholds are based on the cost of food multiplied by 3 to allow for expenditures on other goods and services, adjusted for changes in prices, while the SPM thresholds are based on a broad measure of necessary expenditures (food, clothing, shelter, and utilities) and are based on recent, annually updated expenditure data, adjusted for geographic differences in the cost of living. The two measures (OPM and SPM) may produce different pictures of who is counted as poor.

We discuss and show the details of both poverty measures below. Note that the rates in the table above are per individual, while the tables below are per family and individual unit (FIU), consistent with our other cohort tables.

Poverty profile using Official Poverty Measure (calendar year 2018)

		Average Per Unit			Top Earner Gender		Race, Ethnicity of Unit Head											
Family and Individual Unit Sub Group/% of Poverty Threshold %	**# of Units** *(in K)*	**Persons**	**Children** *(Under 18)*	**Age of Unit Head**	**% Male**	**% Female**	**% White (all ethnicities)**	**% Black (all ethnicities)**	**% Asian (all ethnicities)**	**% Other Race (all ethnicities)**	**% Hispanic (all races)**	**% US-Born**	**% Urban**	**% Rural**	**% Northeast**	**% Midwest**	**% South**	**% West**
All Families	**149,989**	**2.2**	**0.5**	**50.1**	**56%**	**44%**	**78%**	**14%**	**6%**	**2%**	**15%**	**84%**	**83%**	**17%**	**17%**	**21%**	**38%**	**24%**
<100% of poverty threshold	20,504	1.9	0.6	47.1	40%	60%	69%	22%	6%	3%	21%	80%	79%	21%	16%	19%	43%	22%
100%-200%	26,700	2.1	0.6	50.3	48%	52%	76%	17%	4%	3%	22%	79%	79%	21%	15%	20%	41%	23%
200%-300%	23,533	2.2	0.5	49.9	56%	44%	78%	15%	5%	2%	18%	83%	80%	20%	16%	22%	40%	22%
300%-400%	20,045	2.2	0.5	49.4	60%	40%	79%	14%	5%	2%	15%	85%	82%	18%	16%	23%	38%	23%
400%+	59,206	2.3	0.4	51.1	64%	36%	83%	9%	7%	1%	9%	87%	87%	13%	19%	22%	35%	25%
Single No Kids	**51,586**	**1.2**	**—**	**40.5**	**52%**	**48%**	**74%**	**18%**	**6%**	**2%**	**16%**	**86%**	**85%**	**15%**	**17%**	**21%**	**37%**	**24%**
<100% of poverty threshold	10,091	1.1	—	40.4	46%	54%	68%	22%	7%	3%	17%	85%	80%	20%	16%	20%	40%	23%
100%-200%	9,353	1.2	—	40.1	48%	52%	73%	20%	4%	3%	21%	83%	80%	20%	14%	22%	41%	23%
200%-300%	8,530	1.2	—	39.4	52%	48%	73%	20%	4%	3%	17%	86%	83%	17%	16%	23%	40%	21%
300%-400%	7,654	1.2	—	39.4	54%	46%	75%	18%	6%	2%	16%	87%	86%	14%	18%	23%	36%	24%
400%+	15,957	1.2	—	41.8	58%	42%	78%	13%	8%	2%	11%	87%	90%	10%	21%	19%	33%	27%
Single Parents	**14,060**	**2.9**	**1.7**	**35.8**	**25%**	**75%**	**67%**	**26%**	**3%**	**3%**	**26%**	**83%**	**81%**	**19%**	**15%**	**21%**	**41%**	**23%**
<100% of poverty threshold	4,011	3.1	2.0	34.3	16%	84%	62%	31%	3%	3%	29%	79%	78%	22%	14%	19%	46%	20%
100%-200%	3,948	3.0	1.8	35.6	24%	76%	66%	27%	2%	4%	32%	79%	80%	20%	15%	22%	41%	22%
200%-300%	2,488	2.7	1.5	36.1	29%	71%	71%	23%	3%	2%	24%	87%	81%	19%	15%	22%	39%	23%
300%-400%	1,481	2.7	1.5	36.6	32%	68%	71%	22%	4%	3%	20%	88%	85%	15%	15%	20%	42%	23%
400%+	2,133	2.5	1.4	37.9	37%	63%	73%	19%	6%	3%	16%	88%	88%	12%	18%	20%	35%	27%
Married No Kids	**24,069**	**2.4**	**—**	**50.5**	**70%**	**30%**	**84%**	**8%**	**7%**	**1%**	**13%**	**83%**	**82%**	**18%**	**17%**	**21%**	**39%**	**23%**
<100% of poverty threshold	823	2.2	—	52.4	59%	41%	78%	12%	8%	2%	16%	77%	71%	29%	14%	13%	55%	18%
100%-200%	1,758	2.4	—	50.8	68%	32%	79%	10%	8%	3%	26%	71%	77%	23%	15%	15%	46%	24%
200%-300%	2,462	2.5	—	51.1	68%	32%	81%	11%	6%	2%	24%	73%	76%	24%	14%	19%	45%	22%
300%-400%	2,758	2.5	—	50.5	71%	29%	82%	10%	6%	2%	19%	78%	79%	21%	14%	20%	42%	23%
400%+	16,269	2.4	—	50.4	71%	29%	86%	7%	7%	1%	9%	87%	85%	15%	19%	23%	36%	23%
Married Parents	**24,654**	**4.3**	**2.0**	**40.6**	**76%**	**24%**	**81%**	**8%**	**9%**	**2%**	**20%**	**75%**	**84%**	**16%**	**16%**	**22%**	**37%**	**25%**
<100% of poverty threshold	1,435	4.8	2.6	39.0	75%	25%	76%	11%	10%	3%	44%	50%	82%	18%	14%	15%	43%	28%
100%-200%	3,659	4.7	2.4	38.6	81%	19%	79%	11%	7%	3%	38%	59%	80%	20%	14%	17%	42%	28%
200%-300%	3,995	4.4	2.1	39.3	78%	22%	81%	10%	7%	3%	27%	71%	80%	20%	15%	21%	40%	25%
300%-400%	3,664	4.3	2.0	40.2	77%	23%	80%	10%	8%	2%	18%	80%	81%	19%	14%	24%	39%	23%
400%+	11,900	4.0	1.8	41.9	73%	27%	82%	6%	11%	1%	10%	82%	88%	12%	19%	23%	34%	24%
Elderly (65+)	**35,620**	**1.7**	**—**	**72.6**	**52%**	**48%**	**84%**	**11%**	**4%**	**1%**	**8%**	**88%**	**79%**	**21%**	**18%**	**21%**	**38%**	**22%**
<100% of poverty threshold	4,143	1.4	0.1	73.9	35%	65%	73%	20%	5%	2%	17%	80%	78%	22%	17%	20%	43%	21%
100%-200%	7,982	1.5	—	74.3	41%	59%	81%	14%	4%	2%	11%	86%	75%	25%	17%	20%	41%	22%
200%-300%	6,058	1.7	—	73.5	51%	49%	85%	10%	3%	1%	7%	90%	78%	22%	18%	22%	38%	22%
300%-400%	4,488	1.8	—	72.7	57%	43%	86%	9%	3%	1%	6%	90%	79%	21%	17%	24%	36%	23%
400%+	12,948	1.9	—	71.1	61%	39%	89%	6%	4%	1%	4%	91%	83%	17%	19%	22%	36%	23%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

†† *Poverty as defined by the Official Poverty Measure (OPM), officially used by the Census Bureau since 1963. Varies by family size, composition, and age of householder. Poverty line set as equal to three times the cost of a minimum diet in 1963 (adjusted for inflation). Uses gross income before tax as resource measure.*

Over the past decade, the average poverty rate of our population increased until 2013 when it started to decline. Demographically, in 2018:

- *Geographic region* -The region with the highest poverty rate remained the South, at 43% of all FIUs in poverty.
- *Race and ethnicity* -
  - White people accounted for the largest portion of FIUs in poverty, at 69% of heads of FIUs below the poverty line in 2018, while they represented an even greater portion of heads of all FIUs (78%).
  - Black people were disproportionately represented among the poor, comprising 14% of heads of all FIUs, while representing 22% of heads of FIUs below the poverty line in 2018.
  - Hispanic people (included within each applicable race as well) were also disproportionately represented among the poor, comprising 15% of the heads of all FIUs, while representing 21% of heads of FIUs below the poverty line in 2018.
- *Gender* - Families where women were the primary earners accounted for 44% of all FIUs in 2018 but 60% of the poor. In particular, women disproportionately supported elderly poor families, where they were head-of-household for 48% of all elderly FIUs but 65% of the elderly poor FIUs. The same was true for families who were married with no kids, where women were head-of-household for 30% of this population but 41% of the subset that was below the poverty line.
- *Family type* - In 2018, by family type, the largest number of people in poverty were single people without kids. Single parents had the highest poverty rate, 29%, and were disproportionally represented among the poor (20% of the poor while 9% of all FIUs). Single people without kids had a 20% poverty rate and were also disproportionally represented among the poor, representing 49% of the poor and 34% of all FIUs. All other family types were under-represented among the poor (i.e. they comprised a smaller portion of the poor than they did of all FIUs).

Poverty profile using Supplemental Poverty Measure (calendar year 2018)

		Average Per Unit			Top Earner Gender		Race, Ethnicity of Unit Head											
Family and Individual Unit SubGroup/% of Poverty Threshold [1]	**# of Units** *(in K)*	**Persons**	**Children** *(Under 18)*	**Age of Unit Head**	**% Male**	**% Female**	**% White**	**% Black**	**% Asian**	**% Other Race**	**% Hispanic**	**% US-Born**	**% Urban**	**% Rural**	**% Northeast**	**% Midwest**	**% South**	**% West**
All Families	**149,989**	**2.2**	**0.5**	**50.1**	**56%**	**44%**	**78%**	**14%**	**6%**	**2%**	**15%**	**84%**	**83%**	**17%**	**17%**	**21%**	**38%**	**24%**
<100% of poverty threshold	21,648	1.9	0.5	49.5	45%	55%	70%	20%	7%	2%	23%	75%	83%	17%	17%	16%	41%	26%
100%-200%	41,452	2.2	0.6	49.2	51%	49%	74%	18%	5%	2%	22%	79%	82%	18%	17%	20%	39%	24%
200%-300%	31,403	2.3	0.5	49.0	58%	42%	79%	13%	5%	2%	14%	86%	82%	18%	16%	23%	38%	23%
300%-400%	21,236	2.2	0.4	49.8	60%	40%	82%	10%	6%	1%	10%	89%	82%	18%	17%	24%	36%	22%
400%+	34,250	2.1	0.3	52.5	65%	35%	86%	7%	6%	1%	6%	89%	84%	16%	19%	23%	37%	22%
Single No Kids	**51,586**	**1.2**	**—**	**40.5**	**52%**	**48%**	**74%**	**18%**	**6%**	**2%**	**16%**	**86%**	**85%**	**15%**	**17%**	**21%**	**37%**	**24%**
<100% of poverty threshold	9,699	1.2	—	39.7	50%	50%	68%	21%	8%	3%	21%	79%	84%	16%	16%	17%	40%	27%
100%-200%	14,103	1.2	—	40.6	50%	50%	70%	22%	5%	3%	19%	84%	83%	17%	17%	21%	38%	24%
200%-300%	10,932	1.2	—	39.5	52%	48%	74%	18%	5%	3%	15%	88%	84%	16%	17%	23%	36%	24%
300%-400%	7,194	1.2	—	40.3	53%	47%	78%	14%	6%	2%	12%	89%	85%	15%	18%	23%	36%	23%
400%+	9,658	1.1	—	42.2	57%	43%	81%	10%	7%	1%	8%	90%	87%	13%	20%	21%	35%	24%
Single Parents	**14,060**	**2.9**	**1.7**	**35.8**	**25%**	**75%**	**67%**	**26%**	**3%**	**3%**	**26%**	**83%**	**81%**	**19%**	**15%**	**21%**	**41%**	**23%**
<100% of poverty threshold	3,313	3.0	1.8	35.0	19%	81%	61%	32%	4%	3%	34%	73%	83%	17%	16%	16%	45%	23%
100%-200%	6,075	2.9	1.7	35.2	23%	77%	66%	28%	3%	3%	29%	82%	82%	18%	16%	21%	41%	22%
200%-300%	2,816	2.8	1.6	36.3	30%	70%	72%	20%	3%	4%	18%	89%	79%	21%	13%	23%	41%	23%
300%-400%	1,030	2.6	1.4	37.0	36%	64%	76%	16%	5%	4%	15%	92%	79%	21%	16%	23%	39%	23%
400%+	827	2.6	1.4	40.1	39%	61%	79%	15%	4%	2%	15%	91%	85%	15%	17%	24%	36%	23%
Married No Kids	**24,069**	**2.4**	**—**	**50.5**	**70%**	**30%**	**84%**	**8%**	**7%**	**1%**	**13%**	**83%**	**82%**	**18%**	**17%**	**21%**	**39%**	**23%**
<100% of poverty threshold	1,609	2.4	—	51.6	62%	38%	78%	10%	10%	2%	23%	69%	79%	21%	16%	14%	45%	26%
100%-200%	3,808	2.6	—	51.0	69%	31%	79%	11%	8%	2%	26%	69%	82%	18%	16%	15%	41%	27%
200%-300%	4,519	2.6	—	50.0	71%	29%	83%	9%	6%	2%	17%	81%	82%	18%	16%	21%	39%	24%
300%-400%	4,215	2.5	—	49.5	69%	31%	84%	9%	5%	2%	10%	88%	82%	18%	17%	23%	37%	23%
400%+	9,918	2.3	—	50.9	71%	29%	87%	5%	6%	1%	6%	89%	84%	16%	18%	24%	37%	20%

		Average Per Unit			Top Earner Gender		Race, Ethnicity of Unit Head											
Family and Individual Unit SubGroup/% of Poverty Threshold [1]	**# of Units** *(in K)*	**Persons**	**Children** *(Under 18)*	**Age of Unit Head**	**% Male**	**% Female**	**% White**	**% Black**	**% Asian**	**% Other Race**	**% Hispanic**	**% US-Born**	**% Urban**	**% Rural**	**% Northeast**	**% Midwest**	**% South**	**% West**
Married Parents	**24,654**	**4.3**	**2.0**	**40.6**	**76%**	**24%**	**81%**	**8%**	**9%**	**2%**	**20%**	**75%**	**84%**	**16%**	**16%**	**22%**	**37%**	**25%**
<100% of poverty threshold	1,692	4.6	2.2	40.4	74%	26%	75%	11%	11%	3%	44%	48%	90%	10%	17%	11%	40%	33%
100%-200%	7,056	4.5	2.1	38.9	79%	21%	78%	11%	8%	3%	34%	63%	83%	17%	15%	18%	39%	28%
200%-300%	6,171	4.3	2.0	40.0	76%	24%	81%	8%	8%	2%	16%	80%	82%	18%	16%	23%	38%	24%
300%-400%	4,127	4.1	1.9	41.1	74%	26%	83%	7%	9%	1%	10%	85%	83%	17%	16%	27%	36%	22%
400%+	5,608	4.0	1.8	42.9	73%	27%	84%	5%	11%	1%	7%	84%	88%	12%	18%	25%	35%	23%
Elderly (65+)	**35,620**	**1.7**	**—**	**72.6**	**52%**	**48%**	**84%**	**11%**	**4%**	**1%**	**8%**	**88%**	**79%**	**21%**	**18%**	**21%**	**38%**	**22%**
<100% of poverty threshold	5,335	1.6	0.1	73.6	39%	61%	76%	17%	6%	2%	15%	80%	81%	19%	18%	18%	40%	25%
100%-200%	10,410	1.6	—	73.8	45%	55%	80%	14%	4%	2%	11%	85%	78%	22%	18%	19%	39%	23%
200%-300%	6,965	1.7	—	72.7	53%	47%	86%	10%	3%	1%	6%	91%	79%	21%	17%	24%	37%	22%
300%-400%	4,670	1.8	—	71.8	57%	43%	88%	7%	4%	1%	4%	92%	79%	21%	18%	24%	37%	21%
400%+	8,240	1.8	—	71.2	64%	36%	92%	4%	3%	1%	3%	93%	80%	20%	18%	23%	39%	20%

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†† *Poverty threshold as defined by the Supplemental Poverty Measure (SPM) for 2013 from the Census Bureau. The SPM extends the official poverty measure by taking account of many of our Government programs designed to assist low-income families and individuals that are not included in the current official poverty measure. It uses different methodologies for household size and adjusts for cost of living differences across geographies.*

The Supplemental Poverty Measure shows us, in 2018, demographically:

- *Geographic region*- The region with the highest poverty rate remained the South, at 41% of all FIUs in poverty.
- *Race and ethnicity* - White people accounted for the largest portion of FIUs in poverty, at 70% of heads of FIUs below the poverty line in 2018, while they represented an even greater portion of heads of all FIUs (78%). Black and Hispanic people were disproportionately represented among the poor, comprising 14% and 15% of heads of all FIUs, respectively, while representing 20% and 23%, respectively, of heads of FIUs below the poverty line in 2018.
- *Gender* - Families where women were the primary earners accounted for 44% of all FIUs in 2018 but 55% of the poor. In particular, women disproportionately supported elderly poor families, where they were head-of-household for 48% of all elderly FIUs but 61% of the elderly poor FIUs. The same was true for families who were married with no kids, where women were head-of-household for 30% of this population but 38% of the subset that was below the poverty line.
- *Family type* - In 2018, by family type, the largest number of people in poverty were single people without kids. Single parents had the highest poverty rate, 24%, and were disproportionally represented among the poor (15% of the poor while 9% of all FIUs). Single people without kids had a 19% poverty rate and were also disproportionally represented among the poor, representing 45% of the poor and 34% of all FIUs. The elderly had a 15% poverty rate and were also disproportionally represented among the poor, representing 25% of the poor and 24% of all FIUs. Married families were under-represented among the poor (i.e. they comprised a smaller portion of the poor than they did of all FIUs).

Subsidized housing

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
People in subsidized housing (in thousands)	9,535	9,653	10,077	9,635	(1)%	(5)%	(1)%
People in subsidized housing per 100,000 people	2,917	*2,969*	3,188	3,168	(2)%	*(9)%*	*(8)%*

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The number of people in subsidized housing has fluctuated but decreased over the past decade. Demographically:

- *Gender* - Over the past decade, 75% to 78% of HUD subsidized households were headed by a woman, and 33% to 38% were headed by a woman with a child in the household.
- *Family type* - Over the past decade, 30% to 37% of HUD subsidized households had only one adult with children, while the number of households with two or more adults with children decreased 8 percentage points to only 4% in 2018.
- *Race* - Households where the head-of-household is Black comprised 42% of the subsidized households in 2018 while households headed by a white person followed at 35%. Over the past decade, the Black head-of-household percentage increased 3 percentage points, while the white head-of household percentage decreased 6 percentage points.
- *Age* - Households where the head-of-household is age 25 to 50 comprised 40% of the subsidized households in 2018, down from 44% in 2008, while households headed by a person over 62 years old followed at 36% in 2018, up from 31% in 2008.

Consumption

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Total household cash expenditures (consumption) (in billions)	$ 12,955	$ 12,353	$ 10,500	$ 9,587	5%	23%	35%
Cash expenditures per household	*$101,539*	*$ 97,866*	*$ 85,743*	*$ 82,092*	*4%*	*18%*	*24%*
Cash expenditures per household adjusted for inflation (2018 base)	*$101,539*	*$100,256*	*$ 92,423*	*$ 95,744*	*1%*	*10%*	*6%*

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One measure of standard of living may be household consumption. Total household cash expenditures have outpaced inflation by 6% over the past decade. In 2018, our largest household cash expenditures were for healthcare (24% of our expenditures), housing (17%), food (12%), and transportation (11%). The largest dollar increases in aggregate household expenditures over the last decade were in healthcare (growth of $1.1 trillion or 55%), food both in and out of the home ($424 billion or 39%), housing ($369 billion or 20%), transportation ($257 billion or 22%), recreation and entertainment ($212 billion or 35%), and technology ($146 billion or 30%).

As a comparison, medical care inflation was 33%, food inflation was 20%, overall inflation was 16%, population growth was 7%, and the median annual wage grew 19% over the past decade.

Health

The health reporting unit seeks to maintain good public health in America, by incentivizing healthy behavior and managing the public healthcare delivery system.

Health conditions

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Percent of adults with: [1]							
Asthma [2]	15%	14%	14%	13%	1ppt	1ppt	2ppt
Diabetes [3]	11%	11%	10%	9%	—ppt	1ppt	2ppt
Heavy drinker [4]	6%	6%	6%	5%	—ppt	—ppt	1ppt
Smoker [5]	16%	17%	19%	18%	(1)ppt	(3)ppt	(2)ppt
Exercise 1x/mo + [6]	76%	74%	75%	74%	2ppt	1ppt	2ppt
Obese [7]	31%	31%	29%	26%	—ppt	2ppt	5ppt
Overweight [8]	36%	35%	35%	36%	1ppt	1ppt	—ppt
Low sleep [9]	36%	na	36%	na	na	—ppt	na

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na *An "na" reference in the table means the data is not available.*

1 *Data represents the median crude prevalence of conditions across all states and the District of Columbia.*

2 *Individuals who have ever been told that they have asthma.*

3 *Individuals who have ever been told by a medical professional that they have diabetes.*

4 *Males having 14+ drinks per week, females having 7+ drinks per week.*

5 *Individuals who smoke cigarettes every day or some days.*

6 *Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.*

7 *Individuals with a body mass index (BMI) greater than 29.9.*

8 *Individuals with a body mass index (BMI) between 25.0 and 29.9.*

9 *Individuals who sleep on average less than 7 hours during a 24-hour period.*

Americans report experiencing higher rates of asthma, diabetes, heavy drinking, and obesity than they were a decade ago. They also report exercising more frequently. We look at these factors and others by family and individual unit (FIU) and income cohort in the table below.

Health profile (calendar year 2018)

Family and Individual Unit Sub Group/Income %	Percent of adults who have health condition							
	% Asthma [1]	% Diabetes [2]	% Heavy Drinker [3]	% Smoker [4]	% Exercise 1x / mo + [5]	% Obese [6]	% Overweight [7]	% Low Sleep [8]
All Families	**14.0%**	**10.7%**	**6.5%**	**13.1%**	**78.0%**	**29.8%**	**35.2%**	**33.6%**
Bottom 20% ($0-$10K)	17.2%	18.3%	5.4%	19.3%	65.3%	32.0%	31.9%	34.5%
Second 20% ($10K-$36K)	15.1%	13.2%	6.0%	16.9%	71.5%	31.6%	34.0%	34.8%
Middle 20% ($36K-$69K)	13.8%	10.5%	6.7%	15.1%	77.2%	31.5%	34.8%	34.9%
Fourth 20% ($69K-$128K)	13.0%	8.1%	6.5%	10.7%	82.7%	29.4%	35.9%	33.4%
Top 20% ($128K+)	12.5%	7.1%	7.2%	8.1%	85.7%	26.4%	37.4%	31.5%
Married No Kids	**12.9%**	**9.6%**	**7.4%**	**11.7%**	**81.3%**	**29.5%**	**35.5%**	**32.8%**
Bottom 20%	15.8%	19.6%	4.8%	20.4%	66.3%	34.1%	34.5%	36.5%
Second 20%	13.7%	13.4%	7.4%	15.3%	71.5%	34.0%	35.0%	34.1%
Middle 20%	13.0%	12.6%	5.8%	16.2%	76.0%	33.8%	35.3%	33.3%
Fourth 20%	12.9%	9.1%	7.0%	11.3%	82.4%	30.5%	34.5%	33.4%
Top 20%	12.4%	7.3%	8.4%	9.2%	85.3%	26.5%	36.4%	31.8%
Married Parents	**12.8%**	**5.5%**	**5.3%**	**10.0%**	**82.5%**	**30.2%**	**36.9%**	**34.6%**
Bottom 20%	18.3%	11.4%	3.9%	19.5%	66.0%	35.6%	35.9%	38.8%
Second 20%	14.2%	8.0%	4.7%	15.4%	74.2%	35.4%	34.6%	35.9%
Middle 20%	13.8%	6.6%	4.4%	13.5%	76.0%	34.3%	36.1%	38.0%
Fourth 20%	12.4%	5.1%	5.3%	9.9%	83.6%	30.5%	36.9%	34.5%
Top 20%	12.1%	4.5%	5.9%	7.3%	86.7%	27.1%	37.7%	33.0%
Single No Kids	**16.1%**	**7.6%**	**8.4%**	**19.2%**	**78.7%**	**29.6%**	**32.4%**	**37.2%**
Bottom 20%	18.7%	11.7%	7.1%	24.3%	70.8%	31.6%	29.1%	38.2%
Second 20%	16.8%	8.0%	7.9%	21.5%	76.5%	30.7%	32.1%	38.7%
Middle 20%	14.6%	6.4%	9.3%	18.7%	80.3%	30.1%	32.8%	37.7%
Fourth 20%	14.6%	5.0%	9.0%	14.1%	84.8%	26.8%	34.6%	35.4%
Top 20%	14.3%	4.6%	9.1%	10.7%	88.9%	24.3%	36.5%	32.4%
Single Parents	**17.7%**	**6.7%**	**6.3%**	**20.4%**	**74.1%**	**35.3%**	**30.4%**	**42.7%**
Bottom 20%	20.7%	9.1%	5.4%	26.3%	67.9%	36.7%	27.1%	42.7%
Second 20%	19.0%	6.0%	5.8%	22.0%	70.0%	35.4%	30.8%	44.5%
Middle 20%	15.8%	5.5%	7.5%	19.9%	77.1%	35.4%	30.1%	41.9%
Fourth 20%	15.2%	6.2%	6.7%	13.0%	83.0%	34.8%	32.3%	41.5%
Top 20%	15.9%	6.8%	7.1%	11.6%	84.8%	27.8%	38.7%	36.7%
Elderly (65+)	**12.9%**	**21.1%**	**4.7%**	**9.1%**	**70.7%**	**28.5%**	**37.4%**	**26.9%**
Bottom 20%	14.9%	27.9%	3.9%	12.1%	58.7%	30.3%	35.0%	27.8%
Second 20%	12.5%	22.6%	4.2%	11.2%	66.3%	29.4%	36.6%	27.1%
Middle 20%	12.5%	19.8%	5.3%	8.4%	74.4%	28.4%	38.2%	26.6%
Fourth 20%	11.7%	16.3%	4.7%	6.3%	79.3%	27.1%	39.4%	26.7%
Top 20%	12.5%	14.9%	5.8%	5.4%	82.5%	25.3%	39.4%	25.6%

[1] *Individuals who have ever been told that they have asthma.*
[2] *Individuals who have ever been told by a medical professional that they have diabetes.*
[3] *Males having 14+ drinks per week, females having 7+ drinks per week.*
[4] *Individuals who smoke cigarettes every day or some days.*
[5] *Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.*
[6] *Individuals with a body mass index (BMI) greater than 29.9.*
[7] *Individuals with a body mass index (BMI) between 25.0 and 29.9.*
[8] *Individuals who sleep on average less than 7 hours during a 24-hour period.*

By income cohort, the higher the income, the lower the rates of asthma, diabetes, smoking, obesity, and low sleep, and the higher the rates of heavy drinking, exercise, and being overweight. In 2018, the conditions where the gap between the lowest and highest income cohorts were greatest (greater than a 10-percentage point delta) were diabetes, smoking, and exercise:

- Higher income earners report lower instances of diabetes, at 7.1% of top earners compared to 18.3% of those who earn the least.
- Smokers accounted for just 8.1% of top earners, compared with 19.3% of those who earn the least.
- Those with higher income report exercising more often than the poor, with 85.7% of the top income cohort and 65.3% of the bottom income cohort exercising at least one time per month.

There is no family type that is consistently healthier than the others by all of these measures. The elderly often represent the extremes of these measures in both positive and negative respects; they have the highest rates of diabetes and the lowest rates of heavy drinking, smoking, exercising, obesity, and low sleep. The two conditions where the gap between family types were greatest in 2018 were diabetes and low sleep. Married parents comprised 5.5% of those who reported having diabetes, while 21.1% of the elderly reported having this condition. The elderly accounted for 26.9% of those who slept on average less than seven hours a day, compared with 42.7% of single parents.

Overall, in 2018, 65.0% of Americans were either overweight or obese. The highest rate of obesity was among single parents, while the lowest was among the elderly. The highest rate of those overweight was among the elderly, while the lowest was among single parents. The rate of obesity has increased over the last decade, while the rate of those overweight has decreased.

By major racial and ethnic group, there is no group that is consistently healthier than the others by all of these measures. The race or ethnicity with the highest and lowest rates of these measures are:

- *Asthma* - highest - Black people at 17%, lowest - Hispanic people at 12%
- *Diabetes* - highest - Black people at 14%, lowest - white people at 10%
- *Heavy drinker* - highest - white people at 7%, lowest - Black people at 5%
- *Smoking* - highest - Black people at 15%, lowest - Hispanic people at 10%
- *Exercise* - highest - white people at 79%, lowest - Black people at 73%
- *Obese* - highest - Black people at 38%, lowest - white people at 29%
- *Overweight (but not obese)* - highest - Hispanic people at 38%, lowest - Black people at 33%
- *Low sleep* - highest - Black people at 44%, lowest - white people at 31%

All these populations generally follow the overall trend that the higher the income, the lower the rates of asthma, diabetes, smoking, and obesity, and the higher the rates of heavy drinking, exercise, and being overweight (but not obese). Low sleep doesn't follow a consistent trend based on income for any of the races or ethnicities.

Longevity and mortality

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Life expectancy at birth (years)	78.7	78.6	78.8	78.2	—%	—%	1%
Average age at death (years)	73.3	73.1	73.2	72.6	—%	—%	1%
Total deaths	2,839	2,814	2,597	2,472	1%	9%	15%
Deaths by leading and other select causes (in thousands):							
Circulatory diseases	869	859	801	809	1%	8%	7%
Cancers	615	615	600	580	—%	3%	6%
Respiratory diseases	283	279	261	245	1%	8%	16%
Accidents	167	170	131	122	(2)%	27%	37%
Mental disorders	135	136	156	105	(1)%	(13)%	29%
Heroin poisoning	15	15	8	3	—%	88%	400%
Other opioid	13	14	11	9	(7)%	18%	44%
Other synthetic narcotics[1]	31	28	3	2	11%	933%	1,450%
Firearm deaths	40	40	34	32	—%	18%	25%
Suicides	48	47	41	36	2%	17%	33%

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1 *Synthetic opioid analgesics other than methadone, including drugs such as fentanyl and tramadol.*

During the periods presented, both life expectancy at birth and average age at death increased by 1%. Life expectancy for males and females, Hispanic people, and non-Hispanic Black and white people, all increased, with the largest increase at 1.3 years, for non-Hispanic Black males. In 2018, male life expectancy at birth was 76.2 years and female was 81.2 years. For non-Hispanic Black people, life expectancy at birth was 74.9 years, while for non-Hispanic white people it was 78.7 years.

Causes of death

The leading causes of death, as shown in the table above, remained the leading causes throughout the periods shown in this report. Most leading causes of death have increased over the past decade, even when adjusting for population growth, except in the case of circulatory diseases and cancer, where the rates of death grew the same or slower than the rate of population growth. Though they are not leading causes of death, heroin, opioid, and other synthetic narcotic deaths have increased at rates far exceeding those of the leading causes over the past decade. Other synthetic narcotics had the most significant increase of 1,450% over the past decade, followed by heroin poisoning with an increase of 400%. Demographically:

- *Age and gender* – the age group between 25 to 34 made up the largest group of other synthetic narcotics and heroin death increases over the past decade at 32%, followed by those between the ages of 35 to 44 at 26%, and those between the ages of 65 and 74 at 19%. Male deaths more than doubled those of female deaths within each of these age groups.
- *Race and ethnicity* – White people experienced the most other synthetic narcotic deaths and heroin deaths making up 82% of the increase over the past decade, with Black people following at 17%.

Though also not a leading cause of death, deaths from firearms increased 25% over the past decade. In 2018, 61% of these deaths were suicides, 35% were homicides, and the remainder was not classified. Demographically:

- *Geography* - Metropolitan areas housed 82% of the firearm deaths, while 18% occurred in non-metropolitan areas.
- *Age* - A plurality of firearm deaths occurred for those between ages 20 and 34, at 32% of the deaths, while the least number occurred for those under 19, at 8% of the deaths.
- *Race and ethnicity* - White people experienced the most firearm deaths at 72%, while Black people experienced 25% of the deaths.

Suicide was the 10th leading cause of death overall in the US in 2018, with more than two and a half times as many suicides (48,344) as there were homicides (18,830). Demographically:

- suicide was the second leading cause of death among individuals between the ages of 10 and 34 and the fourth among individuals between the ages of 35 and 54;
- among females, the suicide rate was highest for those aged 45-64 (10.2 per 100,000);
- among males, the suicide rate was highest for those aged 75 and older (39.9 per 100,000); and
- rates of suicide were highest for American Indian non-Hispanic males (34.8 per 100,000) and females (10.5 per 100,000), followed by white non-Hispanic males (30.4 per 100,000) and females (8.3 per 100,000).

Healthcare affordability

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Total personal healthcare expenditures (in billions) [1]	$ 3,048	$ 2,928	$ 2,409	$ 2,008	4%	27%	52%
Personal healthcare expenditures per capita	*$ 9,326*	*$ 9,006*	*$ 7,622*	*$ 6,603*	*4%*	*22%*	*41%*
Personal healthcare expenditures adjusted for inflation (medical inflation, 2018 base) (in billions)	*$ 3,048*	*$ 2,983*	*$ 2,747*	*$ 2,678*	*2%*	*11%*	*14%*
Out-of-pocket healthcare expenditures (in billions) [2]	$ 389	$ 374	$ 330	$ 300	4%	18%	30%
Percentage of personal healthcare expenditures paid out-of-pocket	*11%*	*11%*	*12%*	*12%*	*—ppt*	*(1)ppt*	*(1)ppt*
Percentage of disposable income spent on healthcare [3]	22%	22%	22%	21%	—ppt	—ppt	1ppt
Percentage of Americans that are uninsured	9%	9%	15%	15%	—ppt	(6)ppt	(6)ppt

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1 *Personal healthcare expenditures include hospital, physician and clinical, prescription drug, dental services, and other professional and durable products expenditures, as aggregated by the Centers for Medicare and Medicaid Services, Office of the Actuary, and National Health Statistics Group.*

2 *Out-of-pocket expenses are costs for medical care that aren't reimbursed by insurance, including deductibles, coinsurance, and copayments for covered services plus all costs for services that aren't covered.*

3 *See the definition of disposable income at the* Wealth creation *table below.*

Total personal healthcare expenditures rose 52% over the last decade, or 41% per capita. These expenditures increased across all major categories, with the largest dollar increases in hospital ($401 billion or 56% increase), physician and clinical ($256 billion or 53%), and prescription drug ($106 billion or 43%) expenditures.

Private health insurance, Medicare, Medicaid, and individual "out-of-pocket" expenditures (excluding insurance premiums) made up 32%, 21%, 16%, and 11%, respectively, of the total personal healthcare expenditures payment sources in 2018. Department of Defense healthcare expenditures grew at the lowest rate (23%), with payments from every other source growing at higher rates (ranging from 30% to 102%), over the past decade. The largest dollar increases by payment source were for private health insurance followed by Medicare and then Medicaid. As a percentage of personal healthcare expenditures, out-of-pocket payments decreased over the past decade.

In 2018, households spent 22% of their disposable household cash income on healthcare as compared to 21% in 2008. Over the past decade, as a percentage of disposable household income, spending in nearly every major healthcare category increased, with the largest increases in expenditures for hospitals, at a 0.6 percentage point increase, and for pharmaceutical products, at a 0.5 percentage point increase.

In 2018, 9% of Americans were uninsured, including 5% of children, a decrease from 15% of Americans, including 10% of children, in 2008. Experience varies by race and ethnicity, with white non-Hispanic people having the lowest uninsured rates at 6% in 2018, down from 10% in 2008, and American Indian/Alaska Native people having the highest rates at 19% in 2018, down from 30% in 2008.

Blessings of Liberty (BL)

This segment works to secure the blessings of liberty to the US population and its posterity. Its reporting units are education, wealth and savings, sustainability and self-sufficiency, and the American Dream. Overall, the long-term trend for the past decade shows we:

- ***made meaningful progress*** on: net asset accumulation, including total and average household financial and real estate assets paired with lower mortgage debt, numbers of pension participants, total pension assets and the rates of return thereon; the number of associate's degrees granted; civil rights crimes reported; environmental sustainability and self-sufficiency, including reduced net energy consumption, increased energy consumption from renewable sources, and number of days reaching unhealthy level for air quality; increased consumption of grains and soy vs. meat and poultry; and rates of midterm voting;

- ***regressed notably*** in the cost of higher education, total government debt as a percentage of GDP and per capita, and crop failures.

Shorter-term trends may differ.

Education

The education reporting unit seeks to increase educational attainment in the US.

Pre-kindergarten to grade 12

Calendar year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Head Start [1] funded enrollment (in thousands) (fiscal)	887	899	904	907	(1)%	(2)%	(2)%
Head Start [1] funded enrollment per 10,000 children age birth-5	*449*	*452*	*455*	*447*	*(1)%*	*(1)%*	*—%*
Percentage of 3-5 year-olds enrolled in educational programs:							
Full day	41%	42%	39%	37%	(1)ppt	2ppt	4ppt
Half day	23%	22%	26%	26%	1ppt	(3)ppt	(3)ppt
Percentage of 5- to 17-year-olds enrolled in public elementary and secondary school	na	94%	93%	92%	na	na	na
Rate of high school graduates as percentage of freshman cohort	85%	85%	81%	na	—ppt	4ppt	na
Percentage of population 25 years and over with a high school diploma or GED (no more or less education)	29%	29%	30%	31%	—ppt	(1)ppt	(2)ppt
% students at or above proficient NAEP [2] reading level							
4th grade	na	37%	35%	na	na	na	na
8th grade	na	36%	36%	na	na	na	na
% students at or above proficient NAEP [2] math level							
4th grade	na	40%	42%	na	na	na	na
8th grade	na	34%	35%	na	na	na	na

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na *An "na" reference in the table means the data is not available.*

1 *Head Start provides programs that promote school readiness of children ages birth to five from low-income families by supporting their development in a comprehensive way. The programs offer a variety of service models, depending on the needs of the local community, including programs based in schools, child care centers, and family child care homes. Some programs offer home-based services that assigned dedicated staff who conduct weekly visits to children in their own home and work with the parent as the child's primary teacher.*

2 *National Assessment of Educational Progress, the largest nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since NAEP assessments are administered uniformly using the same sets of test booklets across the nation, NAEP results serve as a common metric for all states and selected urban districts. The assessment stays essentially the same from year to year, with only carefully documented changes. This permits NAEP to provide a clear picture of student academic progress over time.*

Enrollment and graduation

Head Start funded enrollment decreased 2% over the past decade. The percentage of children ages three to five that are enrolled in education programs also increased from 2008 to 2018, from 63% to 64%, with those enrolled in full day programs increasing and those enrolled in half day programs decreasing.

As a percentage of the applicable population, enrollment in public elementary and secondary schools was generally consistent over the past decade, though the data is not available for 2018.

The rate of high school graduates as a percentage of those that began high school increased from 2010 (the most recent comparative period for which data is available) to 2018. The percentage of the population age 25 years and older whose highest schooling is a high school diploma or GED (no more or less education) decreased over the past decade. In 2018, demographically:

- *Gender* – the rates for males and females were similar at 30% and 27% of each population, respectively;
- *Age* – the rates increased with age, with 25- to 34-year-olds at 26%, 35- to 54-year-olds at 26%, and 55-year-olds and older at 32%; and
- *Race and ethnicity* – Asian people have the lowest rate at 19%, followed by people who are non-Hispanic white at 28%, white at 29%, Hispanic of any race at 31%, and Black at 33%.

Educational proficiency

The NAEP scores are provided every two years. Using the most recent data available in our reporting window, between 2009 and 2017, the reading proficiency rates increased for both 4th and 8th graders, while the math proficiency rates decreased for both 4th and 8th graders. There are notable demographic variances, in 2017:

- *Race and ethnicity* – Asian children are the most proficient in both reading (56% are proficient at grade 4, 55% at grade 8) and math (64% at grade 4, 62% at grade 8), followed by white children in reading (47% at grade 4, 45% at grade 8) and math (51% at grade 4, 44% at grade 8). Hispanic and Black children perform at the lowest end of the range, with Black children the least proficient at reading (20% at grade 4, 18% at grade 8) and math (19% at grade 4, 13% at grade 8) and Hispanic children not faring much better at reading (23% at both grades) and math (26% at grade 4, 20% at grade 8).
- *Gender* – boys are more proficient in math, while girls are more proficient in reading. However, by grade 8 girls are nearly as proficient in math as boys. For math, boys were 42% proficient at grade 4 and 35% proficient at grade 8, while girls were 38% proficient and 33% proficient, respectively. For reading, girls were 39% proficient at grade 4 and 41% at grade 8, while boys were 34% proficient and 31% proficient, respectively.
- *Residential area* – For both reading and math, students are more proficient when they live in suburbs, followed by rural areas, then cities, then towns.
- *State* – Students in Massachusetts are the most proficient in reading for both 4th and 8th grades, at 50% and 40%, respectively, while 4th grade students in New Mexico and 8th grade Students in DC have the lowest proficiency in reading, at 25% and 20%, respectively. Students in Louisiana have the lowest proficiency in 8th grade math at 19%. There is no state data available for 4th grade math proficiency.

Higher education

Calendar year (In thousands, except percentages)	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Average annual cost of undergraduate education	$ 23,833	$ 23,091	$ 20,995	$ 16,227	3%	14%	47%
Average annual cost of undergraduate education adjusted for inflation (2018 base) [1]	*$ 23,833*	*$ 23,655*	*$ 22,631*	*$ 18,926*	*1%*	*5%*	*26%*
Rate of college enrollment as percentage of recent high school graduates	69%	67%	66%	69%	2ppt	3ppt	—ppt
Rate of graduation from four-year institutions within six years of start	62%	60%	60%	58%	2ppt	2ppt	4ppt
Rate of graduation from two-year institutions within three years of start	33%	32%	29%	28%	1ppt	4ppt	5ppt
Number of associate's degrees conferred by postsecondary institutions	1,011	1,006	1,005	787	—%	1%	28%
Percentage of population 25 years and over with a bachelor's degree or higher	35%	34%	32%	29%	1ppt	3ppt	6ppt

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1 *Cost is the average undergraduate tuition, fees, room, and board rates charged for full-time students in degree-granting postsecondary institutions, both 2-year and 4-year institutions. Adjusted for inflation at the source.*

Average annual cost (adjusted for inflation)

The average annual cost of undergraduate education, adjusted for inflation, has increased 26% over the past decade. The cost for 4-year institutions increased more than that for 2-year institutions, at 23% and 22% growth, respectively. Among the components of the cost of education, tuition and fees and dormitory room costs increased the most at 30% and 31% growth, respectively. Inflation over the decade was 17%.

Enrollment

The overall rate of college enrollment by recent high school graduates has fluctuated but remains at the same level as a decade ago. From 2008 to 2018, the rate of enrollment in 4-year institutions rose 2.7 percentage points, while enrollment in 2-year institutions dropped 2.2 percentage points. The rate of male enrollment rose 1.1 percentage points, with enrollment in 4-year institutions increasing 1.1 percentage points and enrollment in 2-year institutions flat. The rate of female enrollment declined 0.2 percentage points, with enrollment in 2-year institutions decreasing 4.5 percentage points and enrollment in 4-year institutions increasing 4.3 percentage points. From 2008 to 2016, the latest date for which data is available, the rate of college enrollment by students coming from low-income and high-income families increased by 9.5 and 0.6 percentage points, respectively, while enrollment by middle-income students decreased 0.2 percentage points.

Graduation

The rates of graduation from both 4-year and 2-year institutions have increased over the past decade. However, the rates vary by type of institution and the gender and race of the student.

4-year institutions

For 4-year institutions, in most years, the rates of graduation from for-profit institutions are less than half of the rates from each public and nonprofit institutions. In 2018, these rates were 25%, 61%, and 67%, respectively. Over the past decade, graduation rates from 4-year institutions increased overall and for all types of institutions.

Females graduate from 4-year institutions at higher rates than men, at 65% and 59%, respectively, in 2018. These graduation rates reflect increases of 4.6 and 5.4 percentage points among males and females, respectively, over the past decade. By institution type, males and females both graduated at the highest rates from nonprofit 4-year institutions.

By race and ethnicity, Asian people enjoyed the highest rate of graduation from 4-year institutions, at 75% in 2018, while American Indian/Alaska Native people had the lowest rate, at 41%.

2-year institutions

For 2-year institutions, in most years, the rates of graduation for both males and females from public institutions are less than half of the rates from each for-profit and nonprofit institutions. In 2018, these overall graduation rates were 27%, 62%, and 62%, respectively. By race and ethnicity, Asian people enjoyed the highest rate of graduation, at 39% in 2018, while Black people had the lowest rate, at 28%.

Over the past decade, graduation rates from 2-year institutions increased 5 percentage points. The rates increased in nonprofit, public, and for-profit institutions, by 14.0, 6.3, and 3.7 percentage points, respectively. By gender, graduation rates increased 5.6 and 4.3 percentage points among males and females, respectively.

Degrees

Associate's degree

The number of associate's degrees conferred by postsecondary institutions increased 28% over the last decade. In 2018, demographically:

- *Gender* – 39% of the degrees were conferred to males, while 61% were conferred to females; and
- *Race and ethnicity* – a majority (54%) of the degrees were earned by white non-Hispanic students, with the second and third largest populations, Hispanic and Black non-Hispanic students, earning 23% and 13% of the degrees, respectively.

Bachelor's or higher degree

The percentage of the population 25 years and older with a bachelor's degree or higher increased 6 percentage points over the last decade.

In 2018, demographically:

- *Gender* – females had a 1.7 percentage point higher rate than males of obtaining a master's degree (10% and 9%, respectively, rounded) and a 0.3 percentage point higher rate for bachelor's degrees (22% each, rounded), while males had a 0.5 percentage point higher rate of obtaining professional degrees (2%) than women (1%) and a 0.9 percentage point higher rate for doctorate degrees (3% and 2%, respectively);
- *Age* – the rates of bachelor's degrees decrease with age, with 25- to 34-year-olds at 28%, 35- to 54-year-olds at 23%, and 55-year-olds and older at 18%, while rates of master's, professional, and doctorate degrees all generally have higher rates in the older age groups; and
- *Race and ethnicity* – Asian people had the highest rate of earning all degrees, at 31% for bachelor's, 18% for master's, 3% for professional, and 5% for doctorate degrees, while Hispanic people of any race have the lowest rates at 13% for bachelor's, 4% for master's, and 1% for each professional and doctorate degrees.

Education profile (calendar year 2018)

One way to analyze education outcomes is by family and individual units (FIUs) and income cohorts. As discussed under *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* of this report, although we categorize the families based on presence of children under 18, if a person is aged 18 or older and still living in the family with relatives, she would not be her own economic unit unless she had her own subfamily. Therefore, in the table below, households that are "no kids" may have students currently living in the home, either young adult students still living at home or adults who have gone back to school.

Family and Individual Unit Sub Group/Income %	Educational Attainment of Unit Head: % Some H.S.	% H.S. Diploma	% Some College	% College Graduate	# of Students in Household (in thousands): Pre-School (Aged 3+)	K-12 Public	K-12 Private	College Full-Time	College Part-Time
All Family and Individual Units	**10%**	**27%**	**28%**	**35%**	**5,057**	**48,375**	**5,761**	**13,396**	**4,432**
Bottom 20% ($0-$10K)	23%	34%	27%	16%	450	5,037	415	2,858	447
Second 20% ($10K-$36K)	13%	36%	31%	21%	736	8,046	580	2,064	788
Middle 20% ($36K-$69K)	8%	29%	31%	31%	961	9,560	889	1,946	884
Fourth 20% ($69K-$128K)	5%	23%	28%	44%	1,287	11,720	1,415	2,692	1,074
Top 20% ($128K+)	2%	14%	22%	62%	1,556	13,494	2,417	3,644	1,198
Single No Kids	**9%**	**28%**	**29%**	**34%**	**8**	**688**	**91**	**5,101**	**1,447**
Bottom 20%	17%	33%	31%	19%	1	230	33	2,267	248
Second 20%	11%	35%	32%	22%	—	171	16	1,243	396
Middle 20%	5%	28%	31%	37%	4	163	20	751	441
Fourth 20%	2%	18%	24%	56%	1	65	4	505	238
Top 20%	1%	12%	17%	71%	2	49	14	216	108
Single Parents	**18%**	**31%**	**31%**	**20%**	**1,343**	**15,740**	**1,004**	**1,148**	**484**
Bottom 20%	39%	32%	22%	8%	350	3,608	245	282	83
Second 20%	16%	38%	35%	10%	460	5,095	277	321	182
Middle 20%	8%	31%	38%	23%	298	4,005	258	281	93
Fourth 20%	5%	18%	31%	46%	172	2,077	157	164	95
Top 20%	3%	12%	21%	64%	43	688	59	75	23
Married No Kids	**7%**	**26%**	**28%**	**39%**	**4**	**823**	**157**	**3,370**	**968**
Bottom 20%	19%	35%	23%	24%	—	29	8	128	16
Second 20%	18%	34%	26%	22%	—	56	2	185	54
Middle 20%	14%	34%	31%	22%	2	119	10	323	89
Fourth 20%	7%	29%	32%	32%	1	248	57	935	299
Top 20%	2%	18%	26%	55%	1	362	77	1,793	508
Married Parents	**8%**	**20%**	**25%**	**46%**	**3,644**	**30,012**	**4,390**	**3,210**	**1,099**
Bottom 20%	26%	31%	24%	19%	93	928	103	104	24
Second 20%	24%	32%	24%	20%	262	2,506	261	217	67
Middle 20%	18%	32%	29%	20%	638	5,070	578	454	188
Fourth 20%	7%	24%	30%	39%	1,103	9,103	1,175	974	362
Top 20%	2%	11%	20%	68%	1,532	12,197	2,247	1,438	455
Elderly (age 65+)	**12%**	**30%**	**27%**	**31%**	**58**	**1,112**	**119**	**567**	**435**
Bottom 20%	24%	37%	25%	15%	6	240	27	77	77
Second 20%	12%	36%	29%	23%	14	219	23	97	88
Middle 20%	6%	27%	31%	36%	19	202	22	138	72
Fourth 20%	5%	21%	28%	46%	10	228	22	114	80
Top 20%	2%	16%	22%	60%	8	198	20	122	104

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In 2018, 35% of all heads-of-households had a college degree, with the percentage climbing with each income cohort, from 16% at the lowest income cohort to 62% at the highest. Another 28% had some college education, and 27% had only a high school diploma. Ten percent of all heads-of-households had no college degree or high school diploma.

By family type, married parents are most likely to be among the college-educated, at 46% of the heads of these households having graduated college. The least likely are single parents, at 20% having graduated college. The highest-educated group is single with no kids in the top 20% by income, with 71% holding college degrees. Those with the least education are single parents in the bottom 20% by income, of whom just 8% are college graduates and 39% have only some high school education.

Wealth and savings

The wealth and savings reporting unit encourages wealth creation through fair taxation and tools for homeownership, and encourages saving for retirement through pension plans, Social Security, and Medicare, while seeking to maintain a manageable balance between current expenditures and future debt.

Wealth creation

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Rate of savings as a percentage of disposable income [1]	14%	14%	13%	11%	—ppt	1ppt	3ppt
Total household financial assets (primarily at market value) (in billions)	$ 83,684	$ 84,509	$ 67,765	$ 48,062	(1)%	23%	74%
Average financial assets (per household)	*$ 651,484*	*$ 669,518*	*$ 553,371*	*$ 411,554*	*(3)%*	*18%*	*58%*
Average financial assets adjusted for inflation (2018 base)	*$ 651,484*	*$ 685,872*	*$ 596,484*	*$ 479,995*	*(5)%*	*9%*	*36%*
Homeownership rate (as a percentage of households)	64%	64%	65%	68%	—ppt	(1)ppt	(4)ppt
Average real estate assets (per household)	$ 246,806	$ 237,983	$ 185,510	$ 197,559	4%	33%	25%
Average real estate assets adjusted for inflation (2018 base)	*$ 246,806*	*$ 243,796*	*$ 199,963*	*$ 230,413*	*1%*	*23%*	*7%*
Average home mortgage debt (per household)	$ 79,498	$ 78,659	$ 77,063	$ 90,572	1%	3%	(12)%
Average home mortgage debt adjusted for inflation (2018 base)	*$ 79,498*	*$ 80,580*	*$ 83,067*	*$ 105,634*	(1)%	*(4)%*	*(25)%*

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1 *Disposable income is a USAFacts defined value equal to market income plus government transfers to households (includes Social Security, Medicare, Medicaid, Supplemental Security Income, SNAP, EITC, etc), minus direct taxes (including payroll taxes, personal income taxes, taxes on owner-occupied housing, etc).*

The rate of savings as a percentage of disposable income increased 3 percentage points over the past decade, due to increases in income that outpaced increases in expenditures. Disposable income increased primarily due to higher wages and salaries (36% increase) and government benefits (53% increase), as well as due to sole proprietor/partnership income (65% increase), retirement benefit distributions (43% increase), and capital gains (95% increase). See analysis of the taxable components of income in *Revenues*, *Federal individual income tax revenue* above. Expenditures increased primarily in the categories of health (55% increase), food (39% increase), and housing (20% increase).

Financial assets

Total and average (per household) financial assets (excluding real estate) increased over the past decade, 74% and 58%, respectively. Total household financial assets increased $35.6 trillion, primarily reflecting increases in corporate equities ($10.8 trillion), pension entitlements ($10.2 trillion), mutual fund shares ($5.1 trillion), and time and savings deposits ($3.5 trillion). Average household financial assets increased at a lower rate than total household financial assets due to a 10% increase in the number of households.

Real estate

In 2018, 64% of households owned their home. The percentage of families that are homeowners fell 4 percentage points over the last decade, including:

- *By geography*, the largest decrease was at 4.5 percentage points in the South, while the lowest decreases were at 2.9 percentage points in each the Midwest and the Northeast;
- *By race and ethnicity*, the largest decrease was among Black people at 6.1 percentage points, and the lowest decrease was among non-Hispanic white people at 2.0 percentage points; and
- *By income group*, the rate of decrease was 4.8 percentage points among households with family income greater than or equal to the median family income and 1.5 percentage points among households with family income less than the median.

Average real estate assets (not included in financial assets) per household increased 25% over the past decade, while average mortgage debt decreased 12%. Since 2012, average real estate asset values per household have been climbing, and since 2015, average home mortgage debt per household has been climbing. In 2018, average real estate assets less average mortgage debt per household was $167,308.

Wealth profile (calendar year 2016, only produced every three years)

	Average Assets (thousands)	Average Debt (thousands)	Average Net Worth (thousands)	Ratio of Debt Payments to Income (Avg.)	% Families Past Due on Debt (60 Days)	% Families that Saved
All families	**$ 787**	**$ 95**	**$ 692**	**10.8%**	**5.8%**	**55.4%**
Bottom 20% of income [1]	109	20	90	16.2%	8.0%	32.1%
Second 20% of income [1]	163	34	129	14.6%	7.8%	45.2%
Middle 20% of income [1]	269	62	207	15.3%	7.7%	57.2%
Fourth 20% of income [1]	441	110	374	15.7%	3.9%	64.8%
Top 20% of income [1]	2,912	251	2,661	8.2%	1.6%	77.6%
Under 35	144	68	76	14.1%	8.6%	56.7%
Age 35-44	422	133	289	15.2%	9.1%	56.7%
Age 45-54	862	135	728	11.7%	6.0%	55.1%
Age 55-64	1,276	108	1,168	9.1%	4.4%	55.0%
Age 65-74	1,133	66	1,067	7.9%	3.2%	54.3%
Age 75+	1,104	37	1,067	6.0%	1.4%	53.5%

† *Data from the* Survey of Consumer Finances*, The Federal Reserve Board. This source has a subset of this data for more recent periods.*

1 *The income classifier used is "usual" income, designed to capture a version of household income with transitory fluctuations smoothed away in order to approximate the economic concept of "permanent" income. Usual income differs from actual income when the respondent reports that the family experienced a negative or positive income "shock" that is unlikely to persist, say from a temporary unemployment spell or an unexpected salary bonus; respondents are given the option to report their usual income if they believe they experienced a temporary deviation. The definition of "family" is a primary economic unit (PEU), distinct from everyone else in the household. The PEU is intended to be the economically dominant single person or couple (whether married or living together as partners) and all other persons in the household who are financially interdependent with that economically dominant person or couple.*

By income cohort, in 2016, families in the top 20% of income had higher average net worth than all other income cohorts, including 611% higher net worth than the next highest income cohort, and 2,857% higher net worth than the lowest income cohort.

Families in all income cohorts held a plurality (24% overall) of their assets in primary residences. By age, average assets in 2016 grew as we moved up each age cohort, peaked at ages 55 to 64 years old, and then decreased again for those age 65 and older. Except for those age 55 to 64, families of each age group held the largest portion of their assets in primary residences, followed by other non-financial assets (except for those under age 35, where other financial assets was the second highest category). Those age 55 to 64 held a plurality of their assets, 24%, in other nonfinancial assets.

Families in all income and age cohorts held a majority (67% overall) of their debt in primary residence mortgages. The second highest debt category for all income and age cohorts was education loans, except for the top 20% income cohort and age cohorts 45 and older, where other residential debt was the second highest category. By age, average debt in 2016 grew as we moved up each age cohort, peaked at ages 45 to 54 years old, and then decreased again for those age 55 and older.

The ratio of debt payments to income did not follow a discernable pattern as we moved between income cohorts, with the highest ratio in the fourth income quintile from the bottom and the lowest ratio in the top income quintile. The ratio of debt payments to income, however, peaked at age 35 to 44 and then decreased as we moved up the age cohorts.

The percentage of families that were past due on debt by 60 days or more decreased as we moved up the income cohorts. By age, the rates peaked at age 35 to 44, then decreased as we moved up the age cohorts.

The percentage of families that saved increased as we moved up the income cohorts. By age, the rates of those who saved did not vary greatly, clustering around 50%-55%, with the maximum variance in savings rates between age cohorts at 4.2 percentage points.

Retirement

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Elderly (65+) poverty rate	10%	10%	10%	10%	—ppt	—ppt	—ppt
Number of active participants in private pension plans (in thousands) [1]	96,449	94,625	91,955	86,233	2%	5%	12%
Active participants in private pension plans as a percentage of the working age population	*46%*	*45%*	*45%*	*43%*	*1ppt*	*1ppt*	*3ppt*
Private retirement plan assets per active participant [1]	$ 95,730	$ 103,134	$ 85,595	$ 54,544	(7)%	12%	76%
Private retirement plan assets per active participant adjusted for inflation (2018 base)	*$ 95,730*	*$ 105,653*	*$ 92,264*	*$ 63,615*	*(9)%*	*4%*	*50%*
Annual rate of return earned by pension plans with 100 or more participants	(3.3)%	14.8%	14.9%	(21.6)%	(18.1)ppt	(18.2)ppt	18.3ppt
Number of active participants in 401(k) type private pension plans (in thousands) [1]	70,335	68,187	64,495	59,976	3%	9%	17%
Active participants in 401(k) type private pension plans as a percentage of the working age population	*34%*	*33%*	*31%*	*30%*	*1ppt*	*3ppt*	*4ppt*
401(k) type private retirement plan assets per active participant [1]	$ 74,347	$ 80,314	$ 64,801	$ 37,185	(7)%	15%	100%
401(k) type private retirement plan assets per active participant adjusted for inflation (2018 base)	*$ 74,347*	*$ 82,276*	*$ 69,850*	*$ 43,369*	*(10)%*	*6%*	*71%*
Rate of return earned by 401(k) type plans with 100 or more participants	(4.5)%	15.8%	18.3%	(24.9)%	(20.3)ppt	(22.8)ppt	20.4ppt

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[1] *Active participants include any workers currently in employment covered by a plan and who are earning or retaining credited service under a plan. This category includes any nonvested former employees who have not yet incurred a break in service. Active participants also include individuals who are eligible to elect to have the employer make payments to a Code section 401(k) plan.*

Elderly poverty

The rate of the elderly in poverty, 10%, is equal to the rate of a decade ago. In 2018, by gender, the rate of poverty was higher among female elderly, at 11% of the respective population, than among male elderly, at 8% of the respective population. The poverty rates were the highest among elderly Black at 19%, down from 20% in 2008, whereas the poverty rates were the lowest among the elderly whites at 7%, down from 8% in 2008.

Private pension plan participation

The number of active participants in private pension plans, including 401(k) type plans, has increased over the past decade, outpacing the increase in the working age population. Underlying the overall increase is a 24% increase in active participation in defined contribution plans, offset in part by a 31% decrease in active participation in defined benefit plans. Defined contribution plans are pension plans where the periodic contribution by the sponsor is known but the ultimate benefit to be provided is unknown. Defined benefit plans are pension plans where the ultimate benefit to be provided by the sponsor is known and the contribution amount may vary to reach that goal.

Private pension plan assets per active participant increased over the past decade. In 2018, average pension plan assets per active participant amounted to $95,730 in all private pension plans and $74,347 in 401(k) type plans. Annual rates of return on private pension plan assets were negative in 2018, as they were a decade ago, at a negative 3.3% for all private pension plans and a negative 4.5% for 401(k) type plans in 2018, compared to a negative 21.6% for private pension plans and a negative 24.9% for 401(k) type plans in 2008. For comparative purposes, using beginning and ending federal fiscal year (October 1 to September 30) closing prices, the S&P 500 produced a 15.2% return in 2018 and a loss of 28.5% in 2008.

Government obligations

Fiscal year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Total Government debt held by the public as % of GDP	86%	86%	85%	54%	—ppt	1ppt	32ppt
Total Government debt held by the public per person	*$ 54,455*	*$ 51,697*	*$ 45,311*	*$ 26,278*	*5%*	*20%*	*107%*

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Total Government debt held by the public as a percentage of GDP increased 32 percentage points over the last decade, with Government debt held by the public increasing 122% and GDP increasing 40%. Per person in the US, total Government debt held by the public increased 107%. See additional discussion of our Government's debt at *Financial Condition, Debt* below.

Sustainability and self-sufficiency

The sustainability and self-sufficiency reporting unit works to protect our environment, manage our natural resources responsibly, and increase our self-sufficiency.

Energy and water

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Energy							
Primary energy consumption (quadrillion Btu) [1]	101	98	97	99	3%	4%	2%
Energy consumption from renewable sources and nuclear (quadrillion Btu)	20	19	18	16	5%	11%	25%
Net consumption of energy (quadrillion Btu) [2]	5	10	15	26	(50)%	(67)%	(81)%
Spot price of West Texas Intermediate (WTI) crude oil per barrel	$ 65.23	$ 50.80	$ 97.98	$ 99.67	28%	(33)%	(35)%
Spot price of Henry Hub natural gas per million Btu	$ 3.15	$ 2.99	$ 3.73	$ 8.86	6%	(15)%	(64)%
Coal prices per short ton – open market	$ 32.69	$ 31.80	$ 37.29	$ 32.05	3%	(12)%	2%
Water							
Water use per day (billions of gallons) [3]	na	na	na	na	na	na	na

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Primary energy is energy in the form found at its original source, which has not been converted or transformed.*

2 *Net consumption of energy is primary energy consumption less energy production.*

3 *The USGS had estimated water use for the US every 5 years since 1950. In 2016, it stopped, and we are not aware of a new source for this data.*

Energy

Primary energy consumption increased over the past decade, though at a rate lower than the increase in the portion of our energy consumption that is fueled by renewable sources and nuclear. Over the past decade, consumption of fossil fuels decreased 1.8 quadrillion Btu or 2%, while renewable energy consumption increased 4.1 quadrillion Btu or 58% and consumption of nuclear electric power increased 12 trillion Btu or less than 1%. By source, over the past decade:

- *Fossil fuels* - Consumption of coal decreased (9.1 quadrillion Btu or 41%), while consumption of other fossil fuels increased, with petroleum up 122 trillion Btu or less than 1% and natural gas up 7.3 quadrillion Btu or 31%. The price of a barrel of crude oil dropped 35% in the past decade, while the price of natural gas dropped 64%. Coal prices increased 2% between 2008 and 2018.

- *Renewable sources* - Consumption of energy from all renewable energy sources increased, with wind increasing the most (1.9 quadrillion Btu or 355%) followed by biofuels (1.2 quadrillion Btu or 31%), with geothermal having the smallest increase (16 million Btu or 9%). Biofuel is biomass converted directly into liquid fuels, of which the two most common types in use today are ethanol and biodiesel.

By sector, primary energy consumption increased over the past decade across the industrial sector (2.4 quadrillion Btu or 12% increase), the transportation sector (1.1 quadrillion Btu or 4% increase), the commercial sector (0.7 quadrillion Btu or 16% increase), and the residential sector (93 trillion Btu or 1% increase). On the contrary, the electric power sector consumption decreased by 1.8 quadrillion Btu or 5%.

Over the past decade, we have increased our energy self-sufficiency, decreasing our net consumption of energy from 26 quadrillion Btu in 2008 to 5 quadrillion Btu in 2018. Our production of all sources of energy increased, except for coal, and our overall consumption decreased. In 2018 as compared to 2008, we imported 21% fewer barrels of crude oil.

Water use

Water use data is not available for certain recent years and was only produced every five years. However, between 2005 and 2015, the latest ten-year period the data was available, water use declined by 88 billion gallons per day or 21%. All major use categories saw declines over this ten-year period, except mining where water use increased 4%. The largest gallon and percentage decreases were for thermoelectric power, for which water use decreased 68 billion gallons per day or 34% over ten years.

Environment quality and violations

Calendar year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Air							
Emissions (million metric tons of CO_2 equivalents)	6,677	6,488	6,770	7,210	3%	(1)%	(7)%
Atmospheric CO_2 (parts per million)	408.5	406.6	396.5	385.6	—%	3%	6%
Days reaching "unhealthy for sensitive groups" level or worse air quality [1]	799	721	677	1,193	11%	18%	(33)%
Air violations (facilities, fiscal year)	2,259	1,870	na	na	21%	na	na
Air violations as % of facilities inspected	*3%*	*2%*	*na*	*na*	*1ppt*	*na*	*na*
Water							
Water quality – suspended sediment concentration of largest pollutants (per liter of water): [2]	210.8	225.5	212.0	237.0	(7)%	(1)%	(11)%
Silica	9.3	9.0	9.1	9.0	3%	2%	3%
Dissolved organic carbon	4.1	4.4	4.6	4.8	(7)%	(11)%	(15)%
Nitrogen	2.0	2.2	2.3	2.4	(9)%	(13)%	(17)%
Nitrate plus nitrite	1.6	1.8	1.4	1.4	(11)%	14%	14%
Drinking water violations (facilities, fiscal year)	49,254	50,052	55,430	na	(2)%	(11)%	na
Drinking water violations as % of facilities inspected	*87%*	*90%*	*100%*	*na*	*(2)ppt*	*(12)ppt*	*na*
Other (fiscal year)							
Hazardous waste violations (facilities)	8,134	8,575	7,856	na	(5)%	4%	na
Pesticide violations (number of federal violations)	2,057	2,296	1,297	na	(10)%	59%	na

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

1 *Shown are the number of days among 35 major US cities combined in which the Air Quality Index (AQI) for ozone and fine particulate pollution ($PM_{2.5}$) combined was unhealthy for sensitive groups or above. A number of factors influence ozone formation, including emissions from cars, trucks, buses, power plants, and industries, along with weather conditions. Weather is especially favorable for ozone formation when it's hot, dry and sunny, and winds are calm and light. Fine particle pollution can be emitted directly from cars, trucks, buses, power plants and industries, along with wildfires and woodstoves. But it also forms from chemical reactions of other pollutants in the air.*

[2] *This data provides streamflow, nutrient, pesticide, and sediment data collected and analyzed by the National Water Quality Network and other historical water-quality networks from 1963-2019.*

Air

Emissions (CO_2 equivalents) decreased over the past decade. By emission type, carbon dioxide (CO_2) and methane emissions decreased by 9% and 8%, respectively, while nitrous oxide and fluorinated gas emissions increased 3% and 11%, respectively. Overall emissions decreased in the commercial, electricity generation, and residential sectors by 76%, 25%, and 9%, respectively over the last decade, while the transportation, agriculture, and industry sectors increased by 417%, 4%, and less than 1%, respectively.

Below is a brief summary of the various emission types:

- *Carbon dioxide* - enters the atmosphere through burning fossil fuels (coal, natural gas, and oil), solid waste, trees and wood products, and also as a result of certain chemical reactions. Carbon dioxide is removed from the atmosphere (or "sequestered") when it is absorbed by plants as part of the biological carbon cycle.
- *Methane* - emitted during the production and transport of coal, natural gas, and oil. Methane emissions also result from livestock and other agricultural practices and by the decay of organic waste in municipal solid waste landfills.
- *Nitrous oxide* - emitted during agricultural and industrial activities, as well as during combustion of fossil fuels and solid waste.
- *Fluorinated gases* - synthetic gases that are emitted from a variety of industrial processes. Fluorinated gases are sometimes used as substitutes for stratospheric ozone-depleting substances (e.g., chlorofluorocarbons, hydrochlorofluorocarbons, and halons). These gases are typically emitted in smaller quantities, but they are potent.

Despite decreased emissions in the US, atmospheric CO_2 as measured from the Mauna Loa Observatory, has increased consistently. In the cities tracked, the number of days the air was considered unhealthy for sensitive groups decreased over the past decade. In 2018, the city with the highest number of unhealthy air days was Los Angeles (110 days, as compared to 122 days in 2008). Columbus and Orlando each had 3 unhealthy air days, the lowest of the cities tracked, in 2018, as compared to 22 and 6 unhealthy air days, respectively, in 2008. Unhealthy air days are generally caused by emissions from cars, trucks, buses, power plants, and industries, along with wildfires and woodstoves.

Within this reporting period, we have limited data on air violations. However, the number of facilities inspected decreased when comparing 2011 and 2018, while the number of violations increased from 2015 to 2018.

Water

One measure of water quality that our Government tracks regularly is the quantity of suspended solids in the water. Suspended solids can clog fish gills, either killing them or reducing their growth rate, and reduces light penetration, which reduces the ability of algae to produce food and oxygen. When the water slows down, as when it enters a reservoir, the suspended sediment settles out and drops to the bottom, a process called siltation. This causes the water to clear, but as the silt or sediment settles it may smother bottom-dwelling organisms, cover breeding areas, and smother eggs.

Nutrients, such as nitrogen and phosphorus, are essential for plant and animal growth and nourishment, but the overabundance of certain nutrients in water can cause adverse health and ecological effects. Nitrogen, in the forms of nitrate, nitrite, or ammonium, is a nutrient needed for plant growth. If excess nitrogen is found in the crop fields, the drainage water can introduce it into streams, which will drain into other larger rivers and might end up in the Gulf of Mexico, where excess nitrogen can lead to hypoxic conditions (lack of oxygen).

During the periods presented, water quality as measured by the quantity of suspended solids improved overall, though levels of nitrate plus nitrite increased notably. Nitrate can get into water directly as the result of runoff of fertilizers containing nitrate. Some nitrate enters water from the atmosphere, which carries nitrogen-containing compounds derived from automobiles and other sources, derived either naturally from chemical reactions or from the combustion of fossil fuels, such as coal and gasoline. Nitrate can also be formed in water bodies through the oxidation of other forms of nitrogen, including nitrite, ammonia, and organic nitrogen compounds such as amino acids. Ammonia and organic nitrogen can enter water through sewage effluent and runoff from land where manure has been applied or stored.

Regarding drinking water violations, the number of facilities with violations decreased during the periods reported, while the number of facilities inspected increased 1% for each of those periods.

Agriculture

Calendar year, except as otherwise noted (In millions of metric tons, except for percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Crops harvested (in millions of acres)	317	319	321	327	(1)%	(1)%	*(3)%*
Crops harvested per 1,000 acres of cropland	*938*	*955*	*955*	*970*	*(2)%*	*(2)%*	*(3)%*
Crop failures (in millions of acres)	11	9	12	9	22%	(8)%	22%
Domestic production of grains and soy (market year)	481	482	468	435	—%	3%	11%
Domestic consumption of grains and soy (market year)	390	390	370	341	—%	5%	14%
Excess of grains and soy production over consumption	91	92	98	94	(1)%	(7)%	(3)%
Domestic production of meat and poultry [1]	44	42	56	56	5%	(21)%	(21)%
Domestic consumption of meat and poultry [1]	38	37	48	48	3%	(21)%	(21)%
Excess of meat and poultry production over consumption [1]	6	5	8	8	20%	(25)%	(25)%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

1 *Beef, veal and swine are categorized as meat.*

Over the past decade, crops harvested, absolute and per acre, remained fairly consistent, while crop failures fluctuated and increased overall. Over the past decade, the US has remained self-sufficient for its major food sources of grains, soy, meat, and poultry by producing more than it consumes. Over this period, our consumption of grain increased, while our consumption of meat and poultry decreased.

American Dream

The American Dream reporting unit works to equalize opportunity for economic mobility, civil rights, and democratic and community participation in the US.

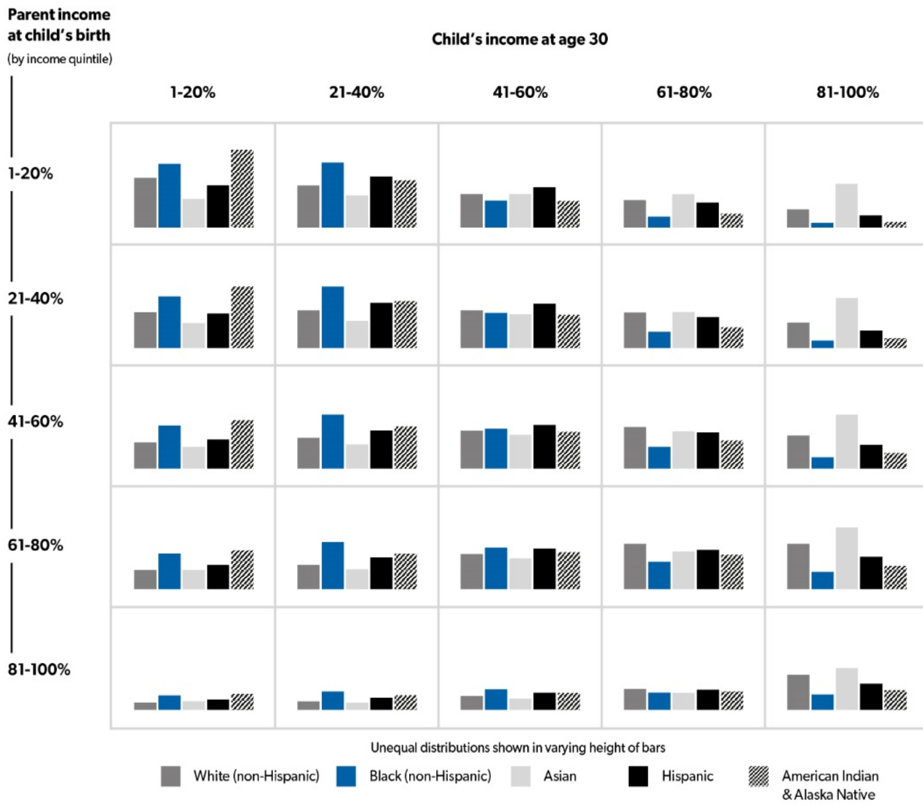
Economic mobility

Our Government seeks to equalize economic mobility opportunity in the US, where each kid has an equal opportunity to move to a higher income group than the one into which he or she is born. By income quintile (shown below), this would mean that every child would have a 20% chance of ending up in any quintile.

The chart below (from a study in March 2018 that linked data from the Census Bureau and the IRS) shows differences in economic mobility by race and ethnicity.[51] Looking at the bottom quintile alone shows how both income and race/ethnicity can impact a child's likelihood of moving up. On average, among kids born into the bottom quintile:

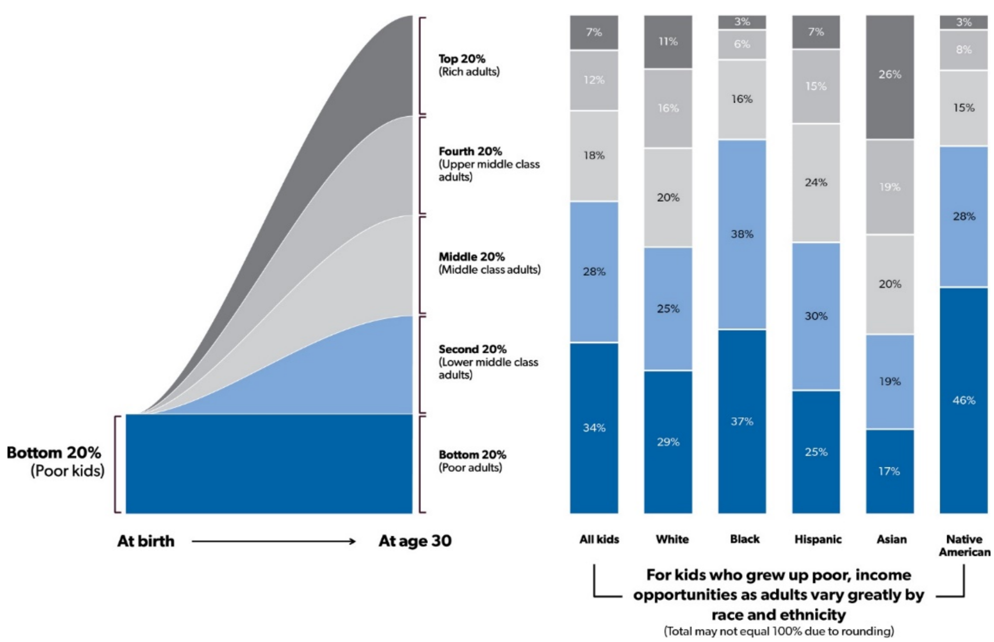
- Asian kids have an 83% chance of moving up;
- Hispanic kids have a 75% chance of moving up;
- White (non-Hispanic) kids have a 71% chance of moving up;
- Black (non-Hispanic) kids have a 63% chance of moving up; and
- American Indian/Alaska Native kids have a 55% chance of moving up.

What is a person's likely income around age 30 compared to his or her parents' income at birth?



What economic mobility looks like for children in poverty

Poor kids who start out in the bottom 20% have a certain likelihood to "move up" to higher income levels as adults depending on many factors including race and ethnicity.



Civil rights

Our Government seeks to ensure that minorities are protected and to reduce the number of civil rights crimes in the US.

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Hate crime incidents	7,120	7,175	5,928	7,783	(1)%	20%	(9)%
Hate crime incidents (per 1 million people)	*22*	*22*	*19*	*26*	*—%*	*16%*	*(15)%*
Equal employment charges (fiscal year)	76,418	84,254	93,727	95,402	(9)%	(18)%	(20)%
Equal employment charges (per 1 million employees)	*491*	*549*	*651*	*656*	*(11)%*	*(25)%*	*(25)%*
Equal employment charges (per 1 million job openings)	*2,357*	*2,617*	*3,081*	*3,150*	*(10)%*	*(23)%*	*(25)%*
Housing discrimination complaints (fiscal year)	7,788	8,186	8,368	10,552	(5)%	(7)%	(26)%
Housing discrimination complaints per housing unit	*56*	*60*	*63*	*81*	*(7)%*	*(11)%*	*(31)%*
Health discrimination investigations	899	921	4,465	3,401	(2)%	(80)%	(74)%
Health discrimination investigations per 1,000,000 people	*3*	*3*	*14*	*11*	*—%*	*(79)%*	*(73)%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

Civil rights outcomes have been mixed over the past decade. Overall, reports of hate crime incidents decreased over the past decade, with the largest decrease (17%) reported for race/ethnicity/ancestry, partially offset by increases in gender and gender identity (our source began reporting in 2013), disability (104%), and multiple-bias (2,700%) reports. Overall reported hate crimes had been declining but reversed trend in 2013, and increased through 2018, up 20% from 2013. Reported hate crimes increased, when comparing 2018 to 2013, across every category except sexual orientation, which decreased by 3%, while race, ethnicity, and ancestry hate crimes reported increased the most (up 15%).

Compared to a decade ago, equal employment charges increased overall, and results were mixed across categories. Charges increased for retaliation, disability, color, and equal pay, while they decreased for race, sex, national origin, religion, and age.

Housing discrimination complaints and health discrimination investigations can fluctuate significantly but decreased over the periods included in this report.

Democratic participation

Our Government seeks to encourage civic participation, including voting. The voting-age population was 246 million in 2016 (the latest presidential election included within this MD&A), an increase of 4% over 2012. Among people of voting age, 64% were registered to vote in 2016; among citizens of voting age, the registered proportion was 70%. That level has changed little since 1996 but is down from a peak of 75% in 1992.

Calendar year	2016	2012	2008	2004	Change 2016 vs. 2012	Change 2016 vs. 2008	Change 2016 vs. 2004
Rate of citizen voting in presidential elections	61%	62%	64%	64%	(1)ppt	(3)ppt	(3)ppt
Rate of voting per registered voter	*87%*	*87%*	*90%*	*88%*	*—ppt*	*(3)ppt*	*(1)ppt*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

The proportion of US citizens of voting age who voted in presidential elections has decreased. Voting rates have varied by demographic:

- the voting rate for women has been higher than for men since 1980;

- by age, the lowest voting rate in 2016, 39%, was among 18 to 24-year-olds, while the highest, 68%, was among voters 65 and older;
- among people with less than a ninth-grade education, the voting rate in 2016 was 18%, while among those with a bachelor's degree or more, it was 71%; and
- regionally, the voting rate in 2016 was highest in the Midwest (61%) and lowest in the West (53%).

By race and ethnicity, the voting rate for citizens in 2016 was highest among non-Hispanic white people, at 64%, followed by Black people, at 56%. Participation in 2016 was lowest among Asian (34%) and Hispanic (33%) people. The voting rate among Black people jumped from 56% in 2004 to 61% in 2008, the year Barack Obama was elected the nation's first Black president, and was 62% in 2012 for his second term, before dropping again to 56% in 2016 when Obama left office.

Calendar year	**2018**	**2014**	**2010**	**2006**	**Change 2018 vs. 2014**	**Change 2018 vs. 2010**	**Change 2018 vs. 2006**
Rate of citizen voting in midterm elections	53%	42%	46%	48%	11ppt	7ppt	5ppt
Rate of voting per registered voter	*49%*	*39%*	*42%*	*44%*	*10ppt*	*7ppt*	*5ppt*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

Voting rates are even lower in nationwide midterm elections when citizens choose all members of the US House of Representatives and a third of the Senate but not the president. The midterm-voting rate had been falling but reversed trend and grew in 2018, resulting in overall growth for the decade.

The voting-age population was 250 million in the 2018 midterm elections, an increase of 4% over 2014. Among people of voting age, 61% were registered to vote in 2018.

Since 1986, women have been more likely to vote in midterm elections than men. As in presidential elections, voting frequency in midterms increases with age and educational attainment. The age group 65 years and older had the highest rate amongst all age groups reported in 2018 at 64%. The group with bachelor's degrees or higher had the highest rate of voting frequency at 64% in 2018. By race and ethnicity, white, non-Hispanic people had their highest midterm voting rate in 2018, when it reached 57%, the highest rate among all races and ethnicities for any of the periods reported. Hispanic people of any race consistently had the lowest mid-term voting rates, but they too experienced their highest rate in 2018, when it reached 29%. The Midwest region had the highest midterm voting rate throughout the periods shown above, ranging from a low of 42% in 2014 to a high of 54% in 2018. The region with the lowest voting rate was the South for all midterm periods presented, ranging from a low of 39% in 2010 to 47% in 2018, except for 2014 when the voting rate was lowest in the Northeast at 36%.

Community participation

Our Government seeks to encourage the building of strong communities throughout the US.

Fiscal year, except as otherwise noted	**2018**	**2017**	**2013**	**2008**	**Change 2018 vs. 2017**	**Change 2018 vs. 2013**	**Change 2018 vs. 2008**
Volunteering rate	na	26%	25%	26%	na	na	na
Median volunteer hours per year	na	na	50	52	na	na	na
Total giving (in millions, tax year)	$ 196,956	$ 256,065	$ 194,664	$ 172,936	(23)%	1%	14%
Total giving adjusted for inflation (2018 base)	*$ 196,956*	*$ 262,320*	*$ 209,830*	*$ 201,695*	*(25)%*	*(6)%*	*(2)%*
Total giving per $100,000 of Adjusted Gross Income	*$ 169*	*$ 233*	*$ 214*	*$ 209*	*(27)%*	*(21)%*	*(19)%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

na *An "na" reference in the table means the data is not available.*

Volunteering

The proportion of Americans taking part in volunteer activities remained relatively consistent over the past decade, among males and females and across all age groups and education levels. Data by level of education, by age group, and by gender for 2016 and 2018 were not available at the time of this report's release. Volunteering in 2017 was most prevalent among people ages 65 and older and least prevalent in the youngest age group tracked, ages 15 to 24. People with higher levels of education (a bachelor's degree or higher) and women were more likely to volunteer than people with less education and men. In 2015, the latest year which the detailed data was available, men who volunteered were most likely to engage in general labor (12%); coach, referee, or supervise sports teams (9%); or collect, prepare, distribute, or serve food (9%). Female volunteers were most likely to collect, prepare, distribute, or serve food (13%); tutor or teach (11%); or fundraise (10%).

With respect to median volunteer hours, the number of hours per year remained consistent between 2008 and 2015. The most hours were worked by those ages 65 and older, while the least hours were worked by those ages 16 to 24.

Philanthropy

Americans claimed $197 billion in charitable deductions in tax year 2018, for an average of $13,267 per tax return with claims. This is compared with $173 billion in charitable deductions, or an average of $4,406 per tax return, in 2008. Though charitable deductions increased over the past decade, they dropped 23% from 2017, likely due to changes in tax law from the TCJA, which made claiming the standard deduction more attractive than itemizing deductions (including charitable deductions), for many tax filers.

Charitable deductions generally increase as income increases. By income cohort:

- the group with the greatest aggregate dollars claimed and number of associated tax returns in both 2018 and 2008 were those with AGI between $100,001 and $200,000, who claimed an aggregate of $35 billion in charitable deductions in 2018, or an average of $7,063 per tax return, and an aggregate of $41 billion in 2008, or an average of $3,780 per tax return;
- the group with the greatest dollars claimed per tax return were those with AGI of $10 million or more, who claimed an aggregate of $48 billion in charitable deductions in 2018, or an average of $2.4 million per tax return. This is compared to an aggregate of $20 billion in 2008, or an average of $1.6 million per tax return.

Financial condition[44]

Liquidity and capital resources

Cash and other monetary assets

Our Government's cash and other monetary assets increased $253 billion or 24% in 2018 to $1,310 billion, including $508 billion of federal funds and $802 billion of state and local funds.

Cash and other monetary assets increased $237 billion or 87% at the federal level, primarily relating to operating cash held by the Treasury, which fluctuates due to Treasury's management of the balance and timing of our Government's cash position, including investment and borrowing decisions.

Cash and other monetary assets increased $16 billion or 2% at the state and local government level, primarily reflecting a $14 billion or 2% increase in non-pension cash and other monetary asset balances.

Our Government holds cash and monetary assets primarily to fund near-term operations and existing obligations and where otherwise required by law. It also holds international monetary assets in the International Monetary Fund (IMF). The IMF promotes international monetary cooperation and a stable payments system to facilitate growth in the world economy. Further discussion of the federal government's IMF related assets can be found in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 2 – Cash and other monetary assets.*

Debt and equity securities

Our Government's debt and equity securities comprise mainly corporate equities, corporate and foreign bonds, and agency and government-sponsored enterprise (GSE)-backed securities, primarily held at the state and local level. These securities are predominantly US dollar-denominated securities, but also include foreign currency-denominated securities.

Government debt and equity securities increased $330 billion or 7% in 2018 to $5,075 billion. Of the total increase, state and local investments increased $334 billion, while federal investments decreased $4 billion. At the state and local level, there was a $276 billion increase in investments of pension assets, which are not considered liquid assets our Government can use for general operations, as well as an increase of $58 billion related to non-pension assets, reflecting increases in agency and GSE-backed securities of $33 billion and corporate equities of $14 billion.

Off balance sheet assets, liabilities, and other arrangements

There are significant resources available to our Government that extend beyond the assets reflected in the accompanying balance sheets. Those resources include stewardship land (e.g. national parks, wildlife refuges, national forests, and other lands of national and historical significance) and heritage assets (e.g. national monuments and historical sites of historical, natural, cultural, educational, or artistic significance) in addition to our Government's sovereign powers to tax and set monetary policy.

The federal government states that stewardship land and heritage assets are not expected to be used to meet the obligations of the federal government, and as such, they are not recorded as assets on the balance sheet. However, our Government does generate revenues from these assets. See *Part II, Item. 8, Financial Statements and Supplementary Data, Note 22 – Stewardship land and heritage assets* within this annual report for more information.

The primary cash inflows of our Government come from its ability to tax and set monetary policy, for which there are no assets recorded on the balance sheet. Tax revenue comprised 88% and 87% of our Government's total revenues for 2018 and 2017, respectively.

Our Government has certain obligations and rights related to its relationship with GSEs that may not be recorded on the balance sheet. See *Note 8 – Investments in government-sponsored enterprises* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report for more information.

Our Government also has certain other obligations that are not legal liabilities in our balance sheets. See *Note 18 – Contingencies* and *Note 19 – Commitments* for more information.

Debt

Total Government debt held by the public increased $990 billion, or 6%, in 2018 to $17,798 billion.

Federal government

The unified federal budget surplus or deficit is the difference between total federal spending and receipts (e.g. taxes) in a given year. Our Government borrows from the public (increases federal debt levels) to finance deficits by issuing Treasury bills, bonds, and notes. During a budget surplus (i.e. when receipts exceed spending), our Government typically uses those excess funds to reduce the debt held by the public. Total federal government debt held by the public was $14,721 billion at September 30, 2018.

Foreign governments and other overseas entities top the list of holders of federal debt securities, owning $6,270 billion or 39% of the total federal debt held by the public at September 30, 2018. That proportion has fluctuated over the years and was 48% in 2008 (the first year discussed in this MD&A). The biggest foreign holders of our federal government's debt in 2018 were China, holding $1,124 billion or 7%, and Japan with $1,040 billion or 6%, of the balance.

The second-largest category of holders of federal debt securities are American households and businesses, which owned $6,117 billion at September 30, 2018, or 38% of the total federal debt held by the public.

The third-largest holder of federal debt is the Federal Reserve, the US central bank. The Federal Reserve's holdings jumped to $2,595 billion at September 30, 2018 from $476 billion at September 30, 2008, comprising 16% and 7%, respectively, of the total federal debt held by the public, as it sought to bring the country out of the Great Recession and keep the economy growing afterwards. To do that, the Federal Reserve bought large amounts of Treasury securities to keep long-term interest rates low. Buying Treasury securities pushes up their price, which in turn lowers the interest rate, or yield. That makes it cheaper for companies and individuals to borrow, since many types of loans, including home mortgages, are linked to Treasury yields.

State and local government

State and local governments generally borrow to finance construction projects, including schools, hospitals, and roads. When these governments borrow, they sell bonds, which represent money that must later be repaid with interest. The state and local government debt balance was $3,077 billion at September 30, 2018.

We are not aware of an aggregated source for a listing of holders of the state and local government debt held by the public.

Intergovernmental debt

In addition to debt held by the public, our federal government had $5,825 billion in federal intergovernmental debt outstanding at September 30, 2018, which arose when one part of our federal government borrowed from another. This amount represents debt issued by the Treasury and held by federal government accounts, including the Social Security ($2,896 billion) and Medicare ($302 billion) trust funds. Because these amounts are both liabilities of the Treasury and assets of federal government trust funds, they are eliminated as part of the consolidation process for the federal government financial statements. However, when those securities are redeemed, for example, to pay future Social Security benefits, the Treasury will need to obtain the resources necessary to reimburse the trust funds.

There is also intergovernmental debt between the federal and the state and local governments, which generally arises when state and local governments invest in Treasury securities. We eliminated the state and local government holdings of Treasury securities when preparing our combined balance sheets. See *Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 23 – Intergovernmental transfers* for more information.

Contractual obligations

The following table summarizes the payments due by fiscal year for our Government's outstanding contractual obligations as of September 30, 2018:

(In billions)	2019	2020-2021	2022-2023	Thereafter	Total
Long-term debt: [1]					
Federal government Treasury securities principal payments	$ 4,206	$ 3,679	$ 2,502	$ 4,282	$ 14,669
Federal government Treasury securities interest payments [2]	272	420	303	1,355	2,350
State and local government principal payments [3]	*	*	*	*	3,077
Federal government long-term operating leases [4]	*	*	*	*	37
Federal undelivered orders [5]	*	*	*	*	1,199
Federal other commitments [6]	*	*	*	*	559
Total contractual obligations	$ 4,478	$ 4,099	$ 2,805	$ 5,637	$ 21,891

* *We are not aware of a source for this data by year.*

1 *Excludes unamortized discounts and agency securities. See Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 11 – Debt securities held by the public and accrued interest within this annual report.*

[2] *These amounts represent estimates of the amounts due for interest on federal government debt obligations. We calculated the interest payments using the September 2018 Monthly Statement of the Public Debt report from the Treasury (found at https://www.treasurydirect.gov/govt/reports/pd/mspd/2018/2018_sep.htm). We multiplied the outstanding Treasury security balances by each security's interest rate, to arrive at an annual expected interest payment. This sum was then multiplied by the number of years remaining on each security as of September 30, 2018, and grouped to arrive at the estimated interest payments for the years presented.*

[3] *This amount represents total state and local government debt outstanding on the 2018 balance sheet. We are not aware of an aggregated source that provides the amount of principal debt payments in each of the years shown above. This amount does not include expected interest on the state and local government debt obligations as we are not aware of an aggregated source for this data.*

[4] *This amount represents the federal long-term operating leases at September 30, 2018 that require then-future use of financial resources. See Note 19 – Commitments for more information. We are not aware of an aggregated source for state and local government long-term operating lease commitments.*

[5] *This amount represents the federal government undelivered orders at September 30, 2018, which represent the value of goods and services ordered that had not yet been received as of that date. See Note 19 – Commitments for more information. We are not aware of an aggregated source for state and local government undelivered orders.*

[6] *This amount represents other federal government commitments at September 30, 2018 that may require then-future use of financial resources. See Note 19 – Commitments for more information. We are not aware of an aggregated source for other state and local government commitments.*

Companies are also required to report in the table above within their Form 10-Ks future capital lease obligation payments. We are not aware of a federal or state and local aggregated source for this data and as such, the table above omits this information.

Other expected uses of capital

We expect our Government will continue to invest in major government functions and programs, such as Social Security, Medicare, infrastructure, education, and training, to name a few, in alignment with its overall objectives.

Social insurance

The largest outlays of the federal government are the various social insurance programs (e.g. Social Security and Medicare) and grants to the states for Medicaid. Our Government records liabilities for social insurance programs when payments are due and payable to beneficiaries or service providers. These liabilities do not encompass total expected future expenditures.

The Treasury, in its *Financial Report of the United States* (the Financial Report), provides Statements of Social Insurance (SOSI). The SOSI provide estimates of the potential future obligations for the most significant social insurance programs – Social Security, Medicare, Railroad Retirement, and Black Lung. The estimates represent the actuarial present values of the projected future net expenditures for the programs, generally based on continuation of then-current program provisions and economic and demographic assumptions from the respective programs' trustees over the following 75 years. The estimates at September 30, 2018 show net present values of estimated then-future net expenditures for Social Security, Medicare, and other social insurance programs of $16.1 trillion, $37.6 trillion, and $0.1 trillion, respectively. More information on these programs and the related fiscal projections can be found at *Exhibit 99.06* and *Exhibit 99.07* of this Form 10-K.

Deferred maintenance and repairs

Deferred maintenance and repairs result from maintenance not being performed on assets on a timely basis. The consequences of not performing regular maintenance and repairs could include increased safety hazards, poor service to the public, higher costs in the future, and inefficient operations. The federal government estimates the cost to bring its property, plant, and equipment to an acceptable condition. These estimates exclude the cost of expanding the capacity of assets or upgrading them to serve needs beyond those originally intended. The federal government estimated that the deferred maintenance and repairs on its buildings, structures, and land was $167 billion as of September 30, 2018. Estimated deferred maintenance and repairs costs are not recognized as a liability on the balance sheets.

Sustainability

Federal

Our federal government operates at a deficit nearly every year, with cash outflows exceeding inflows. We do not expect existing cash, cash equivalents, short-term investments, and cash flows from operations to be sufficient to fund federal government operations. Rather, we rely on our federal government's ability to issue debt securities or to adjust tax and other revenues to fund its activities. This is true for at least the next 12 months and thereafter for the foreseeable future.

Our federal government's ability to issue debt securities is subject to a statutory debt limit (the Debt Limit) and is impacted by its credit rating. The sum of debt held by the public and intergovernmental debt equals gross federal debt, which (with some adjustments) is the amount subject to the Debt Limit. At both September 30, 2017 and 2018, the debt subject to the Debt Limit was $21.5 trillion, but there was no Debt Limit due to Congress' temporary suspension of it. During both fiscal years 2017 and 2018, delays in raising the debt limit resulted in the Treasury implementing "extraordinary measures" on a temporary basis, to enable the federal government to protect the full faith and credit of the US by continuing to pay the nation's bills. These extraordinary measures permit the federal government to continue to honor pre-existing commitments; they do not increase spending or authorize new spending. As of September 30, 2018, and 2017, the federal government had the top two highest possible ratings among the largest credit rating agencies in the US. See *Item 7A. – Quantitative and Qualitative Disclosures about Market Risk, Sovereign credit rating* for further information.

According to the Treasury, an important item for citizens to understand is the current fiscal policy and the importance and magnitude of policy reforms necessary to make it sustainable. According to the Treasury, a sustainable policy is one where the ratio of debt held by the public to Gross Domestic Product (GDP) (the debt-to-GDP ratio) is stable or declining over the long term. GDP measures the size of the nation's economy in terms of the total value of all final goods and services that are produced in a year. The debt-to-GDP ratio is a measure commonly used to gauge a nation's ability to pay its debt, as GDP is one measure of a country's ability to generate the financial resources needed to service its debt. Total Government debt (federal and state and local) held by the public (excluding intergovernmental debt) was $17,798 billion at September 30, 2018, or 85% of GDP, down from 84% of GDP at September 30, 2017. Total federal debt (including intergovernmental debt) was 76% of GDP, while federal debt held by the public (excluding intergovernmental debt) was 70% of GDP, at September 30, 2018.

The projections in the Financial Report at the end of 2018 indicate that the debt-to-GDP ratio was projected to reach 530% in 2093 and to rise continuously thereafter. The debt-to-GDP ratio rises at an accelerating rate despite primary deficits (the total budget deficit excluding net payments) that flatten out because higher levels of debt lead to higher net interest expenditures, and higher net interest expenditures lead to higher debt. Preventing the debt-to-GDP ratio from rising over the 75 years following 2018 was estimated by the Treasury to require some combination of spending reductions and revenue increases that amount to 4% of GDP over the projection period, an increase of 2 percentage points from their 2017 estimates. While this estimate of the "75-year fiscal gap" is highly uncertain, the Treasury believes it is nevertheless nearly certain that then-current fiscal policies cannot be sustained indefinitely.

State and local

We are not aware of a consolidated state and local government source that analyzes its financial sustainability.

Application of critical accounting policies

Preparing financial statements requires preparers to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by the application of accounting policies. As the combined financial statements in this annual report represent the aggregation of financial data prepared by other entities, and as we do not have complete information about the accounting policies used to prepare the data, we are unable to determine what are the critical accounting policies.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk[52]

The US is exposed to economic risk from its sovereign credit rating, interest rates, foreign exchange rates, equity prices, and commodity prices. These risks may impact our Government's combined financial statements as well as the overall US economic health and our Government's ability to achieve its objectives.

During 2018, the year of focus for this 10-K, US Economic growth remains robust, unemployment rates are at a fifty-year low, corporate and consumer delinquency and default rates are low, and financial conditions are broadly stable. Stock prices have increased over the past year. Prices for commercial and residential real estate have also increased albeit at a somewhat slower rate than in previous years. However, some uncertainty regarding future economic performance has emerged. This uncertainty prompted the Federal Reserve to shift to a more accommodative monetary policy stance over the past year. Overall, risks to US financial stability remain moderate. Much of the uncertainty in the economic outlook stems from events overseas. A slowdown in economic growth in the euro area and China may affect economic conditions in the US, though the effects on financial stability, if any, are likely to be modest. The potential for a disorderly withdrawal of the United Kingdom from the European Union (EU) remains. Post-crisis regulatory reforms have strengthened the ability of the financial system to withstand a shock or an economic downturn.

Sovereign credit rating

A sovereign credit rating is the credit rating of a country. Sovereign credit ratings give investors insight into the level of economic and political risk associated with investing in a country. The sovereign credit rating usually influences a country's access to international funding and interest rates. A poor US credit rating could have significant impact on global financial markets.

The three major credit rating agencies, Standard & Poor's, Moody's, and Fitch, left overall ratings of US sovereign debt unchanged at AA+, Aaa, and AAA, respectively, during 2018, and each maintained a stable outlook for US Treasury securities at the end of 2018.[53]

There is the potential for an increasing federal government debt burden to negatively impact long-term financial stability. Government budgets (and thus the debt burden) were strained by the cyclical response of revenues and expenditures after the financial crisis as well as the fiscal actions taken to ease the recession and aid the recovery. US federal government debt held by the public was estimated to be 76% of GDP in 2018. The Congressional Budget Office projects that the debt burden could increase in an accelerating manner in the coming decades. Achieving long-term sustainability of the national budget is important to maintaining global market confidence in US Treasury securities and the financial stability of the US.

Interest rate

The federal funds rate is maintained by the Federal Reserve and is generally viewed as the base rate for all other interest rates in the US economy. The higher the federal funds rate, the more expensive it is to borrow money. The US federal funds rate can influence domestic and international monetary and financial conditions. See more about the federal funds rate at *Part I, Item I. Purpose and Function of Our Government, Other related entities, The Federal Reserve* within this report.

Although US interest rates have increased from their historically low levels, key US asset prices appreciated further in 2018, in part reflecting the economy's strength, with valuations notably elevated in US equities, corporate debt, and some residential and commercial real estate markets. According to certain metrics, nonfinancial corporate debt and leverage have reached elevated levels. Downturns in these markets can occur with little warning and in response to a range of factors. The impact of corrections in these markets on financial stability will depend on the severity of the losses, spillovers across markets, and the ability of investors and intermediaries to manage the fallout. It is important that the relevant investors and intermediaries assess and reinforce their ability to manage a scenario of severe losses across these markets, to reduce the risks of such a scenario.

Over the past few years, regulators, benchmark administrators, and market participants have worked to improve the resilience of the London Interbank Offered Rate (LIBOR) and develop alternative reference rates. Regulators are concerned that LIBOR is not sustainable because it is based on a diminishing number of observable transactions. The weaknesses of LIBOR may undermine market integrity and the uncertainty surrounding its sustainability could threaten US financial institutions and the US financial system more broadly. The cessation or degradation of LIBOR as a reference rate for financial contracts is anticipated in the near future. As an alternative reference rate, the Secured Overnight Financing Rate (SOFR) has been introduced. Widespread failure of market participants to adequately adapt to this transition could result in a reduction in liquidity in markets for several types of financial contracts and could potentially adversely impact financial stability.

Foreign currency

The currencies of most developed countries are valued based on the demand and supply of the currency. The value of currency can impact economic factors such as trade balance, GDP, and employment.

After depreciating steadily for most of 2017, the US dollar has been gradually strengthening since early 2018, rising by 6% on a nominal trade-weighted basis from January to October 2018. The US dollar remained elevated from a long-term perspective, with the real trade-weighted dollar standing 9% above its 20-year average. The dollar has been supported by gradual interest rate increases from the Federal Reserve, continued strong growth in the US, and concerns about the growth outlook in some other large economies.

Equity

Generally, rising stock prices for companies from a particular country indicate a healthy, growing market, while a downward trend in stocks may reflect weakening fundamentals in a country's economy. Rising stock prices usually indicate net investment in the future health and growth of the economy. An equity index represents a portfolio of securities of a certain market or sector. Global equity indices represent the overall health of the equity market.

Developed and emerging market equities were largely flat during 2018, increasingly 1% since the close of 2017. Equity prices across most other developed and emerging markets were generally weaker than one year earlier. Emerging markets saw the greatest pressure in 2018 due to trade concerns, a modest growth slowdown in China, a strengthening of the US dollar, and local financial stresses in some markets. US equity markets rose sharply in January 2018 before a sell-off in early February with the S&P 500 experiencing its first 10% decline since 2016. The sudden February 5 sell-off was largely attributed to non-fundamental factors. Market participants noted the speed and extent of the January rally in US equity prices had further stretched already elevated equity market valuations, potentially leaving the market vulnerable to a correction. US equity markets recovered in the second and third quarters of 2018 and reached all-time highs in the third quarter of 2018. However, equity markets sold off again in late 2018 as investors reassessed high valuations against weaker earnings guidance, expectations for slowing growth momentum in the US, and increased geopolitical risks. The technology sector outperformed broader US equity markets in the first half of 2018, supported by strong earnings growth and investor preference for "growth" stocks. However, US technology stocks depreciated in the latter half of 2018. The financial and industrial sectors outperformed the broad US equity market in 2017 but have lagged modestly in 2018.

Even after price depreciations in late 2018, US equity valuations remain elevated according to various metrics, particularly the cyclically-adjusted price-to-earnings ratio, which accounts for the long-term earnings of S&P 500 firms. Although US equity market volatility remained below the historical average for most of 2018, there were meaningful spikes early and late in the year.

Commodity

Commodities are generally traded goods such as oil, crops, and minerals for inputs towards the production of other goods or services. The prices of most commodities are generally valued based on the demand and supply of the commodity. Volatility in global price can have extensive implications for both commodity importers and exporters.

Commodity prices continued to rise in the first half of 2018, before varying in the second half of the year. The overall S&P GSCI Spot Index decreased 15% in 2018, due to in part by a 13% decrease in the industrial metals, partially offset by increases in crude oil of 3% and natural gas of 44%.

Prices of Industrial metals rose sharply in 2017, before retracing roughly half of that gain in 2018, with the S&P GSCI Industrial Metals Index falling 13% in 2018 through October. In particular, copper prices fell over 20% in the summer of 2018 amid weakening emerging market demand and rising concerns over trade tensions.

Oil prices rose to multi-year highs in 2018, before falling sharply late in the year. In June 2018, the Organization of Petroleum Exporting Countries (OPEC) agreed to increase total production to compensate for the decline in Venezuelan oil production and the anticipated decline in Iranian exports related to the re-imposition of US sanctions. US production has increased steadily over the past two years, and the average spread between West Texas Intermediate (WTI) and Brent crude oil increased from $1.50 in October 2016 to nearly $10 two years later. WTI peaked at $77 per barrel in at the end of 2018, before falling sharply amid concerns regarding a slowdown in global economic growth, diminishing expectations of Iranian supply decline, and rising levels of non-OPEC supply. Crude oil prices fluctuated 30% in 2018 between $55 and $78 per barrel.

Item 8. Financial Statements and Supplementary Data

Combined functional income statements

(In billions) Fiscal Year	2018	2017	2013	2008
Tax revenues	**$ 5,018**	$ 4,878	$ 4,164	$ 3,833
Non-tax revenues	**698**	721	608	112
Total revenue	**5,716**	5,599	4,772	3,945
Transfer payments to individuals other than personnel and subsidies	**2,982**	2,936	2,447	1,847
Compensation for personnel past and present	**1,691**	1,623	1,434	1,304
Payments to others for goods and services	**705**	674	646	720
Capital expenditures	**559**	534	493	511
Net interest paid	**395**	333	295	272
Other income	**(40)**	(31)	(35)	(4)
Total expenditures	**6,292**	6,069	5,280	4,650
Net deficit	**$ (576)**	$ (470)	$ (508)	$ (705)

Combined segment income statements

(In billions) Fiscal Year	2018	2017	2013	2008
Tax revenues	**$ 5,018**	$ 4,878	$ 4,164	$ 3,833
Non-tax revenues	**698**	721	608	112
Total revenues	**5,716**	5,599	4,772	3,945
Establish justice and ensure domestic tranquility expenditures	**473**	447	400	366
Provide for the common defense expenditures	**874**	835	833	741
Promote the general welfare expenditures	**1,447**	1,410	1,232	1,021
Secure the blessings of liberty to ourselves and our posterity expenditures	**3,355**	3,238	2,678	2,358
General government and other expenditures	**143**	139	137	164
Total expenditures	**6,292**	6,069	5,280	4,650
Net deficit	**$ (576)**	$ (470)	$ (508)	$ (705)

See accompanying notes.

INTERACTIVE ANALYSIS

Combined balance sheets

(In billions)	2018	2017
Assets		
Cash and other monetary assets (Note 2)	**$ 1,310**	$ 1,057
Accounts and taxes receivable, net (Note 3)	**519**	491
Loans receivable, net (Note 4)	**1,668**	1,588
Inventories and related property, net (Note 5)	**338**	327
Property, plant, and equipment, net (Note 6)	**12,414**	11,812
Debt and equity securities (Note 7)	**5,075**	4,745
Investments in government-sponsored enterprises (Note 8)	**113**	93
Other assets (Note 9)	**111**	148
Total assets	**$ 21,548**	$ 20,261
Stewardship land and heritage assets (Note 22)		
Liabilities and equity		
Accounts payable (Note 10)	**$ 1,064**	$ 1,002
Debt securities held by the public and accrued interest (Note 11)	**17,798**	16,807
Employee and veteran benefits payable (Note 12)	**16,431**	15,879
Environmental and disposal liabilities (Note 13)	**577**	465
Benefits due and payable (Note 14)	**211**	219
Insurance and guarantee program liabilities (Note 15)	**170**	203
Loan guarantee liabilities (Note 4)	**38**	43
Other liabilities (Note 16)	**479**	473
Total liabilities	**36,768**	35,091
Contingencies (Note 18) and commitments (Note 19)		
Accumulated deficit	**(15,220)**	(14,830)
Total liabilities and accumulated deficit	**$ 21,548**	$ 20,261

See accompanying notes.

INTERACTIVE ANALYSIS

Notes to financial statements

INTERACTIVE ANALYSIS

General note on sources

Federal government

Federal government amounts and the related text within Notes 2 through 22 and Note 25 below were copied from the 2018 United States (US) Treasury (Treasury) *Financial Report of the United States* (the Financial Report). We condensed and reordered the Financial Report information in reproducing it here to reflect the materiality level of this report, generally rounding dollars to the nearest billion, condensing amounts in tables less than 5% of the respective totals, and deleting the corresponding text. We also excluded the following notes of the Financial Report in creating this report:

- *Note 1 – Summary of significant accounting policies* – excluded because aggregated accounting policies for state and local governments are not available, and the federal accounting policies are voluminous and less helpful without the associated state and local government information. Rather, we refer you to each of our sources for information on their accounting policies – see *Part I, About this Report, Structure and content, Sources of data* within this report for more information on our financial statement sources;
- *Note 17 – Collections and refunds of federal revenue* – excluded because the footnote provides details on federal government revenues shown in the Financial Report, whereas our revenues come from a different source and therefore this detail is not applicable to our report; and
- *Note 22 – Social insurance* and *Note 23 – Long-term fiscal projections* – excluded because these footnotes primarily contain projections that a company would not normally include in its footnotes, though we have provided some supplemental information on potential future social insurance program (e.g. Medicare, Social Security) obligations in Exhibits 99.06 and 99.07 of this report.

We also reviewed the 2019 US Treasury *Financial Report of the United States* (the 2019 Financial Report) and noted that the Treasury had adjusted certain 2018 figures after releasing the Financial Report. We made corresponding adjustments in this report, resulting in changes to: Trading Securities – All other equity securities (*Note 7 – Debt and equity securities*), reflecting a misstatement related to the Smithsonian Institution, and a related decrease to Other assets (*Note 9 – Other assets)*. See the 2019 Financial Report for more details.

Finally, we supplemented the Financial Report information in *Note 8 – Investments in government-sponsored enterprises* by providing the Fannie Mae and Freddie Mac balance sheets (obtained from their respective Form 10-Ks) and in *Note 22 – Stewardship land and heritage assets* by providing tables that show revenues generated from federally owned land, including stewardship land (see source in *Note 22*).

Please see also *Note 1 – Accounting policies* below.

State and local government

State and local government amounts within these footnotes were sourced from the Federal Reserve. We have aggregated certain figures to reflect the materiality level of this report and grouped the figures to match the federal government categories. The Federal Reserve does not provide definitions or other accompanying text for the state and local government data. Therefore, there is a risk that we mapped the state and local government figures to the federal government categories in a different way than the state and local governments or the Federal Reserve would have mapped them. In addition, we have not provided as much information for state and local governments in these footnotes as we have for the federal government due to this data source limitation. We plan to provide more detailed state and local data in the future.

Note 1 – Accounting policies

Accounting principles

As discussed under *General note on sources* above, our combined financial statements and accompanying notes represent the aggregation of data prepared by other organizations. The accounting principles, including principles of combination, the preparation of estimates, and the use of assumptions can be found at each respective source. Principles we have applied in addition to theirs are discussed in this note.

Principles of combination

The combined financial statements have been prepared through the aggregation of federal and state and local government data, as described above. Certain intergovernmental amounts have been eliminated (see *Note 23 – Intergovernmental transfers*) and certain revenues and expenditures have been netted (see *Note 24 – Offsetting amounts*).

Estimates and assumptions

Preparing financial statements requires management of organizations to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures. As our financial statements comprise the combined data of other organizations, the related estimates and assumptions have been made by management of those organizations.

Changes in prior period amounts

Within our financial statements and footnotes, we have adjusted prior period amounts that our sources have adjusted. In addition, we have reclassified certain prior period amounts to conform to the current period presentation, with no impact on combined net deficit. See details in *Note 17 – Prior period adjustments*.

Note 2 – Cash and other monetary assets

(In billions)	2018	2017
Federal	$ 508	$ 271
State and local	802	786
Total cash and other monetary assets	$ 1,310	$ 1,057

Federal government

(In billions)	2018	2017
Unrestricted cash		
Cash held by Treasury for federal government-wide operations	$ 379	$ 153
Other	4	4
Restricted cash	32	26
Total cash	415	183
International monetary assets	67	63
Other monetary assets	26	25
Total cash and other monetary assets	$ 508	$ 271

Unrestricted cash includes cash held by Treasury for governmentwide operations (Operating Cash) and all other unrestricted cash held by the federal entities. Operating Cash represents balances from tax collections, federal debt receipts, and other various receipts net of cash outflows for federal debt repayments and other payments. Treasury checks outstanding are netted against Operating Cash until they are cleared by the Federal Reserve System. Other unrestricted cash not included in Treasury's Operating Cash balance includes balances representing cash, cash equivalents, and other funds held by entities, such as undeposited collections, deposits in transit, demand deposits, amounts held in trust, and imprest funds. Operating Cash held by the Treasury increased by $226 billion (an increase of approximately 148%) in fiscal year 2018 due to Treasury's investment and borrowing decisions to manage the balance and timing of the federal government's cash position.

Restrictions on cash are due to the imposition on cash deposits by law, regulation, or agreement. Restricted cash is primarily composed of cash held by the Security Assistance Accounts (SAA), which execute foreign military sales. The SAA included $26 billion and $21 billion as of September 30, 2018 and 2017, respectively.

International monetary assets include the US reserve position in the International Monetary Fund (IMF) and US holdings of Special Drawing Rights (SDRs). The US reserve position in the IMF is an interest-bearing claim on the IMF that includes the reserve asset portion of the financial subscription that the United States has paid in as part of its participation in the IMF as well as any amounts drawn by the IMF from a letter of credit made available by the United States as part of its financial subscription to the IMF. The IMF promotes international monetary cooperation and a stable payments system to facilitate growth in the world economy. Its primary activities are surveillance of members' economies, financial assistance, as appropriate, and technical assistance.

Only a portion of the US financial subscription to the IMF is made in the form of reserve assets; the remainder is provided in the form of a letter of credit from the United States to the IMF. The balance available under the letter of credit totaled $100 billion and $105 billion as of September 30, 2018, and 2017, respectively. The US reserve position in the IMF had a US dollar equivalent of $15 billion and $10 billion as of September 30, 2018, and 2017, respectively.

The SDR is an international reserve asset created by the IMF to supplement the existing reserve assets of its members. These interest-bearing assets can be obtained by IMF allocations, transactions with IMF member countries, or in the form of interest earnings on SDR holdings and reserve positions in the IMF. US SDR holdings are an interest-bearing asset of Treasury's Exchange Stabilization Fund (ESF). The total amount of SDR holdings of the United States was the equivalent of $51 billion and $52 billion as of September 30, 2018, and 2017, respectively.

The IMF allocates SDRs to its members in proportion to each member's quota in the IMF. The SDR Act, enacted in 1968, authorized the Secretary of the Treasury to issue SDR Certificates (SDRCs) to the Federal Reserve in exchange for dollars. The amount of SDRCs outstanding cannot exceed the dollar value of SDR holdings. The Secretary of the Treasury determines when Treasury will issue or redeem SDRCs. SDRCs outstanding totaled $5 billion as of September 30, 2018, and 2017, and are included in *Note 16 – Other liabilities*.

As of September 30, 2018, and 2017, other liabilities included $49 billion and $50 billion, respectively, of interest-bearing liability to the IMF for SDR allocations. The SDR allocation item represents the cumulative total of SDRs distributed by the IMF to the US in allocations. The US has received no SDR allocations since 2009.

State and local government

(In billions)	2018	2017
Non-pension		
Time and savings deposits	$ 384	$ 371
Security repurchase agreements	165	158
Money market fund shares	20	20
Checkable deposits and currency	135	141
Total non-pension cash and other monetary assets	$ 704	$ 690
Pension		
Money market fund shares	$ 61	$ 58
Other	37	38
Total pension cash and other monetary assets	98	96
Total cash and other monetary assets	$ 802	$ 786

Note 3 – Accounts and taxes receivable, net

(In billions)	2018	2017
Federal	$ 145	$ 143
State and local	374	348
Total accounts and taxes receivable, net	$ 519	$ 491

Federal government

(In billions)	2018	2017
Accounts receivable		
Gross accounts receivable	$ 113	$ 118
Allowance for uncollectible amounts	(31)	(30)
Accounts receivable, net	$ 82	$ 88
Taxes receivable		
Gross taxes receivable	$ 227	$ 204
Allowance for uncollectible amounts	(164)	(149)
Taxes receivable, net	$ 63	$ 55
Total accounts and taxes receivable, net	$ 145	$ 143

Gross accounts receivable include related interest receivable of $4 billion and $3 billion as of September 30, 2018, and 2017, respectively.

Treasury comprises approximately 41% of the federal government's reported accounts and taxes receivable, net, as of September 30, 2017. The following list of entities comprise 98% of the federal government's accounts and taxes receivable, net, of $145 billion as of September 30, 2018. Please refer to the following financial statements for details on gross accounts and taxes receivable and the related allowance for uncollectible amounts: of the Department of the Treasury (Treasury), the Department of Health and Human Services (HHS), the Social Security Administration (SSA), the Department of the Interior (DOI), the Department of Homeland Security (DHS), the Department of Defense (DOD), the Pension Benefit Guaranty Corporation (PBGC), the Department of Energy (DOE), the Federal Deposit Insurance Corporation (FDIC), the Department of Veterans Affairs (VA), the Tennessee Valley Authority (TVA), the Office of Personnel Management (OPM), the Department of Labor (DOL), the Department of Agriculture (USDA), the United States Postal

Service (USPS), the Federal Communications Commission (FCC), the Department of Housing and Urban Development (HUD), the Federal Trade Commission (FTC), and the Environmental Protection Agency (EPA).

Accounts and taxes receivable, net, have historically included amounts related to criminal restitution owed to the federal government. In fiscal years 2018 and 2017, accounts and taxes receivable, net included $8 billion and $9 billion, respectively, of gross receivables related to criminal restitution orders monitored by responsible entities, of which $0.7 billion and $0.5 billion is determined to be collectible for fiscal years 2018 and 2017, respectively. Of this gross receivable amount as of September 30 2018 and 2017, Treasury, HHS, and SSA collectively account for $5 billion and $8 billion, respectively, of which $0.5 billion is determined to be collectible for both September 30, 2018 and 2017.

State and local government

(In billions)	2018	2017
Accounts receivable, net	$ 219	$ 199
Taxes receivable, net	155	149
Total accounts and taxes receivable, net	$ 374	$ 348

Note 4 – Loans receivable and loan guarantee liabilities, net

Loans receivable

(In billions)	2018	2017
Federal	$ 1,400	$ 1,332
State and local	268	256
Total loans receivable	$ 1,668	$ 1,588

Loan guarantee liabilities

(In billions)	2018	2017
Federal	$ 38	$ 43
State and local	—	—
Total loan guarantee liabilities	$ 38	$ 43

Federal government

The federal government has two types of loan programs: direct loans and loan guarantees. One major type of loan is direct loans such as the Department of Education's (Education) Federal Direct Student Loans. The second type is loan guarantee programs, such as the Department of Housing and Urban Development's (HUD's) Federal Housing Administration Loans program.

Direct loans and loan guarantee programs are used to promote the Nation's welfare by making financing available to segments of the population not served adequately by non-federal institutions, or otherwise providing for certain activities or investments. For those unable to afford credit at the market rate, federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For those to whom non-federal financial institutions are reluctant to grant credit because of the high risk involved, federal credit programs guarantee the payment of these non-federal loans and absorb the cost of defaults.

The amount of the long-term cost of post-1991 direct loans and loan guarantees outstanding equals the subsidy cost allowance for direct loans and the liability for loan guarantees (including defaulted guaranteed loans) as of September 30. The amount of the long-term cost of pre-1992 direct loans and loan guarantees equals the allowance for subsidy amounts (or present value allowance) for direct loans and the liability for loan guarantees. The long-term cost is based on all direct loans and guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of these loans and guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, re-estimates, amortizations, and write-offs.

Net loans receivable includes related interest and foreclosed property. Foreclosed property is property that is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the federal government sustained under post-1991 loan guarantees. Please refer to the financial statements of the USDA, VA, and HUD for significant detailed information regarding foreclosed property. The total subsidy expense/(income) is the cost of direct loans and loan guarantees recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for direct and guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loans and guarantees outstanding, and for upward or downward re-estimates as of the end of the fiscal year of the cost of loans and guarantees outstanding.

Loans receivable

(In billions)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy	Net Loans Receivable	Subsidy Expense (Income) for the Fiscal Year
2018						
Federal Direct Student Loans – Education	$ 1,084	$ 72	$ —	$ (41)	$ 1,115	$ 4
Federal Family Education Loans – Education	95	21	—	(23)	93	2
All other programs	212	12	2	(34)	192	1
Total loans receivable	$ 1,391	$ 105	$ 2	$ (98)	$ 1,400	$ 7

(In billions)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Allowance for Subsidy	Net Loans Receivable	Subsidy Expense (Income) for the Fiscal Year
2017						
Federal Direct Student Loans – Education	$ 999	$ 60	$ —	$ (17)	$ 1,042	$ 5
Federal Family Education Loans – Education	102	19	—	(19)	102	2
All other programs	210	10	3	(35)	188	—
Total loans receivable	$ 1,311	$ 89	$ 3	$ (71)	$ 1,332	$ 7

Loan guarantee liabilities

	Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the US		Loan Guarantee Liabilities		Subsidy Expense (Income) for the Fiscal Year	
(In billions)	2018	2017	2018	2017	2018	2017	2018	2017
Federal Housing Administration Loans – HUD	$ 1,471	$ 1,410	$ 1,327	$ 1,278	$ 19	$ 21	$ (9)	$ 13
Veterans Housing Benefit Programs – VA	664	597	168	152	9	10	(3)	(1)
All other guaranteed loan programs	511	528	468	488	10	12	(2)	—
Total loan guarantees	$ 2,646	$ 2,535	$ 1,963	$ 1,918	$ 38	$ 43	$ (14)	$ 12

Loan programs

The majority of the loan programs are provided by Education, HUD, USDA, Small Business Administration (SBA), VA, and Export-Import Bank. For significant detailed information regarding the direct and guaranteed loan programs listed in the tables above, please refer to the financial statements of the entities.

Education has two major loan programs, authorized by Title IV of the Higher Education Act of 1965 (HEA). The first program is the William D. Ford Federal Direct Loan Program, (referred to as the Direct Loan Program) that was established in fiscal year 1994. The Direct Loan Program offered four types of educational loans: Stafford, Unsubsidized Stafford, PLUS for parents and/or graduate or professional students, and consolidation loans. With this program, the federal government makes loans directly to students and parents through participating institutions of higher education. Direct loans are originated and serviced through contracts with private vendors. Education disbursed approximately $134 billion in Direct Loans to eligible borrowers in fiscal year 2018 and approximately $143 billion in fiscal year 2017. The second program is the Federal Family Education Loan (FFEL) Program. This program was established in fiscal year 1965, and is a guaranteed loan program. Like the Direct Loan Program, it offered four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents and/or graduate or professional students, and consolidation loans. The Student Aid and Fiscal Responsibility Act (SAFRA), which was enacted as part of the Health Care Education and Reconciliation Act of 2010 (P.L. 111-152), eliminated the authority to guarantee new FFEL after June 30, 2010. During fiscal year 2018, Education net loans receivable increased by $64 billion, largely the result of increased Direct Loan Program disbursements for new loan originations and FFEL consolidations, net of borrower principal and interest collections.

HUD's Federal Housing Administration (FHA) provides mortgage insurance to encourage lenders to make credit available to expand homeownership. FHA serves many borrowers that the conventional market does not serve adequately. This includes first-time homebuyers, minorities, low-income, and other underserved households to realize the benefits of homeownership. Borrowers obtain an FHA insured mortgage and pay an upfront premium as well as an annual premium to FHA. The proceeds from those premiums are used to fund FHA program costs, including claims on defaulted mortgages and holding costs, property management fees, property sales, and other associated costs.

VA operates the following direct loan and loan guaranty programs: Home Loans, Insurance Policy Loans, and Vocational Rehabilitation and Employment Loans. The VA Home Loans program is the largest of the VA loan programs. The Home Loans program provides loan guarantees and direct loans to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms. During fiscal year 2018, the face value of outstanding principal on loans guaranteed by the VA increased by $67 billion. This increase was primarily due to $146 billion in new loans guaranteed by the VA, partially offset by $78 billion in guaranteed loan terminations.

State and local government

(In billions)	2018	2017
Loans (mortgages)	$ 259	$ 247
Loans (mortgages) – pensions	9	9
Total loans receivable	$ 268	$ 256

Note 5 – Inventories and related property, net

(In billions)	2018	2017
Federal	$ 338	$ 327
State and local	—	—
Total inventories and related property, net	$ 338	$ 327

Federal government

(In billions)	2018	2017
Operating materials and supplies held for use	$ 125	$ 144
Inventory and operating material and supplies held for repair	71	67
Inventory purchased for resale	68	62
Stockpile materials held in reserve for future use	52	49
Other inventories and related property	31	13
Allowance for loss	(9)	(8)
Total inventories and related property, net	$ 338	$ 327

Beginning in fiscal year 2018, all entities are now reported together in each line item total for inventories and related property, net. DOD comprises approximately 82% of the government's inventories and related property, net, as of September 30, 2018. DOD continues to implement Statements of Federal Financial Accounting Standards (SFFAS) No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, which permits alternative methods in establishing opening balances for inventories and related property.

The following entities comprise over 98% of the government's reported inventories and related property, net of $338 billion as of September 30, 2018. Refer to each entities' financial statements for details: DOD, DOE, and HHS.

Operating materials and supplies held for use are tangible personal property to be consumed in normal operations.

Inventory and operating materials and supplies held for repair are damaged inventory that require repair to make them suitable for sale (inventory) or is more economical to repair than to dispose of (operating materials and supplies). Excess, obsolete, and unserviceable inventory is reported at net realizable value.

Inventory purchased for resale is the cost or value of tangible personal property purchased by an agency for resale. As of September 30, 2017, DOD values approximately 98% of its resale inventory using the moving average cost (MAC) method. DOD reports the remaining 2% of resale inventories at an approximation of historical cost using LAC adjusted for holding gains and losses. DOD continues to implement SFFAS No. 48, permitting alternative methods in establishing opening balances. Please refer to the financial statements of DOD for more information on its inventories.

Stockpile materials include strategic and critical materials held in reserve for use in national defense, conservation, or national emergencies due to statutory requirements; for example, nuclear materials and oil. The majority of the stockpile materials held in reserve for future use were reported by the Department of Energy (DOE). Please refer to the financial statements of DOE for more information on stockpile materials.

State and local government

Based on our review of specific Comprehensive Annual Financial Reports, we know that the state governments do have inventories and related property, however the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of the data.

Note 6 – Property, plant, and equipment, net

(In billions)	2018	2017
Federal	$ 1,091	$ 1,087
State and local	11,323	10,725
Total property, plant, and equipment, net	$ 12,414	$ 11,812

Federal government

(In billions)	2018 Cost	2018 Accumulated Depreciation/ Amortization	2018 Net	2017 Cost	2017 Accumulated Depreciation/ Amortization	2017 Net
Furniture, fixtures, and equipment	$ 1,364	$ 783	$ 581	$ 1,321	$ 753	$ 568
Buildings, structures, and facilities	728	431	297	693	407	286
Construction in progress	160	—	160	168	—	168
Land	22	—	22	24	—	24
Other property, plant, and equipment	87	56	31	84	43	41
Total property, plant, and equipment, net	$ 2,361	$ 1,270	$ 1,091	$ 2,290	$ 1,203	$ 1,087

Beginning in fiscal year 2018, all entities are now reported together in each line item total for property, plant and equipment, net (PP&E). DOD comprises approximately 70% of the federal government's reported PP&E, as of September 30, 2018. DOD continues to implement SFFAS No. 50, *Establishing Opening Balances for General Property, Plant and Equipment*, which permits alternative methods in establish opening balances for general property, plant and equipment.

The following agencies comprise over 90% of the federal government's reported PP&E, of $1,091 billion as of September 30, 2018. Refer to each agencies' financial statements for details: DOD, DOE, General Services Administration (GSA), VA, TVA, DOI, the Department of State (DOS), Department of Transportation (DOT), USPS, DHS, National Aeronautics and Space Administration (NASA), Department of Commerce (DOC), Department of Justice (DOJ), and HHS.

State and local government

(In billions)	2018	2017
Structures	$ 10,929	$ 10,346
Equipment	258	251
Intellectual property	136	128
Total property, plant, and equipment, net	$ 11,323	$ 10,725

Note 7 – Debt and equity securities

(In billions)	2018	2017
Federal	$ 112	$ 116
State and local	4,963	4,629
Total debt and equity securities	$ 5,075	$ 4,745

Federal government

(In billions)	Cost	Adjustment	Book Value
2018			
Held-to-Maturity			
Equity securities	$ 4	$ —	$ 4
Total held-to-maturity (net investment)	$ 4	$ —	$ 4
Available-for-Sale			
Debt securities	$ 4	$ —	$ 4
Total available-for-sale (fair value)	$ 4	$ —	$ 4
Trading Securities			
Debt securities:			
Non-US Government	$ 13	$ —	$ 13
Corporate and other bonds	16	—	16
All other debt securities	6	(1)	5
Equity securities:			
Unit trust	16	10	26
All other equity securities	17	1	18
Total trading securities (fair value)	$ 68	$ 10	$ 78
Total debt and equity securities categorized as held-to-maturity, available-for-sale or trading			$ 86
Total Railroad Retirement Board (RRB) debt and equity securities			26
Total debt and equity securities			$ 112

(In billions)	Cost	Adjustment	Book Value
2017			
Held-to-Maturity			
Equity securities	$ 4	$ —	$ 4
Total held-to-maturity (net investment)	$ 4	$ —	$ 4
Available-for-Sale			
Debt securities	$ 5	$ 1	$ 6
Total available-for-sale (fair value)	$ 5	$ 1	$ 6
Trading Securities			
Debt securities:			
Non-US Government	$ 12	$ —	$ 12
Corporate and other bonds	16	1	17
All other debt securities	9	—	9
Equity securities:			
Unit trust	18	8	26
All other equity securities	16	—	16
Total trading securities (fair value)	$ 71	$ 9	$ 80
Total debt and equity securities categorized as held-to-maturity, available-for-sale or trading			$ 90
Total Railroad Retirement Board (RRB) debt and equity securities			26
Total debt and equity securities			$ 116

Debt and equity securities by agency

(In billions)	2018	2017
Pension Benefit Guaranty Corporation (PBGC)	$ 62	$ 67
Railroad Retirement Board (RRB)	26	26
Tennessee Valley Authority (TVA)	12	11
All other	12	12
Total securities and investments	$ 112	$ 116

These debt and equity securities do not include nonmarketable Treasury securities, which have been eliminated in consolidation. Held to-maturity debt and equity securities are reported total net investment, net of unamortized discounts and premiums. Available-for-sale debt and equity securities are reported at fair value, net of unrealized gain or loss. Trading debt and equity securities are reported at fair value, net of unrealized gain or loss.

The National Railroad Retirement Investment Trust (NRRIT), on behalf of the RRB, manages and invests railroad retirement assets that are to be used to pay retirement benefits to the Nation's railroad workers under the Railroad Retirement Program. As an investment company, NRRIT is subject to different accounting standards that do not require the classifications presented above. Please refer to NRRIT's financial statements for more detailed information concerning this specific investment.

Certain significant consolidation entities apply financial accounting and reporting standards issued by the Financial Accounting Standards Board (FASB) (FASB standards), and such entities, as permitted by SFFAS No.47, are consolidated into the consolidated financial statements without conversion to financial and reporting standards issued by the FASAB (FASAB standards). PBGC, NRRIT, and TVA debt and equity securities are recorded at fair value and have been categorized based upon a fair value hierarchy, in accordance with FASB ASC Section 820, *Fair Value Measures and Disclosures*, in their respective financial statements.

PBGC and TVA invest primarily in fixed maturity and equity securities, classified as trading. PBGC reported an unrealized loss related to trading securities held as of September 30, 2018, of $1 billion and an unrealized gain related to trading securities as of September 30, 2017 of $3 billion. TVA reported gains related to trading securities held as of September 30, 2018 and 2017 of $2 billion and $1 billion, respectively. $9 $10 billion. The TVA balance includes $8 billion and $9 billion as of September 30, 2018, and 2017, respectively, for the Tennessee Valley Authority Retirement System (TVARS). TVARS includes unrealized gains of $0.8 billion as of both September 30, 2018 and 2017. PBGC, NRRIT, and TVA base market values on the last sale of a listed security, on the mean of the "bid-and-ask" for non-listed securities, or on a valuation model in the case of fixed income securities that are not actively traded. These valuations are determined as of the end of each fiscal year. Purchases and sales of securities are recorded on the trade date. Please refer to the individual financial statements of PBGC, NRRIT, and TVA for more detailed information related to debt and equity securities. These agencies comprise 90%[54] of the total reported debt and equity securities of $112 billion as of September 30, 2018.

State and local government

(In billions)	2018	2017
Pension		
Corporate equities	$ 2,708	$ 2,491
Corporate and foreign bonds	462	507
Mutual fund shares	292	243
Other	383	328
Total pension debt and equity securities	$ 3,845	$ 3,569
Non-pension		
Agency and GSE-backed securities	$ 514	$ 481
Corporate equities	153	139
Other	451	440
Total non-pension debt and equity securities	$ 1,118	$ 1,060
Total debt and equity securities	$ 4,963	$ 4,629

Note 8 – Investments in government-sponsored enterprises

(In billions)	2018	2017
Federal	$ 113	$ 93
State and local	—	—
Total investments in government-sponsored enterprises	$ 113	$ 93

Federal government

(In billions) 2018	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	$ 124	$ (65)	$ 59
Freddie Mac senior preferred stock	75	(30)	45
Fannie Mae warrants common stock	3	3	6
Freddie Mac warrants common stock	2	1	3
Total investments in GSEs	$ 204	$ (91)	$ 113

(In billions) 2017	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	$ 117	$ (75)	$ 42
Freddie Mac senior preferred stock	72	(39)	33
Fannie Mae warrants common stock	3	9	12
Freddie Mac warrants common stock	2	4	6
Total investments in GSEs	$ 194	$ (101)	$ 93

Congress established Fannie Mae and Freddie Mac as government sponsored enterprises (GSEs) to support mortgage lending. A key function of the GSEs is to purchase mortgages, package those mortgages into securities, which are subsequently sold to investors, and guarantee the timely payment of principal and interest on these securities.

Leading up to the financial crisis, increasingly difficult conditions in the housing market challenged the soundness and profitability of the GSEs, thereby threatening to undermine the entire housing market. In response Congress passed

Housing and Economic Recovery Act of 2008 (P.L.110-289) in July 2008. This act created FHFA, with enhanced regulatory authority over the GSEs, and provided the Secretary of the Treasury with certain authorities intended to ensure the financial stability of the GSEs, if necessary. In September 2008, FHFA placed the GSEs under conservatorship and Treasury invested in the GSEs by entering into a SPSPA with each GSE. These actions were taken to preserve the GSEs' assets, ensure a sound and solvent financial condition, and mitigate systemic risks that contributed to market instability.

The purpose of such actions is to maintain the solvency of the GSEs so they can continue to fulfill their vital roles in the home mortgage market while the Administration and Congress determine what structural changes should be made to the housing finance system. Draws under the SPSPAs result in an increased investment in the GSEs as further discussed below. For fiscal year 2018, under SFFAS No. 47 criteria Fannie Mae and Freddie Mac were owned or controlled by the federal government only as a result of (a) regulatory actions (such as organizations in receivership or conservatorship) or (b) other federal government intervention actions. Under the regulatory or other intervention actions, the relationship with the federal government was and is not expected to be permanent. These entities are classified as disclosure entities based on their characteristics as a whole. Accordingly, these entities are not consolidated into the financial statements of the government; however, the value of the investments in these entities, changes in value, and related activity with these entities are included in the consolidated financial statements. This treatment is consistent with how these entities were reported prior to fiscal year 2018 under Statement of Federal Financial Accounting Concepts (SFFAC) No. 2, *Entity and Display*.

Senior preferred stock purchase agreements

Under the SPSPAs, Treasury initially received from each GSE: 1) 1,000,000 shares of non-voting variable liquidation preference senior preferred stock with a liquidation preference value of $1,000 per share and 2) a non-transferable warrant for the purchase, at a nominal cost, of 80% of common stock on a fully-diluted basis. The warrants expire on September 7, 2028. Under the amended SPSPAs, the quarterly dividend payment changed from a 10% per annum fixed rate dividend on the total liquidation preference (as discussed below) to an amount equivalent to the GSE's positive net worth above a capital reserve amount. The capital reserve amount, which was initially set at $3 billion for calendar year 2013, declined by $600 million at the beginning of each calendar year thereafter, and was scheduled to reach zero by calendar year 2018. On December 21, 2017, Treasury and FHFA agreed to modify the SPSPAs between Treasury and the GSEs to increase the capital reserve amount for each GSE back to $3 billion, effective with the December 2017 dividend payment. In exchange for the increase in the capital reserve, Treasury's liquidation preference in each GSE increased by $3 billion on December 31, 2017. The GSEs will not pay a quarterly dividend if their positive net worth is below the required capital reserve threshold. Cash dividends of $9 billion and $25 billion were received during fiscal years ended September 30, 2018, and 2017, respectively.

The SPSPAs, which have no expiration date, require that Treasury will disburse funds to the GSEs if at the end of any quarter, the FHFA determines that the liabilities of either GSE exceed its assets. Draws from Treasury under the SPSPAs are designed to ensure that the GSEs maintain positive net worth, with a fixed maximum amount available to each GSE under this agreement established as of December 31, 2012 (refer to the Contingent liability to GSEs section below). Draws against the funding commitment of the SPSPAs do not result in the issuance of additional shares of senior preferred stock; instead, it increases the liquidation preference of the initial 1,000,000 shares by the amount of the draw. The combined cumulative liquidation preference totaled $199 billion and $189 billion as of September 30, 2018 and 2017, respectively. Actual payments of $4 billion were made to the GSEs for the fiscal year ended September 30, 2018. There were no payments to the GSEs for the fiscal years ended September 30, 2017 and 2016.

Senior preferred stock and warrants for common stock

In determining the fair value of the senior preferred stock and warrants for common stock, Treasury relied on the GSEs' public filings and press releases concerning their financial statements, as well as non-public, long-term financial forecasts, monthly summaries, quarterly credit supplements, independent research regarding preferred stock trading, independent research regarding the GSEs' common stock trading on the OTC Bulletin Board, discussions with each of the GSEs and FHFA, and other information pertinent to the valuations. Because the instruments are not publicly traded, there is no comparable trading information available. The fair valuations rely on significant unobservable inputs that reflect assumptions about the expectations that market participants would use in pricing.

The fair value of the senior preferred stock considers the amount of forecasted dividend payments. The fair valuations assume that a hypothetical buyer would acquire the discounted dividend stream as of the transaction date. The fair value of the senior preferred stock increased as of September 30, 2018 when compared to September 30, 2017, reflecting a higher forecasted GSE net income, mainly driven by the reduction in the US corporate tax rate resulting from the December 22, 2017 enactment of the *Tax Cuts and Jobs Act* (PL 115-97), a lower discount rate driven by lower volatility among comparable companies, as well as a reduction in the market value of the GSEs' other equity securities that comprise their total equity value.

Factors impacting the fair value of the warrants include the nominal exercise price and the large number of potential exercise shares, the market trading of the common stock that underlies the warrants as of September 30, the principal market, and the market participants. Other factors impacting the fair value include, among other things, the holding period risk related directly to the assumption of the amount of time that it will take to sell the exercised shares without depressing the market. The fair value of the warrants decreased at the end of fiscal year 2018, when compared to 2017, primarily due to decreases in the market price of the underlying common stock of each GSE.

Contingent liability to GSEs

As part of the annual process undertaken by Treasury, a series of long-term financial forecasts are prepared to assess, as of September 30, the likelihood and magnitude of future draws to be required by the GSEs under the SPSPAs within the forecast time horizon. Treasury used 25-year financial forecasts prepared through years 2043 and 2042 in assessing if a contingent liability was required as of September 30, 2018 and 2017, respectively. If future payments under the SPSPAs are deemed to be probable within the forecast horizon, and Treasury can reasonably estimate such payment, they will accrue a contingent liability to the GSEs to reflect the forecasted equity deficits of the GSEs. This accrued contingent liability will be undiscounted and will not take into account any of the offsetting dividends that could be received, as the dividends, if any, would be owed directly to the General Fund. Such recorded accruals will be adjusted in subsequent years as new information develops or circumstances change. If future payments are reasonably possible, they are disclosed but not recorded as an accrued contingent liability.

Based on the annual forecasts as of September 30, 2018 and 2017, Treasury estimated there was no probable future funding draws. As of September 30, 2018, it is reasonably possible that market volatility or non-recurring events—for instance, changes to accounting policies that impact credit loss provisions—could potentially cause the GSEs to generate quarterly losses and, therefore, result in future funding draws against the funding commitment. Due to challenges quantifying future market volatility or the timing, magnitude, and likelihood of non-recurring events, the total amount of this reasonably possible future funding liability could not be estimated as of September 30, 2018. P.L. 115-97 caused each GSE to reduce the value of its deferred tax assets in the quarter in which the legislation was enacted. The reduction of the GSEs deferred tax assets resulted in $4.0 billion in actual payments made to the GSEs to ensure they maintained positive net worth, which reduced the remaining funding commitment. At September 30, 2018 and 2017, the maximum remaining funding commitment to the GSEs for the remaining life of the SPSPAs was $254 billion and $258 billion, respectively. Subsequent funding draws will reduce the remaining commitments. Refer to *Note 19 – Commitments* for a full description of other commitments and risks.

In assessing the need for an estimated contingent liability, Treasury relied on the GSEs' public filings and press releases concerning their financial statements, monthly summaries, and quarterly credit supplements, as well as non-public, long-term financial forecasts, the FHFA House Price Index, discussions with each of the GSEs and FHFA, and other information pertinent to the liability estimates. The forecasts prepared in assessing the need for an estimated contingent liability as of September 30, 2018 include three potential wind-down scenarios, with varying assumptions regarding the timing as to when the GSEs would cease new business activities, including purchasing mortgage loans and issuing new guaranteed mortgage-backed securities. The forecasts also assume a continued gradual wind-down of the retained portfolios (and corresponding net interest income) through 2018, as directed under the amended SPSPAs for each GSE to reduce the maximum balance of its retained mortgage portfolio by 15% per annum beginning December 31, 2013. The maximum balance of each GSE's retained mortgage portfolio was initially set at $650 billion as of December 31, 2012, and the amended SPSPAs requires that each GSE reduce this maximum balance to $250 billion by December 31, 2018.

Estimation Factors

Treasury's forecasts concerning the GSEs may differ from actual experience. Estimated senior preferred values and future draw amounts will depend on numerous factors that are difficult to predict including, but not limited to, changes in government policy with respect to the GSEs, the business cycle, inflation, home prices, unemployment rates, interest rates, changes in housing preferences, home financing alternatives, availability of debt financing, market rates of guarantee fees, outcomes of loan refinancings and modifications, new housing programs, and other applicable factors.

Regulatory environment

To date, Congress has not approved a plan to address the future of the GSEs, thus the GSEs continue to operate under the direction of their conservator, the FHFA, whose stated strategic goals for the GSEs are to: (1) maintain, in a safe and sound manner, foreclosure prevention activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive, and resilient national housing finance markets; (2) reduce taxpayer risk through increasing the role of private capital in the mortgage market, and (3) build a new single-family securitization infrastructure for use by the GSEs and adaptable for the use by other participants in the secondary market in the future.

The *Temporary Payroll Tax Cut Continuation Act of 2011* (P.L. 112-78) was funded by an increase of 10-basis points in the GSEs' guarantee fees (referred to as "the incremental fees") which began in April 2012, and is effective through October 1, 2021. The incremental fees are to be remitted to Treasury and not retained by the GSEs and, thus, do not affect the profitability of the GSEs. For fiscal years 2018 and 2017, the GSEs remitted to Treasury the incremental fees totaling $4 billion and $3 billion, respectively.

Fannie Mae balance sheet

	As of December 31,	
(In billions)	**2018**	**2017**
Assets		
Cash and cash equivalents	$ 58	$ 52
Restricted cash	24	28
Investments in securities [1]	45	40
Mortgage loans:		
Of Fannie Mae	121	168
Of consolidated trusts	3,143	3,030
Allowance for loan losses	(14)	(19)
Mortgage loans, net of allowance for loan losses	3,250	3,179
Deferred tax assets, net	13	17
Other assets	28	30
Total assets	$ 3,418	$ 3,346
Liabilities and equity		
Debt:		
Of Fannie Mae	$ 232	$ 277
Of consolidated trusts	3,160	3,053
Other liabilities	20	20
Total liabilities	3,412	3,350
Senior preferred stock	121	117
Other [2]	(115)	(121)
Total equity	6	(4)
Total liabilities and equity	$ 3,418	$ 3,346

1 *Includes $36 billion as of December 31, 2018 and $29 billion as of December 31, 2017 of Treasury securities that are included in Fannie Mae's other investment portfolio.*
2 *Consists of preferred stock, common stock, accumulated deficit, accumulated other comprehensive income, Treasury stock and noncontrolling interest.*

Freddie Mac balance sheet

(In billions)	As of December 31, 2018	2017
Assets		
Cash and cash equivalents	$ 7	$ 7
Restricted cash	1	3
Federal funds sold and securities purchased under agreements to resell	35	56
Investments in securities:		
Available-for-sale, at fair value	34	44
Trading, at fair value	36	41
Total investments in securities	70	85
Mortgage loans:		
Held-for-investment, at amortized cost: By consolidated trusts	1,843	1,774
Held-for-investment, at amortized cost: Unsecuritized	43	62
Held-for-sale, at lower-of-cost-or-fair-value	42	35
Total mortgage loans, net	1,928	1,871
Other assets	21	28
Total assets	$ 2,062	$ 2,050
Liabilities and equity		
Accrued interest payable	$ 7	$ 6
Debt, net:		
Debt securities of consolidated trusts held by third parties	1,793	1,721
Other debt	252	314
Total debt, net	2,045	2,035
Other liabilities	6	9
Total liabilities	2,058	2,050
Total equity	4	—
Total liabilities and equity	$ 2,062	$ 2,050

State and local government

The Federal Reserve does not provide amounts for investments in GSEs at the state and local government level. We do not know if states have these investments, and if they do, we are not aware of another aggregated source for this data.

Note 9 – Other assets

(In billions)	2018	2017
Federal	$ 115	$ 150
State and local	—	—
Total other assets	$ 115	$ 150

Federal government

(In billions)	2018	2017
Advances and prepayments	$ 70	$ 97
Regulatory assets	17	20
FDIC receivable from resolution activity	3	9
Other	25	24
Total other assets	$ 115	$ 150

Advances and prepayments are assets that represent funds disbursed in contemplation of the future performance of services, receipt of goods, the incurrence of expenditures, or the receipt of other assets. These include advances to contractors and grantees, travel advances, and prepayments for items such as rents, taxes, insurance, royalties, commissions, and supplies.

With regard to regulatory assets, the DOE's Power Marketing Administrations (PMAs) and TVA record certain amounts as assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. The provisions of FASB ASC Topic 980 require that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise. In order to defer incurred costs under FASB ASC Topic 980, a regulated entity must have the statutory authority to establish rates that recover all costs, and those rates must be charged to and collected from customers. If the PMAs' or TVA's rates should become market-based, FASB ASC Topic 980 would no longer be applicable, and all of the deferred costs under that standard would be expensed.

On behalf of the US, Treasury invests in certain Multilateral Development Banks (MDB), through subscriptions to capital, which allows the MDBs to issue loans at market-based rates to middle-income developing countries. These paid-in capital investments are non-marketable equity investments valued at cost.

The FDIC has the responsibility for resolving failed institutions in an orderly and efficient manner. The resolution process involves valuing a failing institution, marketing it, soliciting and accepting bids for the sale of the institution, determining which bid is least costly to the insurance fund, and working with the acquiring institution through the closing process. FDIC records receivables for resolutions that include payments by the Deposit Insurance Fund to cover obligations to insured depositors, advances to receiverships and conservatorships for working capital, and administrative expenses paid on behalf of receiverships and conservatorships.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have other assets, however the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 10 – Accounts payable

(In billions)	2018	2017
Federal	$ 87	$ 71
State and local	977	931
Total accounts payable	$ 1,064	$ 1,002

Federal government

(In billions)	2018	2017
Department of Defense	$ 29	$ 26
Department of Veterans Affairs	14	4
Department of Justice	5	6
All other	39	35
Total accounts payable	$ 87	$ 71

Accounts payable includes amounts due for goods and property ordered and received, services rendered by other than federal employees, cancelled appropriations for which the US government has contractual commitments for payments, and non-debt related interest payable.

State and local government

The Federal Reserve does not provide additional detailed information on the composition of the state and local government accounts payable balance, and we are not aware of another aggregated source of this data.

Note 11 – Debt securities held by the public and accrued interest

(In billions)	2018	2017
Federal	$ 14,721	$ 13,725
State and local	3,077	3,083
Total debt securities held by the public and accrued interest	$ 17,798	$ 16,808

Federal government

(In billions)	Balance 2017	Net Change during Fiscal Year 2018	Balance 2018	Average Interest Rate 2018	Average Interest Rate 2017
Treasury securities (public)					
Marketable securities:					
Treasury bills [1]	$ 1,800	$ 440	$ 2,240	1.1%	1.1%
Treasury notes [2]	7,800	258	8,058	1.8%	1.8%
Treasury bonds [3]	1,948	167	2,115	4.2%	4.2%
Treasury inflation-protected securities (TIPS) [4]	1,286	90	1,376	0.8%	0.8%
Treasury floating rate notes (FRN) [5]	342	27	369	1.2%	1.2%
Total marketable Treasury securities	13,176	982	14,158		
Nonmarketable securities	498	13	511	2.3%	2.3%
Net unamortized discounts	(39)	(6)	(45)		
Total Treasury securities, net (public)	13,635	989	14,624		
Agency securities					
Tennessee Valley Authority	24	(2)	22		
All other agencies	—	1	1		
Total agency securities, net of unamortized premiums and discounts	24	(1)	23		
Accrued interest payable	66	8	74		
Total debt securities held by the public and accrued interest	$ 13,725	$ 996	$ 14,721		

1 *Bills – short-term obligations issued with a term of 1 year or less*

[2] *Notes – medium-term obligations issued with a term of 2-10 years. In creating the combined balance sheets, we eliminated Treasury securities held by state and local governments from the Treasury notes balance amounts. We chose this balance as our location of elimination because it is the largest balance in the table, and because the Federal Reserve does not tell us what comprises the state and local balances. See Note 23 – Intergovernmental transfers for more information. We do not have information about the associated average interest rates and therefore have not adjusted these rates.*

[3] *Bonds – long-term obligations of more than 10 years*

[4] *TIPS – term of more than 5 years*

[5] *FRN – term of 2 years*

Federal debt securities held by the public outside the federal government are held by individuals, corporations, state or local governments, FRBs, foreign governments, and other non-federal entities. The above table details Government borrowing primarily to finance operations and shows marketable and nonmarketable securities at face value less net unamortized premiums and discounts including accrued interest.

Securities that represent federal debt held by the public are issued primarily by the Treasury and include:

- Interest-bearing marketable securities (bills, notes, bonds, inflation-protected, and floating rate notes).
- Interest-bearing nonmarketable securities (government account series held by fiduciary and certain deposit funds, foreign series, state and local government series, domestic series, and savings bonds).
- Non-interest-bearing marketable and nonmarketable securities (matured and other).

Gross federal debt (with some adjustments) is subject to a statutory ceiling (i.e., the debt limit). Prior to 1917, Congress approved each debt issuance. In 1917, to facilitate planning in World War I, Congress and the President first enacted a statutory dollar ceiling for federal borrowing. With the *Public Debt Act of 1941* (P.L. 77-7), Congress and the President set an overall limit of $65 billion on Treasury debt obligations that could be outstanding at any one time; since then, Congress and the President have enacted a number of debt limit increases.
During fiscal years 2018 and 2017, Treasury faced two delays in raising the statutory debt limit that required it to depart from its normal debt management procedures and to invoke legal authorities to avoid exceeding the statutory debt limit. During these periods, extraordinary actions taken by Treasury have resulted in federal debt securities not being issued to certain federal government accounts with the securities being restored including lost interest to the affected federal government accounts subsequent to the end of the delay period. The first delay occurred from March 16, 2017 through September 7, 2017. On Friday, September 8, 2017, the *Continuing Appropriations Act, 2018 and Supplemental Appropriations for Disaster Relief Requirements Act, 2017* (P.L. 115-56) was enacted suspending the statutory debt limit through December 8, 2017. The second delay in raising the statutory debt limit occurred from December 9, 2017 through February 8, 2018. On Friday, February 9, 2018 the *Bipartisan Budget Act (BBA) of 2018* (P.L. 115-123) was enacted suspending the statutory debt limit through March 1, 2019. See *Note 16 – Other liabilities* and *Note 21—Fiduciary activities* for more information.

As of September 30, 2018, and 2017, debt subject to the statutory debt limit was $21,475 billion and $20,209 billion, respectively. The debt subject to the limit includes Treasury securities held by the public and Government guaranteed debt of federal agencies (shown in the table above) and intergovernmental debt holdings (shown in the *Note 23 – Intergovernmental transfers*). See *Note 16 – Other liabilities* and *Note 21 – Fiduciary activities*.

State and local government

(In billions)	**2018**	**2017**
Municipal securities	$ 3,073	$ 3,079
Municipal securities – pensions	4	4
Total debt securities held by the public	$ 3,077	$ 3,083

The Federal Reserve does not provide additional detailed information on the composition of the state and local government debt securities held by the public, and we are not aware of another aggregated source of this data that would indicate whether accrued interest is included in the amounts listed above.

Note 12 – Employee and veteran benefits payable

(In billions)	2018	2017
Federal	$ 7,982	$ 7,700
State and local	8,449	8,179
Total employee and veteran benefits payable	$ 16,431	$ 15,879

Federal government

	Civilian		Military		Total	
(In billions)	2018	2017	2018	2017	2018	2017
Pension and accrued benefits	$ 2,049	$ 2,014	$ 1,621	$ 1,568	$ 3,670	$ 3,582
Veterans compensation and burial benefits	—	—	2,956	2,810	2,956	2,810
Post-retirement health and accrued benefits	403	376	787	782	1,190	1,158
Liability for other benefits	84	83	82	67	166	150
Total federal employee and veteran benefits payable	$ 2,536	$ 2,473	$ 5,446	$ 5,227	$ 7,982	$ 7,700

Change in pension and accrued benefits

	Civilian		Military		Total	
(In billions)	2018	2017	2018	2017	2018	2017
Actuarial accrued pension liability, beginning of fiscal year	$ 2,014	$ 1,911	$ 1,568	$ 1,491	$ 3,582	$ 3,402
Pension expense						
Prior (and past) service costs from plan amendments or new plans	—	—	9	(1)	9	(1)
Normal costs	42	39	34	27	76	66
Interest on liability	69	70	58	58	127	128
Actuarial (gains)/losses (from experience)	(2)	(12)	10	(2)	8	(14)
Actuarial (gains)/losses (from assumption changes)	16	94	1	53	17	147
Total pension expense	125	191	112	135	237	326
Less benefits paid	(90)	(88)	(59)	(58)	(149)	(146)
Actuarial accrued pension liability, end of fiscal year	$ 2,049	$ 2,014	$ 1,621	$ 1,568	$ 3,670	$ 3,582

Change in post-retirement health and accrued benefits

	Civilian		Military		Total	
(In billions)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	$ 376	$ 352	$ 782	$ 800	$ 1,158	$ 1,152
Post-retirement health benefits expense						
Prior (and past) service costs from plan amendments or new plans	—	—	(21)	—	(21)	—
Normal costs	16	13	21	21	37	34
Interest on liability	14	14	30	32	44	46
Actuarial (gains)/losses (from experience)	1	5	(17)	(21)	(16)	(16)
Actuarial (gains)/losses (from assumption changes)	12	8	14	(28)	26	(20)
Total post-retirement health benefits expense	43	40	27	4	70	44
Less claims paid	(16)	(16)	(22)	(22)	(38)	(38)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	$ 403	$ 376	$ 787	$ 782	$ 1,190	$ 1,158

The federal government offers its employees retirement and other benefits, as well as health and life insurance. The liabilities for these benefits, which include both actuarial amounts and amounts due and payable to beneficiaries and healthcare carriers, apply to current and former civilian and military employees. Large fluctuations in actuarial amounts can result from changes in estimates to future outflows for benefits based on complex assumptions and cost models.

OPM administers the largest civilian plan. DOD and VA administer the largest military plans. Other significant pension plans with more than $10 billion in actuarial accrued liability include those of the Coast Guard (DHS), Foreign Service (Department of State), TVA, and HHS's Public Health Service Commissioned Corps Retirement System. Please refer to the financial statements of the entities listed for further details regarding their pension plans and other benefits.

Significant long-term economic assumptions used in determining pension liability and the related expense

	Civilian				Military	
	2018		2017		2018	2017
	FERS	CSFS	FERS	CSFS		
Rate of interest	3.6%	3.0%	3.8%	3.2%	3.5%	3.7%
Rate of inflation	1.6%	1.6%	1.8%	1.8%	1.5%	1.7%
Projected salary increases	1.3%	1.3%	1.5%	1.5%	2.0%	2.1%
Cost of living adjustment	1.4%	1.6%	1.4%	1.8%	—%	—%

Significant long-term economic assumptions used in determining post-retirement health benefits and the related expense

	Civilian		Military	
	2018	**2017**	**2018**	**2017**
Rate of interest	3.6%	3.8%	3.6%	3.8%
Single equivalent medical trend rate	4.5%	4.8%	4.2%	4.1%
Ultimate medical trend rate	3.2%	3.4%	4.0%	4.2%

In accordance with SFFAS No. 33, *Pension, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*, entities are required to separately present gains and losses from changes in long-term assumptions used to estimate liabilities associated with pensions, Other Retirement Benefits (ORB), and Other Postemployment Benefits (OPEB) on the Statement of Net Cost. SFFAS No. 33 also provides a standard for selecting the discount rate assumption for present value estimates of federal employee pension, ORB, and OPEB liabilities. The SFFAS No. 33 standard for selecting the discount rate assumption requires it be based on a historical average of interest rates on marketable Treasury securities consistent with the cash flows being discounted. Additionally, SFFAS No. 33 provides a standard for selecting the valuation date for estimates of federal employee pension, ORB, and OPEB liabilities that establishes a consistent method for such measurements.

To provide a sustainable, justifiable data resource for the affected entities, Treasury developed a new model and methodology for developing these interest rates in fiscal year 2014. The new method that was developed is based on methodology used to produce the High Quality Market (HQM) Yield Curve pursuant to the *Pension Protection Act of 2006*. As of July 2014, Treasury began releasing interest rate yield curve data using this new US Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (TNC yield curve), which is derived from Treasury notes and bonds. The TNC yield curve provides information on Treasury nominal coupon issues and the methodology extrapolates yields beyond 30 years through 100 years maturity. The TNC yield curve is used to produce a Treasury spot yield curve (a zero-coupon curve), which provides the basis for discounting future cash flows.

Civilian employees

Pensions

OPM administers the largest civilian pension plan, which covers substantially all full-time, permanent civilian federal employees. This plan includes two components of defined benefits, the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The basic benefit components of the CSRS and the FERS are financed and operated through the Civil Service Retirement and Disability Fund (CSRDF), a trust fund. CSRDF monies are generated primarily from employees' contributions, federal entity contributions, payments from the General Fund, and interest on investments in Treasury securities. As of September 30, 2018, USPS has accrued, but not paid OPM, $6 billion in CSRS and FERS retirement benefit expenses since 2014.

The Federal Retirement Thrift Investment Board (FRTIB) administers the Thrift Savings Plan (TSP). The TSP investment options include two fixed income funds (the G and F Funds), three stock funds (the C, S, and I Funds) and five lifecycle funds (L 2050, L 2040, L 2030, L 2020, and L Income). The L Funds diversify participant accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to different time horizons. Treasury securities held in the G Fund are included in federal debt securities held by the public and accrued interest on the Balance Sheet. The G Fund held $246 billion and $218 billion in nonmarketable Treasury securities as of September 30, 2018, and 2017, respectively.

The liability for civilian pension and accrued benefits payable increased $35 billion. This increase is partly attributable to changes in actuarial assumptions. The assumption loss results primarily from decreases to the assumed rates of interest, which was partly offset by a modest gain from changes in demographic assumptions.

Post-retirement health benefits

The post-retirement civilian health benefit liability is an estimate of the federal government's future cost of providing postretirement health benefits to current employees and retirees. Although active and retired employees pay insurance premiums under the Federal Employees Health Benefits Program (FEHB), these premiums cover only a portion of the costs. The OPM actuary applies economic and demographic assumptions to historical cost information to estimate the liability.

The *Postal Accountability and Enhancement Act of 2006* (Postal Act of 2006) (P.L. No 109-435, Title VIII), made significant changes in the funding of future retiree health benefits for employees of the USPS, including the requirement for the USPS to make scheduled payments to the Postal Service Retiree Health Benefits (PSRHB) Fund. Various legislation required the USPS to make scheduled payments to the PSRHB Fund ranging from $5 billion to $6 billion per year from fiscal year 2007 through fiscal year 2016. Thereafter, the law required USPS to make annual payments in the amount of the normal cost plus or minus an amount to amortize the unfunded liability or surplus. USPS currently owes the PSRHB Fund a total of $42 billion consisting of: $38 billion for fiscal years 2011 through 2017 and $4 billion for fiscal year 2018. As of September 30, 2018, USPS has indicated payment of the total $42 billion due will remain open. At this time, Congress has not taken further action on these payments due to the PSRHB Fund from USPS. The cost for each year's payment, including any defaulted payment, along with all other benefit program costs, are included in USPS' net cost for that year in the consolidated Statements of Net Cost. The liability is not included on the balance sheet due to the USPS liability being eliminated with the OPM receivable.

The post-retirement civilian health benefit liability increased $28 billion. This increase is due to the accruing cost of benefits, interest on the existing liability and an actuarial loss primarily attributable to updated demographic assumptions used in the fiscal year 2018 calculation.

Military employees (including veterans)

Pensions

The military retirement system consists of a funded, noncontributory, defined benefit plan for military personnel (Services of Army, Navy, Air Force, and the Marine Corps) with an entry date prior to January 1, 2018 and the Blended Retirement System (BRS), generally for military personnel with an entry date on or after January 1, 2018. The defined benefit plan includes non-disability retired pay, disability retired pay, survivor annuity programs, and Combat-Related Special Compensation. The Service Secretaries may approve immediate non-disability retired pay at any age with credit of at least 20 years of active duty service. Reserve retirees must be at least 60 years old and have at least 20 qualifying years of service before retired pay commences; however, in some cases, the age can be less than 60 if the reservist performs certain types of active service. P.L. 110-181 provides for a 90-day reduction in the reserve retirement age from age 60 for every 3 months of certain active duty service served within a fiscal year for service after January 28, 2008 (not below age 50). There is no vesting of defined benefits before non-disabled retirement. There are distinct non-disability benefit formulas related to four populations within the Military Retirement System: Final Pay, High-3, Career Status Bonus/Redux, and the BRS enacted in the *National Defense Authorization Act for Fiscal Year 2016*, effective January 1, 2018. The BRS is a new retirement benefit merging aspects of both a defined benefit annuity with a defined contribution account, through the TSP. The date an individual enters the military generally determines which retirement system they would fall under and if they have the option to select, via a one-time irrevocable election, their retirement system. Military personnel with a start date on or after January 1, 2018 are automatically enrolled in BRS. Although all members serving as of December 31, 2017 were grandfathered under the prior retirement system, Active Duty, National Guard and Reserve personnel meeting established criteria may opt into BRS during calendar year 2018. Under the BRS, retiring members are given the option to receive a portion of their retired pay annuity in the form of a lump sum distribution. For more information on these benefits, see DOD’s Office of Military Compensation website https://militarypay.defense.gov.

The DOD Military Retirement Fund was established by P.L. 98-94 (currently Chapter 74 of Title 10, United States Code (U.S.C.)) and accumulates funds to finance, on an accrual basis, the liabilities of DOD military retirement and survivor benefit programs. This Fund receives income from three sources: monthly normal cost payments from the Services to pay for DOD’s portion of the current year’s service cost; annual payments from the Treasury to amortize the unfunded liability and pay for the increase in the normal cost attributable to Concurrent Receipt (certain beneficiaries with combat-related injuries who are receiving payments from the VA) per P.L. 108-136; and investment income.

The $53 billion increase in the Military Retirement Pension liability is attributable to the increase from expected normal and interest costs offset by benefit payments, with additional impacts due to assumption and benefit changes and actuarial experience. Liabilities in the future will depend on interest costs and benefit accruals, future benefit changes, assumption changes, and actuarial experience.

Veterans compensation and burial benefits

The federal government compensates disabled veterans and their survivors. Veterans’ compensation is payable as a disability benefit or a survivor’s benefit. Entitlement to compensation depends on the veteran’s disabilities having been incurred in, or aggravated during, active military service; death while on duty; or death resulting from service-connected disabilities, if not on active duty.

Eligible veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a burial flag, headstone/marker and a plot allowance for burial in a private cemetery. These benefits are provided under 38 U.S.C., Part 2, Chapter 23 in recognition of a veteran’s military service and are recorded as a liability in the period the requirements are met.

The liability for veterans’ compensation and burial benefits payable is based on an actuarial estimate of future compensation and burial payments and increased by $146 billion in fiscal year 2018. The $146 billion increase is primarily attributable to assumption changes and experience. The major impact from experience changes was from veterans who first became eligible for benefits during fiscal year 2018. The major assumption change impacts were from a decrease in the discount rate.

Several significant actuarial assumptions were used in the valuation of compensation and burial benefits to calculate the present value of the liability. A liability was recognized for the projected benefit payments to: 1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; 2) current veterans who will in the future become beneficiaries of the compensation program; and 3) a proportional share of those in active military service as of the valuation date who are expected to be future veterans. Future benefit payments to survivors of those veterans in classes 1, 2, and 3 above are also incorporated into the projection. The projected liability does not include any administrative costs.

The veterans' compensation and burial benefits liability is developed on an actuarial basis. It is impacted by interest on the liability balance, experience gains or losses, changes in actuarial assumptions, prior service costs, and amounts paid for costs included in the liability balance.

Change in veterans compensation and burial benefits

	Compensation		Burial		Total	
(In billions)	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
Actuarial accrued liability beginning of fiscal year	$ 2,805	$ 2,491	$ 5	$ 5	$ 2,810	$ 2,496
Current year expenses						
Interest on the liability balance	102	98	—	—	102	98
Prior (and past) service costs from program amendments or new programs during the period	14	—	—	—	14	—
Actuarial (gain)/losses (from experience)	46	51	—	—	46	51
Actuarial (gain)/losses (from assumption changes)	67	244	2	—	69	244
Total current year expense	229	393	2	—	231	393
Less benefits paid	(85)	(79)	—	—	(85)	(79)
Actuarial accrued liability, end of fiscal year	$ 2,949	$ 2,805	$ 7	$ 5	$ 2,956	$ 2,810

Significant economic assumptions used in determining veterans compensation and burial benefits

	2018	**2017**
Rate of interest	3.52%	3.66%
Rate of inflation	2.28%	2.28%

Post-retirement health benefits

Military retirees who are not yet eligible for Medicare (and their eligible non-Medicare eligible dependents) are eligible for post-retirement medical coverage provided by DOD. Depending on the benefit plan selected, retirees and their eligible dependents may receive care from military treatment facilities (MTFs) on a space-available basis or from civilian providers. This TRICARE coverage is available as Select (a preferred provider organization – a health plan that contracts with medical providers to create a network of participating providers; member cost-shares are typically higher for services received out-of network) and PRIME (a health maintenance organization – a health plan that limits services to a specific network of medical personnel and facilities and usually by requiring referral by a primary-care physician for specialty care; coverage is also available for non-referred and out-of-network care, subject to higher cost-sharing). These postretirement medical benefits are paid by the Defense Health Agency on a pay-as-you-go basis.

Since fiscal year 2002, DOD has provided medical coverage to Medicare-eligible retirees (and their eligible Medicare eligible dependents). This coverage, called TRICARE for Life (TFL), is a Medicare Supplement plan which includes inpatient, outpatient and pharmacy coverage. Enrollment in Medicare Part B is required to maintain eligibility in TFL. Retirees with TFL coverage can obtain care from MTFs on a space-available basis or from civilian providers.

10 U.S.C., Chapter 56 created the DOD Medicare-Eligible Retiree Health Care Fund (MERHCF), which became operative on October 1, 2002. The purpose of this fund is to account for and accumulate funds for the health benefit costs of Medicare-eligible military retirees, and their dependents and survivors who are Medicare eligible. The Fund receives revenues from three sources: interest earnings on MERHCF assets, Uniformed Services normal cost contributions, and Treasury contributions. The DOD Medicare-Eligible Retiree Health Care Board of Actuaries (the MERHCF Board) approves the methods and assumptions used in actuarial valuations of the MERHCF for the purpose of calculating the per capita normal cost rates (to fund the annual accrued benefits) and determining the unfunded liability amortization payment (the US Treasury contribution). The Secretary of Defense directs the Secretary of Treasury to make DOD's normal cost payments. The MERHCF pays for medical costs incurred by Medicare-eligible beneficiaries at MTFs and civilian providers (including payments to U.S. Family Health Plans for grandfathered beneficiaries), plus the costs associated with claims administration. DOD's actuaries calculate the actuarial liabilities annually using assumptions and experience (e.g., mortality and retirement rates, health care costs, medical trend rates, and the discount rate). Actuarial liabilities are calculated for all DOD retiree medical benefits, including both the benefits funded through the MERHCF as well as the benefits for pre-Medicare retirees who are paid on a pay-as-you-go basis.

Military post-retirement health and accrued benefits payable increased $5 billion. This increase is due primarily to changes in actuarial assumptions and expected normal and interest costs, offset by changes due to plan amendments and favorable recent claims experience. The $21 billion reduction in the liability due to plan amendments reflects the estimated savings resulting from change to pharmacy copays enacted in the *National Defense Authorization Act for Fiscal Year 2018*, effective February 1, 2018.

In addition to the healthcare benefits the federal government provides for civilian and military retirees and their dependents, the VA also provides medical care to veterans on an "as available" basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA's Secretary makes an annual enrollment decision that defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of such future benefits cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2013 through 2017, the average medical care cost per year was $58 billion.

Pension benefits

The VA also provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews. The pension program for veterans is not accounted for as a "federal employee pension plan" under SFFAS No. 5 due to differences between its eligibility conditions and those of federal employee pensions. Therefore, a future liability for pension benefits is not recorded. VA pension liabilities are recognized when due and payable. The projected amounts of future payments for pension benefits (presented for informational purposes only) as of September 30, 2018, and 2017, was $105 billion and $88 billion, respectively.

State and local government

(In billions)	2018	2017
Unfunded pension entitlements	$ 4,114	$ 4,151
Other pension liabilities	4,335	4,028
Total employee and veteran benefits payable	$ 8,449	$ 8,179

Note 13 – Environmental and disposal liabilities

(In billions)	2018	2017
Federal	$ 577	$ 465
State and local	—	—
Total environmental and disposal liabilities	$ 577	$ 465

Federal government

(In billions)	2018	2017
Department of Energy	$ 494	$ 384
Department of Defense	70	68
All other entities	13	13
Total environmental and disposal liabilities	$ 577	$ 465

Department of Energy

During World War II and the Cold War, DOE (or predecessor entities) developed a massive industrial complex to research, produce, and test nuclear weapons. This included nuclear reactors, chemical-processing buildings, metal machining plants, laboratories, and maintenance facilities that manufactured tens of thousands of nuclear warheads and conducted more than 1,000 nuclear tests.

At all sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage, and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. The environmental legacy of nuclear weapons production also includes thousands of contaminated buildings and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal.

Estimated cleanup costs at sites for which there are no current feasible remediation approaches, such as the Nevada nuclear test site, are excluded from the estimates, although applicable stewardship and monitoring costs for these sites are included. DOE has not been required through regulation to establish remediation activities for these sites.

Estimating DOE's environmental cleanup liability requires making assumptions about future activities and is inherently uncertain. The future course of DOE's environmental cleanup and disposal will depend on a number of fundamental technical and policy choices, many of which have not been made. The sites and facilities could be restored to a condition suitable for any desirable use, or could be restored to a point where they pose no near-term health risks. Achieving the former conditions would have a higher cost but may (or may not) warrant the costs, or be legally required. The environmental and disposal liability estimates include contingency estimates intended to account for the uncertainties associated with the technical cleanup scope of the program. Congressional appropriations at lower than anticipated levels or unplanned delays in project completion would cause increases in life-cycle costs.

DOE's environmental and disposal liabilities also include the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities, soil and groundwater remediation, and disposition of excess material for sites. The Department is responsible for the post-closure activities at many of the closure sites as well as other sites. The costs for these post-closure activities are estimated for a period of 75 years after the balance sheet date, i.e., through 2093 in fiscal year 2018 and through 2092 in fiscal year 2017. While some post-cleanup monitoring and other long-term stewardship activities post-2093 are included in the liability, there are others DOE expects to continue beyond 2093 for which the costs cannot reasonably be estimated.

A portion of DOE's environmental and disposal liabilities at various field sites includes anticipated costs for facilities managed by DOE's ongoing program operations which will ultimately require stabilization, deactivation, and decommissioning. The estimate is largely based upon a cost-estimating model. Site specific estimates are used in lieu of the cost-estimating model, when available. Cost estimates for ongoing program facilities are updated each year. For facilities newly contaminated since fiscal year 1997, cleanup costs allocated to future periods and not included in environmental and disposal liabilities amounted to $0.9 billion for both fiscal years 2018 and 2017.

The predominant change in the DOE's environmental liabilities estimates in fiscal year 2018 resulted from Waste Treatment and Immobilization Plant (WTP) construction and operating costs, and the updated tank farm retrieval and closure cost. Other changes resulted from inflation adjustments to reflect constant dollars for the current year; improved and updated estimates for the same scope of work, including changes resulting from deferral or acceleration of work; revisions in technical approach or scope, including additional contamination; updated estimates of projected waste volumes; changes in the DOE's allocable percentage share of future costs; legal and regulatory changes; and cleanup activities performed.

On October 9, 2018, the US Court of Appeals for the Fourth Circuit lifted the Preliminary Injunction, allowing DOE to move forward with termination of construction of the Mixed Oxide (MOX) facility. With termination of the MOX facility, which was the fiscal year 2018 approach for plutonium disposition, DOE will pursue a Dilute and Dispose approach in fiscal year 2019. The lower cost of the Dilute and Dispose approach is expected to reduce the program liability. DOE remains committed to disposing of 34 metric tons of plutonium.

Please refer to the financial statements of the DOE for detailed information regarding DOE’s environmental and disposal liabilities, including cleanup costs.

Department of Defense

Beginning in fiscal year 2018, DOD’s individual amounts are reported together as a single line total for its portion of Environmental and disposal liabilities. DOD must restore active installations, installations affected by base realignment and closure, and other areas formerly used as DOD sites. DOD also bears responsibility for disposal of chemical weapons and environmental costs associated with the disposal of weapons systems (primarily nuclear-powered aircraft carriers and submarines).

DOD follows the *Comprehensive Environmental Response, Compensation, and Liability Act* (CERCLA), *Superfund Amendments and Reauthorization Act*, *Resource Conservation and Recovery Act* (RCRA) and other applicable federal or state laws to clean up contamination. The CERCLA and RCRA require the DOD to clean up contamination in coordination with regulatory entities, current owners of property damaged by the Department, and third parties that have a partial responsibility for the environmental restoration. Failure to comply with agreements and legal mandates puts the DOD at risk of incurring fines and penalties.

DOD uses engineering estimates and independently validated models to estimate environmental costs. The engineering estimates are used after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project.

For general PP&E placed into service after September 30, 1997, DOD expenses associated environmental costs systematically over the life of the asset using two methods: physical capacity for operating landfills and life expectancy in years for all other assets. DOD expenses the full cost to clean up contamination for stewardship PP&E at the time the asset is placed into service. DOD has expensed the costs for cleanup associated with general PP&E placed into service before October 1, 1997, except for costs intended to be recovered through user charges; for those costs, DOD has expensed cleanup costs associated with that portion of the asset life that has passed since it was placed into service. DOD systematically recognizes the remaining cost over the remaining life of the asset. The unrecognized portion of the estimated total cleanup costs associated with disposal of general PP&E as of September 30, 2018 was $5 billion; this amount was unknown as of September 30, 2017.

DOD is unable to estimate and report a liability for environmental restoration and corrective action for buried chemical munitions and agents, because the extent of the buried chemical munitions and agents is unknown at this time. DOD is also unable to provide a complete estimate for the Formerly Utilized Sites Remedial Action Program. DOD has ongoing studies and will update its estimate as additional liabilities are identified. DOD has the potential to incur costs for restoration initiatives in conjunction with returning overseas DOD facilities to host nations. However, DOD is unable to provide a reasonable estimate at this time because the extent of required restoration is unknown.

Please refer to the financial statements of DOD for further information regarding DOD's environmental and disposal liabilities, including cleanup costs.

State and local government

The Federal Reserve does not provide amounts for environmental and disposal liabilities at the state and local government level. We do not know if states have these liabilities, and if they do, we are not aware of another aggregated source for this data.

Note 14 – Benefits due and payable

(In billions)	**2018**	**2017**
Federal	$ 211	$ 219
State and local	—	—
Total benefits due and payable	$ 211	$ 219

Federal government

(In billions)	**2018**	**2017**
Federal Old-Age and Survivors Insurance	$ 75	$ 71
Grants to States for Medicaid	36	34
Federal Supplementary Medical Insurance (Medicare Parts B and D)	31	31
Federal Hospital Insurance (Medicare Part A)	32	30
Federal Disability Insurance	25	27
All other benefits programs	12	26
Total benefits due and payable	$ 211	$ 219

Benefits due and payable are amounts owed to program recipients or medical service providers as of September 30 that have not been paid. Most of the benefits due and payable relate to programs administered by HHS and SSA. For a description of the programs, see in the Financial Report, *Note 22 – Social Insurance* and the *Unaudited Required Supplementary Information (RSI) – Social Insurance* section.

State and local government

Based on our understanding of the state and local government, we expect there to be amounts for benefits due and payable, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 15 – Insurance and guarantee program liabilities

(In billions)		2018		2017
Federal	$	170	$	203
State and local		—		—
Total insurance and guarantee program liabilities	$	170	$	203

Federal government

(In billions)		2018		2017
Pension Benefit Guaranty Corporation – Benefit Pension Plans	$	158	$	179
All other insurance and guarantee programs		12		24
Total insurance and guarantee program liabilities	$	170	$	203

Insurance and guarantee program liabilities are recognized for known losses and contingent losses to the extent that the underlying contingency is deemed probable and a loss amount is reasonably measurable. Please see *Note 18 - Contingencies* for discussion on the meaning of "probable" depending on the accounting framework used by each significant consolidation entity.

As of September 30, 2018, and 2017, $158 billion and $179 billion, respectively, pertain to the PBGC single-employer and multiemployer pension plans. PBGC insures pension benefits for participants in covered defined benefit pension plans. The total decrease of $21 billion in PBGC's liability for insured pension plans includes decreases of $10 billion and $11 billion for single-employer and multiemployer plans, respectively. For both single-employer and multiemployer plans, the decreases were primarily driven by changes in actuarial assumptions related to changes in interest factors. As of September 30, 2018, and 2017, PBGC had total liabilities of $164 billion and $184 billion, and its total liabilities exceeded its total assets by $51 billion and $76 billion, respectively. Refer to PBGC's financial statements for more information.

State and local government

The Federal Reserve does not provide amounts for insurance and guarantee program liabilities. We do not know if states have these liabilities, and if they do, we are not aware of another aggregated source for this data.

Note 16 – Other liabilities

(In billions)		2018		2017
Federal	$	479	$	473
State and local		—		—
Total other liabilities	$	479	$	473

Federal government

(In billions)	2018	2017
Unearned revenue and assets held for others		
Unearned fees for nuclear waste disposal (DOE) and other unearned revenue	$ 60	$ 60
Assets held on behalf of others	117	111
Subtotal	177	171
Employee-related liabilities		
Accrued federal employees' wages and benefits	42	37
Selected DOE contractors' and D.C. employees' pension benefits	54	52
Subtotal	96	89
International monetary liabilities and gold certificates		
Exchange Stabilization Fund	55	55
Gold certificates	11	11
Subtotal	66	66
Subsidies and grants	30	35
Miscellaneous liabilities		
Legal and other contingencies	52	57
Other miscellaneous	58	55
Subtotal	110	112
Total	$ 479	$ 473

Other liabilities represent liabilities that are not separately identified on the Balance Sheet and are presented on a comparative basis by major category.

Unearned revenue and assets held for others

The federal government recognizes a liability when it receives money in advance of providing goods and services or assumes custody of money belonging to others. Advances and prepayments include USPS customer deposits used for future mailings. The federal government's unearned revenue from fees DOE has collected from utility companies for the future cost of managing the disposal of nuclear waste and interest income received is about $42 billion and $40 billion as of September 30, 2018, and 2017, respectively. Other unearned revenue includes USPS income for prepaid postage and prepaid P.O. Box rentals. Assets held on behalf of others include funds collected in advance for such things as outstanding postal money orders and undelivered Defense articles. SAA holds $89 billion and $86 billion as of September 30, 2018, and 2017, respectively, for articles and services for future delivery to foreign governments.

Employee-related liabilities

This category includes amounts owed to employees at year-end and actuarial liabilities for certain non-federal employees. Actuarial liabilities for federal employees and veteran benefits are included in *Note 12 – Employee and veteran benefits payable*. The largest liability in the employee-related liabilities category is the amount owed at the end of the fiscal year to federal employees for wages and benefits (including accrued annual leave). In addition, DOE is liable to certain contractors for contractor employee pension and postretirement benefits, which is about $21 billion and $23 billion as of September 30, 2018 and 2017, respectively. Also, the federal government owed about $8 billion and $9 billion as of September 30, 2018, and 2017, respectively, for estimated future pension benefits of the District of Columbia's judges, police, firefighters, and teachers.

International monetary liabilities and gold certificates

Consistent with US obligations in the IMF on orderly exchange arrangements and a stable system of exchange rates, the Secretary of the Treasury, with the approval of the President, may use the Exchange Stabilization Fund (ESF) to deal in gold, foreign exchange, and other instruments of credit and securities. As of September 30, 2018, and 2017, other liabilities includes $49 billion and $50 billion, respectively, of interest-bearing liability to the IMF for SDR allocations.

Gold certificates are issued in nondefinitive or book-entry form to the Federal Reserve Bank of New York (FRBNY). The federal government's liability incurred by issuing the gold certificates, as reported on the Balance Sheet, is limited to the gold being held by Treasury at the standard value established by law. Upon issuance of gold certificates to the FRBNY, the proceeds from the certificates are deposited into the operating cash of the US Government. All of the Treasury certificates issued are payable to the FRBNY. Gold certificates were valued at $11 billion as of both September 30, 2018 and 2017.

Subsidies and grants

The federal government supports the public good through a wide variety of subsidy and grant programs in such areas as agriculture, medical and scientific research, education, and transportation. USDA programs such as Conservation Reserve, and Agricultural Risk Coverage and Price Loss Coverage account for the majority of the subsidies due, about $5 billion and $9 billion as of September 30, 2018 and 2017, respectively.

The federal government awards hundreds of billions of dollars in grants annually. These include project grants that are competitively awarded for entity-specific projects, such as HHS grants to fund projects to "enhance the independence, productivity, integration, and inclusion into the community of people with developmental disabilities." Other grants are formula grants, such as matching grants. Formula grants go to state governments for such things as education and transportation programs. These grants are paid in accordance with distribution formulas that have been provided by law or administrative regulations. Of the total liability reported for grants as of September 30, 2018, and 2017, DOT, Education, HHS and USDA collectively owed their grantees about $20 billion and $21 billion, respectively. Refer to the financial statements of the respective entities for additional information.

Miscellaneous liabilities

Some of the more significant liabilities included in this category are for (1) legal and other contingencies (see *Note 18 – Contingencies*), (2) Bonneville Power Administration liability to pay annual budgets of several power projects for its electrical generating capacity, and (3) payables upon return of securities loaned and (4) September 11th Victim Compensation Fund.

In addition, many federal entities reported relatively small amounts of miscellaneous liabilities that are not otherwise classified.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have other liabilities, however the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 17 – Prior-period adjustments

This note summarizes the restatements that our Government has made of their prior period figures. The effects of these restatements were increases (decreases) in the previously reported values, as follows:

(In billions)	Federal	State and Local	Combined 2017
Income statements			
Net deficit	$ —	$ 3	$ 3
Tax revenues	—	4	4
Non-tax revenues	—	(2)	(2)
Total revenues	—	2	2
Total expenditures	—	(1)	(1)
Combined functional income statements			
Transfer payments to individuals other than personnel and subsidies	—	3	3
Payments to others for goods and services	—	(3)	(3)
Other income	—	(1)	(1)
Combined segment income statements			
Establish justice and ensure domestic tranquility expenditures	—	(1)	(1)
Promote the general welfare	—	2	2
Secure the blessings of liberty to ourselves and our posterity expenditures	—	2	2
General government and other expenditures	—	(4)	(4)
Balance sheets			
Cash and other monetary assets (Note 2)	—	33	33
Accounts and taxes receivable (Note 3)	—	(1)	(1)
Loans receivable, net (Note 4)	—	(1)	(1)
Property, plant, and equipment, net (Note 6)	—	6	6
Debt and equity securities (Note 7)	—	(194)	(194)
Debt securities held by the public and accrued interest (Note 11)	—	10	10
Other liabilities (Note 16)	—	1	1
Accumulated deficit	$ —	$ (168)	$ (168)

Federal government

Because of our process of using the most recent *Financial Report of the United States* to develop our federal balance sheets, as described in *General note on sources* above, we will generally not be required to restate our previously reported federal balance sheet disclosures. However, the OMB infrequently restates federal income statement data. Should this occur, we will restate the related federal income statement and footnote figures in our report. We noted no material federal balance sheet or income statement restatements for the periods presented.

State and local government

The Census and the Federal Reserve restated certain prior year (fiscal year 2017) figures we reported in the state and local financial statements and accompanying footnote disclosures. Generally, the Census and the Federal Reserve do not describe the cause and nature of their restatements.

Note 18 – Contingencies

(In billions)	2018	2017
Federal	$ 41	$ 35
State and local	—	—
Total contingencies	$ 41	$ 35

Federal government

Financial treatment of loss contingencies

Loss contingencies are existing conditions, situations, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. The reporting of loss contingencies depends on the likelihood that a future event or events will confirm the loss or impairment of an asset or the incurrence of a liability. When a loss contingency exists, the likelihood that the future event or events will confirm the loss or the incurrence of a liability can range from probable to remote. SFFAS No. 5, *Accounting for liabilities of the federal government*, identifies the probability classifications used to assess the range for the likelihood of loss as probable, reasonably possible, and remote. Loss contingencies where a past event or exchange transaction has occurred, and where a future outflow or other sacrifice of resources is assessed as probable and measurable are accrued in the financial statements. Loss contingencies that are assessed to be at least reasonably possible are disclosed in this note and loss contingencies that are assessed as remote are not reported in the financial statements, nor disclosed in the notes.

The federal government is subject to loss contingencies that include insurance and litigation cases. These loss contingencies arise in the normal course of operations and their ultimate disposition is unknown. Based on information currently available, however, it is management's opinion that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial statements, except for the insurance and litigation described in the following section, which could have a material adverse effect on the financial statements.

Certain significant consolidation entities apply financial accounting and reporting standards issued by FASB, and such entities, as permitted by SFFAS No. 47, are consolidated into the federal government's consolidated financial statements without conversion to financial and reporting standards issued by FASAB. Generally, under FASAB standards, a contingency is considered "probable" if the future event or events are more likely than not to occur. Under FASB standards, a contingency is considered "probable" if the future event or events are likely to occur. "Likely to occur" is considered to be more certain than "more likely than not to occur." Under both accounting frameworks, a contingency is considered "reasonably possible" if occurrence of the future event or events is more likely than remote, but less likely than "probable" ("probable" as defined within each corresponding accounting framework).

Insurance contingencies

At the time an insurance policy is issued, a contingency arises. The contingency is the risk of loss assumed by the insurer, that is, the risk of loss from events that may occur during the term of the policy. The federal government has insurance contingencies that are reasonably possible in the amount of $185 billion as of September 30, 2018, and $253 billion as of September 30, 2017. The major programs are identified below:

- PBGC reported $185 billion and $252 billion as of September 30, 2018, and 2017, respectively, for the estimated aggregate unfunded vested benefits exposure to the PBGC for private-sector single-employer and multiemployer defined benefit pension plans that are classified as a reasonably possible exposure to loss. The decrease in single-employer program contingencies is primarily due to the decline in the number of companies with lower than investment grade bond ratings and/or credit scores, while the primary reason for the decrease in multiemployer program contingencies is due to 14 plans that are no longer classified as reasonably possible. Of these 14 plans, 12 were removed due to improvements in the plans' financial conditions, and the 2 remaining plans were reclassified to other categories. Please refer to the PBGC financial statements for further details.
- FDIC reported $0.3 billion and $0.6 billion as of September 30, 2018, and 2017, respectively, for identified additional risk in the financial services industry that could result in additional loss to the Deposit Insurance Fund (DIF) should potentially vulnerable insured institutions ultimately fail. Actual losses, if any, will largely depend on future economic and market conditions.

Deposit insurance

Deposit insurance covers all types of deposits received at insured financial institutions, including deposits in checking accounts, negotiable order of withdrawal accounts, savings accounts, money market deposit accounts, time deposits such as certificates of deposit , and official items issued by banks, such as cashier's checks or money orders. The insurance covers the balance of depositors' accounts, dollar-for-dollar, including principal and any accrued interest through the date of the insured financial institution's closing, up to the insurance limit. As a result, the federal government has the following exposure from federally-insured financial institutions:

- FDIC has estimated insured deposits of $7,377 billion as of September 30, 2018, and $7,092 billion as of September 30, 2017, for the DIF.
- National Credit Union Administration (NCUA) has estimated insured shares of $1,133 billion as of September 30, 2018, and $1,081 billion as of September 30, 2017, for the National Credit Union Share Insurance Fund.

Legal contingencies

Legal contingencies as of September 30, 2018, and 2017, are summarized in the table below:

	2018			2017		
		Estimated Range of Loss for Certain Cases [2]			Estimated Range of Loss for Certain Cases [2]	
(In billions)	**Accrued Liabilities [1]**	**Lower End**	**Upper End**	**Accrued Liabilities [1]**	**Lower End**	**Upper End**
Probable	$ 11	$ 11	$ 12	$ 7	$ 7	$ 9
Reasonably possible	$ —	$ 8	$ 28	$ —	$ 3	$ 13

[1] *Accrued liabilities are recorded and presented in the related line items of the Combined balance sheets.*
[2] *Does not reflect the total range of loss; many cases assessed as reasonably possible of an unfavorable outcome did not include estimated losses that could be determined.*

The federal government is party in various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the federal government.

Management and legal counsel have determined that it is "probable" that some of these actions will result in a loss to the federal government and the loss amounts are reasonably measurable. The estimated liabilities for "probable" cases against the federal government are $11 billion and $7 billion as of September 30, 2018, and 2017, respectively, and are included in Other liabilities on the Combined balance sheet. For example, the US Supreme Court decision in Salazar v. Ramah Navajo Chapter, dated June 18, 2012, and subsequent cases related to contract support costs have resulted in increased claims against the Indian Health Service (IHS), which is a component within HHS. As a result of this decision, many tribes have filed claims. Some claims have been paid and others have been asserted but not yet settled. It is expected that some tribes will file additional claims for prior years.

There are also administrative claims and legal actions pending where adverse decisions are considered by management and legal counsel as "reasonably possible" with an estimate of potential loss or a range of potential loss. The estimated potential losses reported for such claims and actions range from $7 billion to $26 billion as of September 30, 2018, and from $3 billion to $13 billion as of September 30, 2017. For example, as of September 30, 2018, EPA has received approximately 403 total claims under the Federal Tort Claims Act from individuals and businesses situated on or near waterways affected by acid mine water released by Colorado's Gold King Mine in August of 2015. The claims allege lost wages, loss of business income, agricultural and livestock losses, property damage, diminished property value, and personal injury. In addition, EPA has received claims from individuals under the Federal Tort Claims Act for alleged injuries and property damages caused by EPA's alleged negligence related to the water health crisis in Flint, Michigan. The estimated losses related to the Gold King Mine and the water health crisis are $2 billion and $3 billion, respectively. EPA has determined there is a reasonably possible likelihood of unfavorable outcome for these cases.

Numerous litigation cases are pending where the outcome is uncertain or it is reasonably possible that a loss has been incurred and where estimates cannot be made. There are other litigation cases where the plaintiffs have not made claims for specific dollar amounts, but the settlement may be significant. The ultimate resolution of these legal actions for which the potential loss could not be determined may materially affect the US government's financial position or operating results. An example of a specific case is summarized below:

- A number of plaintiffs filed claims in the US Court of Federal Claims requesting that Treasury redeem matured savings bonds not possessed by the applicable states, but which have registered owners with last known addresses in those states. Treasury informed the applicable states it would not redeem these savings bonds since those states are not registered owners of the bonds. On August 20, 2015, the US Court of Federal Claims partially dismissed one claim and denied the US government's motion to dismiss with respect to other claims. On August 8, 2017, the court ruled in favor of two states, and the U.S. government has appealed. At this time, the government is unable to determine the likelihood of an unfavorable outcome or make an estimate of potential loss.

Environmental and disposal contingencies

Environmental and disposal contingencies as of September 30, 2018, and 2017, are summarized in the table below:

	2018			2017		
		Estimated Range of Loss for Certain Cases [2]			Estimated Range of Loss for Certain Cases [2]	
(In billions)	**Accrued Liabilities [1]**	**Lower End**	**Upper End**	**Accrued Liabilities [1]**	**Lower End**	**Upper End**
Probable	$ 30	$ 30	$ 31	$ 28	$ 28	$ 30
Reasonably possible	$ —	$ 1	$ 1	$ —	$ 1	$ 2

[1] *Accrued liabilities are recorded and presented in the related line items of the Combined balance sheets.*
[2] *Does not reflect the total range of loss; many cases assessed as reasonably possible of an unfavorable outcome did not include estimated losses that could be determined.*

The federal government is subject to loss contingencies for a variety of environmental cleanup costs for the storage and disposal of hazardous material as well as the operations and closures of facilities at which environmental contamination may be present.

Management and legal counsel have determined that it is "probable" that some of these actions will result in a loss to the federal government and the loss amounts are reasonably measurable. The estimated liabilities for these cases are $30 billion and $28 billion as of September 30, 2018, and 2017, respectively, and are included in Other liabilities on the Combined balance sheet.

In accordance with the *Nuclear Waste Policy Act of 1982* (NWPA), DOE entered into more than 68 standard contracts with utilities in which, in return for payment of fees into the Nuclear Waste Fund, DOE agreed to begin disposal of spent nuclear fuel (SNF) by January 31, 1998. Because DOE has no facility available to receive SNF under the NWPA, it has been unable to begin disposal of the utilities' SNF as required by the contracts. Therefore, DOE is subject to significant SNF litigation claiming damages for partial breach of contract as a result of the delay. Based on settlement estimates, the total liability estimate as of September 30, 2018 is $36 billing. After deducting the cumulative amount paid of $7 billion as of September 30, 2018 under settlements, and as a result of final judgments, the remaining liability is estimated to be approximately $28 billion, compared to approximately $27 billion as of September 30, 2017. In addition to its SNF litigation, a number of class action and/or multiple plaintiff tort suits have been filed against current and former DOE contractors in which the plaintiffs seek damages for alleged exposures to radioactive and/or toxic substances as a result of the historic operations of DOE's nuclear facilities. Collectively, damages in excess of $1 billion are currently being sought in these cases.

Other contingencies

DOT, HHS, and Treasury reported the following other contingencies:

- The Federal Highway Administration (FHWA) preauthorizes states to establish construction budgets without having received appropriations from Congress for such projects. FHWA has authority to approve projects using advance construction under 23 U.S.C. 115(a). FHWA does not guarantee the ultimate funding to the states for these "advance construction" projects and, accordingly, does not obligate any funds for these projects. When funding becomes available to FHWA, the states can then apply for reimbursement of costs that they have incurred on such projects, at which time FHWA can accept or reject such requests. As of September 30, 2018 and 2017, FHWA has pre-authorized $61 billion and $55 billion, respectively, under these arrangements. Congress has not provided appropriations for these projects and no liability is accrued in the DOT consolidated financial statements.
- Contingent liabilities have been established as a result of Medicaid audit and program disallowances that are currently being appealed by the states. The Medicaid amounts are $6 billion and $12 billion for fiscal years ending September 30, 2018, and 2017, respectively. The states could return the funds through payments to HHS, or HHS could recoup the funds by reducing future grant awards to the states. Conversely, if the appeals are decided in favor of the states, HHS will be required to pay these amounts. In addition, certain amounts for payment have been deferred under the Medicaid program when there is reasonable doubt as to the legitimacy of expenditures claimed by a state. There are also outstanding reviews of the state expenditures in which a final determination has not been made.
- As part of an annual process, Treasury assesses the need to estimate and accrue a contingent liability the forecasted equity deficits of the GSEs. Based on this assessment, it was estimated there were no probable future funding draws as of September 30, 2018 and 2017, and therefore no contingent liability was accrued. However, as of September 30, 2018, it is reasonably possible that market volatility or non-recurring events – for instance, changes to accounting policies that impact credit loss provisions – could potentially cause the GSEs to generate quarterly losses and, therefore, result in future funding draws against Treasury's funding commitment. Due to challenges quantifying future market volatility or the timing, magnitude, and likelihood of non-recurring events, an estimate of the total amount of this reasonably possible future funding liability could not be made as of September 30, 2018. See *Note 8 – Investments in government-sponsored enterprises* for further information.

Treaties

The US Government is a party to treaties and other international agreements. These treaties and other international agreements address various issues including, but not limited to, trade, commerce, security, and law enforcement that may involve financial obligations or give rise to possible exposure to losses. When a contingency originates from the US federal government's involvement in a treaty or other international agreement, the responsible reporting entity must establish a contingent liability, include a required note disclosure to its financial statements, or both, in accordance with SFFAS No. 5, as amended. A review of potential contingent liabilities arising from litigation related to treaties and other international agreements has been conducted by US federal government entities. This entity-level review, along with any resulting relevant information, is captured and reported in the annual legal representation letter process and, if applicable, disclosed in the legal contingencies section of this note.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have contingencies, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 19 – Commitments

(In billions)	2018	2017
Federal	$ 1,796	$ 1,681
State and local	—	—
Total commitments	$ 1,796	$ 1,681

Federal government

The federal government has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations and undelivered orders.

Long-term operating leases

(In billions)	2018	2017
General Services Administration	$ 22	$ 22
US Postal Service	4	8
Other operating leases	11	7
Total long-term operating leases	$ 37	$ 37

Undelivered orders and other commitments and risks

(In billions)	2018	2017
Undelivered Orders		
Department of Defense	$ 320	$ 264
Defense Security Cooperation Agency	168	141
Department of Education	133	128
Department of Transportation	111	104
Department of Health and Human Services	123	114
Department of Agriculture	58	62
All other agencies	286	265
Total undelivered orders	$ 1,199	$ 1,078
Other Commitments		
GSE Senior Preferred Stock Purchase Agreement	$ 254	$ 258
US participation in the International Monetary Fund	155	157
Callable capital subscriptions for Multilateral Development Banks	121	121
All other commitments	30	30
Total other commitments	$ 560	$ 566

Undelivered orders

Undelivered orders represent the value of goods and services ordered that have not yet been received. As of September 30, 2018, and 2017, DOD reported undelivered orders of $320 billion and $264 billion, respectively. The $56 billion increase primarily resulted in an increase in activity (available budgetary resources) and continued refinement of estimation methods used in the classification of non-federal undelivered orders.

GSE Senior Preferred Stock Purchase Agreements

At September 30, 2018 and 2017, the maximum remaining potential commitment to the GSEs for the remaining life of the SPSPAs was $254 billion and $258 billion, respectively, which was established on December 31, 2012. Refer to *Note 8 – Investments in government-sponsored enterprises* for a full description of the SPSPAs related commitments and contingent liability, if any, as well as additional information.

US participation in the International Monetary Fund

The federal government participates in the IMF through a quota subscription and certain borrowing arrangements that supplement IMF resources. As of September 30, 2018, and 2017, the financial commitment under the US quota and borrowing arrangements was $155 billion and $157 billion, respectively. Refer to *Note 2 - Cash and other monetary assets* for more information regarding the US participation in the IMF.

Capital callable subscriptions for Multilateral Development Banks

The federal government has callable subscriptions in certain MDBs, which are international financial institutions that finance economic and social development projects in developing countries. Callable capital in the MDBs serves as a supplemental pool of resources that may be redeemed and converted into ordinary paid in shares, if the MDB cannot otherwise meet certain obligations through its other available resources. MDBs are able to use callable capital as backing to obtain favorable financing terms when borrowing from international capital markets. To date, there has never been a call on this capital at any MDBs and none is anticipated. As of September 30, 2018, and 2017, the capital commitment to MDBs was $121 billion.

Terrorism Risk Insurance Program

Congress originally enacted the *Terrorism Risk Insurance Act* (TRIA) in November 2002 to address market disruptions resulting from terrorist attacks on September 11, 2001. Most recently, the *Terrorism Risk Insurance Program Reauthorization Act of 2015* extended the Terrorism Risk Insurance Program (TRIP) until December 31, 2020. The TRIP helps to ensure available and affordable commercial property and casualty insurance for terrorism risk, and simultaneously allows private markets to stabilize. The authority to pay claims under the TRIP Program is activated when the Secretary of the Treasury (in consultation with the Secretary of the US Department of Homeland Security and the US Attorney General) certifies an "act of terrorism." In the event of certification of an "act of terrorism" insurers may be eligible to receive reimbursement from the US government for associated insured losses assuming an aggregate insured loss threshold ("program trigger") has been reached once a particular insurer has satisfied its designated deductible amount. For calendar years 2018 and 2017, the program trigger amount was $160 million and $140 million, respectively. This amount will increase by $20 million annually through calendar year 2020. Insured losses above insurer deductibles will be shared between insurance companies and the US government. The TRIP includes both mandatory and discretionary authority for the Treasury to recoup federal payments made under the TRIP through policyholder surcharges under certain circumstances, and contains provisions designed to manage litigation arising from or relating to a certified act of terrorism. There were no claims under the TRIP as of September 30, 2018 or 2017.

US Contributions to International Organizations

The US government enters into agreements to pay future contributions to international organizations in which it participates as a member. These contributions may include financial and in-kind support, including assessed contributions, voluntary contributions, grants, and other assistance to international organizations. Following are examples of international organizations and their underlying missions which are supported by US contributions:

- *Office of the United Nations High Commissioner for Refugees*, which supports annual and supplementary appeals for Africa, East Asia, Europe, Near East, South Asia, and the Western Hemisphere, as well as protection activities, refugee resettlement, and the global HIV/AIDS initiative;

- *International Committee of the Red Cross*, which aids in annual emergency and budget extension appeals for Africa, East Asia, Europe, Near East, South Asia, and the Western Hemisphere to support protection and assistance for conflict-affected populations;
- *International Organization for Migration*, which supports migration programs and the US Refugee Assistance Program;
- *North Atlantic Treaty Organization*, which promotes conflict prevention and peaceful resolution of disputes;
- *United Nations*, which enables the world's nations to work together toward freedom, democracy, peace, and human rights;
- *World Food Program*, which provides emergency nutrition programming;
- *Global Environment Facility*, which is a multilateral trust fund that provides grants for global environmental projects;
- *Green Climate Fund*, established to support the efforts of developing countries to respond to the challenge of climate change;
- *United Nations Children's Fund*, which promotes humanitarian and developmental assistance to children and mothers in developing countries; and
- *World Health Organization*, which provides support for collaborative efforts in a wide range of health-related activities, including infectious diseases, maternal and child health, family planning, safe motherhood, newborn health, reproductive health, environmental health, and HIV/AIDS.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have commitments, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source for this data.

Note 20 – Funds from dedicated collections

(In billions)	2018	2017
Federal	$ 3,481	$ 3,420
State and local	—	—
Total funds from dedicated collections	$ 3,481	$ 3,420

Federal government

(In billions)	Federal Old-Age and Survivors Insurance Trust Fund	Federal Hospital Insurance Trust Fund (Medicare Part A)	Federal Disability Insurance Trust Fund	Federal Supplementary Medical Insurance Trust Fund (Medicare Parts B and D)	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Combined)
2018						
Assets						
Cash and other monetary assets	$ —	$ —	$ —	$ —	$ 66	$ 66
Fund balance with Treasury	—	2	—	26	149	177
Investments in Treasury securities, net of unamortized premiums/discounts	2,801	203	93	98	273	3,468
Other federal assets	20	39	1	36	24	120
Non-federal assets	3	—	5	17	289 *	314
Total assets	$ 2,824	$ 244	$ 99	$ 177	$ 801 *	$ 4,145
Liabilities and net position						
Due and payable to beneficiaries	$ 75	$ 32	$ 25	$ 31	$ 2	$ 165
Other federal liabilities	6	40	1	43	65	155
Other non-federal liabilities	—	—	—	—	344 *	344
Total liabilities	81	72	26	74	411	664
Total net position	2,743	172	73	103	390 *	3,481
Total liabilities and net position	$ 2,824	$ 244	$ 99	$ 177	$ 801 *	$ 4,145
Change in net position						
Beginning net position	$ 2,767	$ 178	$ 46	$ 99	$ 330	$ 3,420
Prior-period adjustment	—	—	—	—	22	22
Beginning net position, adjusted	2,767	$ 178	$ 46	$ 99	$ 352	$ 3,442
Investment revenue	81	7	2	2	7	99
Individual income taxes	706	265	166	—	1	1,138
Other taxes and receipts	—	1	—	4	146	151
Other changes in fund balance	27	23	—	313	6	369
Total financing sources	814	296	168	319	160	1,757
Program gross costs and non-program expenses	838	306	141	411	176	1,872
Less: program revenue	—	(4)	—	(96)	(54)	(154)
Net cost	838	302	141	315	122	1,718
Ending net position	$ 2,743	$ 172	$ 73	$ 103	$ 390	$ 3,481

(In billions)	Federal Old-Age and Survivors Insurance Trust Fund	Federal Hospital Insurance Trust Fund (Medicare Part A)	Federal Disability Insurance Trust Fund	Federal Supplementary Medical Insurance Trust Fund (Medicare Parts B and D)	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Combined)
2017						
Assets						
Cash and other monetary assets	$ —	$ —	$ —	$ —	$ 65	$ 65
Fund balance with Treasury	—	1	—	28	139	168
Investments in Treasury securities, net of unamortized premiums/discounts	2,820	198	70	71	272	3,431
Other federal assets	20	37	—	35	18	110
Non-federal assets	3	12	5	39	112	171
Total assets	$ 2,843	$ 248	$ 75	$ 173	$ 606	$ 3,945
Liabilities and net position						
Due and payable to beneficiaries	$ 71	$ 30	$ 27	$ 31	$ 15	$ 174
Other federal liabilities	5	39	1	43	73	161
Other non-federal liabilities	—	1	1	—	188	190
Total liabilities	76	70	29	74	276	525
Total net position	2,767	178	46	99	330	3,420
Total liabilities and net position	$ 2,843	$ 248	$ 75	$ 173	$ 606	$ 3,945
Change in net position						
Beginning net position	$ 2,746	$ 174	$ 21	$ 95	$ 338	$ 3,374
Prior-period adjustment	—	—	—	—	—	—
Beginning net position, adjusted	2,746	174	21	95	338	3,374
Investment revenue	84	7	2	2	4	99
Individual income taxes	702	260	166	—	—	1,128
Other taxes and receipts	—	1	—	4	142	147
Other changes in fund balance	29	23	(2)	278	—	328
Total financing sources	815	291	166	284	146	1,702
Program gross costs and non-program expenses	794	291	141	366	205	1,797
Less: program revenue	—	(4)	—	(86)	(51)	(141)
Net cost	794	287	141	280	154	1,656
Ending net position	$ 2,767	$ 178	$ 46	$ 99	$ 330	$ 3,420

Generally, funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, provided to the federal government by non-federal sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the federal government's general revenues. Funds from dedicated collections generally include trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. Funds from dedicated collections specifically exclude any fund established to account for pensions, other retirement benefits, other postemployment benefits, or other benefits provided for federal employees (civilian and military). In the federal budget, the term "trust fund" means only that the law requires a particular fund be accounted for separately, used only for a specified purpose, and designated as a trust fund. A change in law may change the future receipts and the terms under which the fund's resources are spent. In the private sector, trust fund refers to funds of one party held and managed by a second party (the trustee) in a fiduciary capacity. The activity of funds from dedicated collections differs from fiduciary activities primarily in that assets within funds from dedicated collections are government-owned. For further information related to fiduciary activities, see *Note 21 – Fiduciary activities*.

Public enterprise revolving funds include expenditure accounts authorized by law to be credited with offsetting collections, mostly from the public, that are generated by and dedicated to finance a continuing cycle of business-type operations. Some of the financing for these funds may be from appropriations.

Special funds are federal funds dedicated by law for a specific purpose. Special funds include the special fund receipt account and the special fund expenditure account.

The tables above depict major funds from dedicated collections chosen based on their significant financial activity and importance to taxpayers. All other government funds from dedicated collections not shown separately are aggregated as "all other."

Total assets represent the unexpended balance from all sources of receipts and amounts due to the funds from dedicated collections, regardless of source, including related governmental transactions. These are transactions between two different entities within the federal government (for example, monies received by one entity of the federal government from another entity of the federal government).

The intergovernmental assets are comprised of fund balances with Treasury, investments in Treasury securities – including unamortized amounts, and other assets that include the related accrued interest receivable on federal investments. These amounts were eliminated in preparing the principal financial statements. The non-federal assets represent only the activity with individuals and organizations outside of the federal government.

Most of the assets within funds from dedicated collections are invested in intergovernmental debt holdings. The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the General Fund, which uses the cash for general government purposes. Treasury securities are issued to federal entities as evidence of its receipts. Treasury securities are an asset to the federal agencies and a liability to the US Treasury and, therefore, they do not represent an asset or a liability in the Financial Report. These securities require redemption if a fund's disbursements exceeds its receipts. Redeeming these securities will increase the federal government's financing needs and require more borrowing from the public (or less repayment of debt), or will result in higher taxes than otherwise would have been needed, or less spending on other programs than otherwise would have occurred, or some combination thereof. See *Note 11 – Debt securities held by the public and accrued interest* for further information related to the investments in federal debt securities.

Depicted below is a description of the major funds from dedicated collections shown in the above tables, which also identifies the federal government entities that administer each particular fund. For detailed information regarding these funds from dedicated collections, please refer to the financial statements of the corresponding administering entities. For information on the benefits due and payable liability associated with certain funds from dedicated collections, see *Note 14 – Benefits due and payable*.

Federal Old-Age and Survivors Insurance Trust Fund

The Federal Old-Age and Survivors Insurance (OASI) Trust Fund, administered by the SSA, provides retirement and survivors benefits to qualified workers and their families.

Payroll and self-employment taxes primarily fund the OASI Trust Fund. Interest earnings on Treasury securities, federal entities' payments for the Social Security benefits earned by military and federal civilian employees, and Treasury payments for a portion of income taxes collected on Social Security benefits provide the fund with additional income. The law establishing the OASI Trust Fund and authorizing the depositing of amounts to the credit of the fund is set forth in 42 U.S.C. § 401.

Federal Hospital Insurance Trust Fund (Medicare Part A)

The Federal Hospital Insurance (HI) Trust Fund, administered by HHS, finances the Hospital Insurance Program (Medicare Part A). This program funds the cost of inpatient hospital and related care for individuals age 65 or older who meet certain insured status requirements, and individuals younger than age 65 with certain disabilities.

The HI Trust Fund is financed primarily by payroll taxes, including those paid by federal entities. It also receives income from interest earnings on Treasury securities, a portion of income taxes collected on Social Security benefits, premiums paid by, or on behalf of, aged uninsured beneficiaries, and receipts from fraud and abuse control activities. Section 1817 of the *Social Security Act* established the Medicare Hospital Trust Fund.

Federal Disability Insurance Trust Fund

The Federal Disability Insurance (DI) Trust Fund, administered by the SSA, provides assistance and protection against the loss of earnings due to a wage earner's disability in form of monetary payments.

Like the OASI Trust Fund, payroll taxes primarily fund the DI Trust Fund. The fund also receives income from interest earnings on Treasury securities, federal entities' payments for the Social Security benefits earned by military and federal civilian employees, and Treasury payments for a portion of income taxes collected on Social Security benefits. The law establishing the Federal Disability Insurance Trust Fund and authorizing the depositing of amounts to the credit of the fund is set forth in 42 U.S.C. § 401.

Federal Supplementary Medical Insurance Trust Fund (Medicare Parts B and D)

The Federal Supplementary Medical Insurance (SMI) Trust Fund, administered by HHS, finances the SMI Program (Medicare Part B) and the Medicare Prescription Drug Benefit Program (Medicare Part D). These programs provide supplementary medical insurance for enrolled eligible participants to cover physician and outpatient services not covered by Medicare Part A and to obtain qualified prescription drug coverage, respectively. Medicare Part B financing is not based on payroll taxes; it is primarily based on monthly premiums, income from the General Fund, and interest earnings on Treasury securities. The Medicare SMI Trust Fund was established by Section 1841 of the *Social Security Act*.

Medicare Part D was created by the *Medicare Modernization Act of 2003* (P.L. No. 108-173). Medicare Part D financing is similar to Part B; it is primarily based on monthly premiums and income from the General Fund, not on payroll taxes. The fund also receives transfers from states.

All other funds from dedicated collections

The federal government is responsible for the management of numerous funds from dedicated collections that serve a wide variety of purposes. The funds from dedicated collections presented on an individual basis in the above tables represent the majority of the federal government's net position attributable to funds from dedicated collections. All other activity attributable to funds from dedicated collections is aggregated in accordance with SFFAS No. 27, *Identifying and Reporting Funds from Dedicated Collections*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds*. The funds from dedicated collections within the "all other" aggregate, along with the entities that administer them, include the following:

- Highway Trust Fund and Airport and Airway Trust Fund – administered by DOT.
- Unemployment Trust Fund (UTF) and Black Lung Disability Trust Fund (BLDTF) – administered by DOL.
- Land and Water Conservation Fund, Reclamation Fund, and Water and Related Resources Fund – administered by DOI.
- Exchange Stabilization Fund – administered by Treasury.
- National Flood Insurance Program – administered by DHS.
- Railroad Retirement Trust Fund – administered by RRB.
- Uranium Enrichment Decontamination and Decommissioning Fund – administered by DOE.

- Government National Mortgage Association – administered by HUD.
- Crime Victims Fund – administered by DOJ.
- Harbor Maintenance Trust Fund – administered by DOD.

In accordance with SFFAS No. 43, any funds established to account for pension, other retirement, or other postemployment benefits to civilian or military personnel are excluded from the reporting requirements related to funds from dedicated collections.

Smithsonian Institution comprised the $3 billion adjustment to beginning net position for fiscal year 2018. Gulf Coast Ecosystem Restoration Council and HUD contributed to the $0.2 billion in adjustments to beginning net position for fiscal year 2017.

Other taxes and miscellaneous earned income

Unemployment taxes

The Unemployment Trust Fund (UTF), within the “all other” aggregate, represents all the unemployment tax revenues attributable to funds from dedicated collections shown on the consolidated Statement of Operations and Changes in Net Position.

The UTF provides temporary assistance to workers who lose their jobs. The program is administered through a unique system of federal and state partnerships, established in federal law, but executed through conforming state laws by state officials. DOL administers the federal operations of the program.

Employer taxes provide the primary funding source for the UTF and constitute the largest portion of unemployment tax revenues attributable to funds from dedicated collections as shown on the consolidated Statement of Operations and Changes in Net Position. However, interest earnings on Treasury securities also provide income to the fund. For the years ending September 30, 2018, and 2017, UTF unemployment tax revenues were $43 billion and $44 billion, respectively. Appropriations have supplemented the fund’s income during periods of high and extended unemployment. The UTF was established under the authority of Section 904 of the *Social Security Act* of 1935.

Excise taxes

There are 9 funds from dedicated collections within the “all other” aggregate that represent 94% of the dedicated excise tax revenue attributable to funds from dedicated collections shown on the consolidated Statement of Operations and Changes in Net Position. The Highway Trust Fund and the Airport and Airway Trust Fund, combined, represent 96% of the “all other” dedicated excise tax revenues. Both of these funds are administered by the DOT. For more information, please refer to DOT’s financial statements.

The Highway Trust Fund was established to promote domestic interstate transportation and to move people and goods. The fund provides federal grants to states for highway construction, certain transit programs, and related transportation purposes. The Highway Trust Fund was created by the *Highway Revenue Act of 1956*. Funding sources include designated excise taxes on gasoline and other fuels, the initial sale of heavy trucks, and highway use by commercial motor vehicles. For the years ending September 30, 2018, and 2017, Highway Trust Fund excise tax revenues were $43 billion and $41 billion, respectively. As funds are needed for payments, the Highway Trust Fund corpus investments are liquidated and funds are transferred to the Federal Highway Administration, the Federal Transit Administration, or other DOT entities, for payment of obligations.

The Airport and Airway Trust Fund provides for airport improvement and airport facilities maintenance. It also funds airport equipment, research, and a portion of the Federal Aviation Administration’s administrative operational support. The Airport and Airway Trust Fund was authorized by the *Airport and Airway Revenue Act of 1970*. Funding sources include aviation-related excise tax collections from:

- Passenger tickets,

- Passenger flight segments,
- International arrival/departures,
- Cargo waybills, and
- Aviation fuels.

For the years ending September 30, 2018, and 2017, Airport and Airway Trust Fund excise tax revenues were $16 billion and $15 billion, respectively.

Miscellaneous earned revenues

Miscellaneous earned revenues due to activity attributable to funds from dedicated collections primarily related to royalties retained by various funds within DOI.

State and local government

The Federal Reserve does not provide amounts for funds from dedicated collections. We do not know if states have these activities, and if they do, we are not aware of another aggregated source for this data.

Note 21 – Fiduciary activities

(In billions)	2018	2017
Federal	$ 599	$ 543
State and local	—	—
Total fiduciary net assets	$ 599	$ 543

Federal government

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government and are not recognized on the consolidated Balance Sheet. Examples of the federal government's fiduciary activities include the Thrift Savings Plan (TSP), which is administered by the Federal Retirement Thrift Investment Board (FRTIB), and the Indian Tribal and individual Indian Trust Funds, which are administered by the DOI.

(In billions)	2018	2017
Thrift Savings Fund	$ 589	$ 532
All other	10	11
Total fiduciary net assets	$ 599	$ 543

In accordance with the requirements of SFFAS No. 31, *Accounting for Fiduciary Activities*, fiduciary investments in Treasury securities and fund balance with Treasury held by fiduciary funds are to be recognized on the Balance Sheet as debt held by the public and a liability for fiduciary fund balance with Treasury, respectively.

As of September 30, 2018, total fiduciary investments in Treasury securities and in non-Treasury securities are $250 billion and $363 billion, respectively. As of September 30, 2017, total fiduciary investments in Treasury securities and in non-Treasury securities were $224 billion and $318 billion, respectively. Refer to *Note 11 – Debt securities held by the public and accrued interest* for more information on the Treasury securities.

As of September 30, 2018, and 2017, the total fiduciary fund balance with Treasury was $2 billion and $1 billion, respectively. A liability for this fiduciary fund balance with Treasury is reflected as other miscellaneous liabilities in *Note 16 – Other liabilities*.

As of both September 30, 2018, and 2017, collectively, the fiduciary investments in Treasury securities and fiduciary fund balance with Treasury held by all Government entities represent $7 billion of unrestricted cash included within cash held by Treasury for federal government-wide operations shown in *Note 2 – Cash and other monetary assets*.

Thrift Savings Fund

The Thrift Savings Fund (TSF) maintains and holds in trust the assets of the TSP. The TSP is administered by an independent Government entity, the FRTIB, which is charged with operating the TSP prudently and solely in the interest of the participants and their beneficiaries.

The TSP is a retirement savings and investment plan for federal employees and members of the uniformed services. It was authorized by the US Congress in the *Federal Employees' Retirement System Act of 1986*. The Plan provides federal employees and members of the uniformed services with a savings and tax benefit similar to what many private sector employers offer their employees under 401(k) plans. The Plan was primarily designed to be a key part of the retirement package (along with a basic annuity benefit and Social Security) for employees who are covered by FERS.

As of September 30, 2018, and 2017, the TSP held $589 billion and $532 billion, respectively, in net assets, which included $246 billion and $218 billion, respectively, of Treasury securities. The TSF combines the net assets of the TSP and the FRTIB in its financial statements. Only the TSP net assets of the TSF financial statements are disclosed in this note. The most recent audited financial statements for the TSF are as of December 31, 2017, and 2016. For further information about FRTIB and the TSP, please refer to the FRTIB website at https://www.frtib.gov/.

DOI – Indian trust funds

As stated above, DOI has responsibility for the assets held in trust on behalf of American Indian Tribes and individuals. DOI maintains accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund and Individual Indian Monies (IIM) Trust Funds) in accordance with the *American Indian Trust Fund Management Reform Act of 1994*. The fiduciary balances that have accumulated in these funds have resulted from land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, judgment awards, settlements of claims, and investment income. These funds are maintained for the benefit of individual Native Americans as well as for designated Indian tribes. DOI maintains separate financial statements for these trust funds, which are prepared using a cash or modified cash basis of accounting, a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). The independent auditors' reports on the Tribal and Other Trust Funds were qualified as it was not practical to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances. The IIM Trust Funds received an unmodified opinion from the auditors. As of both September 30, 2018 and 2017, the DOI held $5 billion in net assets. For further information related to these assets, please refer to the DOI website at https://www.doi.gov/.

All other entities with fiduciary activities

The federal government is responsible for the management of other fiduciary net assets on behalf of various non-federal entities. The component entities presented individually in the table on the previous page represent the vast majority of the federal government's fiduciary net assets. All other component entities with fiduciary net assets are aggregated in accordance with SFFAS No. 31. As of September 30, 2018, and 2017, including TSP and DOI, there are a total of 19 and 20 federal entities, respectively, with fiduciary activities at a grand total of 65 and 68 fiduciary funds, respectively. SBA and Library of Congress (LOC) are the significant entities relating to the fiduciary activities of the remaining component entities within the "all other" aggregate balance. As of September 30, 2018, "all other" fiduciary net assets were $5 billion, compared to $7 billion as of September 30, 2017.

State and local government

The Federal Reserve does not provide amounts for fiduciary activities. We do not know if states have these activities, and if they do, we are not aware of another aggregated source for this data.

Note 22 – Stewardship land and heritage assets

Federal government

Stewardship PP&E consists of items whose physical properties resemble those of general PP&E traditionally capitalized in financial statements. However, stewardship PP&E differs from general PP&E in that their values may be indeterminable or may have little meaning (for example, museum collections, monuments, assets acquired in the formation of the nation) or that allocating the cost of such assets to accounting periods that benefit from the ownership of such assets is meaningless. Stewardship PP&E includes stewardship land (land not acquired for or in connection with general property, plant, and equipment) and heritage assets (for example, federal monuments and memorials and historically or culturally significant property). The majority of stewardship land was acquired by the government during the first century of the nation's existence.

Investments in stewardship land are reported on a non-financial basis. For example, measurement may be based on physical units, such as acres of land. National forests, parks, and historic sites are examples of stewardship land.

Additional detailed information concerning stewardship land, such as entity stewardship policies, physical units by major categories, and the condition of stewardship land, can be obtained from the financial statements of DOI, DOD, TVA, and USDA.

Heritage assets are government-owned assets that have one or more of the following characteristics:

- Historical or natural significance;
- Cultural, educational, or artistic importance; or
- Significant architectural characteristics.

Like stewardship land, heritage assets are also reported on a non-financial basis. Measurement may be reported by the total units, such as the total number of National Parks reported by DOI. The public entrusts the federal government with these assets and holds it accountable for their preservation. Examples of heritage assets include the Declaration of Independence, the US Constitution, and the Bill of Rights preserved by the National Archives. Also included are national monuments/structures such as the Washington Monument, the Lincoln Memorial, and the LOC. Many other sites such as battlefields, historic structures, and national historic landmarks are placed in this category, as well.

Heritage assets are classified into two categories: collection and non-collection. Collection type heritage assets include objects gathered and maintained for exhibition, for example museum collections, art collections, and library collections. Non-collection type heritage assets include parks, memorials, monuments, and buildings. In some cases, heritage assets may serve two purposes: a heritage function and general government operations. In those cases, the heritage asset should be considered a multi-use heritage asset if the predominant use of the asset is in general government operations (e.g., the main Treasury building used as an office building). The cost of acquisition, improvement, reconstruction, or renovation of multiuse heritage assets should be capitalized as general PP&E and depreciated over its estimated useful life.

This discussion of the federal government's heritage assets is not exhaustive. Rather, it highlights significant heritage assets reported by federal entities. Please refer to the individual financial statements of the DOC, VA, DOT, State, DOD, as well as websites for the LOC (https://loc.gov), the Smithsonian Institution (https://si.edu), and the Architect of the Capitol (https://aoc.gov) for additional information on multi-use heritage assets, entity stewardship policies, and physical units by major categories.

Supplemental data – reported revenue from resource extraction on federal lands

The following data is not from the *Financial Report*. We are providing this information as even though the federal government reports that it does not expect to use stewardship land to meet its obligations, the land is used to generate revenues for the federal government. The following are revenues generated from federal lands, including those that are stewardship lands, and are included as offsets to expenditures in our combined income statements. These revenues are generated when companies that extract resources on federal land pay bonuses, rents, royalties, fees, taxes, or other revenues to the federal government.

(In billions)	2018	2017	2016
Royalties	$ 8	$ 6	$ 5
Bonus	1	1	1
Other	—	—	—
Total reported revenue	$ 9	$ 7	$ 6

† *Derived from monthly revenue reports that payors (i.e. companies) submit to the Office of National Resources Revenue to explain their revenue payments. See the data at. https://revenuedata.doi.gov/downloads/federal-revenue-by-company/. Includes American Indian, federal offshore, and federal onshore resources.*

The Government Accountability Office has identified challenges in the Department of the Interior's (DOI) management of oil and gas on leased federal lands and waters, finding that the DOI lacked reasonable assurance that it was collecting its share of revenue from oil and gas produced on federal lands and waters.[55]

State and local government

The Federal Reserve does not provide amounts for stewardship land and heritage assets at the state and local government level. We do not know if states have these assets, and if they do, we are not aware of another aggregated source for this data.

Note 23 – Intergovernmental transfers

We eliminated certain intergovernmental transfers between agencies, departments, or funds within and between the federal government and state and local governments when we prepared the combined financial statements. Intergovernmental activity we eliminated is shown below.

Federal grant and non-grant assistance to territories and state and local governments

(In billions)	2018	2017
Medicaid and CHIP	$ 407	$ 391
Other non-cash programs for aid to the disadvantaged	83	81
Transportation	65	65
Elementary and secondary education	36	37
Other grants	105	100
Grants per the federal government	696	674
Federal non-grant assistance to territories and state and local governments	4	4
Total federal grant and non-grant assistance per the federal government	700	678
Difference between federal and state and local reporting of transfers	36	29
Total federal grant and non-grant assistance per state and local governments	$ 736	$ 707

Federal debt securities held as investments by government accounts

Federal accounts

(In billions)	Balance 2017	Net Change during Fiscal Year 2018	Balance 2018
Social Security Administration, Federal Old-Age and Survivors Insurance Trust Fund	$ 2,821	$ (19)	$ 2,802
Office of Personnel Management, Civil Service Retirement and Disability Fund	905	18	923
Department of Defense, Military Retirement Fund	661	82	743
All other programs and funds	1,185	103	1,288
Subtotal	5,572	184	5,756
Total net unamortized premiums/(discounts) for intergovernmental	71	(2)	69
Total intergovernmental debt holdings, net	$ 5,643	$ 182	$ 5,825

Intergovernmental debt holdings represent the portion of the gross federal debt held as investments by federal government entities such as trust funds, revolving funds, and special funds. As noted in *Note 11 – Debt securities held by the public and accrued interest*, the delay in raising the debt limit still existed as of September 30, 2018. On February 8, 2018, the *Bipartisan Budget Act of 2018* (P.L. No. 115-123) was enacted which suspended the debt limit through March 1, 2019.

Federal government entities that held investments in Treasury securities include trust funds that have funds from dedicated collections. For more information on funds from dedicated collections, see *Note 20 – Funds from dedicated collections*. These intergovernmental debt holdings are eliminated in the consolidation of the federal financial statements in the *Financial Report*.

State accounts

(In billions)	2018	2017
Treasury securities – non-pension	$ 784	$ 735
Treasury securities – pension	307	263
Loans from the federal government	(19)	(19)
Net federal assets held by state and local governments	$ 1,072	$ 979

Federal assets and liabilities held by state and local governments, as shown in the table above, were included in our Federal Reserve source data for state and local governments. In preparing combined balance sheets for our Government, we eliminated these intergovernmental holdings, both in the combined balance sheets and in the accompanying footnotes.

Note 24 – Offsetting amounts

Within our income statements, we have offset certain amounts and reported them as either net revenues or expenditures rather than showing the gross revenues and expenditures. Key offsetting amounts are shown in the table below.

	2018			2017		
(In billions)	**Revenues**	**Expenditures**	**Net**	**Revenues**	**Expenditures**	**Net**
Employee retirement and disability	$ 144	$ 499	$ 355	$ 143	$ 485	$ 342
Higher education	122	302	180	119	297	178
Transit systems	17	78	61	17	76	59
Public hospitals	168	179	11	161	171	10
Sewerage and waste management	80	85	5	77	82	5
US Postal Service	71	70	(1)	69	67	(2)
Tennessee Valley Authority	48	46	(2)	46	46	—
Water utilities	69	65	(4)	65	63	(2)
Gas and electric utilities	87	80	(7)	86	77	(9)
Other key offsetting amounts	142	118	(24)	133	106	(27)
Total offsetting amounts	$ 948	$ 1,522	$ 574	$ 916	$ 1,470	$ 554

See descriptions of our Government-run business that are presented above (e.g. Tennessee Valley Authority) at Exhibit 99.04.

Note 25 - Disclosure entities and related parties

SFFAS No. 47, *Reporting Entity* provides criteria for identifying organizations that are consolidation entities, disclosure entities and related parties, and how such organizations are reported within this annual report. For consolidation entities, the assets, liabilities, results of operations, and related activity are consolidated into the financial statements. For disclosure entities and related parties, balances and transactions with such entities are included in the financial statements and certain information about their relationship with our Government is disclosed in the notes to financial statements. Disclosure entities and related parties are important to this annual report but are not consolidated into the financial statements.

Disclosure Entities

Disclosure entities are organizations similar to consolidation entities in that they are either (a) in the budget, (b) majority owned by our Government, (c) controlled by our Government, or (d) would be misleading to exclude. Disclosure entities have a greater degree of autonomy with our Government than consolidation entities. In addition, organizations may be owned or controlled by our Government as a result of (a) regulatory actions (such as organizations in receivership or conservatorship) or (b) other Government intervention actions. Under such regulatory or other intervention actions, if the relationship with our Government is not expected to be permanent, such entities generally would be classified as disclosure entities based on their characteristics taken as a whole. Based on the criteria in GAAP for federal entities, the disclosure entities in this annual report are FR System, Fannie Mae, Freddie Mac, and National Railroad Passenger Corporation (more commonly referred to as Amtrak). In addition, there are additional disclosure entities reported by component reporting entities that do not meet the qualitative or quantitative criteria in SFFAS No. 47 to be reported in this annual report.

Federal Reserve System

Congress, under the *Federal Reserve Act of 1913* (*Federal Reserve Act*), created the Federal Reserve (FR) System (FR System). The FR System includes the Federal Reserve Board of Governors (Board), the Federal Reserve Boards (FRBs), and Federal Open Market Committee (FOMC). Collectively, the FR System serves as the nation's central bank and is responsible for formulating and conducting monetary policy, issuing and distributing currency (Federal Reserve Notes), supervising and regulating financial institutions, providing nationwide payment systems (including large-dollar transfers of funds, Automated Clearing House (ACH) operations, and check collections), providing certain financial services to federal entities and fiscal principals, and serving as our Government's bank. Monetary policy includes actions undertaken by the FR System that influence the availability and cost of money and credit as a means of helping to promote national economic goals. The FR System also conducts operations in foreign markets in order to counter disorderly conditions in exchange markets or to meet other needs specified by the FOMC to carry out its central bank responsibilities. The FR System is considered an independent central bank, and the executive branch of our Government does not ratify its decisions.

The 12 FRBs are chartered under the *Federal Reserve Act*, which requires each member bank to own the capital stock of its FRB. Each FRB has a board of directors that exercises supervision and control of each FRB, with three members appointed by the Board, and six board members elected by their member banks. The FRBs participate in formulating and conducting monetary policy, distributing currency and coin, and serving as our Government's fiscal agent, as well as the fiscal agent for other federal entities and fiscal principals. Fiscal principals, generally speaking, relate to banks, credit unions, savings and loans institutions. Additionally, the FRBs provide short-term loans to depository institutions and loans to participants in programs or facilities with broad-based eligibility in unusual and crucial circumstances when approved by the Board and the Secretary of the Treasury.

Our Government interacts with FRBs in a variety of ways, including the following:

- The FRBs serve as our Government's fiscal agent and depositary, executing banking and other financial transactions on our Government's behalf. Our Government reimburses the FRBs for these services;
- The FRBs hold Treasury and other federal securities in the FRBs' System Open Market Account (SOMA) for the purpose of conducting monetary policy (see *Note 11 - Debt securities held by the public and accrued interest*);
- The FRBs hold gold certificates issued by our Government in which the certificates are collateralized by gold (see *Note 2 - Cash and other monetary assets*);
- The FRBs hold SDR certificates issued by our Government which are collateralized by SDRs (see *Note 2 - Cash and other monetary assets*); and
- The FRBs are required by Board policy to transfer their excess earnings to our Government.

Federal Reserve System Structure

The Board is an independent organization governed by seven members who are appointed by the President and confirmed by the Senate. The full term of a Board member is 14 years, and the appointments are staggered so that one term expires on January 31 of each even-numbered year. The Board has a number of supervisory and regulatory responsibilities for institutions including, among others, state-chartered banks that are members of the FR System, bank holding companies, and savings and loan holding companies. In addition, the Board has general supervisory responsibilities for the 12 FRBs, and issues currency (Federal Reserve Notes) to the FRBs for distribution.

The FOMC is comprised of the seven Board members and five of the 12 FRB presidents, and is charged with formulating and conducting monetary policy primarily through open market operations (the purchase and sale of certain securities in the open market), the principal tool of national monetary policy. These operations affect the amount of reserve balances available to depository institutions, thereby influencing overall monetary and credit conditions.

The 12 FRBs are chartered under the Federal Reserve Act, which requires each member bank to own the capital stock of its FRB. Supervision and control of each FRB is exercised by a board of directors, of which three are appointed by the Board of the FR System, and six are elected by their member banks. The FRBs participate in formulating and conducting monetary policy, distribute currency and coin, and serve as fiscal agents for our Government, and other federal entities. Additionally, the FRBs provide short-term loans to depository institutions and loans to participants in programs or facilities with broad-based eligibility in unusual and exigent circumstances when approved by the Board and the Secretary of the Treasury.

Federal Reserve Monetary Policy Action

During fiscal year 2018, the Federal Reserve FOMC gradually raised its target range for the federal funds rate and gradually reduced its securities in the SOMA. The Federal Reserve raised its target range for the federal funds rate from

1.0% – 1.25% in September 2017, to 2.0% – 2.25% in September 2018. The Federal Reserve reduced its US Treasury and federal agency and government-sponsored enterprise mortgage-backed securities in the SOMA on its balance sheet from approximately $4.4 trillion as of September 30, 2017, to approximately $4.1 trillion as of September 30, 2018.

Federal Reserve System Assets, Liabilities, Revenues, Expenses, Gains, and Losses

The FRBs hold Treasury and other securities in the SOMA for the purpose of conducting monetary policy. As of September 30, 2018, Treasury securities held by the FRBs totaled $1,783 billion, which excludes $532 billion in Treasury Securities used in overnight reverse repurchase transactions. As of September 30, 2017, Treasury securities held by the FRBs totaled $1,965 billion, which excludes $502 billion in Treasury securities used in overnight reverse repurchase transactions. Such securities are included in federal debt securities held by the public and accrued interest (see *Note 11 - Debt securities held by the public and accrued interest*). For fiscal years ended September 30, 2018, and 2017, Treasury incurred interest cost relating to the FRB's US Treasury holdings amounting to $64 billion at both dates. Unrestricted Cash held on deposit at the FRBs as of September 30, 2018, and 2017, was $379 billion and $153 billion, respectively, and are included in cash and other monetary assets. In addition, restricted cash as of September 30, 2018, and 2017, was $32 billion and $26 billion, respectively; a significant portion is held on deposit at the FRBs (see *Note 2 - Cash and other monetary assets*).

Treasury securities are generally subject to the same market (principally interest-rate) and credit risks as other financial instruments. In the open market, the FRBs purchase and sell Treasury securities as a mechanism for controlling the money supply.

Financial and other information concerning the FR System, including financial statements for the Board and the FRBs, may be obtained at https://federalreserve.gov.

FRB Residual Earnings Transferred to the Government

FRBs generate income from interest earned on securities, reimbursable services provided to federal entities, and the provision of priced services to depository institutions, as specified by the Monetary Control Act of 1980. Although the FRBs generate earnings from carrying out open market operations (via the earnings on securities held in the SOMA account), their execution of these operations is for the purpose of accomplishing monetary policy rather than generating earnings. Each FRB is required by Board policy to transfer to our Government its residual (or excess) earnings, after providing for the cost of operations, payment of dividends, and surplus funds not to exceed an FRB's allocated portion of an aggregate of $7.5 billion for all FRBs. These residual earnings may vary due to, among other things, changes in the SOMA balance levels that may occur in conducting monetary policy. If an FRB's earnings for the year are not sufficient to provide for the cost of operations, payment of dividends, or allocated portion of $7.5 billion aggregate surplus funds limitation, an FRB will suspend its payments to our Government until such earnings become sufficient. These funds are part of restricted cash at the Federal Reserve (see *Note 2 - Cash and other monetary assets*). The FRB residual earnings were $71 billion and $81 billion for fiscal years ended September 30, 2018, and 2017, respectively. Accounts and taxes receivables, net, includes a receivable for FRB's residual earnings which represents the earnings due to the General Fund as of September 30, but not collected by the General Fund until after the end of the month. As of September 30, 2018, and 2017, accounts receivable on FRB's residual earnings are $0.4 billion and $0.3 billion, respectively (see *Note 3 - Accounts and taxes receivables, net).*

Fannie Mae and Freddie Mac

In 2008, during the financial crisis, our Government placed Fannie Mae and Freddie Mac under conservatorship to help ensure their financial stability. For fiscal year 2018, these entities meet the criteria in SFFAS No. 47, for disclosure entities as both (a) "receiverships and conservatorships," and, (b) as entities wherein "federal government intervention actions resulted in control or ownership" with intervention actions not expected to be permanent. Accordingly, these entities are not consolidated into the financial statements. This treatment is consistent with the reporting for these entities in fiscal year 2017 under SFFAC No. 2, *Entity and Display* (see *Note 8 - Investments in government-sponsored enterprises* for additional information).

Amtrak

Amtrak was incorporated in 1971 pursuant to the Rail Passenger Service Act of 1970 and is authorized to operate a nationwide system of passenger rail transportation. Amtrak is a private, for-profit corporation under 49 U.S.C. § 24301 and District of Columbia law. It is not a department, entity, or instrumentality of our Government. Amtrak's classification as a disclosure entity is attributed to (a) being listed in the budget, (b) is financed mostly by sources other than taxes, and (c) governed by an independent Board of Directors comprised of 10 directors. The Secretary of Transportation (Secretary), who is a director by statute, and eight of the other Amtrak directors, are appointed by the President with the advice and consent of the US Senate. The 10th board member, appointed by the board, is the President and Chief Executive Officer of Amtrak. Amtrak does not take actions on behalf of our Government but benefits the national economy by providing a transportation option in 46 states and the District of Columbia. Our Government (through the DOT) owns 100% of Amtrak's preferred stock (109,396,994 shares of $100 par value). Each share of preferred stock is convertible into ten shares of common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events." Although Section 4.02(g) of the Amtrak Articles of Incorporation allow for the conversion of preferred stock to common stock, our Government would not convert its holdings without Congressional authorization. Our Government does not recognize the Amtrak preferred stock in its financial statements because, under the corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears. In addition to the purchase/ownership of the Amtrak preferred stock, our Government has provided funding to Amtrak, since 1972, primarily through grants and loans. Amtrak receives grants from our Government that cover a portion of the corporation's annual operating expenses and capital investments. Funding provided to Amtrak through grant agreements are included in our Government's annual budget. Amtrak has a history of recurring operating losses and is dependent on subsidies from our Government to operate. Amtrak's ability to continue operating in its current form is dependent upon the continued receipt of subsidies from our Government. Our Government has possession of two long-term notes with Amtrak. The first note is for $4.0 billion and matures in 2975 and, the second note is for $1.1 billion and matures in 2082 with renewable 99-year terms. Interest is not accruing on these notes as long as the current financial structure of Amtrak remains unchanged. If the financial structure of Amtrak changes, both principal and accrued interest are due and payable. Our Government does not recognize the long-term notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms, Amtrak's history of operating losses, and ability to generate funds for repayment. Financial and other information concerning Amtrak including financial statements may be obtained at https://www.amtrak.com/reports-documents.

Related Parties

Related parties exist if the existing relationship, or one party to the existing relationship, has the ability to exercise significant influence over the party's policy decisions. Related parties do not meet the principles for inclusion, but are reported in this annual report if they maintain relationships of such significance that it would be misleading to exclude.

Based on the criteria in SFFAS No. 47, the related parties reported in this annual report are Federal Home Loan Banks (FHLBanks), IMF, Multilateral Banks, and Private Export Funding Corporation (PEFCO). In addition, there are additional related parties reported by component reporting entities that do not meet the criteria to be reported in this annual report.

Federal Home Loan Banks

Our Government is empowered with supervisory and regulatory oversight of the 11 FHLBanks. Our Government is responsible for ensuring that each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal control, and carries out its housing and community development finance missions. Each FHLBank operates as a separate federally chartered corporation with its own board of directors, management, and employees. The FHLBanks were organized under the Federal Home Loan Bank Act of 1932 and are GSEs. The FHLBanks are Government entities and do not receive financial support from taxpayers. Our Government does not guarantee, directly or indirectly, the debt securities or other obligations of FHLBanks. The FHLBanks are regulated by the FHFA, an independent federal entity.

By law, in the event of certain adverse circumstances, Treasury is authorized to purchase up to $4 billion of obligations of the FHLBanks. Treasury has not used such authority. Also, in accordance with the *Government Corporations Control Act*, Treasury prescribes certain terms concerning the FHLBanks issuance of obligation to the public. Financial and other information concerning FHLBanks including financial statements may be obtained at http://www.fhlbanks.com/.

International Monetary Fund and Multilateral Development Banks

Our Government currently maintains related party relationships with the IMF and the MDBs. The IMF is an international organization of 189 member countries that works to foster global monetary cooperation, secure financial stability, sustain economic growth, and reduce poverty around the world. Our Government holds the largest quota subscription of any member. Our Government's quota subscription serves as the key determinant for our Government's 16.5% share of voting rights in various IMF decisions for which our Government has a substantial voice. Since certain key IMF determinations require approval by at least 85% of the total voting power, our Government (represented by the Secretary of the Treasury) exercises significant influence via its 16.5% voting share. Our Government's holdings in the IMF are in the form of highly liquid and interest-bearing instruments. Our Government has a liability due to the IMF, as well as an additional commitment (see *Note 16 - Other Liabilities* and *Note 19 - Commitments* for additional information). Historically, our Government has not experienced a loss of value on its IMF holdings and management does not believe it is likely that our Government will experience future losses on its holdings or as a result of its additional commitments.

Additionally, our Government invests in and provides funding to the MDBs to support poverty reduction and promote sustainable economic growth in developing countries. The MDBs provide financial and technical support to foster economic growth and entrepreneurship, strengthen institutions, address the root causes of instability in fragile and conflict-affected countries, and respond to global crisis. Our Government's participation in the MDBs is in the form of financial contributions used to ensure the effectiveness and impact of the MDBs' global development agenda. The US has voting power in each of the MDBs to which it contributes, ranging from approximately 6% to 50% (see *Note 19 - Commitments* for additional information).

Private Export Funding Corporation

The financial statements reflect the results of agreements with PEFCO. PEFCO, which is owned by a consortium of private-sector banks, industrial companies and financial services institutions, makes and purchases from private sector lenders, medium-term and long-term fixed-rate and variable-rate loans guaranteed by the Export-Import (EXIM) Bank to foreign borrowers to purchase US made equipment "export loans."

EXIM Bank's credit and guarantee agreement with PEFCO provides that EXIM Bank will guarantee the due and punctual payment of interest on PEFCO's secured debt obligations which EXIM Bank has approved, and grants to EXIM Bank a broad measure of supervision over PEFCO's major financial management decisions, including the right to have representatives be present in all meetings of PEFCO's board of directors, advisory board, and exporters' council, and to review PEFCO's financials and other records. However, EXIM Bank does not have voting rights and does not influence normal operations. This agreement extends through December 31, 2020.

In addition, PEFCO has an agreement with EXIM Bank which provides that EXIM Bank will generally provide PEFCO with an unconditional guarantee covering the due and punctual payment of principal and interest on export loans PEFCO makes and purchases. PEFCO's guarantees on the export loans plus the guarantees on the secured debt obligations aggregating to $5,197 million at September 30, 2018 and $6,120 million at September 30, 2017, are included by EXIM Bank in the total for guarantee, insurance and undisbursed loans and the allowance related to these transactions.

EXIM Bank received fees totaling $41 million in fiscal year 2018 and $61 million in fiscal year 2017 for the agreements.

Note 26 – Subsequent event

The Centers for Disease Control is responding to a worldwide pandemic of respiratory disease spreading from person-to-person caused by a novel (new) coronavirus. The disease has been named "coronavirus disease 2019" (abbreviated

"COVID-19"). On March 11, 2020, the COVID-19 outbreak was characterized as a pandemic by the World Health Organization. As of May 7, 2021, there have been 577,041 related deaths and 32,403,159 confirmed cases of COVID-19 in the US, which means nearly 10% of our population has been infected. For current data visit the USAFacts.org website.

Rigorous and increased compliance with public health mitigation strategies, such as vaccination, physical distancing, use of masks, hand hygiene, and isolation and quarantine, is essential to limit the spread of the virus that causes COVID-19 and protect public health. There are currently three COVID-19 vaccines approved for use in the US. As of May 7, 2021, 254,779,333 doses of these vaccines have been administered, which is 78% of the supply distributed. Approximately 45% of the US population has been administered at least one dose of vaccine, while 33% of the population has been fully vaccinated.

The pandemic and our responses to it have had a significant negative impact on the health and well-being of the US population, as well as on the US economy. Despite mitigation and relief efforts, in 2020:

- 341,508 people died from causes associated with COVID-19, making COVID-19 the third leading cause of death in 2020, after heart disease and cancer.
- 19,852,553 people were diagnosed with COVID-19.
- GDP decreased 3.5%, the lowest growth rate since 1946.
- Monthly unemployment reached a high of 14.8% in April, after a 50-year low in February.
- The economy lost 9.4 million jobs, a 6.2% decrease from 2019, which was larger than the 8.6 million job drop from 2007 to 2009 during the Great Recession.

As a result of the pandemic, revenues may decrease and expenditures may increase, certain assets disclosed in this report may become impaired, and liabilities may increase. It is too early for us to be able to estimate the full impact of the pandemic on our Government's financial statements. Please see further discussion in *Item 1A – Risk Factors* within this annual report, and for ongoing analysis of the impact of COVID-19, please see USAFacts' Coronavirus hub at https://usafacts.org/issues/coronavirus/.

Item 9A. Controls and Procedures

We are documenting the processes and related controls we use to obtain, store, and present our Government's revenue, expenditures, and metrics data. Once the documentation is complete, it will support our assertion that our processes and controls are suitably designed and operate effectively to completely and accurately obtain and publish our data set. We are unable to identify the controls and procedures at all of our sources.

Part III

Item 10. Executive Officers and Governance

Executive officers

A list of key executive officers and biographical information appears in *Part I, Item 1. Purpose and Function of Our Government* within this annual report.

Governance

Federal government

All federal government employees are required to act in accordance with the general *Code of Ethics for Government Service*, codified as P.L. 96-303.

Legislative

The ethical conduct of the elected members of Congress is prescribed by either the *House Ethics Manual or the Senate Ethics Manual*, as applicable.

Executive

The Executive Order on Ethics Commitments by Executive Branch Personnel lays out rules on how executive branch appointees are to conduct themselves and requires every appointee in every executive agency to sign an ethics pledge (the Pledge). The Executive Order allows for a waiver when the literal application of the Pledge does not make sense or is not in the public interest. Granted waivers are posted online at https://www.whitehouse.gov/disclosures/.

Judicial

Federal judges must abide by the *Code of Conduct for United States Judges*, a set of ethical principles and guidelines adopted by the Judicial Conference of the United States. The Code of Conduct provides guidance for judges on issues of judicial integrity and independence, judicial diligence and impartiality, permissible extra-judicial activities, and the avoidance of impropriety or even its appearance. Judges may not hear cases in which they have either personal knowledge of the disputed facts, a personal bias concerning a party to the case, earlier involvement in the case as a lawyer, or a financial interest in any party or subject matter of the case.

Employees of the federal Judiciary are expected to comply with the *Code of Conduct for Judicial Employees*, including observing high standards of conduct so that the integrity and independence of the Judiciary are preserved, and the judicial employee's office reflects a devotion to serving the public.

State and local government

State and local governments have their own codes of ethics for employees to follow, which are too numerous to outline here.

Item 11. Executive Officer Compensation

The total 2020 salaries for the individuals listed below was $9.1 million.

Federal

For 2020, the key federal officers were paid the following annual salaries:

Donald Trump – President	$ 400,000
John Roberts – Chief Justice	277,700
Mike Pence – Vice President	253,300
Nancy Pelosi – Speaker of the House	223,500
Steny Hoyer – House Majority leader	193,400
Kevin McCarthy – House Minority Leader	193,400
Mitch McConnell – Senate Majority Leader	193,400
Charles Schumer – Senate Minority Leader	193,400
Total key federal officer salary	$ 1,928,100

Information on the highest paid federal officers is not readily available.

State

Salaries for governors vary widely, as shown in the table below:

Governors' Annual Salaries	2020	% of National Average	% Change from 2019	Governors' Annual Salaries	2020	% of National Average	% Change from 2019
50-state average	**$ 145,730**	**na**	**1.7%**	Missouri	$ 133,821	92%	—%
50-state total	**$ 7,286,475**	**na**	**1.7%**	Montana	$ 118,397	81%	2.5%
Alabama	$ 127,833	88%	6.2%	Nebraska	$ 105,000	72%	—%
Alaska	$ 145,000	99%	—%	Nevada [3]	$ —	103%	—%
Arizona	$ 95,000	65%	—%	New Hampshire	$ 134,581	92%	—%
Arkansas	$ 151,838	104%	2.5%	New Jersey	$ 175,000	120%	—%
California	$ 209,747	144%	4.0%	New Mexico	$ 110,000	75%	—%
Colorado	$ 92,700	64%	3.0%	New York	$ 225,000	154%	12.5%
Connecticut [1]	$ —	104%	—%	North Carolina	$ 150,969	104%	4.6%
Delaware	$ 171,000	117%	—%	North Dakota [4]	$ —	93%	4.9%
Florida	$ 130,273	89%	—%	Ohio	$ 159,182	109%	3.6%
Georgia	$ 175,000	120%	—%	Oklahoma	$ 147,000	101%	—%
Hawaii	$ 165,048	113%	4.0%	Oregon	$ 98,600	68%	—%
Idaho	$ 138,302	95%	—%	Pennsylvania	$ 201,729	138%	3.5%
Illinois [2]	$ —	125%	2.4%	Rhode Island	$ 145,755	100%	—%
Indiana	$ 121,331	83%	—%	South Carolina	$ 106,078	73%	—%
Iowa	$ 130,000	89%	—%	South Dakota	$ 116,400	80%	2.1%
Kansas	$ 110,707	76%	11.1%	Tennessee	$ 198,780	136%	2.4%
Kentucky	$ 152,181	104%	2.3%	Texas	$ 153,750	106%	—%
Louisiana	$ 130,000	89%	—%	Utah	$ 160,746	110%	7.2%
Maine	$ 70,000	48%	—%	Vermont	$ 184,100	126%	3.3%
Maryland	$ 170,000	117%	—%	Virginia	$ 175,000	120%	—%
Massachusetts	$ 185,000	127%	—%	Washington	$ 182,179	125%	(0.5)%
Michigan	$ 159,300	109%	—%	West Virginia	$ 150,000	103%	—%
Minnesota	$ 127,629	88%	—%	Wisconsin	$ 152,756	105%	—%
Mississippi	$ 122,160	84%	—%	Wyoming	$ 105,000	72%	—%

[†] *Source: Council of State Governments, Book of the States 2020, Chapter 4: State Executive Branch, Table 4.3.*
[na] *An "na" reference in the table means the data is not applicable.*
[1] *Connecticut - Gov. Lamont will forego his salary of $150,000.*
[2] *Illinois - Gov. Pritzker will not take his salary of $181,670.*
[3] *Nevada - Gov. Sisolak pledged to donate his salary of $149,573 to K-12 schools.*
[4] *North Dakota - Gov. Burgum has declined his salary of $135,360.*

Item 13. Certain Relationships and Related Transactions, and Director Independence

Following are reported contributions to political candidates:

(In millions)	2008	2010	2012	2014	2016	2018	2020
To Presidential Candidates	**$1,551**	**na**	**$1,380**	**na**	**$1,540**	**na**	**$4,074**
General election candidates:							
Democrat	748	na	738	na	586	na	1,074
Republican	220	na	483	na	351	na	743
Other	—	na	4	na	23	na	3
Primary candidates of all parties	583	na	154	na	580	na	2,254
To House Candidates	**$ 983**	**$1,103**	**$1,137**	**$1,034**	**$1,050**	**$ 1,741**	**$1,959**
Democrat	537	510	487	446	476	1,035	1,027
Republican	435	588	633	584	559	693	919
Other	11	5	17	4	14	13	13
To Senate Candidates	**$ 434**	**$ 757**	**$ 742**	**$ 635**	**$ 595**	**$ 1,033**	**$2,046**
Democrat	237	315	308	300	313	571	1,207
Republican	196	427	416	328	279	431	815
Other	1	15	18	8	2	31	24
Total contributions	**$2,968**	**$1,860**	**$3,259**	**$1,669**	**$3,184**	**$ 2,774**	**$8,079**

† *Source: Federal Election Commission (FEC). These data only show contributions that candidates and their committees must report to the FEC. The data do not, therefore, include contributions to SuperPACs or 501(c)(4) groups that are not directly to the candidate.*

na *An "na" reference in the table means the data is not available.*

Part IV

Item 15. Exhibits

			Incorporated by Reference			
Exhibit Number	**Exhibit Description**	**Filed Herewith**	**Form**	**Period Ended**	**Exhibit**	**Publish Date**
99.01	Government sources	X				
99.02	Reserved					
99.03	Cash and accrual bases of accounting	X				
99.04	Government-run businesses	X				
99.05	Composition of segment expenditures	X				
99.06	Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency	X				
99.07	The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency	X				
99.08	Cohort table creation	X				
99.09	Other similar projects	X				
99.10	Excluded Form 10-K content	X				
99.11	Data reliability considerations	X				
99.12	Data comparability considerations	X				
99.13	Modification of data	X				

Endnotes

1 Much of the information in this section was derived from https://www.whitehouse.gov/about-the-white-house/state-local-government/.
2 Much of the information in this section was derived from https://www.census.gov/programs-surveys/gus/technical-documentation/methodology/population-of-interest1.html.
3 Much of the information in this section was derived from https://www.irs.gov/.
4 https://www.federalreserve.gov/aboutthefed/section7.htm
5 *Individual Income Tax Provisions in the States, Informational Paper 3* by the Wisconsin Legislative Fiscal Bureau, January 2021, found at https://docs.legis.wisconsin.gov/misc/lfb/informational_papers/january_2021/0003_individual_income_tax_provisions_in_the_states_informational_paper_3.pdf
6 Government of the District of Columbia, *2019 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison,* https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2019%2051City%20Study_Final.pdf, p25
7 Budget process information in this section comes primarily from *Budget Process in the States* by the National Association of State Budget Officers, 2015 version, found at https://www.nasbo.org/reports-data/budget-processes-in-the-states.
8 The majority of the information in this section is derived from https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-system.htm. The Federal Reserve balance sheets were sourced from https://www.federalreserve.gov/releases/z1/default.htm.
9 Most of the information in this section was derived from the *Federal Home Loan Banks Combined Financial Report for the Year Ended December 31, 2020*, found at http://www.fhlb-of.com/ofweb_userWeb/pageBuilder/fhlbank-financial-data-36.
10 The majority of the information in this section was derived from Fannie Mae's 2018 Annual Report on Form 10-K, found at https://www.sec.gov/ix?doc=/Archives/edgar/data/310522/000031052219000116/fanniemae201810k.htm.
11 The majority of the information in this section was derived from Freddie Mac's 2018 Annual Report on Form 10-K, found at https://www.sec.gov/Archives/edgar/data/1026214/000102621419000020/a20184q10k.htm.
12 The majority of the information in this section was derived from the FHFA website https://www.fhfa.gov/Conservatorship.
13 The majority of the information in this section was derived from the Farm Credit System website https://www.farmcreditnetwork.com/about/overview.
14 The majority of the information in this section was derived from Farmer Mac's 2020 Annual Report on Form 10-K, found at https://www.sec.gov/ix?doc=/Archives/edgar/data/845877/000084587721000024/agm-20201231.htm
15 The majority of the information in this section was derived from the following Social Security Administration publications: https://www.ssa.gov/pubs/EN-05-10029.pdf, https://www.ssa.gov/pubs/EN-05-10035.pdf, https://www.ssa.gov/pubs/EN-05-10084.pdf, and https://www.ssa.gov/pubs/EN-05-10085.pdf.
16 The majority of the information in this section was derived from the Social Security Administration's website https://www.ssa.gov/oact/progdata/taxRates.html.
17 The majority of the information in this section was derived from https://www.medicare.gov/.
18 Centers for Medicare and Medicaid Services publication *2013 Health and Health Care of the Medicare Population*, found at https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/MCBS/Data-Tables-Items/2013HHC?DLPage=1&DLEntries=10&DLSort=0&DLSortDir=descending
19 The majority of the information in this section was derived from https://www.medicaid.gov/medicaid/eligibility/index.html.
20 The majority of the information in this section was derived from https://www.fns.usda.gov/snap/eligibility.
21 The majority of the information in this section was derived from https://oui.doleta.gov/unemploy/uifactsheet.asp.
22 https://www.irs.gov/pub/irs-pdf/i940.pdf, page 5
23 The information in this paragraph was derived from the Department of Labor's *State Unemployment Insurance Trust Fund Solvency Report 2021*, found at https://oui.doleta.gov/unemploy/docs/trustFundSolvReport2021.pdf.
24 The majority of the information in this section was derived from https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit.
25 The majority of this information in this section was derived from https://www.irs.gov/affordable-care-act/individuals-and-families/the-premium-tax-credit-the-basics-0.
26 The majority of the information in this section was derived from https://www.ssa.gov/ssi/text-understanding-ssi.htm.
27 The majority of the information in this section was derived from https://studentaid.ed.gov/sa/.
28 The majority of the information in this section was derived from https://www.acf.hhs.gov/ofa/programs/tanf.
29 The majority of the information in this section comes from National Governors Association, including https://www.nga.org/consulting/powers-and-authority/ and https://www.nga.org/governors/.
30 https://www.bls.gov/cps/tables.htm, table 42.
31 Information in this section was derived from https://covid.cdc.gov/covid-data-tracker/#datatracker-home.
32 Information in this section was derived from https://www.cbo.gov/publication/56334.
33 Certain of the risks outlined in these Risk Factors were derived from the Government Accountability Report to Congressional Committees, High Risk Series, *Dedicated Leadership Needed to Address Limited Progress in Most High-Risk Areas,* March 2021, found at https://www.gao.gov/highrisk/overview.
34 Information in this section was derived from https://www.dhs.gov/ntas/advisory/national-terrorism-advisory-system-bulletin-january-27-2021.
35 Information in this section was derived from https://www.bia.gov.
36 Information in this section was derived from https://www.acq.osd.mil/eie/Downloads/BSI/Base%20Structure%20Report%20FY18.pdf.
37 The majority of the individual and corporate income and tax data in this section was derived from the Internal Revenue Service Statistics of Income Division, found at https://www.irs.gov/uac/soi-tax-stats-statistics-of-income. See also Exhibit 99.13 for a discussion of our income and rate analysis.
38 This data was created from the Bureau of Economic Analysis (BEA)'s National Income and Product Accounts (NIPA) tables and related data for various topics. To locate this data, go to https://apps.bea.gov/iTable/index_nipa.cfm and select "Begin using the data…" to access the NIPA tables.
39 *Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2018,* https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2018%2051City%20Study_June%202020.pdf.
40 Information obtained from https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MGFUPUS1&f=A.
41 National Association of Insurance Commissioners, *State Insurance Regulation: Key Facts and Market Trends*, found at https://www.naic.org/state_report_cards/report_card_us.pdf.
42 The *Tax Burden on Tobacco, 1970 – 2019* from https://chronicdata.cdc.gov/Policy/The-Tax-Burden-on-Tobacco-1970-2019/7nwe-3aj9.
43 The source noted in endnote 39 utilizes the largest city in each state in its analysis, and the largest city in South Carolina and Tennessee changed between the periods presented, therefore these states were removed from the analysis.
44 The majority of the information in this section comes from our financial statements and footnotes. See *Part II, Item 8. Financial Statements and Supplementary Data*.
45 Most of the data in this section can be found, with sources noted, on our website https://usafacts.org. Data that is not yet there will be provided in the near future.
46 The annual per enrollee spending excludes disproportionate share hospital payments outlays, territorial enrollees and costs, adjustments, and administration costs, from *2018 Actuarial Report on the Financial Outlook for Medicaid* found at https://www.cms.gov/files/document/2018-report.pdf.
47 Medical commodities includes prescription drugs, nonprescription over-the-counter drugs, and other medical equipment and supplies, found at https://www.bls.gov/cpi/factsheets/medical-care.htm.
48 Data is limited to billion-dollar disasters as provided by National Oceanic and Atmospheric Administration, as they account for roughly 80% of the total estimated US losses for all combined severe weather and climate events. These loss estimates reflect direct effects of weather and climate events (not including indirect effects) and constitute total estimated losses (both insured and uninsured). Because most of the data sources provide only insured losses, a "factor approach" (based on approximate average insurance participate rates) is used for conversion into the corresponding total estimated losses. For more detailed information regarding the cost estimates see https://www.ncdc.noaa.gov/monitoring-content/billions/docs/smith-and-katz-2013.pdf.
49 *Foreign Aid: An Introduction to U.S. Programs and Policy,* by the Congressional Research Service, April 16, 2019, found at https://fas.org/sgp/crs/row/R40213.pdf.
50 *U.S. Foreign Aid to Israel,* by the Congressional Research Service, August 7, 2019, found at https://fas.org/sgp/crs/mideast/RL33222.pdf.
51 Chetty, Raj, et al., *Race and Economic Opportunity in the United States: An Intergenerational Perspective*, working Paper (March 2018), https://opportunityinsights.org/paper/race/.
52 The majority of the information in this section was derived from the Financial Stability Oversight Council 2018 Annual Report, found at https://home.treasury.gov/system/files/261/FSOC2018AnnualReport.pdf.
53 Obtained from Bloomberg, accessed on March 1, 2021.
54 Treasury has not provided sufficient data to enable us to restate these figures.
55 https://www.gao.gov/highrisk/management-federal-oil-and-gas-resources
* To create federal fiscal year (October 1 to September 30) data, we used a formula of 25% of the prior calendar year figure plus 75% of the current calendar year figure. All the figures in the MD&A that were converted from calendar year to federal fiscal year in this manner are indicated by * (one asterisk).
** To create state and local fiscal year (July 1 to June 30) data, we used a formula of 50% of the prior calendar year figure plus 50% of the current calendar year figure. All the figures in the MD&A that were converted from calendar year to state and local fiscal year in this manner are indicated by ** (two asterisks).

Exhibit 99.01

Sources of data

Financial statement and related data

Our primary financial statement (and related footnote and MD&A) data came from the following sources:

- *Federal income statements* – federal government budget figures prepared on a cash basis (budgeted inflows and outflows) by the US Treasury Department (Treasury) and the Office of Management and Budget (OMB), supplemented in the functional income statement in one case (wages and salaries) by data from the Bureau of Economic Analysis (BEA) (see *Modification of data* in Exhibit 99.13).
- *State and local income statements* – actual historical figures prepared on a cash or accrual basis at the election of the state and local government preparer and compiled by the US Census Bureau (the Census Bureau), as reported by state and local governments through the Census of Governments.
- *Federal balance sheets* – data prepared by the Treasury, largely on an accrual basis, and audited by the Government Accountability Office (GAO), as provided through the *Financial Report of the United States Government* (the Financial Report).
- *State and local balance sheets* – data prepared by the Federal Reserve and the BEA.

See Exhibit 99.03 for information on different accounting bases.

This financial statements and related data, unless otherwise noted, are on a fiscal year basis. This means they represent:

- *Income statements* – data for the annual period from October 1 to September 30, for federal government and from July 1 to June 30, generally, for state and local governments; and
- *Balance sheets* – data as of one day, September 30 for the federal government and June 30 for state and local governments.

See https://usafacts.org/usafacts-financial-analysis-methodology/ on our website for more information on the creation of our income statements. See *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this report for more information on the creation of our balance sheets.

Other data

We sourced the other data in this report from the government entities listed in the tables below. Some of these data have been audited by the GAO, a state auditor's office, or an independent public accounting firm, while some is unaudited. We relied on non-governmental data only for investment market prices and on governmental data obtained indirectly from a non-governmental source for just one data set – the economic mobility data in *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment, Blessings of Liberty, American Dream*.

Forward-looking statements

This report includes limited estimates, projections, and statements relating to government plans, objectives, and expected operating results that are "forward-looking statements." Such statements may appear throughout this report, including in the following sections: *Item 1. Purpose and Function of Our Government*, *Item 1A. Risk Factors*, *Item 7. Management's Discussion and Analysis*, *Item 7A. Quantitative and Qualitative Disclosures About Market Risk,* and *Item 15. Exhibits*. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," and similar expressions.

The forward-looking statements in this document have primarily been drawn from government sources. We do not attest to the accuracy of these statements and related information, nor do we undertake any obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise. We have included our own forward-looking statements in this document in the following limited cases:

- *Item 1A. Risk Factors* include statements authored by us, including forward-looking statements. However, any dollar projections included therein were prepared by government sources, which are cited; and
- We calculated the estimated future federal interest payments shown in the contractual obligations table in *Part II, Item 7. Management's Discussion and Analysis, Financial condition* using the components (outstanding debt and interest rates) from a government source. We have disclosed our calculations in a footnote to the table.

Citations

For data that is contained both in this report and on our website, the respective source is generally cited only on our website and not herein again. The limited additional data that is contained only in this report and not on our website is:

- when sourced from the federal government:
  - cited in this report for convenience of the reader when larger sets of data were used (e.g. the footnotes in *Part II*, *Item 8*. *Financial Statements and Supplementary Data, Notes to financial statements*);
  - generally, not cited otherwise, as materials created by the federal government are generally part of the public domain. If you have questions about sources of federal data and are unable to find them on our website, https://usafacts.org/, please contact us using the contact information on our website; and
- when sourced from a state or local government or another source, cited herein.

It should be noted that none of our materials nor our organization are affiliated with, or endorsed by, any of our sources.

Data sourced from our website

The majority of the data included in this report can be found on our website with accompanying citations. The original sources for that data as of the time of the publishing of this report are:

Agency for International Development

Consumer Financial Protection Bureau

Consumer Product Safety Commission
National Electronic Injury Surveillance System

Department of Agriculture
Animal and Plant Health Inspection Service
Food and Nutrition Service
Food Safety and Inspection Service

Department of Commerce
Bureau of Economic Analysis
Census Bureau
United States Patent and Trademark Office

Department of Defense
Defense Manpower Data Center

Department of Education
National Center for Education Statistics

Department of Energy
Energy Information Administration

Department of Health and Human Services
Administration for Children and Families
Center for Disease Control and Prevention
Center for Medicare and Medicaid Services
Food and Drug Administration

Department of Homeland Security
Customs and Border Protection
Federal Emergency Management Agency
Transportation Security Administration

Department of Housing and Urban Development
Office of Community Planning and Development
Office of Fair Housing and Equal Opportunity
Office of Policy Development and Research

Department of the Interior
Bureau of Land Management
Fish and Wildlife Service
National Park Service

Department of Justice
Bureau of Alcohol, Tobacco, Firearms, and Explosives
Bureau of Justice Statistics
Drug Enforcement Administration
Federal Bureau of Investigation

Department of Labor
Bureau of Labor Statistics
Employee Benefits Security Administration
Mine Safety and Health Administration
Occupational Safety and Health Administration
Wage and Hour Division

Department of State

Department of Transportation
Bureau of Transportation Statistics
Federal Highway Administration
National Highway Traffic Safety Administration

Department of the Treasury
Internal Revenue Service

Department of Veterans Affairs

Environmental Protection Agency
Equal Employment Opportunity Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Reserve and member banks
Federal Trade Commission
Freddie Mac
Medicaid and CHIP Payment and Access Commission

National Archives and Records Administration
Federal Register

National Interagency Fire Center
National Labor Relations Board
National Science Foundation
National Center for Science and Engineering Statistics

Nuclear Regulatory Commission
Securities and Exchange Commission
Small Business Administration
Social Security Administration
United States Congress
United States Courts

White House
Office of Management and Budget
Office of Personnel Management

The World Bank

Additional data from:
Chetty, Raj, et al. "Race and Economic Opportunity in the United States: An Intergenerational Perspective." Working Paper (March 2018).

Stock indices from Yahoo Finance

Gold price from World Gold Council

Other data sourced for this Form 10-K

Certain data were sourced only for preparation of this report and have not been added to our website. These data sources, beyond those in the list of website sources above, include:

Central Intelligence Agency
Congressional Budget Office
Congressional Research Service
The Council of State Governments

Department of Education
Office of Federal Student Aid

Department of Health and Human Services
Office of the Assistant Secretary for Planning and Evaluation

Department of the Interior
Bureau of Indian Affairs
United States Geological Survey

Department of Justice
Office of Juvenile Justice and Delinquency Prevention

Department of Labor
Employment and Training Administration

Department of the Treasury
Bureau of the Fiscal Service

Department of Veterans Affairs
Veteran Benefits Administration

Fannie Mae
The Farm Credit Council

Federal Home Loan Banks
Federal Housing Finance Agency
General Services Administration
Government Accountability Office
Government of the District of Columbia
National Association of State Budget Officers
National Conference of State Legislatures
National Governors Association
Oregon Department of Revenue
Pension Benefit Guaranty Corporation

United States House of Representatives
United States Senate
Tennessee Valley Authority
USA.gov
The Wisconsin Legislative Bureau

Additional data from:
US credit rating – Bloomberg
Stock and bond prices – Google Finance, Investing.com, Yahoo Finance

Exhibit 99.03

The US Government Accountability Office provides a description of the difference between cash basis accounting and accrual basis accounting. We have reproduced it here. You can find the original text at http://www.gao.gov/assets/80/77222.pdf.

Cash basis of accounting

"The federal government primarily uses the cash basis of accounting for its budget, which is the federal government's primary financial planning and control tool." A primary exception to the general use of cash-basis accounting is the accounting for loan program costs, which are accounted for using the methodology described in *"Loan program costs – reestimates"* below.

"Because it is similar to keeping a checkbook, the cash basis of accounting… is perhaps the easier of the two bases of accounting to understand. The cash basis focus is on cash receipts, cash disbursements, and the difference between the two amounts. With relatively few exceptions, receipts are recorded when cash is received, and outlays are recorded when cash is disbursed. The difference between cash receipts and cash outlays at the end of the fiscal year is reported as the annual budget surplus or budget deficit."

Accrual basis of accounting

"Accrual accounting, also used in the private sector, is generally the basis used to prepare the *Statement of Net Cost*, *Statement of Operations and Changes in Net Position*, and the *Balance Sheet* [within the United States Treasury *Financial Report of the United States*]."

"The accrual basis of accounting recognizes revenue when it is earned and recognizes expenses in the period incurred, without regard to when cash is received or disbursed. The federal government, which receives most of its revenue from taxes, nevertheless, recognizes tax revenue when it is collected, under an accepted modified cash basis of accounting.

Expenses are recognized during the period in which they are incurred. Accrual accounting, for example, recognizes that while the employee is working, the employee earns not only a salary but also health, pension, and other benefits that will be paid in the future during the employee's retirement. Accordingly, each year, on the basis of actuarial calculations of benefits earned, the federal government records as an expense (operating cost) an estimated amount for these earned benefits and increases the related liability – Federal Employee and Veteran Benefits Payable – for the amount owed to its employees, both civilian and military."

"Also under accrual accounting, the federal government reports physical assets when they are acquired and records related expenses when the federal government benefits from their use or consumption or when they are sold. Physical assets consist of inventories of goods held for sale or for future consumption and long-lived or "fixed" assets such as land, buildings, and equipment. In the case of assets such as buildings and equipment, the annual cost attributed to their use is recorded as depreciation expense."

Loan program costs - reestimates

The Federal Credit Reform Act of 1990 (FCRA) requires agencies to estimate the cost to the government of extending or guaranteeing credit. This cost, referred to as subsidy cost, equals the net present value of estimated cash flows from the government (e.g. loan disbursements and claim payments to lenders) minus estimated cash flows to the government (e.g. loan repayments, interest payments, fees, and recoveries on defaulted loans) over the life of the loan, excluding administrative costs. Discount rates that reflect the federal government's cost of financing are used to determine the net present value of estimated cash flows. Agencies generally update, or reestimate, subsidy costs annually to reflect both actual loan performance and changes in expected loan performance.

Exhibit 99.04

Government-run businesses

United States Postal Service (USPS): The USPS is an independent, self-financing agency that delivers mail to some 161 million US locations and provides services through 31,330 retail outlets. With close to half a million workers, it is one of the country's largest employers.

Tennessee Valley Authority (TVA): The Tennessee Valley Authority is the nation's largest government-owned power utility. It sells electricity to businesses and power distributors serving 10 million customers in parts of seven Southeastern states.

The Federal Deposit Insurance Corporation (FDIC): The FDIC insures deposits of up to $250,000, supervises state-chartered banks that aren't part of the Federal Reserve System, and acts as receiver for failed institutions.

Pension Benefit Guaranty Corporation: The PBGC insures more than 24,500 defined-benefit pension plans with over 34 million members.

Amtrak: Also known as National Railroad Passenger Corporation, Amtrak is a rail carrier that operates a 21,400-mile rail network serving 46 US states, the District of Columbia and three Canadian provinces. It carries over 32 million passengers per year.

US International Development Financial Corporation (DFC): The DFC is the US Government's developing finance institution. The DFC partners with the private sector to finance solutions to the most critical challenges facing the developing world today. It invests in energy, healthcare, critical infrastructure, and technology and also provides financing for small businesses and women entrepreneurs in order to create jobs in emerging markets. *Export-Import Bank*: The bank provides services including export-credit insurance, working capital guarantees and loan guarantees to US exporters. It also offers trade finance to foreign buyers of US products.

St. Lawrence Seaway Development Corporation: The corporation, created in 1954, operates and maintains the portion of the St. Lawrence Seaway that runs through US territory between the Port of Montreal and Lake Erie.

Valles Caldera Trust: The trust operated the 89,000-acre Valles Caldera National Preserve in New Mexico's Jimenez Mountains until 2015, when the wilderness was handed over to the National Park Service.

Commodity Credit Corporation: The CCC was created in 1933, during the Great Depression, to support farm income and prices. Its operations include providing loans to farmers, as well as export credits, disaster insurance and conservation programs. It also authorizes the sale of agricultural commodities to other government agencies and foreign governments and donations of food to relief agencies.

Presidio Trust of San Francisco: In partnership with the National Park Service and the Golden Gate National Parks Conservancy, the Presidio Trust operates the Presidio, a 1,491-acre national park that encompasses a former US Army post, museums and archeological sites.

Federal Crop Insurance: The Federal Crop Insurance Corporation, through its Risk Management Agency, reinsures crop-insurance policies purchased by farmers from private firms and also provides subsidies for premiums.

Federal Financing Bank: The FFB was created in 1973 to centralize and reduce the cost of borrowing by federal government agencies. The bank borrows from the Treasury and lends to agencies and agency-guaranteed borrowers.

Ginnie Mae: Also known as the Government National Mortgage Association, Ginnie Mae provides financing to the housing market by guaranteeing payment of interest and principal on mortgage-backed securities insured by federal agencies, including the Federal Housing Administration.

Federal Prison Industries (UNICOR): The corporation provides vocational training to federal prisoners and uses their labor to produce goods and services that are sold to federal agencies.

Air Transportation: Federal aid for construction, operation, and support of public airports; and other distributions from the Federal Airport and Airway Trust Fund.

Toll Highways: Fees from turnpikes, toll roads, bridges, ferries, and tunnels; rents and other revenue from concessions (service stations, restaurants, etc.); and other charges for use of toll facilities.

Parking Facilities: Provision, construction, maintenance, and operation of public parking facilities operated on a commercial basis.

Sea and Inland Port Facilities: Canal tolls, rents from leases, concession rents, and other charges for use of commercial or industrial water transport and port terminal facilities and related services.

Mass Transit: Operation, maintenance, and construction of public mass transit systems, including subways, surface rails, and buses.

Water Utilities: Revenue from operations of public water supply systems, such as sale of water to residential, industrial, and commercial customers (including bulk water for resale by other private or public water utilities); connection and “tap” fees; sprinkler fees; meter inspection fees; late payment penalties; and other operations revenues.

Gas and Electric Utilities: Revenue from operations of public electric power-supply systems, such as sale of electricity to residential, commercial, and industrial customers (including electricity for resale by other private or public electric utilities); and other operations revenues. Revenue from operations of public gas supply systems, such as sale of natural gas to residential, commercial, and industrial customers (including natural gas for resale by other private or public gas supply utilities); connection fees; and other operations revenues.

Sewerage and Waste Management: Charges for sewage collection and disposal, including sewer connection fees. Fees for garbage collection and disposal; operation of landfills; sale of recyclable materials; cleanup of hazardous wastes; and sale of electricity, gas, steam, or other by-products of waste resource recovery or cogeneration facilities.

Liquor Stores: Operation and maintenance of government operated retail or wholesale liquor monopolies.

Lotteries: Proceeds from the operation of government-sponsored lotteries after deducting the cost of prizes.

Exhibit 99.05

Composition of segment expenditures

Justice and Domestic Tranquility

Crime and disaster expenditures include expenditures for:

- *disaster relief*, including federal assistance and the national flood insurance program;
- *the justice system*, including courts;
- *law enforcement and corrections*, including police protection, investigation, and correctional facilities; and
- fire protection.

Child safety and miscellaneous social services expenditures include expenditures for:

- *children services*, such as child welfare programs, foster care, adoption, day care, nonresidential shelters, and the like; and
- *social services*, such as general social services programs, social services to the physically disabled, such as transportation, and temporary shelters and other services for the homeless.

Safeguarding consumers and employees expenditures include expenditures for:

- regulation and inspection of food and drugs and related establishments;
- inspection of plans, permits, construction, or installations related to buildings and related systems, electric power plant sites, nuclear facilities, and weights and measures;
- regulation of financial institutions, taxicabs, public service corporations, insurance companies, private utilities, and other corporations;
- licensing, examination, and regulation of professional occupations, including health-related ones like doctors, nurses, barbers, and beauticians;
- inspection and regulation of working conditions and occupational hazards;
- patents and copyrights;
- motor vehicle inspection and weighing; and
- regulation and enforcement of liquor laws and sale of alcoholic beverages.

Common Defense

National defense and support for veterans expenditures include expenditures for:

- *national defense*, including military operations and maintenance; personnel; procurement, including ships, aircraft, and weapons; and research, development, test, and evaluation; and
- *support for veterans*, including benefits for housing, medical care, readjustment, and pension and disability, among others.

Immigration and border security expenditures include expenditures for immigration, visa, and citizenship services; customs; and border protection.

Foreign affairs and foreign aid expenditures include expenditures for:

- *international development and humanitarian assistance*, including global health programs, migration and refugee assistance, international development assistance, international disaster assistance, and foreign agricultural assistance;
- *international security assistance*, including foreign economic and military support; and
- *other foreign affairs*, including diplomatic and consular programs, embassies, contributions to international peacekeeping and other organizations, offset in part by income from sales of articles and services to foreign countries and international organizations.

General Welfare

Economy and infrastructure expenditures include expenditures for:

- *transportation*, including air, water, highway, and railroad;
- space exploration;
- general science and basic research;
- *general commerce*, including liquor stores, lotteries, hospitals, and other government-run businesses; and
- *banking and finance*, including deposit insurance and the Troubled Asset Relief Program (TARP).

Standard of living and aid to the disadvantaged expenditures include expenditures for:

- *refundable tax credits*, including the Child Tax Credit, Earned Income Tax Credit, and Premium tax credit;
- *other cash and non-cash programs to aid the disadvantaged*, including Medicaid, the Supplemental Nutrition Assistance Program, Supplemental Security Income, Unemployment Insurance, Pell grants, housing and community development programs, and health services for American Indians.

Health (excluding Medicaid and Medicare) expenditures include expenditures for:

- public health, health resources and services for people geographically isolated or economically or medically vulnerable, and disease control and prevention, as well as expenditures for shared Medicare and Medicaid that our Government has not allocated to one program or the other.

Blessings of Liberty

Education expenditures include expenditures for elementary, secondary, and higher education inside the classroom and education outside the classroom, such as museums and libraries, offset in part by fees paid by students and visitors.

Wealth and savings expenditures include expenditures for:

- *retirement programs*, including Social Security and military, civil service, and railroad retirement and health benefits plans;
- *saving for healthcare in old age*, including Medicare;
- interest on government debt; and
- *general housing support*, including TARP for housing.

Sustainability and self-sufficiency expenditures include expenditures for:

- *environment and natural resources*, including civil works projects by the Corps of Engineers, forest management, fire management planning, weather and climate monitoring and associated warning systems, fisheries management and game programs, coastal restoration, supporting marine commerce, cleanup of hazardous materials, and general management of land owned or leased and managed by our Government, including parks, offset in part by revenues from mineral and other resource leases and sales;
- *agriculture*, including farm services, federal crop insurance, and agriculture disaster relief;
- *energy programs*, including delivery and reliability, efficiency and renewables, and reimbursements of applicants for certain purchases of energy related property; and
- *other utilities*, including sewerage, waste management, and water supply.

General government support and other

General government support and other expenditures include expenditures for central staff services, financial administration, the Internal Revenue Service, and general public buildings.

Exhibit 99.06

Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency

The following projections and accompanying text are excerpts from the 2020 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees' Report). You can find the Trustees' Report at https://www.ssa.gov/OACT/TR/2020/tr2020.pdf.

Background

The Trustees have traditionally shown estimates using the low-cost and high-cost sets of specified assumptions to illustrate the potential implications of uncertainty. These low-cost and high-cost estimates provide a range of possible outcomes for the projections. However, they do not provide an indication of the probability that actual future experience will be inside or outside this range. [Appendix E of the Trustees' Report] presents the results of a stochastic model that estimates a probability distribution of future outcomes of the financial status of the combined OASI and DI Trust Funds. This model, which was first incorporated in the 2003 report, is in the process of further development.

Stochastic methodology

Other sections of [the Trustees' Report] provide estimates of the financial status of the combined OASI and DI Trust Funds using a scenario-based model. For the scenario-based model, the Trustees use three alternative scenarios (low-cost, intermediate, and high-cost) that use specific assumptions about levels of fertility, rates of change in mortality, lawful permanent resident (LPR) and other-than-LPR immigration levels, legal and other-than-LPR emigration levels, changes in the Consumer Price Index, changes in average real wages, unemployment rates, trust fund real yield rates, and disability incidence and recovery rates. In general, the Trustees assume that each of these variables will reach an ultimate value at a specific point during the long-range period, and will maintain that value throughout the remainder of the period. The three alternative scenarios assume separate, specified values for each of these variables. Chapter V [of the Trustees' Report] contains more details about each of these assumptions.

[Appendix E of the Trustees' Report] presents estimates of the probability that key measures of OASDI solvency will fall in certain ranges, based on 5,000 independent stochastic simulations. Each simulation allows the above variables to vary throughout the long-range period. The fluctuation of each variable over time is simulated using historical data and standard time-series techniques. Generally, each variable is modeled using an equation that: (1) captures a relationship between current and prior years' values of the variable, and (2) introduces year-by-year random variation based on variation observed in the historical period. For some variables, the equations also reflect relationships with other variables. The equations contain parameters that are estimated using historical data for periods from 13 years to over 110 years, depending on the nature and quality of the available data. Each time-series equation is designed so that, in the absence of random variation over time, the value of the variable for each year equals its value under the intermediate assumptions. More detail on this model, and stochastic modeling in general, is available at https://www.ssa.gov/OACT/stochastic/index.html.

For each simulation, the stochastic model develops year-by-year random variation for each variable using Monte Carlo techniques. Each simulation produces an estimate of the financial status of the combined OASI and DI Trust Funds. [Appendix E of the Trustees' Report] shows the distribution of results from 5,000 simulations of the model.

Readers should interpret the results from this model with caution and with an understanding of the model's limitations. Results are sensitive to equation specifications, degrees of interdependence among variables, and the historical periods used for estimating model coefficients. For some variables, recent historical variation may not provide a realistic representation of the potential variation for the future. Also, results would differ if additional variables (such as labor force participation rates, retirement rates, marriage rates, and divorce rates) were also allowed to vary randomly. Furthermore, more variability would result if statistical approaches were used to model uncertainty in the central tendencies of the variables. Time-series modeling reflects only what occurred in the historical period. Future uncertainty exists not only for the underlying central tendency but also for the frequency and size of occasional longer-term shifts in the central tendency. Many experts predict, and history suggests, that the future will likely bring substantial shifts that are not fully reflected in the historical period used for the current model. As a result, readers should understand that the true range of uncertainty is larger than indicated in [Appendix E of the Trustees' Report].

Table VI.E1

Table VI.E1 displays long-range actuarial estimates for the combined OASDI program using the two methods of illustrating uncertainty: alternative scenarios and stochastic simulations. The table shows scenario-based estimates for the intermediate, low-cost, and high-cost assumptions. It also shows stochastic estimates for the median (50th percentile) and for the 80% and 95% confidence intervals. Each individual stochastic estimate in the table is the level at that percentile from the distribution of the 5,000 simulations. For each given percentile, the values in the table for each long-range actuarial measure are generally from different stochastic simulations.

The median stochastic estimates displayed in table VI.E1 are similar to the intermediate scenario-based estimates. The median estimate of the long-range actuarial balance is -3.27% of taxable payroll, about 0.05 percentage point lower (more negative) than projected under the intermediate assumptions. The median estimate for the open-group unfunded obligation is $17.0 trillion, about $0.2 trillion larger than the $16.8 trillion estimate under the intermediate assumptions. The median first projected year for which cost exceeds non-interest income (as it did in 2010 through 2019), and remains in excess of non-interest income throughout the remainder of the long-range period, is 2020. This is the same year as projected under the intermediate assumptions. The median projected year in which trust fund reserves first become depleted is 2035, also the same as projected under the intermediate assumptions. The median estimates of the annual cost rate for the 75th year of the projection period are 18.39% of taxable payroll and 6.00% of gross domestic product (GDP). The comparable estimates under the intermediate assumptions are 17.94% of payroll and 5.85% of GDP.

For three measures in table VI.E1 (the actuarial balance, the first projected year cost exceeds non-interest income and remains in excess through 2094, and the first year trust fund reserves become depleted), the 95% stochastic confidence interval falls within the range defined by the low-cost and high-cost alternatives. For the remaining three measures (the open-group unfunded obligation, the annual cost in the 75th year as a percent of taxable payroll, and the annual cost in the 75th year as a percent of GDP), one or both of the bounds of the 95% stochastic confidence interval fall outside the range defined by the low-cost and high-cost alternatives.

Table VI.E1. – Long-Range Estimates Relating to the Actuarial Status of the Combined OASDI Program
[Comparison of scenario-based and stochastic results]

	Traditional scenario-based model			Stochastic model				
					80-percent confidence interval		95-percent confidence interval	
	Intermediate	Low-cost	High-cost	Median 50th percentile	10th percentile	90th percentile	2.5th percentile	97.5th percentile
Actuarial balance	(3.21)	(0.13)	(7.10)	(3.27)	(4.74)	(2.01)	(5.59)	(1.37)
Open group unfunded obligation (in trillions)	$ 16.8	$ (.1)	$ 30.9	$ 17.0	$ 9.3	$ 28.7	$ 6.3	$ 37.2
First projected year cost exceeds non-interest income and remains in excess through 2094	2020	[1]	2020	2020	2020	2020	2020	2092
First year trust fund reserves become depleted [2]	2035	2079	2031	2035	2032	2039	2031	2042
Annual cost in 75th year (percent of taxable payroll)	17.94	12.93	25.48	18.39	14.99	23.07	13.40	26.23
Annual cost in 75th year (percent of GDP)	5.85	4.60	7.64	6.00	4.92	7.46	4.41	8.41

1 *The annual balance is projected to be negative for a temporary period, returning to positive levels before the end of the projection period.*
2 *For some stochastic simulations, the first year in which trust fund reserves become depleted does not indicate a permanent depletion of reserves.*

Exhibit 99.07

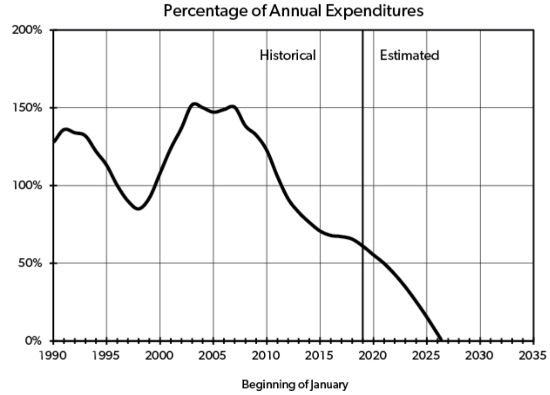
The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency

The following projections and accompanying text are excerpts from the 2020 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. You can find this report at https://www.cms.gov/files/document/2020-medicare-trustees-report.pdf.

HI trust fund

Under the intermediate assumptions, the assets of the HI trust fund would steadily decrease as a percentage of annual expenditures throughout the short-range projection period, as illustrated in figure II.E1. The ratio declines until the fund is depleted in 2026, the same date as projected last year. If assets were depleted, Medicare could pay health plans and providers of Part A services only to the extent allowed by ongoing tax revenues – and these revenues would be inadequate to fully cover costs. Beneficiary access to health care services could rapidly be curtailed. To date, Congress has never allowed the HI trust fund to become depleted.

Figure II.E1.—HI Trust Fund Balance at Beginning of Year as a Percentage of Annual Expenditures



There is substantial uncertainty in the economic, demographic, and health care projection factors for HI trust fund expenditures and revenues. Accordingly, the date of HI trust fund depletion could differ substantially in either direction from the 2026 intermediate estimate. As shown in greater detail in section III.B, trust fund assets would increase throughout the entire projection period under the low-cost assumptions. Under the high-cost assumptions, however, asset depletion would occur in 2023.

SMI trust fund

SMI differs fundamentally from HI in regard to the nature of its financing and the method by which its financial status is evaluated. SMI comprises two parts, Part B and Part D, each with its own separate account within the SMI trust fund. The Trustees must determine the financial status of the SMI trust fund by evaluating the financial status of each account separately, since there is no provision in the law for transferring assets or income between the Part B and Part D accounts. The nature of the financing for both parts of SMI is similar in that the law establishes a mechanism by which income from the Part B premium and the Part D premium, and the corresponding general revenue transfers for each part, are sufficient to cover the following year's estimated expenditures. Accordingly, each account within SMI is automatically in financial balance under current law. This result contrasts with OASDI and HI, for which financing established many years earlier may prove significantly higher or lower than subsequent actual costs. Moreover, Part B and Part D are voluntary (whereas OASDI and HI are generally compulsory), and payroll taxes are not the source of income for these programs. The financial assessment described in this section differs in important ways from that for OASDI or HI.

Financing for the SMI trust fund is adequate because beneficiary premiums and general revenue contributions, for both Part B and Part D, are established annually to cover the expected costs for the upcoming year. Should actual costs exceed those anticipated when the financing is determined, future financing rates can include adjustments to recover the shortfall. Likewise, should actual costs be less than those anticipated, the savings would result in lower future financing rates. As long as the future financing rates continue to cover the following year's estimated costs, both parts of the SMI trust fund will remain financially solvent.

Exhibit 99.08

Cohort table creation

The families and individuals tables presented by USAFacts show how key economic and demographic statistics vary according to three key variables: market income, family type, and elderly/non-elderly status. These groupings are not available consistently, and therefore we produced estimates using only government data.

The numbers in the families and individuals tables are estimates based on data collected from a variety of government sources, the two most important being microdata from the Current Population Survey (March Supplement) issued by the Census Bureau of the Public Use File issued by the Internal Revenue Service's Statistics of Income Division (IRS-SOI). The CPS is a sample of households representing the US civilian noninstitutionalized population. It contains information on topics such as housing, health insurance, labor status, family arrangement, etc. Unfortunately, the CPS does not contain everything we want, so we supplement that file with data from elsewhere via statistical processes. In the case of income data, we statistically match the IRS Public Use File with the CPS. The IRS data is superior to the CPS income data. In other cases, we impute variables in the CPS from other sources such as the American Community Survey using regression techniques for variables that are common to both files.

There are two types of economic units: families and individuals. We use the Census Bureau's definition for each. If there are two or more related individuals living together, they are a family economic unit. If a person is living alone or in a household with no other related persons, that person is considered an individual economic unit. Therefore, some economic units have only one person, while other economic units have multiple persons.

We rank these economic units, which we call FIUs (family and individual units) by market income to place each in a percentile that shows the unit relative to other units in the population. (There are approximately 150 million family and individual units). After determining each unit's market income percentile relative to all other units, we then place each unit into one of five categories:

- Single person under 65 with no children under 18
- Single person under 65 with children under 18
- Married couple with head under 65 with no children under 18
- Married couple with head under 65 with children under 18
- Head aged 65 or over

It should be the noted that although we divide the families based on presence of children under 18, if a person is aged 18+ and still living in the family with relatives, she would NOT be her own economic unit unless she had her own subfamily.

See this page https://usafacts.org/usafacts-financial-analysis-methodology/ on our website for additional information on how we created our cohort tables.

Exhibit 99.09

Other similar projects

Financial Report of the United States Government and similar state government reports

The US Department of the Treasury (the Treasury) publishes timely (the current version at the time of this report is as of September 30, 2020) an annual Financial Report of the United States Government (the Financial Report), which can be found at https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr_index.htm. Following are key differences between that report and this one:

- The Financial Report is not in the format of a Form 10-K and is missing certain elements thereof;
- The Financial Report includes only federal government information, while this report includes federal, state, and local government information;
- The financial statements in the Financial Report are prepared by the Treasury on an accrual basis, while our financial statements are a mix of cash and accrual basis data obtained from multiple sources (see *Part I, About This Report, Sources of data* within this annual report for further discussion);
- The Financial Report organizes its financial analysis by government department (e.g. the US Department of Justice), while this report's analysis is organized by segments based on the Constitution (see more about this at *Part I, Item 1. Purpose and Function of Our Government, Reporting segments* within this annual report);
- The Financial Report does not systematically discuss key metrics, which measure progress towards our nation's constitutional objectives, while this report does (see *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment* within this annual report for more information).

States also produce reports like the Financial Report. For example, this one from Colorado https://drive.google.com/file/d/1cHfbVNbDm7TMiF9bN6UEY677dANu8BOl/view. We have not drawn data directly from these state reports in the production of this document.

There also exist other privately produced financial reports for our Government, including two that are similar in concept to this one but differ in important ways. We discuss these two immediately below.

USA 10-K

In 2012, a group of individuals published an article through The Wharton School of the University of Pennsylvania arguing "why America needs an annual report." The article argued for a report that was similar in structure to this one. The authors said:

> "America's 10-K should borrow liberally from the template of reports issued by public companies large and small. It should include a letter to voters followed by the information that is essential to the country's stakeholders – such as relevant history, recent performance and prospects, a summary of financial condition, management discussion and analysis, future objectives, anticipated risks, related party-transactions, internal controls (including weaknesses and deficiencies), pension and off-balance-sheet liabilities, litigation exposures, and the compensation, benefits and insider purchases and sales of senior officials. It should describe the ability to make accurate forecasts and projections, contain an auditor's report and all necessary qualifications, and conclude with certifications as to accuracy by the top officials."

The article provided a link to a seven-page sample 10-K summary, which you can find at https://d1c25a6gwz7q5e.cloudfront.net/papers/download/07032012_US10-K-sample.pdf. You can find the introductory article at https://knowledge.wharton.upenn.edu/article/usa-10-k-why-america-needs-an-annual-report/.

USA Inc.

USA Inc. is a concept reflected in a report created and compiled by Mary Meeker. Per the foreword of the report:

> "This report looks at the federal government as if it were a business, with the goal of informing the debate about our nation's financial situation and outlook. In it, we examine USA Inc.'s income statement and balance sheet. We aim to interpret the underlying data and facts and illustrate patterns and trends in easy-to-understand ways. We analyze the drivers of federal revenue and the history of expense growth, and we examine basic scenarios for how America might move toward positive cash flow."

The objective of the USA Inc. report is like ours in that we seek to inform debate about our nation's financial situation and outlook. However, our approaches differ in the following important ways:

- The USA Inc. report includes only federal government information, while this report includes federal, state, and local government information;
- The USA Inc. report provides significant independent analysis, including projections, judgments, and proposed solutions to potential problems, while we attempt to limit our report to the level of information required of a public company by securities laws and to exclude projections, judgments, or proposed solutions; and
- The USA Inc. report does not systematically discuss key metrics, which measure progress towards our nation's constitutional objectives, while this report does.

The latest USA Inc. report of which we are aware was for 2011. It appears to no longer be publicly available.

Exhibit 99.10

Excluded Form 10-K content

Excluded sections

In applying the concepts of the Form 10-K to a government environment, we have excluded certain sections of the form that are not obviously applicable to our Government. The sections we excluded are:

- *Item 1B. Unresolved Staff Comments* – not applicable as our Government is not an SEC registrant and is not holistically regulated by any other entity that might give them comments;
- *Item 4. Mine Safety Disclosures* – not applicable as our Government does not operate any mines that we are aware of and therefore we don't have any government data to report on this topic;
- *Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* – not applicable as our Government does not issue equity securities, only debt;
- *Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure* – our Government has various accountant relationships (e.g. the federal government is audited by the GAO, certain government-run businesses, like the post office, are audited by public accounting firms), however, aggregated information is not readily available, and therefore we have not presented it;
- *Item 9B. Other Information* – this is a catch-all category for companies to report timely to shareholders, information that is not otherwise required by the report, which is not applicable as this report is not focused on reporting the most recent government data but rather providing the most comprehensive analysis practicable;
- *Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters* – not applicable for the same reasons that Item 5 is not applicable, only debt;
- *Item 14. Principal Accounting Fees and Services* – not applicable for the same reasons that Item 9 is not applicable; and
- *Item 16. Form 10-K Summary* – not applicable as we do not prepare this optional summary of our 10-K report.

Excluded financial statements

Within a public company's Form 10-K, you would find the following financial statements and notes thereto:

- income statements, prepared on an accrual basis of accounting;
- statements of comprehensive income, prepared on an accrual basis of accounting;
- balance sheets, prepared on an accrual basis of accounting;
- cash flow statements; and
- statements of stockholders' equity.

We have diverged a bit in this report from these traditional financial statements. Foremost, we have provided two income statements – functional income statements organized by type of revenue and expenditure and segment income statements organized by reporting segment, both on a hybrid basis of accounting. We have used data with a hybrid basis of accounting primarily because of a lack of accessible, aggregated, detailed state and local data created on a consistent accounting basis, and we have favored cash basis federal data because of our desire to focus the financial portion of our document on a concept central to government analysis and debate – "the deficit." By "the deficit," we mean the excess of combined US government (federal, state, and local) annual cash outflows over annual cash inflows.

We have also:

- not provided statements of comprehensive income due to a lack of readily available other comprehensive income data for our Government;
- not provided cash flow statements, as our income statements are as close to cash basis as we are able to report at this time and therefore cash flow statements would be mostly duplicative; and
- not provided statements of stockholders' equity, as our Government does not issue equity.

Please see *Part I, About This Report, Structure and content, Sources of data, Financial statement and related data* within this annual report for more information on the content and preparation of the income statements and balance sheets included in this report.

Exhibit 99.11

Data reliability considerations

Some of the data we have sourced may not be reliable for a number of reasons, including disclaimed audit opinions, restatements of data, and issues specific to Census data.

Audits

Certain departments of the federal government have received disclaimed audit opinions on their audit reports, meaning the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Each year, the Government Accountability Office (GAO) report within the *Financial Report of the United States Government*, lists the federal government departments that have received disclaimed audit opinions for that year. The Department of Defense has received a disclaimed audit opinion every year since the federal government began preparing the federal government's consolidated financial statements. In addition, the GAO report notes that the federal government has material weaknesses resulting in ineffective internal controls over financial reporting for each of the fiscal years included in our financial statements. We are not able to correct for these issues in this report and therefore are not able to provide assurance on the completeness and accuracy of the information.

The Department of Defense Office of Inspector General (DoD OIG) conducted and oversaw the first full audit of the DoD's financial statements in 2018. On November 15, 2018, the DoD OIG issued a disclaimer of opinion on the financial statements. The audit identified 20 overall material weaknesses and more than 2,400 notices of findings and recommendations, including weak information technology controls, insufficient controls to ensure the accuracy and completeness of property, and incomplete universes of financial transactions. For more information on this audit and its findings see *Understanding the Results of the Audit of the DoD FY 2018 Financial Statements*.

The financial data we use for our state and local government reporting within this report is generally not audited.

Restatements

In addition to being qualified by disclaimed audit opinions, the data in government reports is often restated, particularly the two most recent years and often the Census data, which is subject to sampling and data collection error. See more about the Census process at https://www.census.gov/programs-surveys/state/about.html and under *Census data* below.

When a company discovers that it needs to restate material information in its annual report, it is required to issue a statement of non-reliance telling the public to not rely on the information until it is restated. Government entities that do not file with the Securities and Exchange Commission do not do that, and we will not do that for this report. Rather, we will update this report annually, and we will restate information contained herein that our Government has updated in the interim in our next annual report. We may update certain data used in this report on our website as it becomes available, sometimes more frequently than annually (see *Part I, Item 1. Purpose and Function of Our Government, Available information*).

Conflicting data

Our Government often releases conflicting numbers for the same data point. This occurs within and across government entities. In these cases, we select the measure to present after considering the breadth and depth of the data available at each source and sometimes, after consultation with subject matter experts. Rarely, we present each of the conflicting figures in this report or on our website.

Census data

The Census warns us not to use their data in the way that we are using it. However, there is no alternative source of aggregated state and local government income statement data, and it was not reasonable for us to create this data set in this phase of our project. Here is the warning from the Census:

> "Although the original sources for finance statistics are accounting records of governments, the data derived from them are purely statistical in nature. Consequently, the Census Bureau statistics on government finance cannot be used as financial statements, or to measure a government's fiscal condition. For instance, the difference between a government's total revenue and total expenditure cannot be construed to be a 'surplus' or 'deficit.'"

The Census tells us there are several reasons why these survey data are not suitable for measuring the financial condition of a government, any of its sectors, or any of its dependent agencies:

- The Census Bureau intentionally excludes several important accounting measures from its statistics. One example involves public employee retirement systems, which exclude measures of future liability, future revenue streams, and all related measures of future solvency (such as the potential amount of unfunded liabilities). These cannot be calculated from Census Bureau statistics.
- The Census Bureau program develops these data to measure the economic activity of state and local governments in general. The definitions used in Census Bureau statistics about governments can vary considerably from definitions applied in standard accounting reports.
- Definitional differences can include those of coverage (what constitutes a government entity), functional activity, financial transaction (revenue, expenditure, indebtedness, and asset), or measurement (cash versus accrual accounting, or asset valuation procedures).
- Census Bureau data include the operations of dependent agencies whose finances are reported outside those of the parent government.

Exhibit 99.12

Data comparability considerations

Unlike information about a corporation, the data for our Government come from numerous and varied sources. Each of these sources may prepare the data on different accounting bases (e.g. cash vs. accrual) and for different time periods (e.g. a point in time vs. a full year, calendar year vs. fiscal year). This lack of comparability of data makes analysis of our Government challenging. We have highlighted key data challenges and our solutions in this exhibit and Exhibit 99.13. We acknowledge our solutions are not perfect and seek to continually refine our approach as we release future reports. However, we do not anticipate true solutions to these challenges other than government-wide data availability and comparability initiatives.

Financial statement data

Reporting periods

The financial statement and related data in this report, unless otherwise noted, is on a fiscal year basis. This means it represents, for:

- *Income statements* – data for the annual period from October 1 to September 30, for the federal government and from July 1 to June 30, generally, for state and local governments; and
- *Balance sheets* – data as of September 30 for the federal government and June 30 for state and local governments.

When we combined federal and state and local data, we added the figures together, without adjusting for differences in fiscal years. This is consistent with what a corporation may do for subsidiaries that it consolidates, which have different fiscal year ends than each other or the parent company. This is allowed by accounting rules when the fiscal periods of the entities being combined end within 90 days of each other, as they do for the US federal and state and local governments in nearly every case.

New York is the only exception, as its fiscal year end is March 31, which is not within 90 days of the latest fiscal year end within the combined group (September 30); New York's fiscal year end is off by an additional 90 days. This is only a potential concern for our income statements, as we used New York's (and all other states') June 30 information for our balance sheets. New York's revenue represents approximately 5% of our Government's revenue, and a reasonable approximation of 90 days of its average revenue is roughly $60-70 billion. In combining the income statements, we include 12 months of data for each entity, but we include different 12-month periods depending on the respective entity's fiscal year (i.e. October 1 to September 30 for the federal government and April 1 to March 31 for New York). Therefore, incomparability that could arise from using data from different fiscal year periods would not be due to missing data but rather seasonality of the data. A reasonable estimate of the seasonality variability of 90 days of New York's revenue or expenses is immaterial. As: the Census has already aggregated the state and local government data; modifying that data to extract, recalculate, and reintroduce adjusted New York data introduces complexity and risk; and the estimated impact of not modifying is not material to our Government's overall financial statements, we have not made any modifications for New York and have simply added the aggregated state and local data to the federal data to form the combined group.

Intergovernmental transfers

In combining the federal and state and local data, we eliminated known intergovernmental transfers, in the same way that a company eliminates intercompany transfers among subsidiaries and the parent company. For example, the federal government reports grants to states as expenditures, and the states in turn also report the subsequent uses of those funds as expenditures. To eliminate double counting, we count the expenditure (or revenue) only once, in either the federal or state or local government, whichever is the ultimate spender (in the case of expenditures) or recipient (in the case of revenues) of the funds. Similarly, we eliminate intergovernmental assets and liabilities. For example, state and local governments own Treasury securities, and the federal government has a corresponding liability for the securities. We eliminated these intergovernmental assets and liabilities in creating our combined financial statements. For more information on transfers eliminated, see *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 23 – Intergovernmental transfers* within this annual report.

Management's discussion and analysis (MD&A) data

An MD&A is intended to provide the reader with an analysis of the financial statements for the periods presented, essentially a "drill down" from the financial statements, including an analysis of the changes in the income statements from period to period. Our income statements are presented on a fiscal year basis, as discussed above. On the other hand, a large portion of the detailed government financial information and related figures (e.g. numbers of people) is available only on a calendar year basis. This makes analyzing the income statement data difficult, as it is not possible to "drill down" to lower levels of detail from the fiscal year data. Therefore, to prepare the MD&A within this report, we were required to convert much of our source data from calendar year to fiscal year.

In cases where monthly or quarterly data was available, we created fiscal year data by reassembling data from these more detailed periods. Where only annual calendar year data was available, we used one simple formula to create federal fiscal year data – 25% of the prior calendar year figure plus 75% of the current calendar year figure, as well as one other simple formula to create state and local fiscal year data – 50% of the prior calendar year figure plus 50% of the current calendar year figure. Of course, these two formulas do not produce the true fiscal year figures. However, no alternative method of calculation would be accurate, and the method we have chosen, when consistently applied, forms a reasonable basis for our analysis. All the figures (in the MD&A and elsewhere in this report) that were converted from calendar year to fiscal year in this manner are indicated by * (one asterisk) for federal and ** (two asterisks) for state and local.

Certain tax and other law changes go into effect during the fiscal year, so only part of the fiscal year reflects the changes. Furthermore, the tax filing season (and therefore cash receipt and the recording of revenue by our Government) for any tax year is in the following fiscal year, therefore, tax law changes within a particular tax year have a disproportionate influence on revenue for the following fiscal year. As income tax revenue is collected via withholding and estimated tax payments throughout the year, this impact is somewhat tempered for this revenue source.

Other data

Other data within this report comes from many sources and may have similar challenges to those discussed above.

Exhibit 99.13

Modification of data

We have sourced the data included in this report directly from the sources listed in Exhibit 99.01 and where possible, have not revised it. In certain cases, where necessary to make the data comparable or comprehensible, we have modified the data. Specifically, we modified the following data:

- All data throughout this document that is accompanied by one asterisk (*) or two asterisks (**) was converted from a calendar year basis to a fiscal year basis using the formulas described within this report at Exhibit 99.12 and at *Part II, Item 7. Management's Discussion and Analysis, Overview, Other factors affecting this discussion, Modification of data*. This modification was required because data is not provided by our Government on a consistent basis, and to do a full analysis, one must have data on a consistent basis;
- The cohort tables within this report at *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* and *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment*, were created by us using data collected from a variety of government sources, the two most important being two microdata sets: the Current Population Survey (March Supplement) issued by the Census Bureau and the Public Use File issued by the IRS Statistics of Income Division (see more on our methodology in Exhibit 99.08);
- For the combined functional income statements, to provide compensation for personnel past and present, we combined Department of the Treasury (Treasury), Office of Management and Budget (OMB), and Census data with compensation data from the US Bureau of Economic Analysis (current payments for wages and salaries and health benefits). See this page on our website – https://usafacts.org/usafacts-financial-analysis-methodology/ – for detailed information on the composition of our combined functional income statements;
- For the combined segment income statements, we have regrouped Treasury, OMB, and Census data into our financial statement and reporting segment categories for presentation purposes. See this page on our website – https://usafacts.org/usafacts-financial-analysis-methodology/ – for detailed information on the composition of our combined segment income statements; and
- We calculated the breakout of year over year tax revenue changes between tax base changes (generally taxable income) and tax rate changes by holding one variable constant while changing the other, as follows:

  Hold year 1 average tax rate constant and assume it also applies to year 2. That is, multiply the year 1 rate by the year 2 base. Then compare this figure to the actual revenue in year 1. The difference is how much was attributable to the base change. The residual is the amount of revenue change that is attributable to the rate change.

  For example, assume the rate in 2013 is 20%. Assume the base in 2013 is $1,000. This implies revenue of $200. Now suppose the base in 2014 is $1,200 and the revenue is $300. The amount attributable to the base increase would be calculated by assuming the 20% rate applied to the new base of $1,200. This would imply a revenue of $240 if the rate was held constant. Therefore, $40 of the revenue increase is attributable to the base increase. The remainder ($60 = $300 – $240) is attributable to the rate change.

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