NATION BY THE NUMBERS

A Snapshot of The Government's Financial Position & Condition

		2021		2020*
Financial Measures (Dollars in Billions):				
Net Cost:				
Gross Costs	$	(7,294.7)	$	(7,195.1)
Less: Earned Revenue	$	462.3	$	461.6
Gain/(Loss) from Changes in Assumptions	$	(518.4)	$	(679.5)
Total Net Cost	**$**	**(7,350.8)**	**$**	**(7,413.0)**
Less: Total Tax and Other Unearned Revenues	**$**	**4,255.9**	**$**	**3,571.6**
Net Operating Cost	**$**	**(3,094.9)**	**$**	**(3,841.4)**
Budget Deficit	**$**	**(2,775.6)**	**$**	**(3,131.9)**
Assets, comprised of:				
Cash and Other Monetary Assets	$	475.0	$	1,926.9
Accounts Receivable	$	401.0	$	321.2
Loans Receivable, Net	$	1,651.0	$	1,577.4
General Property, Plant, and Equipment, Net	$	1,176.9	$	1,139.9
Other	$	1,189.7	$	990.3
Total Assets	**$**	**4,893.6**	**$**	**5,955.7**
Less: Liabilities, comprised of:				
Federal Debt and Interest Payable	$	(22,344.8)	$	(21,082.9)
Federal Employee & Veteran Benefits Payable	$	(10,183.0)	$	(9,415.5)
Other	$	(2,249.9)	$	(2,245.6)
Total Liabilities	**$**	**(34,777.7)**	**$**	**(32,744.0)**
Unmatched Transactions and Balances[1]	$	(1.7)	$	(3.1)
Net Position[2]	**$**	**(29,885.8)**	**$**	**(26,791.4)**
Sustainability Measures (Dollars in Trillions):				
Social Insurance Net Expenditures	$	(71.0)	$	(65.5)
Total Federal Non-Interest Net Expenditures	$	(97.6)	$	(79.5)
Sustainability Measures as Percent GDP:				
Social Insurance Net Expenditures		(4.4%)		(4.2%)
Total Federal Non-Interest Net Expenditures		(5.7%)		(4.8%)
Fiscal Gap[3]		(6.2%)		(5.4%)

[1]Unmatched transactions and balances are net adjustments needed to balance the financial statements and are due primairly to unresolved intra-governmental differences. Net unmatched transactions and balances of $0.2 billion for FY 2021 and $11.5 billion for FY 2020 are also included in the Statements of Operations and Changes in Net Position. See Financial Statement Note 1.U.

[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]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 6.2 percent of GDP on average is needed (5.4 percent of GDP on average in 2020). See Financial Statement Note 26.

*Restated (see Financial Statement Note 1.V and Note 1.W).

Executive Summary to the FY 2021 Financial Report of the United States Government

The FY 2021 *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. The first audited *Financial Report* covered FY 1997, making the FY 2021 *Financial Report* the 25th edition of this important vehicle for federal accountability and transparency.

This *Financial Report* addresses the government's financial activity and results as of and for the fiscal years ended September 30, 2021 and 2020. Note 31—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

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 2021:

- The budget deficit decreased by $356.3 billion (11.4 percent) to $2.8 trillion and net operating cost decreased by $746.5 billion (19.4 percent) to $3.1 trillion.
- The government's gross costs of $7.3 trillion, less $462.3 billion in revenues earned for goods and services provided to the public, plus $518.4 billion in net losses from changes in assumptions yields the government's net cost of $7.4 trillion.
- Tax and other revenues increased by $684.3 billion to $4.3 trillion. Deducting these revenues from net cost yields the federal government's "bottom line" net operating cost of $3.1 trillion referenced above.
- Comparing total government assets of $4.9 trillion to total liabilities of $34.8 trillion (comprised mostly of $22.3 trillion in federal debt and interest payable, and $10.2 trillion of federal employee and veteran benefits payable) yields a negative net position of $29.9 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 $97.6 trillion (total federal non-interest net expenditures from Table 1).
- The debt-to-GDP ratio was about 100 percent at the end of FY 2021. Under current policy and based on this report's assumptions, it is projected to reach 701 percent by 2096. 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 $71.0 trillion, a $5.5 trillion increase over 2020 social insurance projections.
- This *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 position during FY 2021.

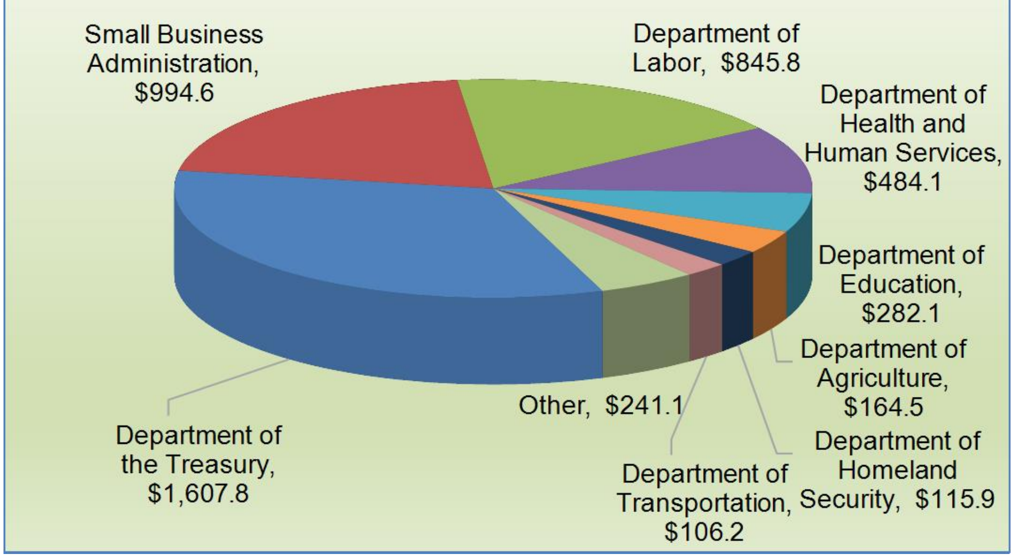
The Federal Government's Response to the Pandemic

On March 11, 2020, a novel strain of the Coronavirus (COVID-19) was declared a pandemic by the WHO. A national emergency was declared in the U.S. on March 13, 2020. The global spread of COVID-19, which continued through FY 2021, resulted in a severe global health and economic crisis. During FY 2020 and FY 2021, the federal government took broad action to protect public health from the effects of the unprecedented pandemic, enacting several major pieces of legislation, including:

- *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 Act* (CARES Act, P.L. 116-136);
- *Paycheck Protection Program and Health Care Enhancement Act* (PPPHCE Act, P.L. 116-139);
- *Consolidated Appropriations Act, 2021* (CAA, P.L. 116-260); and
- *American Rescue Plan Act of 2021* (ARP, P.L. 117-2).

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.

Chart 1
Appropriations for COVID-19 Response from Relief Laws*
Total (FYs 2020-2021): $4.8 Trillion
as of September 30, 2021
Dollars in Billions



*Net of rescissions, transfers, and other adjustments. Does not include indirect appropriations related to COVID-19 activity.

Source: Appropriation Warrants. See Note 30—COVID-19 Activity and Agency Financial Reports for additional information.

Chart 1 summarizes the more than $4.8 trillion in appropriations (net of rescissions) enacted through September 30, 2021 (i.e., during FY 2020 and FY 2021) for several key agencies, which include, but are not limited to:

- Treasury appropriations support multiple efforts. IRS provided a refundable tax credit, the recovery rebate or EIP, and Treasury provides for payments to state, local, and tribal governments for pandemic-related spending. ($1.6 trillion)
- SBA administers the PPP, 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. SBA also provides loans to small business owners through the EIDL program. ($994.6 billion)

- Through multiple UI Programs, DOL expands the 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. ($845.8 billion)
- Through the PHSSEF and other efforts, 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. ($484.1 billion)
- Education COVID-19 appropriations funded a variety of programs administered primarily through grant programs. COVID-19 relief legislation and administrative actions also provided support for student loan borrowers primarily by temporarily suspending nearly all federal loan payments. ($282.1 billion)
- Funding for USDA extended modifications to federal nutrition assistance programs; funded programs to support agricultural producers, growers, and processors; and provided additional relief to address the continued impact of COVID-19 on the economy, public health, state and local governments, individuals, and businesses. ($164.5 billion)
- DHS funding supports a wide range of efforts, including FEMA's Disaster Relief Fund. FEMA is authorized to provide many types of assistance including, but not limited to Public Assistance for emergency protective measures, including vaccination activities, direct federal assistance, personal protective equipment, and state and local Emergency Operations Center operations. ($115.9 billion)
- DOT funding supports the maintaining and continuing of operations and business needs of various transportation systems in response to COVID-19. ($106.2 billion)
- Many other agencies and programs comprise the "Other" amount in Chart 1. See Note 30—COVID-19 Activity and agency financial statements for additional details concerning federal agency pandemic response efforts.

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 2021. Additional information can be obtained from individual agency financial statements.

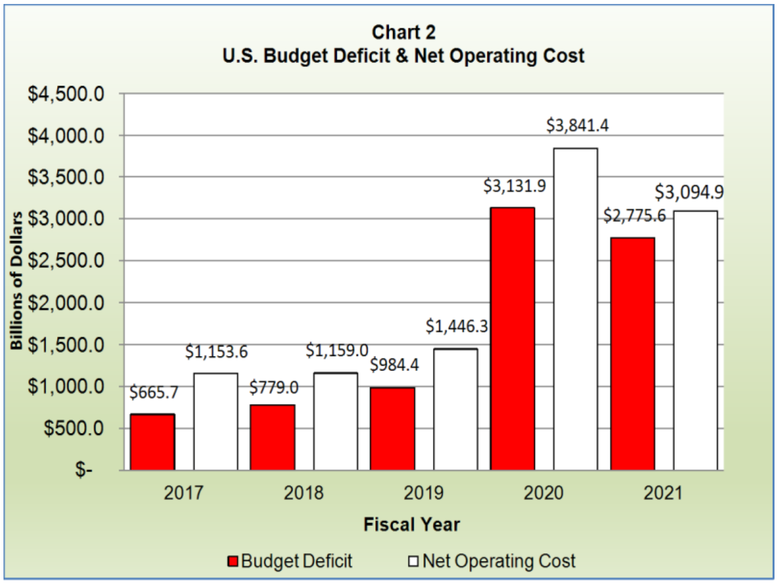
Comparing the Budget and the Financial Report

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 2017 - 2021. During FY 2021:

- A $269.7 billion increase in outlays was more than offset by a $626.0 billion increase in receipts resulting in a $356.3 billion decrease in the budget deficit from $3.1 trillion to $2.8 trillion.
- Net operating cost decreased $746.5 billion or 19.4 percent from $3.8 trillion to $3.1 trillion, due mostly to a $62.2 billion or 0.8 percent decrease in net cost combined with a $684.3 billion or 19.2 percent increase in tax and other revenues.

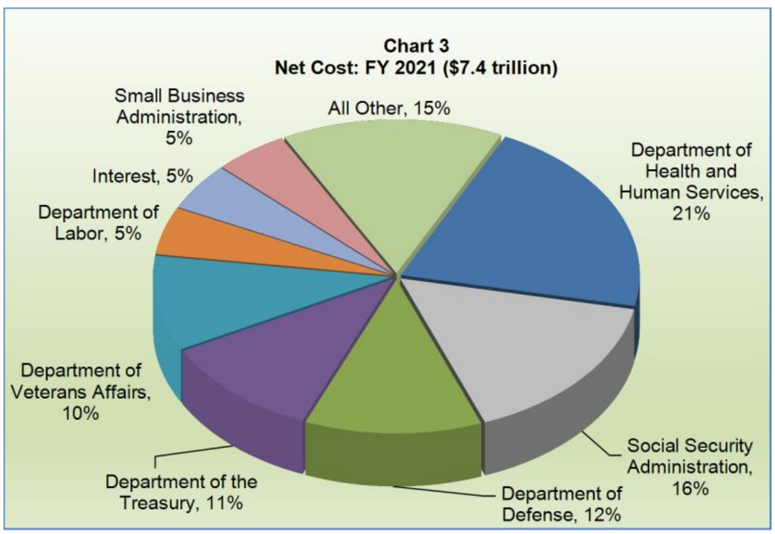


The $319.3 billion difference between the budget deficit and net operating cost is primarily due to accrued costs (incurred but not necessarily paid) that are included in net operating cost, but not the budget deficit, primarily costs related to increases in estimated federal employee and veteran benefits liabilities. Other sources of differences include, but are not limited to increases in taxes receivable and the value of investments in GSE, as well as increases in advances largely associated with the government's pandemic response and timing differences related to the recording of credit reform costs.

Costs and Revenues

The government's "bottom line" net operating cost decreased $746.5 billion (19.4 percent) during FY 2021 to $3.1 trillion. It is calculated as follows:

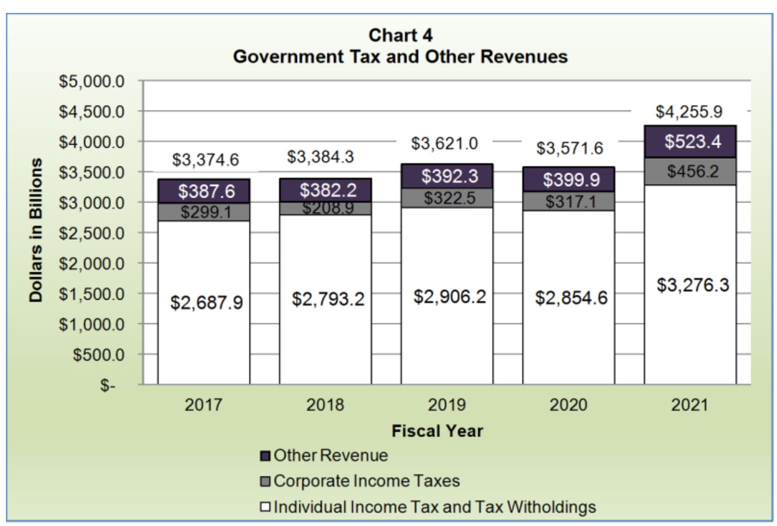
- Starting with total gross costs of $7.3 trillion, the government subtracts earned program revenues (e.g., Medicare premiums, national park entry fees, and postal service fees) and adjusts the balance for gains or losses from changes in actuarial assumptions used to estimate future federal employee and veteran benefits payments to derive its net cost before taxes and other revenues of $7.4 trillion (see Chart 3), a slight decrease of $62.2 billion (0.8 percent) from FY 2020. This net decrease is the combined effect of many offsetting increases and decreases across the government, including the ongoing effects of the federal government's response to the pandemic. For example:



  - A $211.6 billion decrease in net costs at the SBA, driven primarily by a $230.0 billion decrease in loan subsidy costs, including reestimates, attributable to the PPP and Debt Relief programs under the CARES Act.

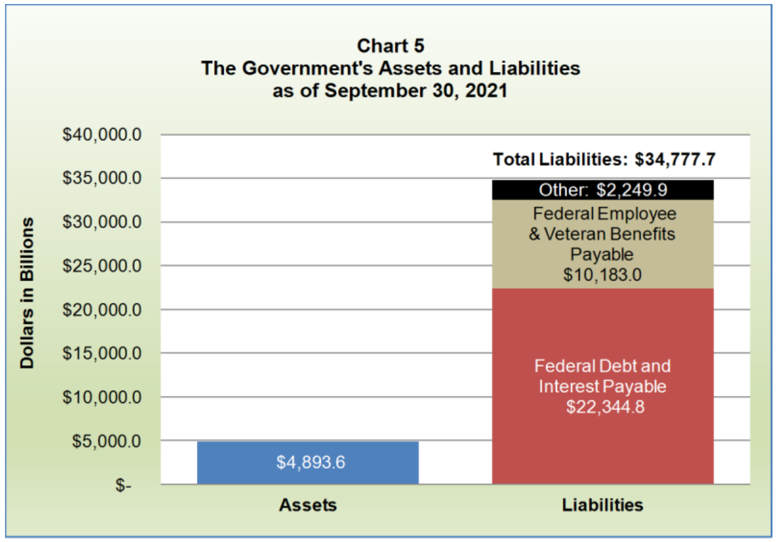
- A $270.1 billion increase in Treasury net costs largely due to increased disbursement of refundable tax credits or EIPs ($569.5 billion in FY 2021 compared to $274.7 billion in FY 2020), to eligible recipients in every state and territory and at foreign addresses.
- A $96.4 billion decrease at DOL, much of which is attributable to a $100.7 billion decrease in Income Maintenance programs costs, primarily due to decreases in unemployment benefits as less jobless claims are filed.
- A $100.8 billion net cost increase at HHS primarily due to a $115.4 billion increase across the Medicare and Medicaid benefits programs, including an increase in Medicaid grants to states to continue COVID-19 relief efforts. These cost increases were offset by cost decreases due to the PHSSEF receiving less funding during FY 2021 for COVID-19.
- 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 $518.4 billion in FY 2021, a loss decrease (and a corresponding net cost decrease) of $161.1 billion compared to FY 2020.
- VA net costs decreased $291.8 billion due largely to changes in benefits program experience and assumptions as referenced above, including, but not limited to a lower than anticipated number of veterans.
- DOD net costs increased $144.8 billion due to a $100.2 billion loss increase from changes in assumptions referenced above, as well as slight increases in net costs across DOD's major programs, including military operations, readiness, support, procurement, personnel, and R&D.
- SSA net costs increased $36.5 billion due largely to a cost of living increase in benefits expenses for the OASI program, partially offset by a decrease in the number of beneficiaries and, consequently, expenses for the DI program.
- Interest costs related to federal debt securities held by the public increased by $20.9 billion due largely to an increase in inflation adjustments and an increase in outstanding debt held by the public.

- The government deducts tax and other revenues from net cost (with some adjustments) to derive its FY 2021 "bottom line" net operating cost of $3.1 trillion.
  - From Chart 4, total government tax and other revenues increased by $684.3 billion (19.2 percent) to about $4.3 trillion for FY 2021 due primarily to overall growth in income taxes collections, partially offset by increased refunds.
  - Together, individual income tax and tax withholdings, and corporate taxes accounted for about 87.7 percent of total tax and other revenues in FY 2021. 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, 2021:



- More than three-fourths of the federal government's total assets ($4.9 trillion) consist of: 1) $475.0 billion in cash and monetary assets; 2) $401.0 billion in net accounts receivable; 3) $1.7 trillion in net loans receivable (primarily student loans); and 4) $1.2 trillion in net PP&E.
  - Cash and monetary assets ($475.0 billion) is comprised largely of the operating cash of the U.S. government. Operating cash held by Treasury decreased $1.6 trillion (88.8 percent) to $198.4 billion during FY 2021 due to Treasury maintaining an elevated cash balance in FY 2020 to maintain prudent liquidity in light of the size and relative uncertainty of COVID-19 related outflows, combined with needing to reduce the cash balance to well under Treasury's prudent policy level at the end of FY 2021 due to debt ceiling constraints.
  - Treasury comprises approximately 76.0 percent of the government's reported accounts receivable, net, mostly in the form of reported taxes receivable, which consist of unpaid assessments due from taxpayers, unpaid taxes related to IRC section 965, and deferred payments for employer's share of FICA taxes, resulting from the CARES Act. Other accounts receivable, gross increased significantly year to year, primarily as a result of DOL's $18.6 billion increase in benefit overpayments from programs related to COVID-19 as well as a $7.0 billion increase in HHS receivables, primarily due to Medicare.
  - Loans receivable, net increased by $73.6 billion (4.7 percent) during FY 2021. This increase was primarily attributable to an increase in direct disaster COVID-19 EIDL-funded loans and direct student loans, offset by an increase in the estimated subsidy cost of direct student loans largely due to administrative action to temporarily suspend payments during FY 2021.
  - 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 68.8 percent of the government's reported general PP&E of $1.2 trillion as of September 30, 2021.
  - 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 ($34.8 trillion) consist mostly of: 1) $22.3 trillion in federal debt and interest payable; and 2) $10.2 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 2021, federal debt held by the public increased $1.3 trillion (6.0 percent) to $22.3 trillion.
  - The government also reports about $6.2 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 2021, debt subject to the statutory limit was $28.4 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. On August 2, 2019, the BBA of 2019 (P.L. 116-37) was enacted suspending the statutory debt limit through July 31, 2021. A delay in raising the statutory debt limit occurred from August 1, 2021 through September 30, 2021. During the period of August 2, 2021 through September 30, 2021, Treasury departed from their normal debt management operations and undertook extraordinary measures to avoid exceeding the statutory debt limit. On October 14, 2021, P.L. 117-50 was enacted which raised the statutory debt limit by $480.0 billion, to $28.9 trillion. Congress and the President most recently increased the debt limit by $2.5 trillion in December 2021 with the enactment of P.L. 117-73 (see Note 31—Subsequent Events).
- Federal Employee and Veteran Benefits Payable ($10.2 trillion) represents the amounts of benefits payable by agencies which administer the government's pension and other benefit plans for its military and civilian employees.

See Note 30—COVID-19 Activity, as well as the referenced agencies' FY 2021 financial statements for additional information. See Note 31—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. During the last two fiscal years, the economy's performance has been deeply affected by the COVID-19 global pandemic as well as the U.S. government's extensive measures to provide fiscal support. Over the course of FY 2021, the economy grew briskly, continuing the recovery begun during the previous fiscal year. These and other economic and financial developments are discussed in greater detail in the *Financial Report*.

An Unsustainable Fiscal Path

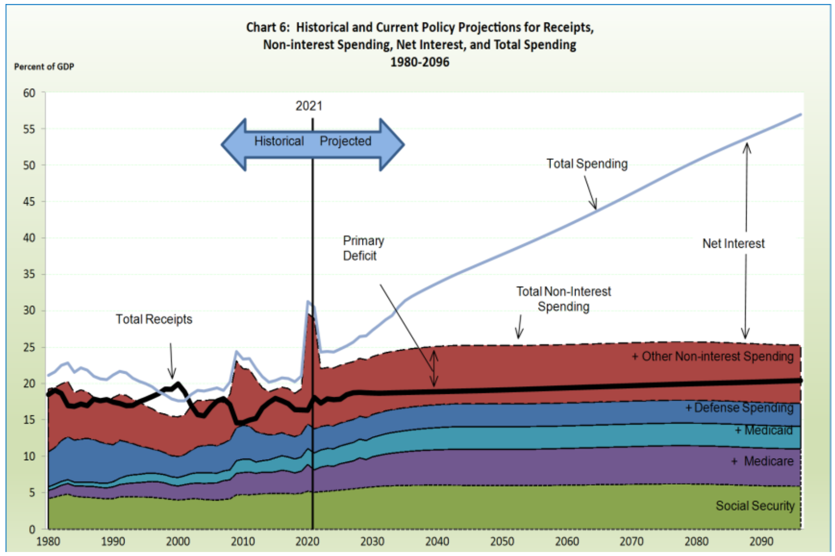
An important purpose of this *Financial Report* is to help citizens understand current fiscal policy and the importance and magnitude of policy reforms necessary to make it sustainable. A sustainable fiscal policy is defined as one where the ratio of debt held by the public to GDP (the debt-to-GDP ratio) 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 approximately 100 percent at the end of FY 2021 which is similar to (but slightly below) the debt-to-GDP ratio at the end of FY 2020. The long-term fiscal projections in this 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.

[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.

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 the effects of the government's response thereto. As an economic recovery took hold, the primary deficit-to-GDP ratio fell, 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. Spending remained elevated in 2021 due to additional funding to support economic recovery, but increased receipts reduced the primary deficit-to-GDP ratio to 10.8 percent. The ratio is projected to fall to 4.7 percent in 2022 and then decreases to 4.3 percent in 2027. After 2027, 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 reach 5.0 percent of GDP in 2030. The primary deficit peaks at 6.3 percent of GDP in 2043, then gradually decreases beyond that point as the aging of the population continues at a slower pace, and reaches 4.9 percent in 2096, the last year of the projection period.

- 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 August 2021, reflecting the effects of the COVID-19 pandemic and including the projected depletion dates in Table 1. Projections for the other categories of receipts and spending are consistent with the economic and demographic assumptions in the Trustees' Reports and include updates for actual budget results for FY 2021 or budgetary estimates from the President's FY 2022 Budget. Where possible, those budget totals are adjusted before spending is projected to remove outlays for programs or activities that are judged to be temporary, such as spending related to the COVID-19 pandemic and economic recovery. Where not possible, budget totals were not adjusted resulting in higher projections of future spending, increasing the uncertainty surrounding this year's projections.

- 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.

[2] See the 2021 Trustees Report for Medicare and Social Security and the most recent 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 25 and the RSI section of the *Financial Report*, and the 2021 Medicare Trustees' Report for additional information).

- 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.

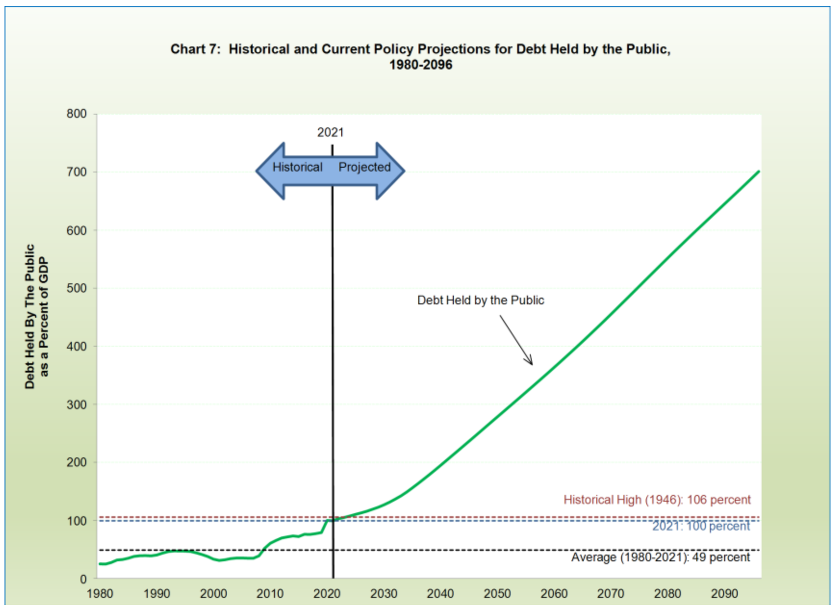
Table 1: Trust Fund Status

Fund	Projected Depletion	Projected Post-Depletion Trend
Medicare Hospital Insurance *	2026 (unchanged from FY 2020 Report)	In 2026, trust fund income is projected to cover 91.0 percent of benefits, decreasing to 78.0 percent in 2045, then returning to 91.0 percent by 2095.
Combined Old-Age Survivors and Disability Insurance **	2034 (one year earlier than FY 2020 Report)	In 2034, trust fund income is projected to cover 78.0 percent of scheduled benefits, decreasing to 74.0 percent by 2095.

* Source: 2021 Medicare Trustees Report ** Source: 2021 OASDI Trustees Report

Projections assume full Social Security and Medicare benefits are paid after fund depletion contrary to current law.

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 approximately 100 percent at the end of FY 2021, and under current policy and based on this report's assumptions is projected to reach 701 percent in 2096.
- 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 2020 and 2019 *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 2021 is 6.2 percent of GDP (compared to 5.4 percent for 2020).
- 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 6.2 percent of GDP on average over the next 75 years. The fiscal gap represents 32.4 percent of 75-year PV receipts and 25.0 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 2022 (No Delay)...............................	6.2 percent of GDP between 2022 and 2096
Reform in 2032 (Ten-Year Delay).....................	7.3 percent of GDP between 2032 and 2096
Reform in 2042 (Twenty-Year Delay)...............	9.0 percent of GDP between 2042 and 2096

- 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 17.7 percent from 6.2 percent of GDP on average over 75 years to 7.3 percent on average over 65 years; if action is delayed by 20 years, the magnitude of reforms necessary increases by an additional 23.3 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 2021 *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 228 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.