NATION BY THE NUMBERS

A Snapshot of The Government's Financial Position & Condition

	2023	2022*
Financial Measures (Dollars in Billions):		
Net Cost:		
Gross Costs	$ (7,661.7)	$ (7,420.1)
Less: Earned Revenue	$ 539.5	$ 531.1
Gain/(Loss) from Changes in Assumptions	$ (760.6)	$ (2,207.9)
Total Net Cost	**$ (7,882.8)**	**$ (9,096.9)**
Less: Total Tax and Other Unearned Revenues	**$ 4,465.6**	**$ 4,925.9**
Net Operating Cost	**$ (3,417.2)**	**$ (4,171.0)**
Budget Deficit	**$ (1,695.2)**	**$ (1,375.5)**
Assets, comprised of:		
Cash and Other Monetary Assets	$ 922.2	$ 877.8
Inventory and Related Property, Net	$ 423.0	$ 406.9
Loans Receivable, Net	$ 1,695.1	$ 1,434.1
General Property, Plant, and Equipment, Net	$ 1,235.0	$ 1,197.5
Other	$ 1,143.8	$ 1,046.1
Total Assets	**$ 5,419.1**	**$ 4,962.4**
Less: Liabilities, comprised of:		
Federal Debt and Interest Payable	$ (26,347.7)	$ (24,328.0)
Federal Employee & Veteran Benefits Payable	$ (14,327.4)	$ (12,811.9)
Other	$ (2,223.2)	$ (1,882.4)
Total Liabilities	**$ (42,898.3)**	**$ (39,022.3)**
Unmatched Transactions and Balances[1]	$ -	$ (1.3)
Net Position[2]	**$ (37,479.2)**	**$ (34,061.2)**
Sustainability Measures (Dollars in Trillions):		
Social Insurance Net Expenditures	$ (78.4)	$ (75.9)
Total Federal Non-Interest Net Expenditures	$ (73.2)	$ (79.5)
Sustainability Measures as Percent GDP:		
Social Insurance Net Expenditures[3]	(4.4%)	(4.3%)
Total Federal Non-Interest Net Expenditures	(3.8%)	(4.2%)
Fiscal Gap[4]	(4.5%)	(4.9%)

[1] Unmatched transactions and balances are net adjustments needed to balance the financial statements and are due primarily to unresolved intra-governmental differences.

[2] The government's net position is calculated in accordance with federal accounting standards. Per these standards, net position does not include the financial value of the government's sovereign power to tax, regulate commerce, or set monetary policy, or the value of nonoperational resources, such as national and natural resources, for which the government is a steward.

[3] Pursuant to federal accounting standards, for SOSI reporting, the federal government's social insurance programs include Social Security; Medicare Parts A, B, and D; DOL's Black Lung program; and the RRB.

[4] To prevent the debt-to-GDP ratio from rising over the next 75 years, a combination of non-interest spending reductions and receipts increases that amount to 4.5 percent of GDP on average is needed (4.9 percent of GDP on average in FY 2022). See Financial Statement Note 24.

* Change in presentation (see Financial Statement Note 1.W).

Executive Summary to the FY 2023 Financial Report of the United States Government

The FY 2023 *Financial Report* presents the U.S. government's current financial position and condition, and discusses key financial topics and trends. The *Financial Report* is produced by Treasury in coordination with OMB, which is part of the Executive Office of the President. The table on the preceding page presents several key indicators of the government's financial position and condition, which are discussed in this Executive Summary and, in greater detail, in the *Financial Report*. The Secretary of the Treasury, the Director of OMB, and the Comptroller General of the U.S. at the GAO believe that the information discussed in the *Financial Report* is important to all Americans.

The *Financial Report* addresses the government's financial activity and results as of and for the fiscal years ended September 30, 2023, and 2022. Note 30—Subsequent Events discusses events that occurred after the end of the fiscal year that may affect the government's financial position and condition.

Results in Brief

The "Nation by the Numbers" table on the preceding page and the following summarize key metrics about the federal government's financial position for and during FY 2023:

- The budget deficit increased by $319.7 billion (23.2 percent) to $1.7 trillion and net operating cost decreased by $753.8 billion (18.1 percent) to $3.4 trillion.
- Net operating cost decreased due largely to significant decreases in non-cash costs (including decreases in losses stemming from changes in assumptions affecting cost and liability estimates for the government's employee and veteran benefits programs (which do not affect the current year deficit) and reestimates of long-term student loan costs).
- The government's gross costs of $7.7 trillion, less $539.5 billion in revenues earned for goods and services provided to the public, plus $760.6 billion in net losses from changes in assumptions yields the government's net cost of $7.9 trillion, a decrease of $1.2 trillion (13.3 percent) from FY 2022.
- Tax and other revenues decreased by $460.3 billion to $4.5 trillion. Deducting these revenues from net cost yields the federal government's "bottom line" net operating cost of $3.4 trillion referenced above.
- Comparing total government assets of $5.4 trillion (including $1.7 trillion of loans receivable, net and $1.2 trillion of PP&E) to total liabilities of $42.9 trillion (including $26.3 trillion in federal debt and interest payable, and $14.3 trillion of federal employee and veteran benefits payable) yields a negative net position of $37.5 trillion.
- The Statement of Long-Term Fiscal Projections (SLTFP) shows that the present value (PV) of total non-interest spending, over the next 75 years, under current policy, is projected to exceed the PV of total receipts by $73.2 trillion (total federal non-interest net expenditures from the table on the previous page).
- The debt-to-GDP ratio was approximately 97 percent at the end of FY 2023. Under current policy and based on this report's assumptions, it is projected to reach 531 percent by 2098. The projected continuous rise of the debt-to-GDP ratio indicates that current policy is unsustainable.
- The Statement of Social Insurance (SOSI) shows that the PV of the government's expenditures for Social Security and Medicare Parts A, B and D, and other social insurance programs over 75 years is projected to exceed social insurance revenues by about $78.4 trillion, a $2.5 trillion increase over 2022 social insurance projections.

Where We Are Now

The government's financial position and condition have traditionally been expressed through the *Budget*, focusing on surpluses, deficits, and debt. However, this primarily cash-based discussion of the government's net outlays (deficit) or net receipts (surplus) tells only part of the story. The government's accrual-based net position, (the difference between its assets and liabilities, adjusted for unmatched transactions and balances), and its "bottom line" net operating cost (the difference between its revenues and costs) are also key financial indicators. The following includes brief discussions of some of the diminishing effects of the pandemic on the government's financial results for FY 2023. Please refer to Note 29—COVID-19 Activity and other disclosures in this *Financial Report*, as well as in the individual entities' financial statements for more information.

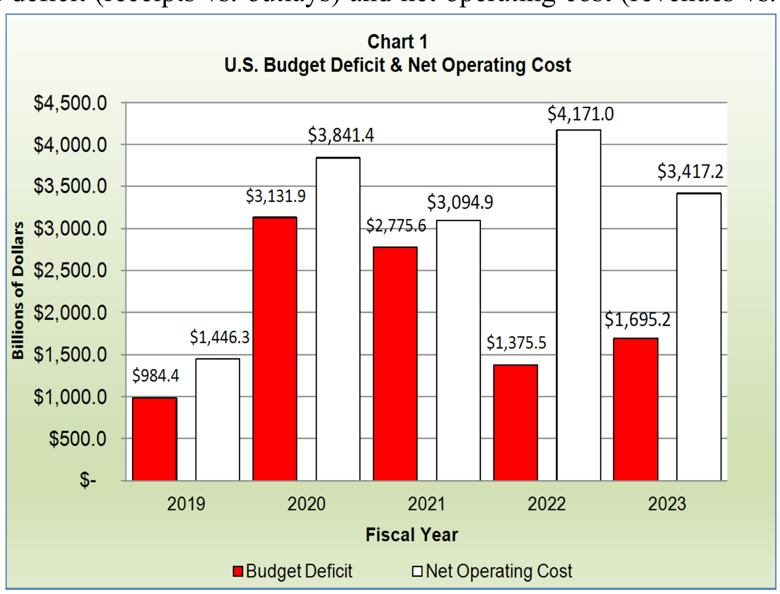
Comparing the Budget and the Financial Report

The *Budget* and the *Financial Report* present complementary perspectives on the government's financial position and condition.

- The *Budget* is the government's primary financial planning and control tool. It accounts for past government receipts and spending and includes the President's proposed receipts and spending plan. Receipts are cash received by the U.S. government and spending is measured as outlays, or payments made by the federal government to the public or entities outside the government. When total receipts exceed outlays, there is a budget surplus; conversely, if total outlays exceed total receipts, there is a budget deficit.
- The *Financial Report* includes the government's costs and revenues, assets and liabilities, and other important financial information. It compares the government's revenues (amounts earned, but not necessarily collected), with costs (amounts incurred, but not necessarily paid) to derive net operating cost.

Chart 1 compares the government's budget deficit (receipts vs. outlays) and net operating cost (revenues vs. costs) for FYs 2019 - 2023. During FY 2023:

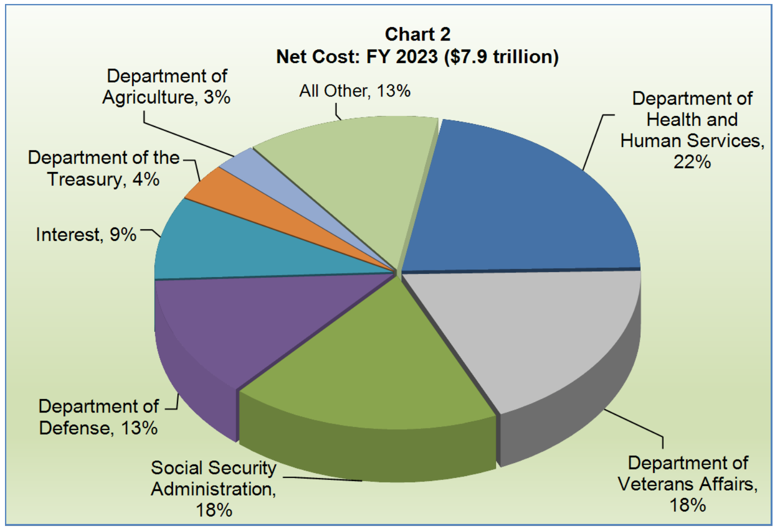
- A $456.8 billion decrease in receipts more than offset a $137.1 billion decrease in outlays resulting in a $319.7 billion (23.2 percent) increase in the budget deficit from $1.4 trillion to $1.7 trillion.
- Net operating cost decreased $753.8 billion or 18.1 percent from $4.2 trillion to $3.4 trillion, due mostly to a $1.2 trillion or 13.3 percent decrease in net cost which more than offset a $460.3 billion or 9.3 percent decrease in tax and other revenues.



The $1.7 trillion difference between the budget deficit and net operating cost for FY 2023 is primarily due to accrued costs (incurred but not necessarily paid) that are included in net operating cost, but not the budget deficit. These are primarily actuarial costs related to federal employee and veteran benefits programs, particularly at VA, DOD, and OPM. Other sources of differences include but are not limited to decreases in taxes receivable, increases in advances and deferred revenue received by the federal government from others, decreases in advances and prepayments made by the federal government.

Costs and Revenues

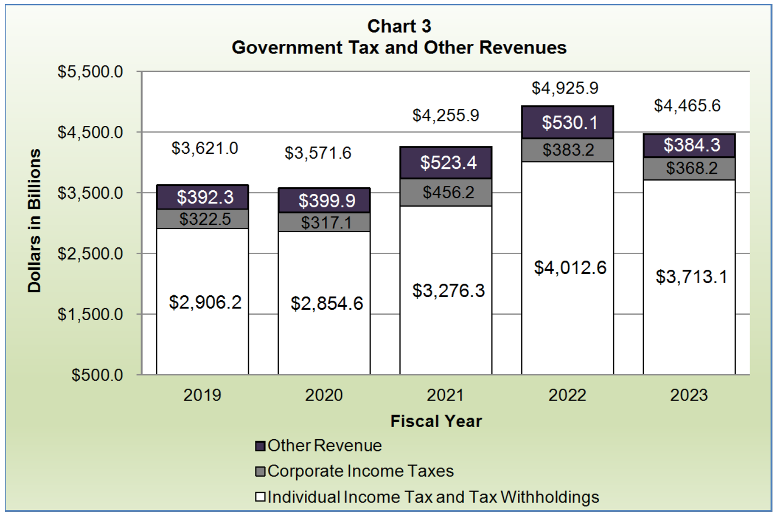
The government's "bottom line" net operating cost decreased $753.8 billion (18.1 percent) during FY 2023 to $3.4 trillion. It is calculated as follows:



- Starting with total gross costs of $7.7 trillion, the government subtracts earned program revenues (e.g., Medicare premiums, national park entry fees, and postal service fees) and adjusts the balance for gains or losses from changes in actuarial assumptions used to estimate future federal employee and veteran benefits payments to derive its net cost before taxes and other revenues of $7.9 trillion (see Chart 2), a decrease of $1.2 trillion (13.3 percent) from FY 2022. This net decrease is the combined effect of many offsetting increases and decreases across the government. For example:
  - Entities administering federal employee and veteran benefits programs, including the VA, DOD, and OPM employ a complex series of assumptions to make actuarial projections of their long-term benefits liabilities. These assumptions include but are not limited to interest rates, beneficiary eligibility, life expectancy, and medical cost levels. Changes in these assumptions can result in either losses (net cost increases) or gains (net cost decreases). Across the government, these net losses from changes in assumptions amounted to $760.6 billion in FY 2023, a loss decrease (and a corresponding net cost decrease) of $1.4 trillion compared to FY 2022.
  - In particular, VA net costs decreased $479.6 billion due largely to decreased losses from changes in assumptions as referenced above, partially offset by an increase in costs as a result of legislation expanding and extending eligibility for veteran's benefits.
  - DOD net costs decreased $455.6 billion due primarily to a $437.7 billion loss decrease from changes in assumptions as referenced above. However, most of DOD's net costs included those related to military operations, readiness and support, procurement, personnel, and R&D.
  - A $222.7 billion decrease in Treasury net costs was largely due to a decrease in costs associated with Treasury's pandemic relief programs, including: 1) the Coronavirus State and Local Fiscal Recovery Funds; and 2) COVID-19 related refunds and other payments such as the EIP and advances for child tax credits.
  - Education net costs decreased $521.0 billion due largely to the combined effect of: 1) an FY 2022 cost increase of $330.9 billion due largely to a $337.3 billion loan modification stemming from the announced broad-based student loan debt relief; and 2) an FY 2023 cost decrease of $319.9 billion from a downward modification to reverse the broad-based student loan debt relief, as a result of the Supreme Court's ruling on Biden v. Nebraska. Education's FY 2023 net costs were also impacted by: 1) $71.4 billion in upward cost reestimates of the Department's existing loan portfolio; and 2) $115.7 billion of upward modifications related to COVID-19 administrative actions, changes to repayment plans, and other programmatic changes.
  - A $54.1 billion net cost increase at HHS primarily due to a $116.1 billion increase across the Medicare and Medicaid benefits programs largely associated with increasing benefits payments. This cost increase was offset by a $62.0 billion cost decrease across all other HHS segments primarily due to decreases in COVID-19 costs.

- SSA net costs increased $138.8 billion due largely to a 2.5 percent increase in the number of OASI beneficiaries, combined with an 8.7 percent COLA provided to beneficiaries in 2023.
- Interest costs related to federal debt securities held by the public increased by $181.5 billion due largely to increases in outstanding debt held by the public and the average interest rates, which were offset by a decrease in inflation adjustments.

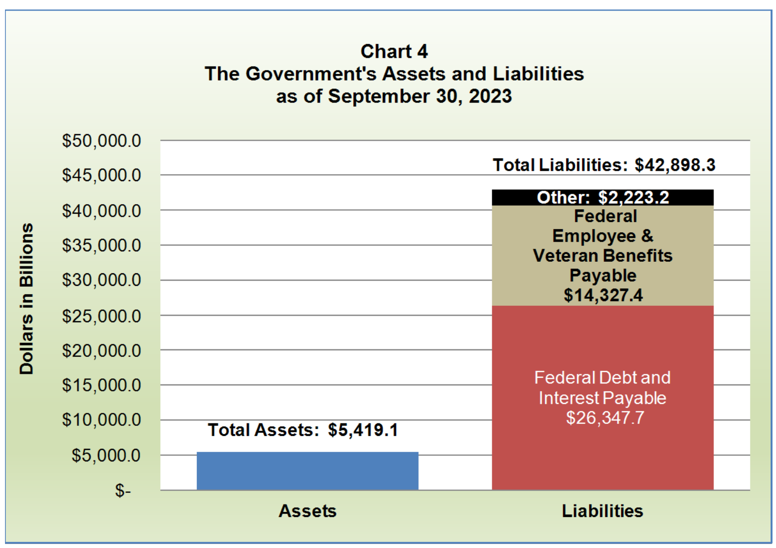
- The government deducts tax and other revenues from net cost (with some adjustments) to derive its FY 2023 "bottom line" net operating cost of $3.4 trillion.
  - From Chart 3, total government tax and other revenues decreased by $460.3 billion (9.3 percent) to about $4.5 trillion for FY 2023 due primarily to a decline in individual income and tax withholdings and corporate income taxes as well as decreased deposits of earnings from the Federal Reserve due to increased interest rates.
  - Together, individual income tax and tax withholdings, and corporate income taxes accounted for about 91.4 percent of total tax and other revenues in FY 2023. Other revenues include Federal Reserve earnings, excise taxes, and customs duties.



Assets and Liabilities

Chart 4 summarizes the assets and liabilities that the government reports on its Balance Sheet. As of September 30, 2023:

- More than three-fourths of the federal government's total assets ($5.4 trillion) consist of: 1) $922.2 billion in cash and monetary assets; 2) $423.0 billion in inventory and related property; 3) $1.7 trillion in loans receivable, net (primarily student loans); and 4) $1.2 trillion in net PP&E.
  - Cash and monetary assets ($922.2 billion) is comprised largely of the operating cash of the U.S. government. Operating cash held by Treasury increased $21.9 billion (3.5 percent) to $638.9 billion during FY 2023.



  - Inventory and related property ($423.0 billion) includes: 1) inventory, which is tangible personal property that is either held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provision of services for a fee; 2) OM&S, or tangible personal property to be consumed in normal operations (e.g., spare and repair parts, ammunition, and tactical missiles); and 3) stockpiles, or strategic and critical materials held due to statutory requirements for use in national defense, conservation, or local/national emergencies.

- Loans receivable, net ($1.7 trillion) is comprised of loans provided by multiple agencies, including Education and SBA, 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. The government's net loan portfolio increased by $261.0 billion (18.2 percent) during FY 2023. This net increase was largely due to a $214.3 billion increase in Education's Federal Direct Student Loans, net, primarily due to a reversal of the broad-based student loan debt relief as a result of the Supreme Court's ruling in Biden v. Nebraska. Additional Loans Receivable, net increases included Treasury's purchase of a $50 billion note issued by a trust created by FDIC in its receivership capacity and backed by a guarantee from the FDIC in its corporate capacity. These and other net increases were partially offset by a $49.6 billion decrease in SBA's loan receivables, net, due largely to write-offs of direct disaster loans. Other changes included fluctuations in loan programs for HUD, DOT, and DFC.
- Federal government general PP&E includes many of the physical resources that are vital to the federal government's ongoing operations, including buildings, structures, facilities, equipment, internal use software, and general-purpose land. DOD comprises approximately 67.4 percent of the government's reported general PP&E of $1.2 trillion as of September 30, 2023.
- Other significant government resources not reported on the Balance Sheet include the government's power to tax and set monetary policy, natural resources, and stewardship assets. Stewardship assets, including heritage assets and stewardship land, benefit the nation (e.g., national monuments, national parks) and are intended to be held indefinitely.

- Total liabilities ($42.9 trillion) consist mostly of: 1) $26.3 trillion in federal debt and interest payable; and 2) $14.3 trillion in federal employee and veteran benefits payable.
  - Federal debt held by the public is debt held outside of the government by individuals, corporations, state and local governments, the FR System, foreign governments, and other non-federal entities.
  - The government borrows from the public (increases federal debt levels) to finance deficits. During FY 2023, federal debt held by the public increased $2.0 trillion (8.3 percent) to $26.3 trillion.
  - The government also reports about $6.9 trillion of intra-governmental debt outstanding, which arises when one part of the government borrows from another. For example, government funds (e.g., Social Security and Medicare Trust Funds) typically must invest excess receipts, including interest earnings, in Treasury-issued federal debt securities. Although not reflected in Chart 4, these securities are included in the calculation of federal debt subject to the debt limit.
  - Federal debt held by the public plus intra-governmental debt equals gross federal debt, which, with some adjustments, is subject to a statutory debt ceiling ("debt limit"). Congress and the President increased the debt limit by $2.5 trillion in December 2021 with the enactment of P.L. 117-73. In response to delays in raising the statutory debt limit, Treasury took extraordinary measures to meet the government's obligations as they came due without exceeding the debt limit from January 19 through June 2, 2023. On June 3, 2023, P.L. 118-5 was enacted, suspending the debt limit through January 1, 2025. On Monday, June 5, 2023, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations. At the end of FY 2023, debt subject to the statutory limit was $33.1 trillion. Increasing or suspending the debt limit does not increase spending or authorize new spending; rather, it permits the government to continue to honor pre-existing commitments (see Note 12—Federal Debt and Interest Payable).
  - Federal employee and veteran benefits payable ($14.3 trillion) represents the amounts of benefits payable by agencies that administer the government's pension and other benefit plans for its military and civilian employees.

See Note 29—COVID-19 Activity, as well as the referenced agencies' FY 2023 financial statements for additional information about the financial effects of the federal government's response to the pandemic. See Note

30—Subsequent Events for information about events that occurred after the end of the fiscal year that may affect the government's financial results.

Key Economic Trends

An analysis of U.S. economic performance provides useful background when evaluating the government's financial statements. Over the course of FY 2023, the economy's growth accelerated even as inflation continued to slow. In addition, labor markets remained tight and continued to generate a substantial number of jobs but also showed signs of very gradual easing over the course of FY 2023. These and other economic and financial developments are discussed in greater detail in the *Financial Report*.

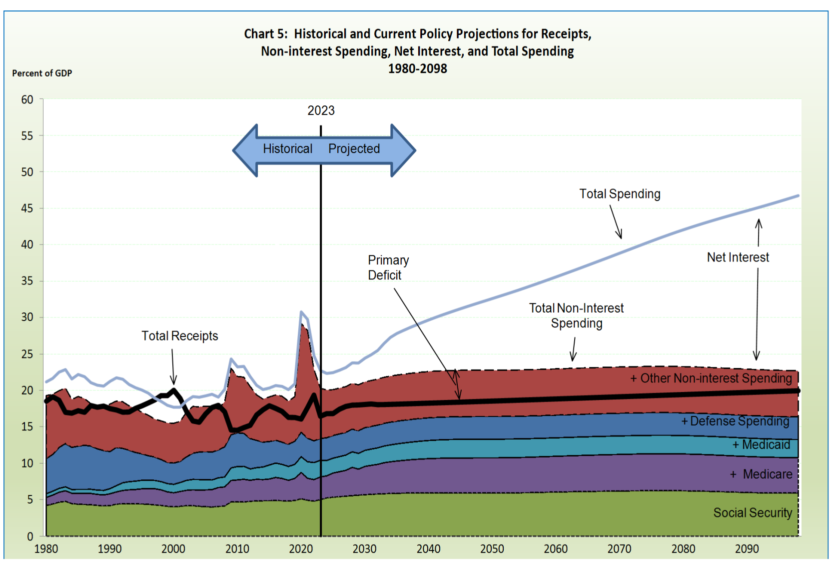
An Unsustainable Fiscal Path

An important purpose of this *Financial Report* is to help citizens understand current fiscal policy and the importance and magnitude of policy reforms necessary to make it sustainable. A sustainable fiscal policy is defined as one where the ratio of debt held by the public to 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. Considering financial results relative to GDP is a useful indicator of the economy's capacity to sustain the government's many programs. This *Financial Report* presents data, including debt, as a percent of GDP to help readers assess whether current fiscal policy is sustainable. The debt-to-GDP ratio was approximately 97 percent at the end of FY 2023, which is similar to (but slightly above) the debt-to-GDP ratio at the end of FY 2022. The long-term fiscal projections in this *Financial Report* are based on the same economic and demographic assumptions that underlie the SOSI.

The current fiscal path is unsustainable. To determine if current fiscal policy is sustainable, the projections based on the assumptions discussed in the *Financial Report* assume current policy will continue indefinitely.[1] The projections are therefore neither forecasts nor predictions. Nevertheless, the projections demonstrate that policy changes need to be enacted for the actual financial outcomes to differ from those projected.

Receipts, Spending, and the Debt

Chart 5 shows historical and current policy projections for receipts, non-interest spending by major category, net interest, and total spending expressed as a percent of GDP.



- The primary deficit is the difference between non-interest spending and receipts. The ratio of the primary deficit to GDP is useful for gauging long-term fiscal sustainability.
- The primary deficit-to-GDP ratio increased during the financial crisis of 2008 and the COVID-19 pandemic. Spending was elevated in 2020 and 2021 due to funding to support economic recovery, but increased receipts reduced the primary deficit-to-GDP ratio to 10.8 percent in 2021 from 13.3 percent in 2020. The primary deficit-to-GDP ratio in 2023 was 3.8 percent, increasing by 0.2 percentage points from 3.6 percent in 2022 partially due to lower receipts.

[1] Current policy in the projections is based on current law, but includes extension of certain policies that expire under current law but are routinely extended or otherwise expected to continue.

- The persistent long-term gap between projected receipts and total spending shown in Chart 5 occurs despite the projected effects of the PPACA[2] on long-term deficits.
  - Enactment of the PPACA in 2010 and the MACRA (P.L. 114-10) in 2015 established cost controls for Medicare hospital and physician payments whose long-term effectiveness is still to be demonstrated fully.
  - There is uncertainty about the extent to which these projections can be achieved and whether the PPACA's provisions intended to reduce Medicare cost growth will be overridden by new legislation.

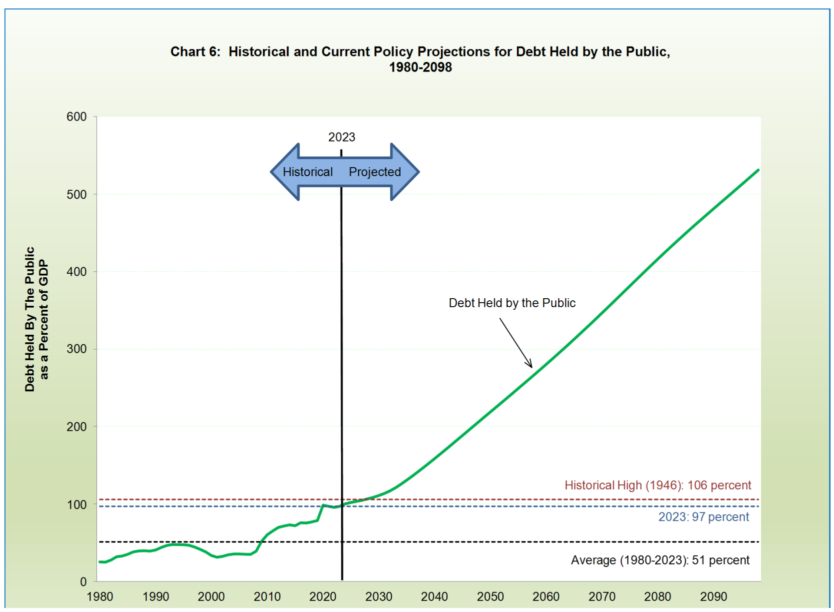
Table 1 summarizes the status and projected trends of the government's Social Security and Medicare Trust Funds.

Table 1: Trust Fund Status

Fund	Projected Depletion	Projected Post-Depletion Trend
Medicare Hospital Insurance *	2031	In 2031, trust fund income is projected to cover 89 percent of benefits, decreasing to 81 percent in 2047, then returning to 96 percent by 2097.
Combined Old-Age Survivors and Disability Insurance **	2034	In 2034, trust fund income is projected to cover 80 percent of scheduled benefits, decreasing to 74 percent by 2097.

* Source: 2023 Medicare Trustees Report ** Source: 2023 OASDI Trustees Report
This Report's projections assume full Social Security and Medicare benefits are paid after fund depletion contrary to current law.

The primary deficit projections in Chart 5, along with those for interest rates and GDP, determine the debt-to-GDP ratio projections in Chart 6.



- The debt-to-GDP ratio was approximately 97 percent at the end of FY 2023, and under current policy and based on this report's assumptions is projected to reach 531 percent in 2098.
- The debt-to-GDP ratio rises continuously in great part because primary deficits lead to higher levels of debt. The continuous rise of the debt-to-GDP ratio indicates that current fiscal policy is unsustainable.
- These debt-to-GDP projections are lower than both the 2022 and 2021 *Financial Report* projections.

[2] The PPACA refers to P.L. 111-148, as amended by P.L. 111-152. The PPACA expands health insurance coverage, provides health insurance subsidies for low-income individuals and families, includes many measures designed to reduce health care cost growth, and significantly reduces Medicare payment rate updates relative to the rates that would have occurred in the absence of the PPACA. (See Note 25 and the RSI section of the *Financial Report*, and the 2023 Medicare Trustees Report for additional information).

The Fiscal Gap and the Cost of Delaying Fiscal Policy Reform

- The 75-year fiscal gap is a measure of how much primary deficits must be reduced over the next 75 years in order to make fiscal policy sustainable. That estimated fiscal gap for 2023 is 4.5 percent of GDP (compared to 4.9 percent for 2022).
- This estimate implies that making fiscal policy sustainable over the next 75 years would require some combination of spending reductions and receipt increases that equals 4.5 percent of GDP on average over the next 75 years. The fiscal gap represents 23.8 percent of 75-year PV receipts and 19.8 percent of 75-year PV non-interest spending.
- The timing of policy changes to make fiscal policy sustainable has important implications for the well-being of future generations as is shown in Table 2.

Table 2

Cost of Delaying Fiscal Reform

Period of Delay	Change in Average Primary Surplus
Reform in 2024 (No Delay)	4.5 percent of GDP between 2024 and 2098
Reform in 2034 (Ten-Year Delay)	5.3 percent of GDP between 2034 and 2098
Reform in 2044 (Twenty-Year Delay)	6.5 percent of GDP between 2044 and 2098

  - Table 2 shows that, if reform begins in 2034 or 2044, the estimated magnitude of primary surplus increases necessary to close the 75-year fiscal gap is 5.3 percent and 6.5 percent of GDP, respectively. The difference between the primary surplus increase necessary if reform begins in 2034 or 2044 and the increase necessary if reform begins in 2024, an additional 0.8 and 2.0 percentage points, respectively, is a measure of the additional burden policy delay would impose on future generations.
  - The longer policy action to close the fiscal gap is delayed, the larger the post-reform primary surpluses must be to achieve the target debt-to-GDP ratio at the end of the 75-year period. Future generations are harmed by a policy delay because the higher the primary surpluses are during their lifetimes, the greater is the difference between the taxes they pay and the programmatic spending from which they benefit.

Conclusion

- Projections in the *Financial Report* indicate that the government's debt-to-GDP ratio is projected to rise over the 75-year projection period and beyond if current policy is kept in place. The projections in this *Financial Report* show that current policy is not sustainable.
- If changes in fiscal policy are not so abrupt as to slow economic growth and those policy changes are adopted earlier, then the required changes to revenue and/or spending will be smaller to return the government to a sustainable fiscal path.

Reporting on Climate Change

As stated in Executive Order 14008, *Tackling the Climate Crisis at Home and Abroad* "the United States and the world face a profound climate crisis…Domestic action must go hand in hand with United States international leadership, aimed at significantly enhancing global action." In response, the administration has enacted key legislation and issued important policy actions. As summarized in the MD&A section of the *Financial Report*, many of the 24 CFO Act agencies have leveraged their FY 2023 financial statements to discuss a wide range of topics concerning how their agencies are responding to the climate crisis, including providing links to agency Climate Adaptation and Resilience Plans.

Find Out More

The FY 2023 *Financial Report* and other information about the nation's finances are available at:

- Treasury, https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr_index.htm and https://fiscaldata.treasury.gov/americas-finance-guide/;
- OMB's Office of Federal Financial Management, https://www.whitehouse.gov/omb/management/office-federal-financial-management/; and
- GAO, https://www.gao.gov/federal-financial-accountability.

The GAO audit report on the U.S. government's consolidated financial statements can be found beginning on page 218 of the full *Financial Report*. GAO was unable to express an opinion (disclaimed) on these consolidated financial statements for the reasons discussed in the audit report.