NATION BY THE NUMBERS

A Snapshot of The Government's Financial Position & Condition

		2020		2019*
Financial Measures (Dollars in Billions):				
Total Tax and Other Unearned Revenues	**$**	**3,571.6**	**$**	**3,621.0**
Net Cost:				
Gross Costs	$	(7,194.1)	$	(5,287.2)
Less: Earned Revenue	$	461.6	$	418.4
Gain/(Loss) from Changes in Assumptions	$	(679.5)	$	(198.9)
Total Net Cost	**$**	**(7,412.0)**	**$**	**(5,067.7)**
Unmatched Transactions and Balances	$	11.6	$	0.4
Net Operating Cost	**$**	**(3,828.8)**	**$**	**(1,446.3)**
Budget Deficit	**$**	**(3,131.9)**	**$**	**(984.4)**
Assets, comprised of:				
Cash and Other Monetary Assets	$	1,926.9	$	524.6
Direct Loans and Loan Guarantees Receivable, Net	$	1,577.4	$	1,425.8
General Property, Plant, and Equipment, Net	$	1,145.0	$	1,106.9
Other	$	1,301.4	$	934.7
Total Assets	**$**	**5,950.7**	**$**	**3,992.0**
Less: Liabilities, comprised of:				
Federal Debt and Interest Payable	$	(21,082.9)	$	(16,861.0)
Federal Employee & Veteran Benefits Payable	$	(9,409.3)	$	(8,440.3)
Other	$	(2,251.7)	$	(1,643.5)
Total Liabilities	**$**	**(32,743.9)**	**$**	**(26,944.8)**
Unmatched Transactions and Balances	$	(3.1)	$	(14.7)
Net Position[1]	**$**	**(26,796.3)**	**$**	**(22,967.5)**
Sustainability Measures (Dollars in Trillions):				
Social Insurance Net Expenditures	$	(65.5)	$	(59.1)
Total Federal Non-Interest Net Expenditures	$	(79.5)	$	(49.0)
Sustainability Measures as Percent of Gross Domestic Product (GDP):				
Social Insurance Net Expenditures		(4.2%)		(4.1%)
Total Federal Non-Interest Net Expenditures		(4.8%)		(3.2%)
Fiscal Gap[2]		(5.4%)		(3.8%)

*Restated (see Financial Statement Note 1.U)

[1] 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.

[2] 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 5.4 percent of GDP on average is needed (3.8 percent of GDP on average in 2019). See Financial Statement Note 24.

Executive Summary to the FY 2020 Financial Report of the United States Government

The FY 2020 *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 this *Financial Report* is important to all Americans.

This *Financial Report* addresses the government's financial activity and results as of and for the fiscal years ended September 30, 2020 and 2019. Note 29—Subsequent Events discusses events that occurred after the end of the fiscal year that may affect the government's financial position and condition.

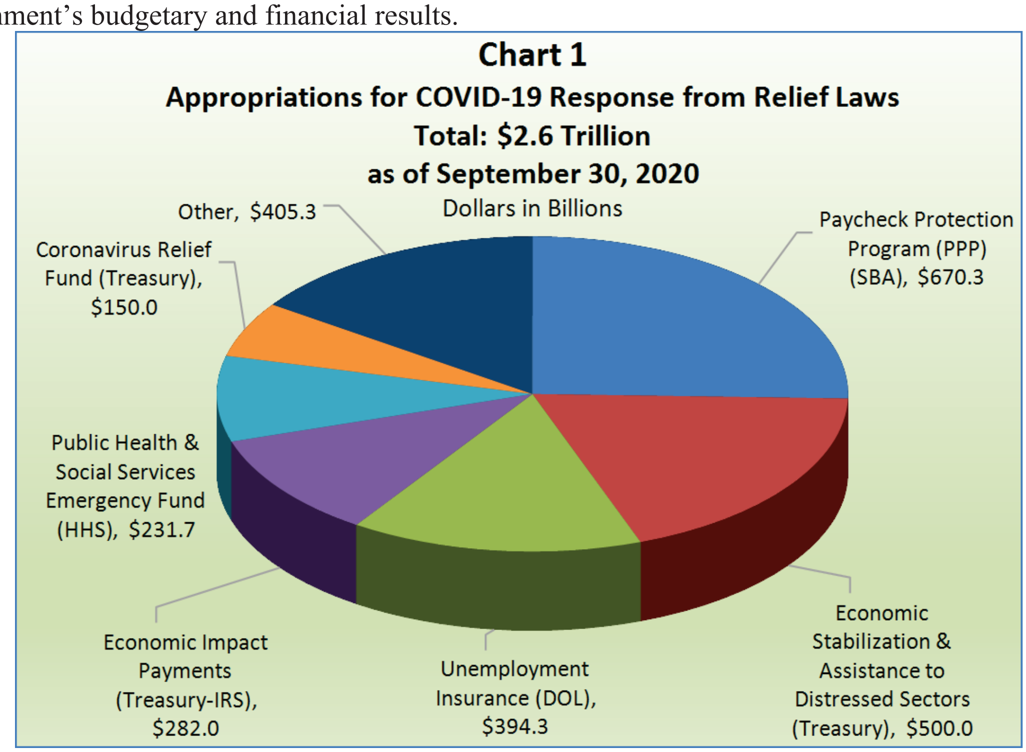
Where We Are Now

The Federal Government's Response to the Pandemic

During FY 2020, the federal government took broad action to protect public health from the effects of the unprecedented pandemic, signing into law four major pieces of legislation:

- *Coronavirus Preparedness and Response Supplemental Appropriations Act of 2020* (P.L. 116-123)
- *Families First Coronavirus Response Act* (FFCRA, P.L. 116-127)
- *Coronavirus Aid, Relief, and Economic Security* (CARES Act, P.L. 116-136)
- *Paycheck Protection Program and Health Care Enhancement Act* (PPPHCE Act, P.L. 116-139)

These laws address the health and economic effects of COVID-19, providing assistance to American workers and families, small businesses, and state, local, and tribal governments, and preserving jobs for American industry. As indicated here and in the *Financial Report*, these essential programs had significant effects on the federal government's budgetary and financial results.



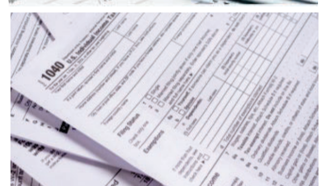
Source: Treasury – Central Accounting Reporting System (CARS)

Chart 1 summarizes the more than $2.6 trillion in appropriations enacted for key pandemic-related assistance programs, which include, but are not limited to:

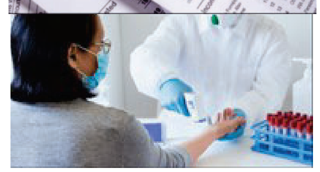
- The PPP, administered by SBA, is a loan guarantee program designed to provide a direct incentive for small businesses to retain employees by providing loan forgiveness for amounts used for eligible expenses for payroll and benefit costs, interest on mortgages, rent, and utilities. ($670.3 billion)
- Through its Economic Stabilization and Assistance to Severely Distressed Sectors of the U.S. Economy efforts (CARES Act Title IV), Treasury, including in collaboration with the Federal Reserve, provides funding through direct loans or other support for various businesses and state and local governments. ($500.0 billion)

- Through its UI Program, DOL expands states' ability to provide unemployment insurance for many workers impacted by the pandemic, including for workers who are not eligible for regular/traditional unemployment benefits. ($394.3 billion)

- The IRS provided a refundable tax credit, the recovery rebate, of $1,200 per qualifying adult, and $500 per dependent child, and a deferral of payment of employer's share of Social Security taxes through December 2020. ($282.0 billion)



- Through the PHSSEF, HHS provides broad support, including, but not limited to: reimbursements to health care providers for expenses or lost revenues attributable to the pandemic, and support for the development and purchase of vaccines, therapeutic treatment, testing, and medical supplies. ($231.7 billion)



- Through Coronavirus Relief Fund efforts, Treasury provides for payments to state, local, and tribal governments for pandemic-related spending. ($150.0 billion)
- Many other agencies and programs comprise the remaining $405.3 billion reported as "Other" in Chart 1, including, but not limited to funding for: transportation system assistance at the DOT, student loan deferrals at Education, and FEMA's Disaster Relief Fund.

- Note 29—Subsequent Events, discusses the financial effects of significant events that occurred following the end of the fiscal year, but prior to issuance of this *Financial Report*. For example, on December 27, 2020, the President signed into law the *Consolidated Appropriations Act, 2021* (PL 116-120). This act included provisions for an additional $900.0 billion in stimulus relief related to the pandemic and rescinded $478.8 billion of the $500.0 billion appropriation provided to Treasury referenced above. In addition, $146.5 billion that was appropriated to SBA under the SBA-Business Loans Program Account, CARES Act was rescinded under the *Consolidated Appropriations Act, 2021*. In addition, on March 11, 2021, the President signed into law the *American Rescue Plan Act, 2021,* a $1.9 trillion economic relief package to address the continued impact of COVID-19 on the economy. Additional information about these and other subsequent events and their effects are referenced in Note 29.

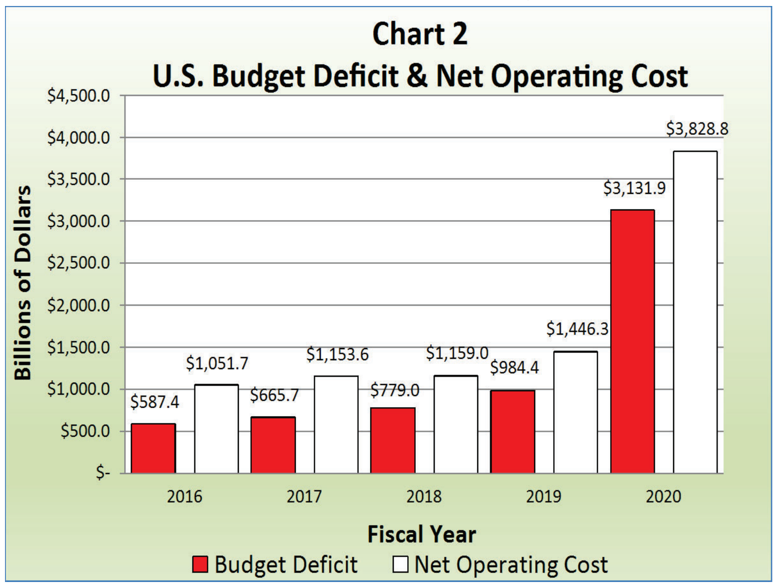
The financial effects of the government's response to the COVID-19 pandemic were broad, impacting many agencies in a variety of ways and to varying degrees. The *Financial Report* includes discussion and analysis of the significant impact that the federal government's response to the COVID-19 pandemic had on the government's financial statements for FY 2020. Additional information can be obtained from individual agency financial statements.

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. In simple terms, when total receipts are greater than outlays, then there is a budget surplus; and when total outlays exceed total receipts, then 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 2 compares the government's budget deficit (receipts vs. outlays) and net operating cost (revenues vs. costs) for FYs 2016 - 2020. During FY 2020:

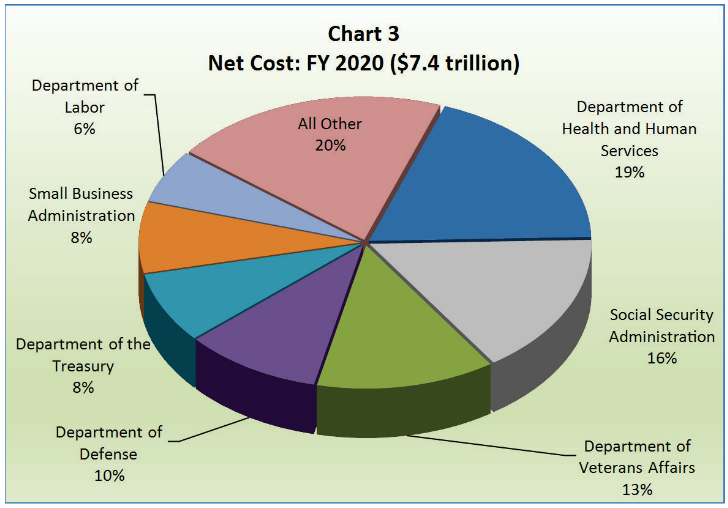


- A $2.1 trillion increase in outlays and a $42.2 billion decrease in receipts combined to increase the budget deficit by $2.1 trillion to $3.1 trillion.
- Net operating cost increased $2.4 trillion or 164.7 percent from $1.4 trillion to $3.8 trillion, due mostly to a $2.3 trillion or 46.3 percent increase in net cost combined with a $49.4 billion or 1.4 percent decrease in tax and other revenues.

The $696.9 billion difference between the budget deficit and net operating cost is primarily due to accrued costs (incurred but not necessarily paid) that are included in net operating cost, but not the budget deficit, primarily costs related to increases in estimated federal employee and veteran benefits liabilities. Other sources of differences include, but are not limited to increases in taxes receivable, as well as increases in advances associated with the government's pandemic response.

Costs and Revenues

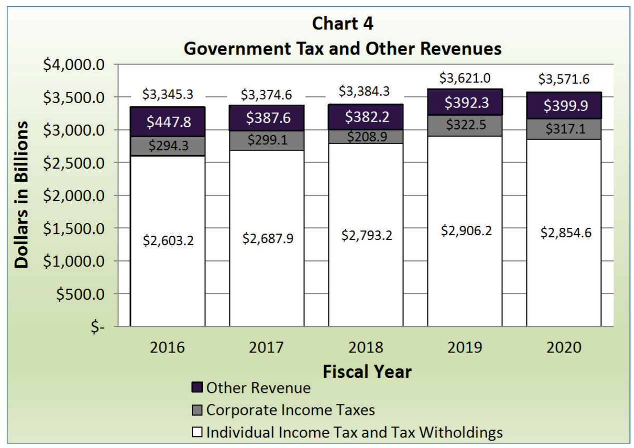
The government's "bottom line" net operating cost increased $2.4 trillion (164.7 percent) during FY 2020 to $3.8 trillion. It is calculated as follows:



- Starting with total gross costs of $7.2 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 $7.4 trillion (see Chart 3), an increase of $2.3 trillion (46.3 percent) from FY 2019. This net increase is the combined effect of many offsetting increases and decreases across the government. For example:
  - The federal government's response to the COVID-19 pandemic translated into substantial increases in costs across multiple agencies during FY 2020, including but not limited to:
    - A $559.1 billion increase in net costs at the SBA, driven primarily by a $527.8 billion increase in loan subsidy costs, including reestimates, attributable to the PPP and Debt Relief programs under the CARES Act. As noted earlier, the PPP provides loan forgiveness for amounts used for eligible expenses for payroll and benefit costs. Under the Debt Relief program, SBA pays six months of principal, interest, and any associated fees that borrowers owe for all current loans in regular servicing status in its 7(a), 504, and Microloan programs, as well as new 7(a), 504, and Microloans disbursed prior to September 27, 2020;
    - A $452.7 billion increase at DOL, much of which is attributable to a $461.4 billion increase primarily associated with unemployment benefits authorized by the CARES Act;
    - A $405.0 billion increase in Treasury net costs largely due to the issuance of "Economic Impact Payments" to individuals to help stimulate the economy. In FY 2020, the IRS disbursed $274.7 billion of EIPs to eligible recipients in every state and territory and at foreign addresses. Treasury's net cost increase is also due in part from Coronavirus relief fund payments made to affected state, local, territorial, and tribal governments. $80.6 billion of the $149.5 billion of such payments made was recognized as net costs in FY 2020. Treasury costs also include $28.2 billion in financial assistance payments to passenger air carriers, air cargo carriers, and contractors, and to provide payroll support to aviation workers; and
    - A $184.8 billion net cost increase at HHS primarily due to a $106.2 billion increase to the PHSSEF to fund a wide range of efforts, including, but not limited to reimbursements to health care providers for expenses or lost revenues, and development and purchase of vaccines, therapeutic treatment, testing, and medical supplies.
  - Entities administering federal employee and veteran benefits programs, including the OPM, VA, and DOD 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 $679.5 billion in FY 2020, a loss (and net cost) increase of $480.6 billion compared to FY 2019.

- VA net costs increased $567.4 billion due largely to changes in benefits program experience and assumptions, including, but not limited to an increase in veterans who first became eligible for benefits during FY 2020.
- DOD net costs decreased $163.4 billion due primarily to a $156.4 billion loss decrease (net gain) from changes in assumptions referenced above, as well as slight decreases in net costs across DOD's major programs, including military operations, readiness, support, procurement, personnel, and R&D.
- HHS and SSA net costs increased $184.8 billion and $56.4 billion, respectively. These increases resulted largely from COVID-19 relief efforts at HHS referenced above, as well as increases in benefit expenses from the social insurance programs administered by these entities (e.g., Medicare and Social Security).
- DHS costs increased by $49.7 billion due to costs associated with disaster responses to COVID-19, hurricanes, and wildfires.
- While debt held by the public increased substantially, interest costs related to federal debt securities held by the public decreased by $32.5 billion due largely to a decrease in the average interest rates on the debt.

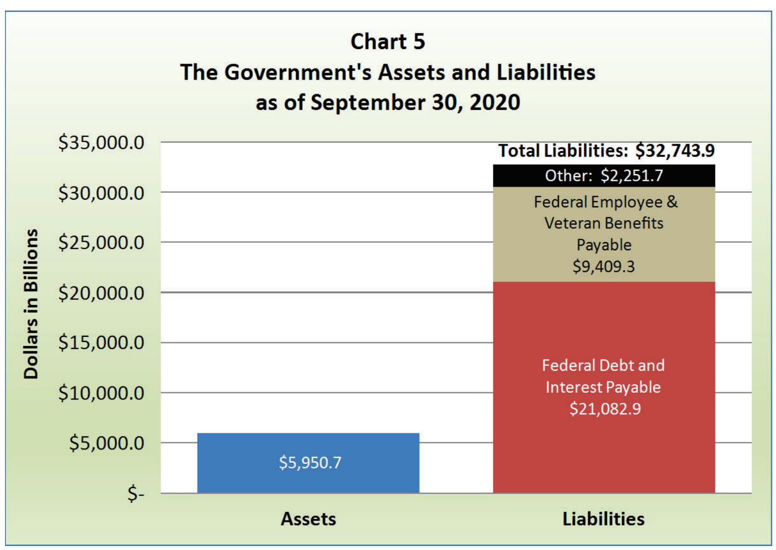
- The government deducts tax and other revenues from net cost (with some adjustments) to derive its FY 2020 "bottom line" net operating cost of $3.8 trillion.
  - From Chart 4, total government tax and other revenues decreased slightly by $49.4 billion (1.4 percent) to about $3.6 trillion for FY 2020. This net decrease was due primarily to a $51.6 billion decrease in individual tax revenue, compared with an offsetting decrease and increase in corporate and other tax revenue, respectively.
  - Together, individual income tax and tax withholdings, and corporate taxes accounted for about 88.8 percent of total tax and other revenues in FY 2020. Other revenues include Federal Reserve earnings, excise taxes, and customs duties.



Assets and Liabilities

Chart 5 summarizes the assets and liabilities that the government reports on its Balance Sheet. As of September 30, 2020:

- More than three-fourths of the federal government's total assets ($6.0 trillion) consist of: 1) $1.9 trillion in cash and monetary assets, 2) $1.6 trillion in net loans receivable (primarily student loans), and 3) $1.1 trillion in net PP&E.
  - Other significant government resources not reported on the Balance Sheet include stewardship assets, natural resources, and the government's power to tax and set monetary policy.
- Total liabilities ($32.7 trillion) consist mostly of: 1) $21.1 trillion in federal debt and interest payable and 2) $9.4 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, FRB, foreign governments, and other non-federal entities.
- The government borrows from the public (increases federal debt levels) to finance deficits. During FY 2020, federal debt held by the public increased $4.2 trillion (25.0 percent) to $21.1 trillion.
- The government also reports about $6.0 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 annual receipts, including interest earnings, in Treasury-issued federal debt securities. Although not reflected in Chart 5, 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"). At the end of FY 2020, debt subject to the statutory limit was $26.9 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. Effective March 2, 2019, the statutory debt limit was set at $22.0 trillion. On August 2, 2019, the *BBA of 2019* (P.L. 116-37) was enacted suspending the statutory debt limit through July 31, 2021.
- FEVBP represents the amounts of benefits payable by agencies which administer the government's pension and other benefit plans for its military and civilian employees.

The Effects of the Pandemic on the Balance Sheet

The COVID-19 pandemic's effects on the government's finances extended to the balance sheet, affecting both assets and liabilities, including, but not limited to:

- Cash and monetary assets ($1.9 trillion) is comprised largely of the operating cash of the U.S. government, which grew by $1.4 trillion (371 percent) to $1.8 trillion during FY 2020 largely due to Treasury maintaining an elevated cash balance to maintain prudent liquidity in light of the size and relative uncertainty of COVID-19-related outflows. (See Note 2—Cash and Monetary Assets).
- SBA's credit program receivables are generally comprised of business and disaster direct loans and defaulted business loans purchased per the terms of SBA's loan guarantee programs. These receivables increased to $182.9 billion as of FY 2020, stemming from a $173.2 billion increase in direct disaster loans primarily funded by the CARES Act. SBA's liability for loan guarantees increased $510.7 billion. These large fluxes are a direct result of the PPP and Debt Relief programs (See Note 4—Direct Loans and Loan Guarantees Receivable, Net and Loan Guarantees Liability).
- During FY 2020, Education net loans receivable decreased by $32.4 billion, due to various factors including a provision related to the CARES Act and a subsequent Presidential Memorandum which provided support for student loan borrowers by temporarily suspending nearly all federal student loan payments. In addition, all federal wage garnishments and collections actions for borrowers with federally held loans in default were halted (See Note 4—Direct Loans and Loan Guarantees Receivable, Net and Loan Guarantees Liability).
- The Balance Sheet includes $108.4 billion of "Investments in Special Purpose Vehicles". In response to the COVID-19 pandemic, Treasury holds equity investments in SPVs established by the Federal Reserve for the purpose of enhancing the liquidity of the U.S. financial system (See Note 8—Investments in Special Purpose Vehicles).
- "Other Assets" on the Balance Sheet includes $218.6 billion in "Advances and Prepayments". The $150.6 billion increase in this amount during FY 2020 is largely attributable to COVID-19 relief efforts at HHS (for AAP and PHSSEF advances for personal protection equipment and test kits) and Treasury (for Coronavirus Relief Fund assistance payments (See Note 10—Other Assets)).

See Note 28—COVID-19 Activity, as well as the referenced agencies' FY 2020 financial statements for additional information.

As noted earlier, Note 29—Subsequent Events, discusses the financial effects of significant events that occurred following the end of the fiscal year, but prior to issuance of this *Financial Report*.

Key Economic Trends

An examination of key macroeconomic indicators helps put the discussion of the government's financial performance into context. During the first five months of FY 2020, the U.S. economy exhibited solid growth with strong labor markets. However, the spread of the COVID-19 virus led to a sharp, severe economic contraction and an unprecedented level of fiscal support. 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 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 reached 100 percent at the end of FY 2020. The long-term fiscal projections in this report are based on the same economic assumptions that underlie the Social Security Trustees' Report, and those assumptions were developed using data available as of January 1, 2020, prior to the economic downturn. At this time, management cannot reasonably estimate the potential effects of COVID-19 on the projections or other sustainability measures (such as projected depletion dates for the Social Security and Medicare Hospital Insurance Trust Funds in Table 1 below), which could be significant.

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.

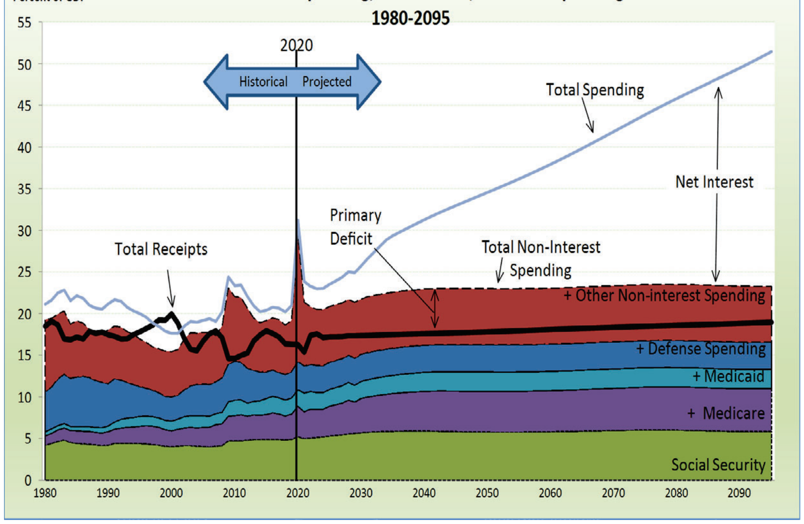
Receipts, Spending, and the Debt

Chart 6 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 spiked during 2009 through 2012 due to the financial crisis of 2008-09 and the ensuing severe recession, as well as increased spending and temporary tax reductions enacted to stimulate the economy and support recovery. As an economic recovery took hold, the primary deficit-to-GDP ratio fell,

Chart 6: Historical and Current Policy Projections for Receipts, Non-interest Spending, Net Interest, and Total Spending 1980-2095



[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.

averaging 2.1 percent from 2013 through 2019. The ratio spiked again in 2020 rising to 13.3 percent of GDP due to increased spending to address the COVID-19 pandemic and lessen the economic impacts of stay-at-home and social distancing orders on individuals, hard-hit industries, and small businesses. The ratio is projected to fall to 6.0 percent in 2021 and then shrink to 2.9 percent in 2023 as the economy grows and spending due to legislation enacted in response to the COVID-19 pandemic decreases. After 2024, however, increased spending for Social Security and health programs[2] due to the continued retirement of the baby boom generation and increases in health care costs is projected to result in increasing primary deficits that peak in 2042, when the primary deficit-to-GDP ratio reaches 5.4 percent. After 2042, the ratio gradually decreases as the aging of the population continues at a slower pace, and reaches 4.3 percent in 2095, the last year of the projection period.

- The expiring individual income and estate and gift tax provisions of the TCJA are assumed to continue past their legal expiration on December 31, 2025 because of the recent historical pattern of such tax rates being extended, similar to the presentation in the FY 2021 President's Budget. Congressional action is required to extend the provisions of the TCJA. GDP, interest, and other economic and demographic assumptions are the same as those that underlie the most recent Social Security and Medicare Trustees' Report projections, adjusted for historical revisions that occur annually. The most recent Social Security and Medicare Trustees' Reports were released in April 2020, and the economic and demographic assumptions do not reflect the effects of the COVID-19 pandemic, increasing the uncertainty surrounding this year's long-term fiscal projections including the projected depletion dates in Table 1.
- The persistent long-term gap between projected receipts and total spending shown in Chart 6 occurs despite the projected effects of the PPACA[3] on long-term deficits.
    - Enactment of the PPACA in 2010 and the MACRA 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 (HI)*	2026 (unchanged from FY 2019 Report)	In 2026, trust fund income is projected to cover 90 percent of benefits, decreasing to 78 percent in 2044, then returning to 90 percent by 2094.
Combined Old-Age Survivors and Disability Insurance (OASDI)**	2035 (unchanged from FY 2019 Report)	In 2035, trust fund income is projected to cover 79 percent of scheduled benefits, decreasing to 73 percent by 2094.

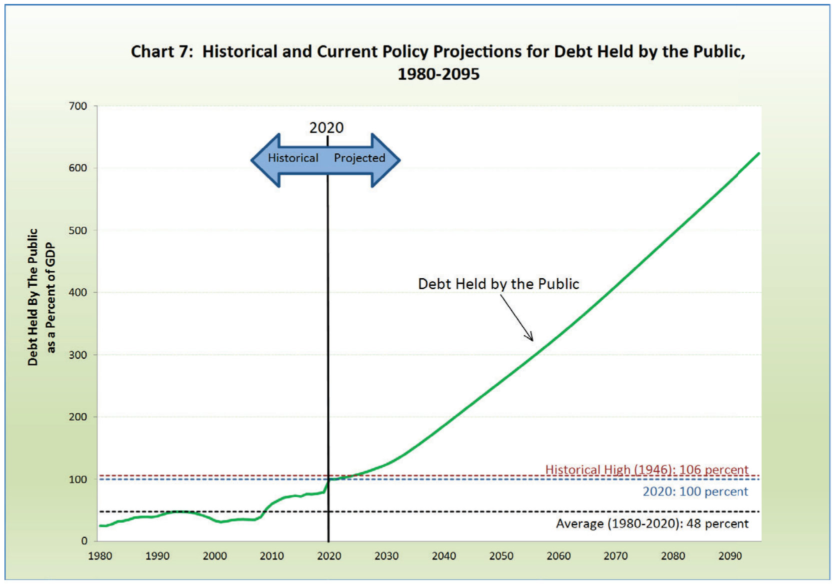
* Source: 2020 Medicare Trustees Report ** Source: 2020 OASDI Trustees Report
Projections assume full Social Security and Medicare benefits are paid after fund depletion contrary to current law.
Projections do not include the effects of the pandemic.

[2] See the 2020 Trustees' Report for Medicare (pp 4-5) and Social Security (pp 4-23) and the 2018 Medicaid Actuarial Report.

[3] 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 rates relative to the rates that would have occurred in the absence of the PPACA. (See Note 23 and the RSI section of the *Financial Report*, and the 2020 Medicare Trustees' Report for additional information).

The primary deficit projections in Chart 6, along with those for interest rates and GDP, determine the debt-to-GDP ratio projections in Chart 7.

- The debt-to-GDP ratio was 100 percent at the end of FY 2020, and under current policy and based on this report's assumptions is projected to reach 623 percent in 2095.
- 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 higher than both the 2019 and 2018 *Financial Report* projections.



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 2020 is 5.4 percent of GDP (compared to 3.8 percent for 2019).
- 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 5.4 percent of GDP on average over the next 75 years. The fiscal gap represents 30.2 percent of 75-year PV receipts and 23.8 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 2021 (No Delay)	5.4 percent of GDP between 2021 and 2095
Reform in 2031 (Ten-Year Delay)	6.4 percent of GDP between 2031 and 2095
Reform in 2041 (Twenty-Year Delay)	7.8 percent of GDP between 2041 and 2095

  - Table 2 shows that, if action is delayed by 10 years, the estimated magnitude of primary surplus increases necessary to close the 75-year fiscal gap increases by 18.5 percent from 5.4 percent of GDP on average over 75 years to 6.4 percent on average over 65 years; if action is delayed by 20 years, the magnitude of reforms necessary increases by an additional 21.9 percent.
  - 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.

Find Out More

The FY 2020 *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;
- 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 226 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.