ANNUAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

UNITED STATES GOVERNMENTS

PREPARED BY

USA FACTS

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As of September 30, 2014, the aggregate value of debt securities issued by the federal, state, and local governments of the United States combined and held by the public was $15.1 trillion.

DOCUMENTS INCORPORATED BY REFERENCE

USAFacts Summary 2017
USAFacts Annual Report 2017

United States Governments

Annual Report

For the Fiscal Year Ended September 30, 2014

Index

Part I

About This Report

Purpose

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

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

Structure and content

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

Overall structure and content

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

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

In this report, you will find:

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

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

Information to come

We have limited this report to the volume of data that we could analyze prior to our initial release date. We intend to update this report to include additional analysis as soon as reasonably possible, and have marked the related areas of this report with the note "More analysis to come."

Data quality

Timeliness of data

Information included in each section of this report is generally based on the most current information from government sources for the majority of the data in the particular section. In general, Part II covers the period through September 30, 2014, which marks the end of the latest fiscal year for which aggregated state and local income statement data is available. We acknowledge that this information is not timely. We do, however, believe that there is value in looking at a longer time series of data, as we have presented in this report and on our website, and that the longer-term trends noted in our analyses likely did not change materially between fiscal years 2014 and 2016. We will continue to search for more current data and explore ways that we might aggregate it ourselves to provide more timely information.

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

Sources of data

Financial statement and related data

Our primary financial statement (and related footnote and MD&A) data came from the following sources:

- *Federal income statements* – federal government budget figures prepared on a cash basis (budgeted inflows and outflows) by the US Treasury Department (Treasury) and the Office of Management and Budget (OMB), supplemented in the functional income statement in one case (wages and salaries) by data from the Bureau of Economic Analysis (BEA) (see *Modification of data* below).
- *State and local income statements* – actual historical figures compiled by the US Census Bureau (the Census Bureau), as reported by state and local governments through the Census of Governments.
- *Federal balance sheets* – data prepared by the Treasury and audited by the Government Accountability Office, as provided through the *Financial Report of the United States Government* (the *Financial Report*).
- *State and local balance sheets* – data prepared by the Federal Reserve and the BEA.

This financial statements and related data, unless otherwise noted, are on a fiscal year basis. This means they represent:

- *Income statements* – data for the annual period from October 1 to September 30, for federal government and from July 1 to June 30, generally, for state and local governments; and
- *Balance sheets* – data as of one day, September 30 for the federal government and June 30 for state and local governments

See http://www.usafacts.org/methodology on our website for more information on the creation of our income statements. See *Part II, Item 8. Financial Statements and Supplementary Data* within this report for more information on the creation of our balance sheets.

Other data

We sourced the other data and certain other content in this report from the government entities listed in Exhibit 99.01. Some of these data have been audited by the GAO, a state auditor's office, or an independent public accounting firm, while some is unaudited. We relied on a non-governmental source for just one data set – the economic mobility data in *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment, Blessings of Liberty, American Dream*.

Citations

For data that is contained both in this report and on our website, the respective source is generally cited only on our website and not herein again. The limited additional data that is contained only in this report and not on our website is:

- when sourced from the federal government:
  - cited in this report for convenience of the reader when larger sets of data were used (e.g. the footnotes in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements*);
  - generally, not cited otherwise, as materials created by the federal government are generally part of the public domain. If you have questions about sources of federal data and are unable to find them on our website, http://www.usafacts.org/ please contact us using the contact information on our website; and
- when sourced from the state or local government or another source, cited herein.

It should be noted that none of our materials nor our organization are affiliated with, or endorsed by, any of our sources.

Reliability of data

Some of the data we have sourced may not be reliable for a number of reasons, including qualified audit opinions, restatements of data, and issues specific to Census data. See Exhibit 99.11 for a discussion of data reliability considerations.

Comparability of data

Unlike information about a corporation, the data for our Government come from numerous and varied sources. Each of these sources may prepare the data on different accounting bases (e.g. cash vs. accrual) and for different time periods (e.g. a point in time vs. a full year, calendar year vs. fiscal year). This lack of comparability of data makes analysis of our Government challenging. We have highlighted key data challenges and our solutions in Exhibits 99.12 and 99.13. We acknowledge our solutions are not perfect and seek to continually refine our approach as we release future reports. However, we do not anticipate true solutions to these challenges other than government-wide data availability and comparability initiatives.

Modification of data

We drew the data included in this report from the sources listed in Exhibit 99.01 and where possible have not revised it. In certain cases, we have modified the data where necessary to make it comparable or comprehensible. See Exhibit 99.13 for a discussion of specifically what we modified.

Forward-looking statements

This report includes limited estimates, projections, and statements relating to government plans, objectives, and expected operating results that are "forward-looking statements." Such statements may appear throughout this report, including in the following sections: *Item 1. Purpose and Function of Our Government*, *Item 1A. Risk Factors*, *Item 7. Management's Discussion and Analysis*, *Item 7A. Quantitative and Qualitative Disclosures About Market Risk,* and *Item 15. Exhibits*. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," and similar expressions.

The forward-looking statements in this document have primarily been drawn from government sources. We do not attest to the accuracy of these statements and related information, nor do we undertake any obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise. We have included our own forward-looking statements in this document in the following limited cases:

- *Item 1A. Risk Factors* include statements authored by us, including forward-looking statements. However, any dollar projections included therein were prepared by government sources, which are cited; and
- We calculated the estimated future federal interest payments shown in the contractual obligations table in *Part II, Item 7. Management's Discussion and Analysis, Financial condition* as we had the components (outstanding debt and interest rates) from a government source. We have disclosed our calculations in a footnote to the table.

Item 1. Purpose and Function of Our Government

General

Who we are

The United States of America (US) is a federal republic composed of 50 states, a federal district of Washington, D.C., five major and various minor insular areas, as well as over 90,000 local governments, including counties, municipalities, townships, and special district governments. At 3.8 million square miles and with over 320 million people, the US is the world's third-largest country by total area and the third most populous.

Our vision and mission

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

Our strategy

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

Raising and spending money

Our Government raises money directly through taxes and non-tax sources and indirectly through businesses it runs. This money is used to pay government expenditures and to transfer money to individuals and others. When the money raised is not sufficient to cover the money spent (most years), the US Department of the Treasury may borrow money to finance the difference.

Exercising authority

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

See more at *Government operations* below.

Government structure

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

Federal government structure

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

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

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

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

The federal government seeks to act in the best interests of its citizens through this system of checks and balances.

Legislative

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

Executive

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

Judicial

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

THE UNITED STATES GOVERNMENT

THE CONSTITUTION

LEGISLATIVE BRANCH

THE CONGRESS
SENATE | HOUSE
100 Senators
435 Representatives

Architect of the Capitol
United States Botanic Garden
Government Accountability Office
Government Printing Office
Library of Congress
Congressional Budget Office
US Capitol Police

EXECUTIVE BRANCH

THE PRESIDENT
THE VICE PRESIDENT
EXECUTIVE OFFICE OF THE PRESIDENT
15 Cabinet Members

White House Office
Office of the Vice President
Council of Economic Advisers
Council on Environmental Quality
National Security Council
Office of Administration
Office of Management and Budget
Office of National Drug Control Policy
Office of Policy Development
Office of Science and Technology Policy
Office of the US Trade Representative

JUDICIAL BRANCH

THE SUPREME COURT OF THE UNITED STATES
9 Justices

United States Courts of Appeals
United States District Courts
Territorial Courts
United States Court of International Trade
United States Court of Federal Claims
Administrative Office of the United States Courts
Federal Judicial Center
United States Sentencing Commission

SIGNIFICANT REPORTING ENTITIES (15)

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

OTHER SIGNIFICANT REPORTING ENTITIES

Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
National Science Foundation
Office of Personnel Management
Small Business Administration
Social Security Administration
US Agency for International Development

US Nuclear Regulatory Commission
Defense Security Cooperation Agency
Export-Import Bank of the United States
Farm Credit System Insurance Corporation
Federal Communications Commission
Federal Deposit Insurance Corporation
General Fund of the US Government
Millennium Challenge Corporation

National Credit Union Administration
Overseas Private Investment Corporation
Pension Benefit Guaranty Corporation
Railroad Retirement Board
Securities and Exchange Commission
Smithsonian Institution
Tennessee Valley Authority
US Postal Service

IN CONSERVATORSHIP

Fannie Mae
Freddie Mac

SIGNIFICANT RELATED ENTITIES

The Federal Reserve
Federal Home Loan Banks
The Farm Credit System

For a discussion of each of the federal government departments and offices, please see *The United States Government Manual* at https://www.gpo.gov/fdsys/browse/collection.action?collectionCode=GOVMAN&browsePath=2016+Edition+%28December%29%3BGOVMAN-2016-12-16%3Bthumbnails%5C%2Fgovman2016.jpg&isCollapsed=false&leafLevelBrowse=false&ycord=0.

State government structure[1]

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

[1] Much of the information in this section was derived from https://www.whitehouse.gov/1600/state-and-local-government.

Legislative

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

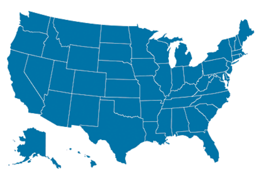
Every state except one has a bicameral legislature made up of two chambers: a smaller upper house and a larger lower house. Together the two chambers make state laws and fulfill other governing responsibilities. The smaller upper chamber is always called the Senate, and its members generally serve longer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

Executive

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

Judicial

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



STATE GOVERNMENTS (50)

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

Local government structure[2]

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

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

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

[2] Much of the information in this section was derived from https://www.census.gov/govs/go/population_of_interest.html.

LOCAL GOVERNMENTS (90,056)

GENERAL PURPOSE GOVERNMENTS (38,910)

County (3,031)
Municipality (19,519)
Township (16,360)

SPECIAL DISTRICT GOVERNMENTS (51,146)

Independent School Districts (12,880)

Other Special Districts (38,266)
Air transportation
Cemeteries
Corrections
Electric power
Fire protection
Gas supply
Health
Highways
Hospitals
Housing and community development
Industrial development
Libraries
Mortgage credit
Natural resources
Parking facilities
Parks and recreation
Sea and inland port facilities
Sewerage
Solid waste management
Transit
Water supply

Insular area government structure

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

American Indian tribal government structure

Our Government officially recognizes 567 Indian tribes in the contiguous 48 states and Alaska. The US observes tribal sovereignty of the American Indian nations to a limited degree, as it does with the states' sovereignty. American Indians are US citizens and tribal lands are subject to the jurisdiction of the US Congress and the federal courts. Like the states, the tribal governments have a great deal of autonomy with respect to their members, including the power to tax, govern, and try them in court, but also like the states, tribes are not allowed to make war, engage in their own foreign relations, or print and issue currency.

Government operations

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

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

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

Federal government authority to raise money

Tax revenue[3]

For most taxes, Congress does not need to pass a new law every year authorizing the IRS to collect. They essentially run on auto-pilot unless Congress chooses to change the law. Some changes to tax laws can occur in a given year because Congress previously enacted a timeline for the law to change at some specified point in time. For example, Congress often enacts sunset provisions on certain tax breaks or new programs to take effect at some date in the future. That is, they are scheduled to change unless Congress acts again. One can think of tax laws as similar to Newton's First Law – they will remain in motion unless acted upon (by Congress).

Federal individual income tax

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

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

Federal corporate income tax

The federal corporate income tax is levied on the net incomes of C-corporations (corporations recognized as separate taxpaying entities). C-corporations are allowed deductions for normal business expenditures that are typical of accounting for net income as well as some special provisions inserted by Congress. The federal statutory corporate income tax rate in the US is 35%. For companies headquartered in the US that earn income from overseas sources, such income is taxed only when repatriated back to the US. Not all business profits are subject to the corporate income tax. Income derived from S-corporations (closely-held corporations), partnerships, sole proprietorships, and real estate investment trusts is only subject to tax under the federal individual income tax.

Federal payroll taxes

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

Social Security tax revenues

Social Security tax revenues are earmarked for the Social Security Trust Fund, which consists of both Old-Age Survivors Insurance (OASI) and Disability Insurance (DI). Individuals and employers each pay a 6.2% tax on payrolls (wages and salaries and self-employment income) up to the payroll tax cap, for a total of 12.4%. Beyond the payroll tax cap, there is no Social Security tax. In tax year 2016, the payroll tax cap was $118,500. In the case of self-employed individuals, a tax equal to the employee plus the employer portion (12.4%) is levied.

Medicare tax revenues

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

Unemployment tax revenues

Together with state unemployment tax systems, the Federal Unemployment Tax Act (FUTA) tax provides funds to pay unemployment compensation to workers who have lost their jobs. Only employers pay a FUTA tax, and most pay both a federal and a state unemployment tax. Generally, employers can take a credit against FUTA tax amounts they have paid to state unemployment funds. For 2017, the FUTA tax rate is 6% on the first $7,000 paid to each employee as wages during the year.

3 Much of the information in this section was derived from https://www.irs.gov/.

Other taxes

The federal government levies other taxes including:

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

Non-tax revenue

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

Federal Reserve earnings

The residual earnings of each Federal Reserve Bank are distributed to the Treasury after providing for the costs of operations, payment of dividends, and transfers to surplus (the amount necessary to equate surplus with capital paid-in, limited to $10 billion).[4] See additional discussion of the Federal Reserve in *Other related entities, The Federal Reserve* below.

Sales of government resources

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

Receipts that offset expenses

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

We have shown all significant offsetting amounts that are known to us in *Note 23 – Offsetting amounts* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report. Certain amounts have already been offset in the federal financial data before we sourced it and therefore the related gross amounts are not available to us for disclosure in *Note 23 – Offsetting amounts*.

Federal government authority to spend money

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

Mandatory spending

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

For mandatory spending programs, unlike discretionary programs which are discussed next, it is important to note that the amount to be spent is unknown at the beginning of the year. For example, the amount that is spent on SNAP (food stamps) or unemployment insurance in a given year depends on the number of people who qualify based upon the program's rules and then decide to make claims for benefits. This will vary depending on conditions such as inflation, economic growth, and shifting

[4] https://www.federalreserve.gov/aboutthefed/section7.htm

demographics, among other factors. There is no upper limit in the law on how much can be spent on these mandatory programs, and in fiscal year 2014, they accounted for approximately 67% of outlays (including interest on federal debt), limiting the flexibility of Congress and the president to decide spending and policy priorities.

Discretionary spending

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

State and local government authority to raise money

Tax revenue

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

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

State and local individual income tax

Individual income taxes are levied by most states with the tax base generally defined by federal income tax regulations (with some exceptions). State income tax rates are generally much lighter and less progressive than the federal income tax. Seven states do not have an individual income tax, while the other states differ in terms of their individual income tax rate levels and the degree of progressivity.

The government of the District of Columbia performs a nationwide study of the tax burdens of 51 US cities. In 2015, it found: "In twenty one of the cities which are in states that levy an income tax, the percentage of income paid in individual income taxes by residents at the income level of $25,000 is zero percent (or less than zero due to refundable credits). At this income level, the highest income tax burden is 5.5 percent in Philadelphia, Pennsylvania, and Louisville, Kentucky. At the $150,000 income level, the burden ranges from a low of 1.1 percent of income in Fargo, North Dakota, to 7.1 percent in New York City, New York. It should be noted that the New Hampshire and Tennessee income tax is applicable only to interest and dividend income and the exemptions are high enough to eliminate individual income taxes at all income levels used in the study."[5]

State and local corporate income tax

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

Property taxes

Local governments levy property taxes on real estate and business property (and in some states, on personal property such as automobiles). Nationally, for owner-occupied housing, the typical real estate tax rate paid is approximately 1% of the home value. These taxes vary widely by state. New Jersey, New York, Illinois, and Texas have high property taxes, while California has notably low property taxes courtesy of the aforementioned Proposition 13.

5 Government of the District of Columbia, *2015 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*, http://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2015%2051City%20Tax%20Burden%20Study%20Final.pdf, p23, accessed April 2, 2017

General sales taxes

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

Other taxes

State governments levy other taxes including:

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

Non-tax revenue

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

State and local government authority to spend money[6]

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

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

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

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

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

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6 Budget process information in this section comes primarily from *Budget Process in the States* by the National Association of State Budget Officers, 2015 version, found at https://www.nasbo.org/reports-data/budget-processes-in-the-states.

Other related entities

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

The Federal Reserve[7]

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

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

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

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

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

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

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

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

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

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[7] The majority of the information in this section is derived from the Federal Reserve's website, found at https://www.federalreserve.gov/aboutthefed/structure-federal-reserve-system.htm. The balance sheets of the Federal Reserve were sourced from the Federal Reserve at https://www.federalreserve.gov/releases/z1/current/z1.pdf.

Federal Reserve balance sheets

(In billions)

December 31,	2014	2013
Assets		
Treasury securities	**$2,461**	$2,209
Agency- and GSE-backed securities	**1,776**	1,547
Debt securities	**4,237**	3,756
Other assets	**318**	318
Total assets	**$4,555**	$4,074
Liabilities and net worth		
Depository institution reserves	**$2,378**	$2,249
Deposits and currency	**1,592**	1,438
Security repurchase agreements	**510**	316
Other liabilities	**47**	43
Total liabilities	**4,527**	4,046
Net worth	**28**	28
Total liabilities and net worth	**$4,555**	$4,074

Government-sponsored enterprises

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

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

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

Federal Home Loan Banks[8]

The 12 Federal Home Loan Banks (FHLBanks) are federally-chartered but privately capitalized and independently managed. The FHLBanks serve the public by providing a readily available, low-cost source of funds to FHLBank members through advances. These funds may be used for residential mortgages, community investments, and other services for housing and community development. In addition, some of the banks provide members with a means of enhancing liquidity by purchasing home mortgages through mortgage programs developed for their members. Members can also borrow from an FHLBank to fund low-income housing. As of December 31, 2014, the FHLBanks had $571 billion in outstanding advances.

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

8 Most of the information in this section was derived from the *Federal Home Loan Banks Combined Financial Report for the Year Ended December 31, 2014*, which can be found at http://www.fhlb-of.com/ofweb_userWeb/pageBuilder/fhlbank-financial-data-36.

The FHLBanks are exempt from all corporate federal, state, and local taxation, except for local real estate tax. However, by regulation, the FHLBanks must annually set aside for the Affordable Housing Program (AHP) the greater of the aggregate of $100 million or 10% of each individual FHLBank's income subject to assessment. An AHP subsidizes the cost of owner-occupied housing provided that the household's income may not exceed 80% of the area median income, and in the case of rental housing, the household's income in at least 20% of the units may not exceed 50% of the area median income. The subsidy may be in the form of a grant or an advance with a reduced interest rate. AHP funds are primarily available through a competitive application program at each of the FHLBanks. AHP assessments were $269 million, $293 million, and $296 million for the years ended December 31, 2014, 2013, and 2012.

Fannie Mae and Freddie Mac

Fannie Mae[9]

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

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

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

- conform to maximum original principal limits, known as "conforming loan limits," which are established each year based on the average prices of one-family residences; and
- include credit enhancement on any single-family conventional mortgage loan if the loan-to-value ratio is greater than 80% at the time of purchase. Credit enhancement can take one or more of the following forms: (1) insurance or guarantee by a qualified insurer of the over-80% portion of the unpaid principal balance of the mortgage; (2) a seller's agreement to repurchase or replace the mortgage in the event of default; or (3) retention by the seller of at least a 10% participation interest in the mortgage. Regardless of the loan-to-value ratio, the Fannie Mae charter does not require credit enhancement to purchase or securitize loans insured by Federal Housing Administration or guaranteed by the US Department of Veterans Affairs.

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

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

Freddie Mac[10]

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

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

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9 The majority of the information in this section was derived from Fannie Mae's 2014 Annual Report on Form 10-K, which can be found at https://www.sec.gov/Archives/edgar/data/310522/000031052215000081/fanniemae201410k.htm.

10 The majority of the information in this section was derived from Freddie Mac's 2014 Annual Report on Form 10-K, which can be found at https://www.sec.gov/Archives/edgar/data/1026214/000102621415000015/a201410k.htm.

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

Conservatorship[11]

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

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

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

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

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

Farm Credit System[12]

The Farm Credit System (Farm Credit) supports rural communities and agriculture with reliable, consistent credit and financial services, including loans, leases, and financial services to farmers, ranchers, and rural businesses across the US and in Puerto Rico. Farm Credit's mission is to help rural communities and agriculture grow and thrive by financing rural infrastructure and communication services, and providing farmers and agribusinesses with the capital they need to be successful. Farm Credit has nearly 75 independently owned and operated organizations providing more than $235 billion in loans, leases, and related services to nearly 500,000 borrower-owners.

Farmer Mac[13]

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

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

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11 The majority of the information in this section was derived from the FHFA website, which can be found at https://www.fhfa.gov/.

12 The majority of the information in this section was derived from the Farm Credit System website, which can be found at https://www.farmcreditnetwork.com/about/overview.

13 The majority of the information in this section was derived from Farmer Mac's 2016 Annual Report on Form 10-K, which can be found at https://www.sec.gov/Archives/edgar/data/845877/000084587717000018/a201610-k.htm.

Farmer Mac's main secondary market activities are:

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

Farmer Mac funds its purchases of eligible loans (including participation interests in eligible loans) and guaranteed securities primarily by issuing debt obligations in the public capital markets. As of December 31, 2016, its total outstanding business volume was $17 billion.

Major government programs

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

Social Security

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

In 2014, Social Security payments were $851 billion or 16% of our Government's aggregate expenditures. Partially offsetting Social Security expenditures (but shown separately as revenue in our income statement), is $751 billion of Social Security tax receipts, which comprised 14% of our Government's aggregate revenue.

Eligibility and enrollment[14]

The Social Security program pays benefits to qualified individuals out of the trust funds. Qualified individuals include, among others, disabled workers, retirees and their surviving spouses, and surviving children of deceased workers. Social Security benefits may be subject to income taxes.

Disability

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

- the applicant's earnings average less than a certain amount each month;
- the applicant's medical condition significantly limits his or her ability to do basic work activities – such as lifting, standing, walking, sitting, and remembering – for at least 12 months;
- the applicant's medical condition is of at least a certain severity, preventing the applicant from completing substantial gainful activity, regardless of age, education, or work experience;
- the applicant's medical impairment(s) prevents him or her from performing any of his or her past work; and
- there is no other work the applicant can do despite his or her impairment(s) given his or her age, education, past work experience, and skills.

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

There are special rules for people who are blind.

Retirement

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

[14] The majority of the information in this section was derived from the following Social Security Administration publications: https://www.ssa.gov/pubs/EN-05-10029.pdf, https://www.ssa.gov/pubs/EN-05-10035.pdf, and https://www.ssa.gov/pubs/EN-05-10085.pdf.

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

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

Social Security replaces about 40% of preretirement income for the average worker, according to the Social Security Administration.

Survivor benefits

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

Children's benefits

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

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

The child must also be:

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

Enrollment

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

Funding and financial condition of the program[15]

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

[15] The majority of the information in this section was derived from the Social Security Administration's website and can be found here https://www.ssa.gov/oact/progdata/taxRates.html.

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

1980	$25,900	**1990**	$51,300	**2000**	$ 76,200	**2010**	$106,800
1981	29,700	**1991**	53,400	**2001**	80,400	**2011**	106,800
1982	32,400	**1992**	55,500	**2002**	84,900	**2012**	110,100
1983	35,700	**1993**	57,600	**2003**	87,000	**2013**	113,700
1984	37,800	**1994**	60,600	**2004**	87,900	**2014**	117,000
1985	39,600	**1995**	61,200	**2005**	90,000	**2015**	118,500
1986	42,000	**1996**	62,700	**2006**	94,200	**2016**	118,500
1987	43,800	**1997**	65,400	**2007**	97,500		
1988	45,000	**1998**	68,400	**2008**	102,000		
1989	48,000	**1999**	72,600	**2009**	106,800		

When the Social Security trust funds have surpluses, our Government generally uses the excess funds to purchase Treasury securities. Therefore, the trust funds earn some interest income. The table below shows that at the end of 2015, the OASDI trust funds had an aggregate balance of $2.8 trillion.

Old-Age and Survivors Insurance and Disability Insurance trust funds

(In millions)	1980	1990	2000	2005	2010	2011	2012	2013	2014
Total cash income [1]	**$117,439**	**$307,921**	**$ 561,321**	**$ 696,833**	**$ 788,061**	**$ 798,958**	**$ 837,945**	**$ 851,053**	**$ 877,496**
Social insurance and retirement receipts	113,209	281,656	480,584	577,476	631,687	565,788	569,501	673,274	735,565
Intragovernmental receipts	4,230	26,265	80,685	119,294	156,281	233,073	268,339	177,668	141,808
Employer share, employee retirement	1,204	5,567	7,637	10,941	14,936	15,099	15,592	16,168	15,737
Interest	2,340	15,991	59,796	91,836	118,502	115,981	112,393	105,650	100,266
Other	686	4,707	13,252	16,517	22,843	101,993	140,354	55,850	25,805
Other cash income	—	—	52	63	93	97	105	111	123
Total cash outgo [1]	**$118,559**	**$249,705**	**$ 409,473**	**$ 523,298**	**$ 706,351**	**$ 730,943**	**$ 773,364**	**$ 813,433**	**$ 850,568**
Benefit payments	115,514	243,263	402,104	514,140	695,459	719,495	762,347	802,641	839,526
Payments to the railroad retirement account	1,442	3,049	3,697	3,917	4,392	4,575	4,651	4,499	4,701
Interest payments	—	1,082	—	—	—	—	—	—	—
Administrative expenses	1,494	2,273	3,606	5,190	6,390	6,666	6,266	6,162	6,210
Military service credit adjustment	—	—	—	—	—	116	—	—	—
Beneficiary services and other	109	38	66	51	110	91	100	131	131
Surplus (deficit)	**$ (1,119)**	**$ 58,216**	**$ 151,848**	**$ 173,535**	**$ 81,710**	**$ 68,015**	**$ 64,581**	**$ 37,620**	**$ 26,928**
Adjustment to balances	—	—	—	—	3	—	—	(2)	(1)
Fund balance, end of year	**$ 32,260**	**$214,900**	**$1,006,852**	**$1,808,960**	**$2,585,484**	**$2,653,499**	**$2,718,080**	**$2,755,698**	**$2,782,625**
Invested balance	31,251	215,222	1,007,226	1,809,422	2,586,333	2,654,496	2,719,042	2,756,390	2,782,918
Uninvested balance	1,007	(321)	(375)	(462)	(849)	(997)	(962)	(692)	(293)

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

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

1 *Offsetting collections from Federal sources that are credited to the OASI account are treated as offsets to cash outgo rather than as cash income.*

The Board of Trustees of OASI and DI Trust Funds projects the OASDI trust funds may become depleted as early as 2029. You can see their projections in Exhibit 99.06.

Medicare[16]

Medicare is our country's health insurance program for people age 65 or older. People younger than age 65 with certain disabilities, permanent kidney failure, or amyotrophic lateral sclerosis (Lou Gehrig's disease) can also qualify for Medicare. The program helps with the cost of health care, but it does not cover all medical expenses or the cost of most long-term care. As of 2013, on average, Medicare covered about 66%[17] of the health care charges for those enrolled. A person can buy a Medicare supplement policy from a private insurance company to cover some of the costs that Medicare does not. Medicaid may also cover a portion of costs for those who are eligible.

16 The majority of the information in this section was derived from https://www.medicare.gov/

17 Centers for Medicare and Medicaid Services publication *2013 Health and Health Care of the Medicare Population*, which can be found at https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/MCBS/Data-Tables-Items/2013HHC.html?DLPage=1&DLEntries=10&DLSort=0&DLSortDir=descending

In 2015, Medicare provided benefits to more than 55 million Americans, approximately 84% (46 million) of whom were age 65 and older and 16% (9 million) of whom were disabled.

In 2014, Medicare payments (net of premiums of $81 billion) were $512 billion or 9% of our Government's aggregate expenditures. Partially offsetting these expenditures (but shown separately as a payroll tax revenue in our income statement) were $228 billion of Medicare tax receipts, which comprised 4% of our Government's aggregate revenue.

Programs

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

- the Hospital Insurance (HI) program, also known as Medicare Part A:
  - Part A covers in-patient hospital treatment along with some other medical services, with 55 million enrollees as of 2015; and
- the Supplemental Medical Insurance (SMI) program, also known as Medicare Parts B and D:
  - Part B covers much of what Part A does not, such as physician visits, out-patient hospital treatments, and some drugs, with 51 million enrollees as of 2015; and
  - Part D is the newest addition to the Medicare program (introduced January 1, 2006) and provides subsidies for prescription drugs, with 42 million enrollees as of 2015.

Medicare Part C (aka Medicare Advantage) is a privately run health insurance option available via Medicare, with 17 million enrollees as of 2015. Part C enrollees pay premiums for their Part B, as well as additional fees to the private insurer, while the federal government covers an amount similar to what it would pay for the person to be enrolled in traditional Medicare.

Eligibility and enrollment

Part A

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

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

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

Part B

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

Part C (Medicare Advantage)

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

Part D

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

Participant costs

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

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

- $227 per month (as of 2017) for those with 30 – 39 quarters of Medicare-covered employment, or
- $413 per month (as of 2017) for those with fewer than 30 quarters of Medicare-covered employment and who are not otherwise eligible for premium-free Part A coverage.

Most Medicare Part B enrollees pay an insurance premium for this coverage. Part B premiums for 2017 are $134.00 to $428.60 per month, depending on the enrollee's yearly income, with the highest premium paid by individuals earning more than $214,000 or married couples earning more than $428,000.

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

Funding and financial condition of the program

Each of the three parts of Medicare (A, B, and D) relies on different funding mechanisms:

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

Each of the three parts of Medicare has its own account managed by trustees (a trust fund account), shown in the table below. This table shows that at the end of fiscal year 2014, the HI trust fund had a balance of $197 billion and the SMI trust fund had a balance of $69 billion.

Medicare trust funds financials

(In millions, except otherwise noted)	1980	1990	2000	2005	2010	2011	2012	2013	2014
Total enrollment (in thousands of people) [1]	**28,433**	**34,251**	**39,688**	**42,606**	**47,720**	**48,896**	**50,874**	**52,504**	**54,077**
Part A (Hospital Insurance)	28,002	33,747	39,257	42,233	47,365	48,549	50,540	52,169	53,743
Part B (Medical Insurance)	27,278	32,567	37,335	39,752	43,882	44,917	46,477	47,952	49,400
Part C (Private Insurer-Provided Medicare)	na	2,017	6,856	5,794	11,692	12,383	13,587	14,843	16,243
Part D (Outpatient Prescription Drug Insurance)	na	na	na	1,841	34,772	35,720	37,448	39,103	40,499
Total cash income	**$35,690**	**$125,170**	**$248,921**	**$351,971**	**$505,217**	**$533,077**	**$539,374**	**$566,262**	**$603,720**
Social insurance and retirement receipts (payroll taxes)	23,217	68,029	135,529	166,068	180,068	188,490	201,143	209,270	224,107
Excise taxes (SMI)	—	—	—	—	—	1,876	2,808	3,216	3,209
Intragovernmental receipts	9,529	45,531	91,333	144,764	250,528	262,432	249,703	258,993	281,110
Employer share, employee retirement [1]	249	2,153	2,630	3,302	4,042	4,025	4,093	4,178	4,052
Interest	1,477	9,370	13,630	16,519	17,602	16,133	14,244	12,435	11,420
Federal payment (OASDI taxes)	—	—	8,787	8,756	13,760	15,143	18,643	14,310	18,066
Federal contributions and other	7,803	34,008	66,286	116,178	215,124	227,131	212,723	228,070	247,572
Premium income	2,945	11,607	21,907	38,243	65,307	69,886	73,010	77,563	81,002
Other cash income [2]	—	3	152	2,896	9,314	10,393	12,710	17,220	14,292
Total cash outgo	**$35,034**	**$109,709**	**$219,022**	**$339,430**	**$525,640**	**$565,340**	**$556,887**	**$591,201**	**$606,161**
Benefit payments [3]	33,937	107,172	214,867	333,426	518,832	557,962	549,311	583,226	597,820
Administrative expenses [4]	1,080	2,298	3,042	4,514	5,279	5,702	5,671	5,848	6,329
Payments to the Patient-Centered Outcomes Research Trust Fund	—	—	—	—	—	—	—	52	107
Other [3]	16	237	1,113	1,490	1,529	1,676	1,905	2,035	1,905
Surplus (deficit)	**$ 656**	**$ 15,461**	**$ 29,899**	**$ 12,541**	**$ (20,423)**	**$ (32,263)**	**$ (17,513)**	**$ (24,939)**	**$ (2,441)**
Fund balance, end of year	**$19,029**	**$110,158**	**$213,968**	**$294,968**	**$294,555**	**$350,842**	**$318,478**	**$276,132**	**$273,690**

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

** Source: Office of Management and Budget.

1 Starting in 1983, includes amounts from Postal Service.

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

3 For years after 2017, outlays in the "Other" line are included in the "Benefit Payments" line.

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

The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds project the Medicare HI (Part A) trust fund may become depleted as early as 2022. You can see their projections in Exhibit 99.07.

Medicaid and Children's Health Insurance Program (CHIP)[18]

Fiscal year	1980	1990	2000	2005	2010	2011	2012	2013	2014
Medicaid									
Spending (in billions) [3]	$ 25.2	$ 72.2	$ 206.2	$ 315.9	$ 401.5	$ 427.4	$ 431.2	$ 455.6	$ 494.5
Average monthly enrollment (in millions) [3]	19.6	22.9	34.5	46.3	54.5	55.8	57.3	58.6	64.0
Spending per enrollee [3]	$ 1,285	$ 3,147	$ 5,972	$ 6,819	$ 7,361	$ 7,660	$ 7,525	$ 7,773	$ 7,724
Total beneficiaries (in thousands) [2]	21,605	25,255	41,212	56,276	63,730	65,831	65,584	67,497	na
Children	9,333	11,220	18,528	25,979	30,024	30,175	30,467	30,810	na
Adults	4,877	6,010	8,538	12,431	15,368	16,069	16,483	16,898	na
Disabled	2,911	3,718	6,688	8,205	9,341	9,609	9,836	10,121	na
Aged	3,440	3,202	3,640	4,395	4,289	4,331	4,376	4,499	na
Unknown	1,044	1,105	3,817	5,266	4,709	5,646	4,423	5,169	na
State fiscal year	**1980**	**1990**	**2000**	**2005**	**2010**	**2011**	**2012**	**2013**	**2014**
Medicaid as share of state budgets (including all federal and state funds) [4]	na	12.5%	19.1%	22.3%	22.2%	23.8%	23.6%	24.3%	25.6%
Medicaid as share of state budgets (including state general funds only (no federal funds) [4]	na	9.5%	15.0%	17.1%	14.8%	16.5%	19.2%	19.3%	19.3%
Medicaid as share of state budgets (including all state funds (no federal funds) [4]	na	6.9%	11.0%	13.5%	11.6%	13.3%	14.5%	15.2%	15.3%
Children's Health Insurance Program (CHIP) [1]									
Average monthly enrollment (in millions)	na	na	2.0	4.4	5.4	5.6	5.7	5.9	6.0

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

** Source: Centers for Medicare and Medicaid Services.

1 CHIP numbers include adults covered under waivers. Enrollment for Territories for FY 2000 and later is estimated.

2 Beneficiaries (enrollees for whom payments are made) are shown here because they provide the only historical time series data directly available prior to FY 1990. Most current analyses of individuals in Medicaid reflect enrollees. Beginning in FY 1998, a Medicaid-eligible person who received only coverage for managed care benefits was included in this series as a beneficiary. Excludes Medicaid-expansion CHIP and the territories. Children and adults who qualify for Medicaid on the basis of a disability are included in the disabled category. In addition, although disability is not a basis of eligibility for aged individuals, states may report some enrollees age 65 and older in the disabled category. This data does not recode individuals age 65 and older who are reported as disabled, due to lack of detail in the historical data. Generally, individuals whose eligibility group is unknown are persons who were enrolled in the prior year but had a Medicaid claim paid in the current year.

3 All numbers exclude CHIP-financed coverage. The amounts shown in this table may differ from those published elsewhere due to slight differences in the timing of data and the treatment of certain adjustments. The amounts may also differ from prior versions of MACStats due to changes in methodology by the Centers for Medicare and Medicaid Services (CMS) Office of the Actuary (OACT). Spending consists of federal and state Medicaid expenditures for benefits and administration, excluding the Vaccines for Children program. Enrollment counts are full-year equivalents and, for fiscal years prior to FY 1990, have been estimated from counts of persons served. Enrollment data for FYs 2012 – 2014 are projected; those for FYs 1999 – 2014 include estimates for Puerto Rico and the Virgin Islands.

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

Medicaid is a joint federal and state program that, together with the Children's Health Insurance Program (CHIP), provides health coverage to more than 72.5 million Americans, including children, pregnant women, parents, seniors, and individuals with disabilities. Medicaid is the single largest source of health coverage in the US. States establish and administer their own Medicaid programs and determine the type, amount, duration, and scope of services within broad federal guidelines. Federal law requires states to provide certain mandatory benefits and allows states the choice of covering other optional benefits. Mandatory benefits include services like inpatient and outpatient hospital services, physician services, laboratory and x-ray services, and home health services, among others. Optional benefits include services like prescription drugs, case management, physical therapy, and occupational therapy.

In 2014, Medicaid and CHIP payments were $448 billion or 8% of our Government's aggregate expenditures.

Eligibility and enrollment

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

18 The majority of the information in this section was derived from https://www.medicaid.gov/medicaid/eligibility/index.html.

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

Medicaid:

- *Children ages 0-1* – 139% (Utah) to 375% (Iowa)
- *Children ages 1-5* – 133% (Oregon) to 319% (District of Columbia)
- *Children ages 6-18* – 133% (17 states) to 319% (District of Columbia)
- *Pregnant women* – 133% (four states) to 375% (Iowa)
- *Adult parent/caretaker* – 13% (Alabama) to 216% (District of Columbia)

CHIP:

- *Children from birth to age 18 with exceptions, including 14 states that don't offer CHIP to children* – 170% (North Dakota) to 400% (New York)
- *Pregnant women* – only five states offer – 200% (two states) to 300% (Missouri)

The FPL for 2016 ranges from $12,060 for individuals to $41,320 for a family of eight.

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

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

Funding and financial condition of the program

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

Food assistance – Supplemental Nutrition Assistance Program (SNAP)

Fiscal year	1980	1990	2000	2005	2010	2011	2012	2013	2014
Aggregate annual cost (in millions)	$ 8,721	$14,143	$14,983	$28,568	$64,702	$71,811	$74,619	$76,066	$69,999
Average monthly recipients (in thousands)	21,082	20,049	17,194	25,628	40,302	44,709	46,609	47,636	46,664
Average monthly benefit per person	$ 34	$ 59	$ 73	$ 93	$ 134	$ 134	$ 133	$ 133	$ 125

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

** *Source: Department of Agriculture.*

The Supplemental Nutrition Assistance Program (SNAP) offers nutrition assistance to millions of eligible, low-income individuals and families and provides economic benefits to communities. SNAP is the largest program in the domestic hunger safety net. The maximum monthly benefit for the first person in a household is $194, with the amount per additional person decreasing with each person. These maximum benefits are reduced by 30% of the net monthly income of the household, as SNAP households are expected to spend 30% of their resources on food. In 2014, SNAP payments were $71 billion or 1% of our Government's aggregate expenditures.

Eligibility and enrollment[19]

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

19 The majority of the information in this section was derived from https://www.fns.usda.gov/snap/eligibility.

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

Resources

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

Income

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

Employment

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

Immigrants

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

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

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

Funding and financial condition of the program

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

Unemployment Insurance[20]

	1980	1990	2000	2005	2010	2011	2012	2013	2014
Regular Benefits									
Total # weeks claimed	148,952,074	116,000,000	96,007,342	121,170,797	203,148,596	165,543,426	147,644,807	132,197,483	115,147,721
Average weekly benefit (non-partial)	$ 100	$ 162	$ 221	$ 267	$ 299	$ 296	$ 303	$ 310	$ 315
Aggregate benefits paid (in thousands)	$ 14,191,182	$ 17,956,035	$20,478,795	$ 31,234,183	$ 57,889,666	$ 46,648,018	$ 42,611,997	$ 38,770,953	$ 34,555,743
Extended Benefits									
Total # weeks claimed	17,939,818	247,338	28,293	50,451	31,785,632	33,991,938	9,967,322	18,103	7,471
Average weekly benefit (non-partial)	$ 98	$ 105	$ 182	$ 183	$ 295	$ 302	$ 304	$ 267	$ 362
Aggregate benefits paid (in thousands)	$ 1,704,453	$ 29,943	$ 3,847	$ 8,848	$ 9,015,073	$ 10,672,181	$ 2,901,931	$ (22,890)	$ (15,308)
Emergency Benefits									
Total # weeks claimed	—	—	—	5,031	237,278,775	167,177,470	128,669,554	80,401,861	—
Average weekly benefit (non-partial)	$ —	$ —	$ —	$ —	$ 296	$ 291	$ 287	$ 275	$ —
Aggregate benefits paid (in thousands)	$ —	$ —	$ —	$ 1,020	$ 70,212,916	$ 48,585,795	$ 36,868,159	$ 22,222,139	$ —
Total Benefits (All Types)									
Aggregate UI benefits paid (in thousands)	$ 15,895,635	$ 17,985,978	$20,482,642	$ 31,244,051	$137,117,655	$105,905,994	$ 82,382,087	$ 60,970,202	$ 34,540,435

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

** *Source: Department of Labor.*

The Department of Labor's Unemployment Insurance (UI) programs provide benefits to eligible workers who become unemployed through no fault of their own and meet certain other eligibility requirements. Unemployment insurance payments (benefits) are intended to provide temporary financial assistance to unemployed workers who meet the requirements of state law. Each state administers a separate UI program within guidelines established by federal law. In general, UI benefits are based on a percentage of an individual's earnings over a recent 52-week period, up to a state maximum amount. Benefits can be paid for a maximum of 26 weeks in most states. Additional weeks of benefits may be available during times of high unemployment (extended and emergency benefits). The basic extended benefits program provides up to 13 additional weeks of benefits. Some states have also enacted a voluntary program to pay up to 7 additional weeks (20 weeks maximum) of extended benefits during periods of extremely high unemployment. Some states provide additional benefits for specific purposes. In 2014, UI payments were $48 billion or 1% of our Government's aggregate expenditures.

Eligibility and enrollment

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

Funding and financial condition of the program

In most states, UI benefit funding is based solely on a tax imposed on employers, the Federal Unemployment Tax Act (FUTA) tax. Employers owe FUTA tax on the first $7,000 they pay to each employee during the calendar year after subtracting any payments exempt from FUTA tax. The FUTA tax is 6.0% for 2016, however, employers can receive a credit of up to 5.4% against this FUTA tax if they pay state unemployment tax during the calendar year.[21] Three states require minimal employee contributions. Funds received by the federal government are distributed to state trust funds held by the Treasury, which are used to finance the programs.

As of December 31, 2016, the aggregate state UI trust fund balance was $47 billion. Because of the Great Recession, 36 states depleted their UI funds and took advances totaling $162 billion (since December 31, 2007) from the federal government (authorized under Title XII of the Social Security Act) to continue to pay benefits. As of the beginning of 2017, two state and insular-area UI programs still had a total of $4 billion in outstanding federal loans, with nearly all of the balance, or $4 billion, held by California. Six states had an additional $7 billion in outstanding private borrowings, with Michigan and Pennsylvania holding the largest balances at roughly $2 billion each. During 2016, the states earned a total of $983 million on their UI trust fund investments and incurred a total of $126 million of interest expense owed to the federal government for their Title XII loans.[22]

20 The majority of the information in this section was derived from https://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp.

21 https://www.irs.gov/pub/irs-pdf/i940.pdf, page 4

22 The information in this paragraph was derived from the Department of Labor's *State Unemployment Insurance Trust Fund Solvency Report 2017*, which can be found at https://workforcesecurity.doleta.gov/unemploy/docs/trustFundSolvReport2017.pdf.

Earned Income Tax Credit (EITC)[23]

Calendar year	1980	1990	2000	2005	2010	2011	2012	2013	2014
Number of EITC Returns	6,953,621	12,541,651	19,277,225	22,751,904	27,367,757	27,911,726	27,848,264	28,821,785	28,537,908
Number of EITC Returns with children	6,953,621	12,541,651	15,872,425	18,015,107	20,720,294	21,025,573	20,972,964	21,566,176	21,153,624
Average Amount of EITC	$ 286	$ 601	$ 1,675	$ 1,864	$ 2,176	$ 2,254	$ 2,303	$ 2,366	$ 2,395
Average Amount of EITC for returns with children	$ 286	$ 601	$ 1,990	$ 2,294	$ 2,790	$ 2,905	$ 2,970	$ 3,063	$ 3,130

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

** *Source: Internal Revenue Service.*

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

The maximum credit amounts for the latest tax year, 2016, are:

- $6,269 with three or more qualifying children
- $5,572 with two qualifying children
- $3,373 with one qualifying child
- $506 with no qualifying children

Eligibility and enrollment

To be eligible for the EITC, one must meet financial and non-financial qualifications. The financial qualifications are shown in the table below. To read about non-financial qualifications, see the IRS website at https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit/eitc-earned-income-tax-credit-questions-and-answers.

Earned income and AGI limits

Earned income and adjusted gross income (AGI) for 2016 must each be less than:

	Qualifying Children Claimed			
If filing	**Zero**	**One**	**Two**	**Three or more**
Single, Head of Household or Widowed	$14,880	$39,296	$44,648	$47,955
Married Filing Jointly	$20,430	$44,846	$50,198	$53,505

Investment income limit

Investment income for 2016 must be $3,400 or less for the year.

Funding and financial condition of the program

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

Supplemental Security Income (SSI)[24]

Calendar year	1980	1990	2000	2005	2010	2011	2012	2013	2014
Total payments (in millions)	**$7,771**	**$16,182**	**$32,159**	**$40,173**	**$51,356**	**$52,559**	**$55,008**	**$56,677**	**$57,271**
Blind or disabled	5,142	12,624	27,438	34,909	45,618	46,852	49,263	50,833	51,381
Aged	2,629	3,557	4,722	5,264	5,739	5,706	5,745	5,844	5,891
SSI federal payments [1]	$ 5,923	$ 12,943	$ 28,778	$ 35,995	$ 47,767	$ 49,038	$ 51,703	$ 53,402	$ 54,153
SSI federally administered state supplementation payments	$ 1,848	$ 3,239	$ 3,381	$ 4,178	$ 3,589	$ 3,521	$ 3,305	$ 3,275	$ 3,118
SSI recipients (in thousands) [2]	4,142	4,817	6,602	7,114	7,912	8,113	8,263	8,363	na
Blind or disabled	2,334	3,363	5,312	5,900	6,728	6,931	7,107	7,206	na
Aged	1,808	1,454	1,289	1,214	1,184	1,182	1,156	1,157	na

23 The majority of the information in this section was derived from https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit.

24 The majority of the information in this section was derived from https://www.ssa.gov/ssi/text-understanding-ssi.htm.

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

** Source: Social Security Administration.

1 Total historical payments for 1980 are estimated.

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

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

The monthly maximum benefit amounts for 2017 are $735 for an eligible individual, $1,103 for an eligible individual with an eligible spouse, and $368 for an essential person. The monthly amount is reduced by subtracting monthly countable income. In the case of an eligible individual with an eligible spouse, the amount payable is further divided equally between the two spouses. Some states supplement SSI benefits.

In 2014, SSI payments were $55 billion or 1% of aggregate government expenditures.

Eligibility and enrollment

To be eligible for SSI, one must be:

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

and:

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

Funding and financial condition of the program

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

Affordable housing

Calendar year	2000	2005	2010	2011	2012	2013	2014
All HUD programs							
Subsidized units available [1]	4,881,081	5,091,620	5,095,126	5,147,935	5,168,778	5,255,760	5,031,773
Number of households reporting	3,903,506	4,032,432	4,428,781	4,559,953	4,621,329	4,553,269	4,646,515
Average household size (persons)	2.2	2.2	2.1	2.1	2.1	2.1	2.1
Total number of people	8,494,300	8,809,318	9,859,194	10,099,094	10,027,278	10,076,547	9,834,571
Average monthly household rent contribution [2]	$ 212	$ 258	$ 288	$ 289	$ 297	$ 304	$ 321
Average monthly federal spending per unit [3]	$ 421	$ 503	$ 631	$ 631	$ 640	$ 637	$ 666
Average household income	$ 10,300	$ 11,500	$ 12,364	$ 12,395	$ 12,664	$ 12,890	$ 13,190
% extremely low income (<30% median) [4]	70%	77%	76%	77%	77%	75%	73%
% household headed by female	79%	79%	78%	77%	77%	77%	77%
% minority households	58%	59%	63%	63%	63%	64%	64%
Average months on waiting list [5]	22	18	18	20	20	18	26
Average months since moved in [6]	75	74	84	86	88	92	104

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

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

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

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

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

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

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

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

According to the US Department of Housing and Urban Development (HUD), families that pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care. An estimated 12 million households pay more than 50% of their annual incomes for housing.

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

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

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

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

In 2014, government housing support generated net revenue of $84 billion. In some years, the programs have incurred net expenditures and in other years, they have generated net revenue. The aggregate for all the years we tracked (1980 through 2014) was net revenue generation of $8 billion. Housing support programs have generated net revenue in aggregate because our Government's investments in Fannie Mae and Freddie Mac securities have generated a net $49 billion in revenue (between 2008 and 2014).

Eligibility and enrollment

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

Funding and financial condition of the program

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

Student financial aid[25]

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

	1979-1980	1989-1990	1999-2000	2004-2005	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Federal Grants									
Pell Grant funding and recipients									
Total expenditures (in thousands)	**$2,357,222**	**$4,777,844**	**$ 7,208,500**	**$13,149,940**	**$29,992,440**	**$35,676,927**	**$33,575,066**	**$32,060,936**	**$31,476,774**
Public [1]	na	na	na	$ 8,624,151	$ 18,144,612	$ 22,109,852	$ 21,784,107	$ 20,990,154	$ 20,777,183
Private [1]	na	na	na	$ 2,121,884	$ 3,884,150	$ 4,700,656	$ 4,605,559	$ 6,578,419	$ 4,493,850
Proprietary [1]	na	na	na	$ 2,300,970	$ 7,331,854	$ 8,866,419	$ 4,608,901	$ 4,492,363	$ 6,205,741
Number of valid Pell Grant applicants	**3,868,429**	**6,165,309**	**8,527,215**	**11,539,497**	**16,542,423**	**17,686,165**	**18,518,432**	**18,352,971**	**17,957,459**
Eligible applicants	3,029,745	4,347,681	4,902,823	7,009,536	10,968,568	12,708,623	13,412,848	13,256,553	12,875,602
Ineligible applicants	838,684	1,817,628	3,624,392	4,529,961	5,573,855	4,977,542	5,105,584	5,096,418	5,081,857
Federal Pell Grant recipients	2,537,875	3,322,151	3,763,710	5,308,433	8,094,024	9,308,234	9,444,368	8,958,713	8,662,653
Average Pell grant	**$ 929**	**$ 1,438**	**$ 1,915**	**$ 2,477**	**$ 3,706**	**$ 3,833**	**$ 3,555**	**$ 3,579**	**$ 3,634**
Minimum grant	$ 200	$ 200	$ 400	$ 400	$ 976	$ 555	$ 555	$ 602	$ 582
Maximum grant	$ 1,800	$ 2,300	$ 3,125	$ 4,050	$ 5,350	$ 5,550	$ 5,550	$ 5,550	$ 5,645
FSEOG allocation (in thousands)	**$ 368,811**	**$ 457,995**	**$ 620,842**	**$ 778,458**	**$ 757,325**	**$ 735,706**	**$ 733,061**	**$ 732,858**	**$ 733,130**
Veterans and military (in thousands)	**na**	**na**	**$ 1,629,436**	**$ 3,154,748**	**$ 8,260,115**	**$10,630,401**	**$10,424,615**	**$11,949,205**	**$13,680,866**
Federal Work-Study allocation (in thousands)	$ 547,722	$ 600,999	$ 930,352	$ 983,954	$ 974,260	$ 972,431	$ 965,244	$ 980,732	$ 981,338
Federal loans									
Perkins Loan disbursements (in thousands)	**$ 650,802**	**$ 902,521**	**$ 1,100,700**	**$ 1,651,760**	**$ 818,306**	**$ 856,789**	**$ 948,512**	**$ 1,010,264**	**$ 1,171,513**
Direct loan disbursements (in thousands)	**na**	**na**	**$10,141,134**	**$12,158,034**	**$40,470,220**	**$71,300,250**	**$71,067,101**	**$84,294,888**	**$81,767,713**
Public [1]	na	na	$ 2,553,933	$ 2,520,774	$ 8,732,040	$ 17,497,801	$ 17,810,584	$ 25,114,705	$ 25,608,967
Private nonprofit [1]	na	na	$ 6,930,379	$ 8,750,044	$ 21,651,147	$ 34,237,401	$ 35,740,462	$ 40,818,878	$ 39,556,329
Proprietary [1]	na	na	$ 656,822	$ 887,216	$ 10,082,963	$ 19,348,897	$ 17,294,587	$ 17,916,054	$ 16,156,948

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

** Source: Department of Education.

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

Federal

The Federal Student Aid office of the US Department of Education awards about $150 billion a year in grants, work-study funds, and low-interest loans to more than 15 million students. Federal student aid covers expenses such as tuition and fees, room and board, books and supplies, and transportation. Aid also can help pay for other related expenses, such as a computer and dependent care. Federal student aid includes:

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

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

Eligibility and enrollment

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

- demonstrate financial need (for most programs);
- be a US citizen or an eligible noncitizen;
- have a valid Social Security number (with the exception of students from the Republic of the Marshall Islands, Federated States of Micronesia, or the Republic of Palau);
- be registered with Selective Service, if a male (men must register between the ages of 18 and 25);
- be enrolled or accepted for enrollment as a regular student in an eligible degree or certificate program;
- be enrolled at least half-time to be eligible for Direct Loan Program funds;
- maintain satisfactory academic progress in college or career school;
- sign the certification statement on the FAFSA stating that:
  - the applicant is not in default on a federal student loan and does not owe money on a federal student grant; and
  - will use federal student aid only for educational purposes; and

25 The majority of the information in this section was derived from https://studentaid.ed.gov/sa/.

- show they are qualified to obtain a college or career school education by:
    - having a high school diploma or a recognized equivalent such as a General Educational Development (GED) certificate;
    - completing a high school education in a homeschool setting approved under state law; or
    - enrolling in an eligible career pathway program and meeting one of the "ability-to-benefit" alternatives.

Funding and financial condition of the program

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

As of December 31, 2016, 42.4 million unduplicated recipients of federal student loans owed a total of $1.3 trillion. Direct loans constituted the largest portion of the total, or $964 billion owed by 31.9 million unduplicated recipients. Of these direct loans, $523 billion were in repayment status, of which $448 billion was current and $9 billion, or 2%, was in technical default (271 days plus delinquent), with the remaining balance in various stages of delinquency.

State

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

Welfare – Temporary Assistance for Needy Families (TANF)[26]

Fiscal year	1980	1990	2000	2005	2010	2011	2012	2013	2014
Aggregate TANF/SSP-MOE expenditures (in millions)	na	na	$ 24,781	$ 25,580	$ 33,255	$ 30,624	$ 28,867	$ 29,147	$ 29,351
TANF/AFDC average monthly total recipients [1]	10,597,443	11460379	5,943,450	4,548,503	4,370,844	4,417,445	4,106,881	3,782,146	3,504,648
TANF/AFDC average monthly total child recipients[1]	7,321,710	7,755,394	4,370,479	3,458,785	3,288,506	3,315,576	3,106,952	2,885,147	2,681,139
TANF/AFDC average monthly total number of families [1]	3,642,380	3,974,321	2,264,806	1,920,104	1,847,683	1,864,187	1,753,737	1,640,654	1,520,894
SSP average monthly total recipients	na	na	380,522	569,024	221,868	185,576	485,804	320,345	597,002
SSP average monthly child recipients	na	na	227,615	359,521	146,265	121,761	321,460	205,929	390,396
SSP average monthly total number of families	na	na	90,811	169,691	69,459	58,082	159,273	110,413	132,102

* Source: Department of Health and Human Services.
1 *In 1996, AFDC was replaced by TANF.*

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

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

In 2014, TANF payments were $29 billion or less than 1% of our Government's aggregate expenditures.

Eligibility and enrollment

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

26 The majority of the information in this section was derived form https://www.acf.hhs.gov/ofa/programs/tanf.

Funding and financial condition of the program

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

Research and development

(In millions)	1980[2]	1990[3]	2000	2005	2010	2011	2012	2013	2014
Federal R&D Outlays by Agency[1]									
All Agencies	**$29,830**	**$66,151**	**$76,898**	**$117,399**	**$131,388**	**$131,443**	**$128,520**	**$127,152**	**$128,383**
Department of Defense	na	34,918	38,519	64,311	67,615	72,527	65,253	65,020	63,509
Department of Health and Human Services	na	10,218	18,187	28,432	34,928	30,379	30,721	29,283	30,404
NASA	na	8,023	6,424	6,959	7,316	6,146	10,427	11,265	11,128
Department of Energy	na	5,975	6,068	7,760	8,986	9,685	9,599	9,302	10,364
All Other	na	7,017	7,700	9,937	12,543	12,706	12,520	12,282	12,978
Higher Education R&D Expenditures[4]									
Total Higher Education	**$ 6,063**	**$16,290**	**$30,084**	**$ 45,774**	**$ 58,357**	**$ 61,988**	**$ 62,199**	**$ 63,355**	**$ 63,771**
Federal government[5]	4,098	9,640	17,548	29,187	36,508	39,646	38,938	38,262	36,825
State and local government	491	1,324	2,200	2,940	3,604	3,571	3,430	3,396	3,589
Institution funds	835	3,006	5,925	8,265	10,674	11,130	12,032	13,264	14,305
Business	236	1,127	2,156	2,291	3,117	3,094	3,190	3,431	3,630
All other	403	1,191	2,255	3,092	4,454	4,548	4,609	5,003	5,422

* *Source: National Science Foundation.*

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

2 *Detailed data not available pre-1994; 1980 is Federal obligations for R&D.*

3 *1990 data is from 1994.*

4 *Science and Engineering R&D only.*

5 *Federal Expenditures are also counted in Federal R&D Outlays by Agency above.*

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

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

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

Marketing, sales, and distribution

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

Marketing

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

Federal agencies spent $893 million on advertising in fiscal year 2013, according to an estimate by the Congressional Budget Office. The top three advertisers were the Department of Defense, the Department of Health and Human Services, and the Department of Education. These and other agencies spend for purposes such as advertising job openings, federal contracts and sales of surplus property.

Federal agencies also advertise to promote their services or influence public behavior. The Centers for Disease Control, for example, has carried out campaigns to encourage people to quit smoking and get tested for HIV. The Office of National Drug Control Policy is mandated by law to produce advertising campaigns to discourage the use of illegal drugs. State, local, and federal governments use the services of the Ad Council, a non-profit group backed by advertising agencies and media outlets, for free public-service advertising campaigns through a nationwide network of more than 33,000 media outlets. These have included anti-drunk-driving campaigns by the National Highway Traffic Safety Administration and efforts by the US Forest Service to prevent forest fires.

The military uses advertising and marketing campaigns to recruit soldiers and has promoted public goodwill by staging patriotic events at professional sports games. The United States Army Recruiting Command employs about 9,500 recruiters working out of more than 1,400 recruiting stations across the US and overseas.

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

Sales

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

Distribution

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

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

Reporting segments

When businesses report their financial results, they organize them into "segments." This framework is what the business itself, investors, and the media use to explain in a common language the current state of the company. Adopting a similar framework, we have chosen to report our Government's operations in four segments – Justice and Domestic Tranquility (JDT), Common Defense (CD), General Welfare (GW), and Blessings of Liberty (BL), aligned with the preamble to the US Constitution:

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

Federal, state, and local governments play a role in each of these segments.

We do not report revenues by segment but do report expenditures and key metrics on a segment basis. Certain expenditures, including 3% of total fiscal year 2014 expenditures, are not allocated to any segment and are categorized as general government support, outside of our reporting segments. These expenditures are for the costs of central government functions, including general property and records management, financial management, Congress, and general claims against our Government that our Government has not allocated to one agency.

Justice and Domestic Tranquility

This segment works to establish justice and ensure domestic tranquility among the US population, keeping citizens safe, alive, and living in peace with one another. To do this, our Government works to reduce crime, administer justice, mitigate and prevent disasters, help populations who cannot protect themselves (such as children), protect people from dangerous products, businesses, and commercial practices, and prevent accidents of all kinds. In 2014, 7% or $396 billion of our Government's expenditures were made by this segment.

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

Crime and disaster ($303 billion in spending in 2014)

- *Key initiatives* – reduce crime, administer justice, and mitigate and prevent disasters, including fires
- *Key departments* – Department of Justice, Department of Homeland Security (primarily Federal Emergency Management Agency), and Judicial Branch (primarily courts of appeals, district courts, and other judicial services) at the federal level and state and local police, correctional, judicial, and fire departments
- *Key metrics* – numbers of violent and property crimes, murders and non-negligent manslaughters, arrests, people incarcerated, fire incidents, disaster declarations, civilian deaths from fire incidents

Safeguarding consumers and employees ($20 billion in spending in 2014)

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

Child safety and miscellaneous social services ($73 billion in spending in 2014)

- *Key initiatives* – maintain the welfare and safety of all children, including through child protective services, child welfare, and foster care programs
- *Key departments* – Department of Health and Human Services (primarily Administration for Children and Families), Department of Education (primarily Office of Special Education and Rehabilitative Services), Corporation for National and Community Service, and Office of Social Innovation and Civic Participation at the federal level and state and local child welfare offices
- *Key metrics* – numbers of child victims and fatalities, children living in and entering and exiting foster care and their time spent there, children adopted with public child welfare agency involvement, children in poverty, and homeless children enrolled in school

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

A little more than 75% of this segment's expenditures are for crime and disaster. The key drivers of crime and disaster costs are costs of police protection operations and corrections, driven by the number of employees, facilities, and crimes committed. The drivers of the most significant fluctuations in annual crime and disaster costs are generally the occurrence and magnitude of natural disasters. Excluding costs of natural disasters, approximately 43% of the segment's expenditures are for payroll for current employees.

Common Defense

This segment works to provide for the common defense of the US population and citizens abroad by protecting them from external threats. To do so, our Government prevents conflict where possible, engages in conflict when threatened, manages relationships with other nations, and keeps the US borders secure. To achieve these goals, our Government operates a military and provides benefits to veterans. It also manages immigration, controls entrance to the country at the borders, and operates a diplomatic force around the world that promotes American ideals and values on behalf of its citizens. In 2014, 15% or $813 billion of our Government's expenditures were made by this segment.

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

National defense and veterans' affairs ($753 billion in spending in 2014)

- *Key initiatives* – operate a military, including raise an army, navy, and air force, employ troops, provide benefits to veterans, and invest in defense technology and equipment
- *Key departments* – Department of Defense, Department of Veterans Affairs (primarily the Veterans Health Administration), Department of Energy (primarily the National Nuclear Security Administration and Environmental and Other Defense Activities), and Department of Justice (primarily the Federal Bureau of Investigation) at the federal level and veterans' services offices at the state level
- *Key metrics* – numbers of military personnel deployed, military deaths, veterans, and unique Veterans Affairs patients, and rates of veteran unemployment, poverty, and disability

Immigration and border security ($13 billion in spending in 2014)

- *Key initiatives* – maintain a system for immigration and control entrance to the country at the borders, including managing visas, Green Cards, and customs
- *Key departments* – Department of Homeland Security (primarily US Customs and Border Protection, US Immigration and Customs Enforcement, and Citizenship and Immigration Services) at the federal level
- *Key metrics* – the estimated number of unauthorized immigrants, numbers of naturalizations, Green Cards, and visas granted, border apprehensions, intellectual property seizures, and airport firearms discoveries

Foreign affairs and foreign aid ($47 billion in spending in 2014)

- *Key initiatives* – operate a diplomatic force around the world, including embassies and ambassadors, that promotes American ideals and values on behalf of its citizens, and provide economic and military foreign assistance
- *Key departments* – Department of State and International Assistance Programs at the federal level
- *Key metrics* – number of US passports in circulation

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

Nearly 75% of the expenditures of this segment are for national defense activities and are driven mainly by investment in preparation for future military conflicts and the occurrence and magnitude of conflicts. The costs are largely for personnel, equipment procurement, operations and maintenance, and services. Federal military employee wages and salaries was $108 billion in 2014.

General Welfare

This segment works to promote the general welfare of the US population by maximizing the day-to-day experience of the population and enabling them to live happy, healthy, productive lives and contribute to society. To do this, our Government works to stimulate the economy through investment and business promotion with the ultimate goal that every American who wants a job has one that pays a livable wage. Our Government attempts to balance taxes with income so Americans can have the standard of living they desire, while also providing a minimum standard of living through welfare and transfer programs for those in need. Government promotes good health as the foundation of a good standard of living, and it manages the structure of the healthcare industry so that people who do get sick can afford care. Finally, our Government operates services as businesses where they otherwise may not exist, such as the post office and transit systems. In 2014, 23% or $1,232 billion of our Government's expenditures were made by this segment, with less than a third spent by the federal government and the remainder by state and local governments.

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

Economy and infrastructure ($221 billion in spending in 2014)

- *Key initiatives* – stimulate the economy through investment, business promotion, and trade and operate services as businesses where they otherwise may not exist (post offices, transit, utilities, lotteries – see the full list at Exhibit 99.04 and quantification of key ones in *Note 23 – Offsetting amounts* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report)

- *Key departments* – Department of Homeland Security (primarily United States Coast Guard and Transportation Security Administration), Department of Transportation (primarily Federal Aviation Administration), Federal Deposit Insurance Corporation, Federal Communications Commission, Department of the Treasury, National Science Foundation, Department of Energy, Department of Commerce, National Credit Union Administration, and US Postal Service at the federal level and liquor stores, lotteries, airports, ports, highways, mass transit, and parking facilities at the state and local level
- *Key metrics* – gross domestic product (GDP), values of the S&P 500, numbers of establishments less than one year old, net changes in establishments (openings minus closings), bankruptcy filings, bank failures, new home sales, private investment, total employment, jobs per person in the working age population, and median annual wage

Standard of living and aid to the disadvantaged ($862 billion in spending in 2014)

- *Key initiatives* – manage a fair tax structure, provide a minimum standard of living through welfare and transfer programs for those in need
- *Key departments* – Department of the Treasury (primarily Internal Revenue Service), Department of Agriculture (primarily Food and Nutrition Service), Social Security Administration, Department of Labor (primarily Employment and Training Administration), Department of Education (primarily Office of Federal Student Aid), Department of Housing and Urban Development, and Department of Health and Human Services (primarily Indian Health Service) at the federal level and state and local departments of housing and community development and welfare offices.
- *Key metrics* – the amount of consumption per family, and overall and child poverty rates

Health (excluding Medicaid and Medicare) ($149 billion in spending in 2014)

- *Key initiatives* – promote good health as the foundation of a good living and manage the structure of the healthcare industry as well as public health and health regulation
- *Key departments* – Department of Health and Human Services at the federal level and state and local public hospitals
- *Key metrics* – life expectancy at birth; average age at death; rates of illicit drug use among those 12 years old and older; percentages of adults who suffer from depression or diabetes, who binge drink or smoke, or who are obese or overweight; total and out-of-pocket healthcare expenditures; and percentages of disposable income spent on healthcare

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

Blessings of Liberty

This segment works to secure the blessings of liberty to the US population, which it does through helping people achieve the American Dream, investing in the future, and limiting the possible causes of future destabilization. Our Government does this by providing educational opportunities and standards, promoting retirement savings and homeownership, and mandating savings through Social Security and Medicare. In order to prevent future conflict and destabilization, our Government manages its debt to limit the burden on future generations, protects the environment and manages natural resources, works to maintain a healthy democracy, and supports opportunity for economic mobility for each individual. In 2014, 52% or $2,789 billion of our Government's expenditures were made by this segment.

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

Education ($786 billion in spending in 2014)

- *Key initiatives* – increase educational attainment in the US
- *Key departments* – Department of Education (primarily Office of Federal Student Aid and Office for Postsecondary Education) and Department of the Treasury (primarily Internal Revenue Service, for refundable American Opportunity Credits) at the federal level and elementary, secondary, and higher education schools and libraries at the state and local level
- *Key metrics* – Head Start funded enrollment, reading and math at a third-grade level, high school graduation, college enrollment, graduation from two-year and four-year institutions, the adult population ages 25 and over with a high school diploma or GED and a bachelor's degree or higher, and average National Assessment of Educational Progress (NAEP) and Scholastic Aptitude Test (SAT) reading and math scores

Wealth and savings ($1,894 billion in spending in 2014)

- *Key initiatives* – encourage wealth creation through tax incentives and tools for homeownership and saving for retirement through pension plans, Social Security, and Medicare, and maintain a manageable balance between current expenditures and future debt
- *Key departments* – Department of the Treasury, Social Security Administration, and Department of Health and Human Services (primarily Centers for Medicare and Medicaid Services) at the federal level
- *Key metrics* – rate of savings as a percentage of disposable income, percentage of households that are unbanked, total and average household financial assets and mortgage debt, rates of home ownership, poverty of the elderly (over 65), and national debt held by the public as a percentage of Gross Domestic Product (GDP)

Sustainability and self-sufficiency ($109 billion in spending in 2014)

- *Key initiatives* – protect the environment and manage natural resources responsibly, including the agricultural industry
- *Key departments* – Department of Agriculture, Environmental Protection Agency, Corps of Engineers – Civil Works, Department of the Interior, Department of Commerce (primarily National Oceanic and Atmospheric Administration), and Department of Energy at the federal level and utilities (including energy, water, sewer, and solid waste management) and departments of forestry, fish and game, and parks and recreation at the state and local level
- *Key metrics* – crops harvested and crop failures; emissions; primary energy consumption; energy consumption from renewable sources; air, drinking water, hazardous waste and pesticide violations; and acres burned in forest fires

American Dream ($2 billion in spending in 2014)

- *Key initiatives* – increase intergenerational economic mobility, build strong communities throughout the US, and encourage philanthropy and civic participation, including voting
- *Key departments* – Department of Justice (primarily Civil Rights Division), Corporation for National and Community Service, Federal Election Commission
- *Key metrics* – rates of children with parents in the bottom income quintiles making it to a higher income quintile, citizen voting in presidential and midterm elections, and volunteering and participation in school groups or neighborhood associations, and amounts of charitable giving

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

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

Customers

Our Government's customers are the individuals living in the US and US citizens living overseas, including members of the armed forces. As of December 31, 2014, the population of the US, excluding US territories, was approximately 319 million. The population of the US is growing but at a rate that is generally decelerating; the population of the US grew 1% during each of the years ended December 31, 2014 and December 31, 2013, 13% in the 14 years following December 31, 2000, and 41% in the 34 years following December 31, 1980.

Demographics of our population

From 1980 through 2014, the population has remained 49% male and 51% female but has shifted in the ways discussed below.

We're getting older – the median age of our population has increased by nearly 8 years or 25%, from 30.0 years old in 1980 to 37.7 years old in 2014.

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

- The US population of non-Hispanic white people has decreased 14 percentage points since 1990 to 62% of our population, with other races and ethnicities increasing over this same time.
- The share of foreign-born individuals within our population has increased 2 percentage points since 2000 to 13% of our population in 2014. Foreign-born individuals:
  - have a higher labor participation rate (66% in 2014) than native-born individuals (63% in 2014);
  - work in more manual jobs (e.g. service, natural resources, construction, maintenance, moving); and

- have lower annual earnings (35% earned \$50,000 or more in 2014) than native-born individuals (45% earned \$50,000 or more in 2014).

We're moving south and west – our population is migrating from the Northeast and Midwest to the South and West. States range in population from just under 600,000 (Wyoming) to over 38 million (California).

We're becoming more educated – the rate of individuals with less than a high school diploma has decreased 13 percentage points since 1990 to 12%, while the share of adults 25 years and over with at least some college experience has increased 14 percentage points to 59% in 2014.

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

- the size of the average household has decreased 0.3 people or 8% since 1980 to 2.5 people per household in 2014;
- the share of households that comprise married families has decreased 13 percentage points since 1980 to 48% in 2014, while the shares of households that comprise other family and non-family groups have increased; and
- the number of young adults (25 – 34 years old) living at home has increased 95% since 1980 to 6.2 million in 2014.

Our families are getting smaller and more of us are unmarried – our total number of families has increased, while:

- the size of the average family has decreased 0.2 people or 5% since 1980 to 3.1 people per family in 2014;
- the share of our population that is married parents with kids has decreased 13 percentage points since 1980 to 29% in 2014, while all other categories of families have increased; and
- the share of our population that is currently married has decreased 9 percentage points for men and 8 percentage points for women since 1980 to 54% and 51%, respectively, in 2014, while the divorce rate has increased 6 percentage points for men and 7 percentage points for women to 13% and 16%, respectively, in 2014.

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

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

	1980	1990	2000	2005	2010	2011	2012	2013	2014
All women	58.9%	56.9%	54.7%	53.8%	52.4%	52.0%	51.7%	51.5%	51.4%
White	60.7%	59.1%	57.4%	56.5%	55.2%	54.8%	54.5%	54.2%	54.0%
Black	44.6%	40.2%	36.2%	35.0%	33.4%	33.2%	33.2%	33.2%	33.2%
Asian	na	62.5%	59.4%	63.6%	62.9%	61.0%	62.4%	62.0%	62.7%
Hispanic	na	58.5%	56.6%	54.7%	51.7%	50.4%	50.2%	50.4%	49.6%
Net divorce rate (Currently divorced as % of ever married)	**7.8**%	**10.7**%	**12.9**%	**13.6**%	**14.1**%	**14.4**%	**14.6**%	**14.8**%	**14.7**%
All men	6.8%	9.7%	12.1%	12.3%	12.9%	13.5%	13.6%	13.8%	13.5%
White	6.5%	9.4%	11.8%	12.0%	12.7%	13.3%	13.4%	13.8%	13.5%
Black	10.7%	14.2%	17.2%	17.0%	17.8%	19.0%	19.0%	18.1%	17.8%
Asian	na	3.3%	5.2%	5.8%	4.8%	4.8%	4.6%	4.5%	4.4%
Hispanic	na	8.0%	9.5%	9.9%	11.0%	10.6%	10.9%	11.3%	12.0%
All women	8.6%	11.5%	13.6%	14.8%	15.2%	15.3%	15.5%	15.7%	15.8%
White	8.1%	10.9%	13.1%	14.2%	14.7%	14.7%	15.2%	15.3%	15.5%
Black	13.1%	17.8%	20.5%	22.0%	22.5%	23.3%	22.7%	22.8%	22.6%
Asian	na	5.5%	7.4%	8.1%	6.8%	7.3%	6.8%	7.7%	8.0%
Hispanic	na	11.0%	11.7%	13.0%	13.9%	13.6%	14.2%	14.2%	14.7%
Living arrangements [9]									
Young adults (25-34 years) living at home (in thousands)	3,194	4,987	3,989	4,257	5,520	5,458	5,614	5,814	6,233
Rate of young adults living at home	8.6%	11.5%	10.0%	10.8%	13.4%	13.1%	13.3%	13.6%	14.3%

* *Source: US Census Bureau.*

[1] *Population statistics for 1980, 1990, 2000, and 2010 are from the decennial census published April 1 each decade. All other years are from official intercensal estimates and postcensal estimates produced on July 1 of each year. For years 1990-2014, census data was exported from the CDC WONDER database.*

[2] *Components of population change are from yearly intercensal estimates taken on July 1 of each year. Estimates have not been revised for all years and as a result total population change does not always add to the gap between annual population estimates. For 2010-2014, population change has not been revised. The difference between annual population change estimates and change in estimated total population have been included in the residual.*

[3] *The "residual" shown here includes the components of population change: net international migration, Federal Citizen movement, net domestic migration, and a statistical residual. For post-1990 estimates, the estimates methodology was refined to allow separate identification of these components. The 2010-2014 components of population change include an unstated residual which is the gap between revised population estimates and change estimates reported each year.*

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

[5] *Estimates for 16-64 population in 1990 and 2000 comes from the intercensal estimates rather than the census itself due to lack of availability of single year breakouts in summary census data.*

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

[7] *In 1997, the OMB created new standards for collecting race data in national surveys including the decennial census. The directive led to the expansion from 4 race categories in the 1980 and 1990 census to 31 race categories in the 2000 and 2010 census. As a result, the CDC and the Census Bureau have created bridged race estimates for 2000 and later in order to compare races in recent years to the four previous race categories. Bridged race estimates are included here and are a more reliable comparison to past years and are used to calculate the vital statistics rates by race. They are estimates as of July 1 of each year, even in census years. Additional information can be found at https://www.cdc.gov/nchs/nvss/bridged_race.htm.*

[8] *1980 population by age comes from revised 1980 numbers as found in intercensal estimate documents from 1990.*

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

[10] *2011 and 1980 data were revised based on census estimates. The 2014 CPS ASEC included redesigned questions for income and health insurance coverage. All of the approximately 98,000 addresses were selected to receive the improved set of health insurance coverage items. The improved income questions were implemented using a split panel design. Approximately 68,000 addresses were selected to receive a set of income questions similar to those used in the 2013 CPS ASEC. The remaining 30,000 addresses were selected to receive the redesigned income questions. The source of data for this table is the CPS ASEC sample of 98,000 addresses.*

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

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

[13] *In table titles, "family" is used to refer to a family household. In general, family consists of those related to each other by birth, marriage or adoption.*

Demographics by race and ethnicity

	1980	1990	2000	2005	2010	2011	2012	2013	2014
Total population	**226,545,805**	**248,709,873**	**281,421,906**	**295,516,599**	**308,745,538**	**311,718,857**	**314,102,623**	**316,427,395**	**318,907,401**
White	194,713,000	199,827,064	211,460,626	235,491,577	241,937,061	243,383,544	244,503,484	245,531,955	246,644,353
Black / African American	26,683,000	29,930,524	34,658,190	37,961,688	40,250,635	40,804,913	41,258,866	41,702,460	42,167,490
Asian	3,729,000	7,226,986	10,641,833	13,576,467	15,159,516	15,760,421	16,266,574	16,810,552	17,397,628
Hispanic	14,609,000	21,900,089	35,305,818	43,023,614	50,477,594	51,953,707	53,074,304	54,203,686	55,395,168
Poverty rate of all persons	**13.0%**	**13.5%**	**11.3%**	**12.6%**	**15.1%**	**15.0%**	**15.0%**	**14.5%**	**14.8%**
White population [1]	10.2%	10.7%	9.5%	10.6%	13.0%	12.8%	12.7%	12.3%	12.7%
Black [1]	32.5%	31.9%	22.5%	24.9%	27.4%	27.6%	27.2%	27.2%	26.2%
Asian [1]	na	12.2%	9.9%	11.1%	12.2%	12.3%	11.7%	10.5%	12.0%
Hispanic	25.7%	28.1%	21.5%	21.8%	26.5%	25.3%	25.6%	23.5%	23.6%
Crime									
Total arrests [6]	**10,458,260**	**14,217,170**	**13,985,979**	**14,097,950**	**13,122,113**	**12,410,323**	**12,198,491**	**11,303,198**	**11,207,143**
White	74.0%	69.8%	68.9%	70.0%	69.5%	69.3%	69.0%	na	na
Black / African American	24.2%	28.3%	28.8%	27.5%	27.9%	28.0%	28.0%	na	na
American Indian / Alaska Native	1.2%	1.1%	1.3%	1.3%	1.4%	1.5%	1.5%	na	na
Asian / Pacific Islander	0.6%	0.8%	1.1%	1.1%	1.2%	1.2%	1.5%	na	na
Total sentenced prisoners [7]	**na**	**na**	**1,334,174**	**1,462,866**	**1,552,669**	**1,538,847**	**1,512,430**	**1,520,403**	**1,507,781**
White (non-Hispanic) [8]	na	na	35.6%	34.6%	32.2%	33.6%	33.1%	33.3%	33.6%
Black (non-Hispanic) [8]	na	na	46.2%	39.5%	37.9%	37.8%	36.5%	36.2%	35.8%
Hispanic	na	na	16.4%	20.2%	22.3%	22.8%	22.0%	21.9%	21.7%
High school dropout rate [2]	**14.1%**	**12.1%**	**10.9%**	**9.4%**	**7.4%**	**7.1%**	**6.6%**	**6.8%**	6.5%
White	11.4%	9.0%	6.9%	6.0%	5.1%	5.0%	4.3%	5.1%	5.2%
Black	19.1%	13.2%	13.1%	10.4%	8.0%	7.3%	7.5%	7.3%	7.4%
Hispanic	35.2%	32.4%	27.8%	22.4%	15.1%	13.6%	12.7%	11.7%	10.6%
Graduation rate (at 4 year institutions, within 6 years after start) [3]									
White	na	na	na	59.7%	61.6%	62.0%	62.5%	62.9%	63.2%
Black	na	na	na	40.9%	39.6%	39.5%	40.2%	40.8%	40.9%
Hispanic	na	na	na	48.5%	50.2%	51.0%	51.9%	52.5%	53.5
Civil rights violations									
Race									
Hate crimes [4]	na	na	4,337	3,919	3,135	2,917	2,797	2,871	2,568
Equal employment charges	na	na	28,945	26,740	35,890	35,395	33,512	33,068	31,073
Ethnicity/National origin									
Hate crimes [4]	na	na	911	944	847	720	667	655	648
Equal employment charges	na	na	7,792	8,035	11,304	11,833	10,883	10,642	9,579
Color –Equal employment charges	na	na	1,290	1,069	2,780	2,832	2,662	3,146	2,756
Employment (average annual) [5]									
White	87,715	102,261	114,424	116,949	114,168	114,690	114,769	115,379	116,788
Black	9,313	12,175	15,156	15,313	15,010	15,051	15,856	16,151	16,732
Asian	na	na	6,043	6,244	6,705	6,867	7,705	8,136	8,325
Hispanic	5,527	9,845	15,735	18,632	19,906	20,269	21,878	22,514	23,492
Birth rate (per 1,000 women aged 15-44)	**15.9**	**16.7**	**14.4**	**14.0**	**13.0**	**12.7**	**12.6**	**12.4**	**12.5**
White	15.1	15.8	13.9	13.6	12.5	12.2	12.1	12.0	12.1
Black / African American	21.3	22.4	17.0	16.1	15.1	14.8	14.7	14.5	14.5
Asian / Pacific Islander	19.9	19.0	17.1	15.9	14.5	14.5	15.1	14.3	14.6
American Indian / Alaska Native	20.7	18.9	14.0	12.6	11.0	10.7	10.5	10.3	9.9
Hispanic	na	26.7	23.1	22.9	18.7	17.6	17.1	16.7	16.5
Non-Hispanic	na	15.7	13.2	12.5	11.8	11.7	11.7	11.6	na
% of births to mothers under 18 (by race of mother)									
White	na	3.6%	3.5%	2.9%	2.5%	2.3%	2.1%	1.8%	na
Black / African American	na	10.1%	7.8%	6.2%	4.9%	4.3%	3.8%	3.2%	na
Asian / Pacific Islander	na	2.1%	1.5%	1.0%	0.7%	0.6%	0.5%	0.5%	na
Hispanic / Latina (of any race)	na	6.6%	6.3%	5.3%	4.7%	4.2%	3.9%	3.4%	na
Single-mother birth rates (% of unmarried women 15-44)	**2.9%**	**4.4%**	**4.4%**	**4.7%**	**4.8%**	**4.6%**	**4.5%**	**4.4%**	**na**
White	1.8%	3.3%	3.8%	4.3%	4.5%	4.3%	4.2%	4.1%	na
Non-Hispanic white	—	2.4%	2.8%	3.0%	3.3%	3.2%	3.2%	3.2%	na
Black	8.1%	9.1%	7.1%	6.7%	6.5%	6.4%	6.3%	6.2%	na
Asian / Pacific Islander	—	—	2.1%	2.3%	2.2%	2.2%	2.3%	2.2%	na
Hispanic	—	9.0%	8.7%	9.6%	8.1%	7.5%	7.3%	7.0%	na
Life expectancy at birth	**73.7**	**75.4**	**76.8**	**77.6**	**78.7**	**78.7**	**78.8**	**78.8**	**78.8**
White	74.4	76.1	77.3	78.0	78.9	79.0	79.1	79.1	79.0
Black	68.1	69.1	71.8	73.0	75.1	75.3	75.5	75.5	75.6
Hispanic	na	na	na	na	81.2	81.4	81.6	81.6	81.8

	1980	1990	2000	2005	2010	2011	2012	2013	2014
Mortality rate (per 100,000 persons)	**878.0**	**863.1**	**854.0**	**828.4**	**799.5**	**807.3**	**810.2**	**821.5**	**823.7**
White	892.3	887.3	900.2	880.9	861.7	872.6	876.3	889.2	892.9
Black / African American	874.4	869.6	781.1	745.4	682.2	679.7	683.3	693.4	697.3
Asian / Pacific Islander	na	na	296.6	298.0	301.1	305.3	311.5	321.4	317.4
American Indian / Alaska Native	na	na	380.8	391.6	365.1	366.8	375.7	382.5	398.5
Hispanic	na	na	303.8	304.9	286.2	287.5	295.0	301.9	305.8
Non-Hispanic	na	na	929.6	915.7	897.6	909.5	911.9	926.1	929.3
Infant mortality (per 1,000 births)									
White	na	7.3	5.7	5.7	5.2	5.1	5.1	5.1	4.9
Black / African American	na	16.9	13.5	13.3	11.2	11.2	10.9	10.8	11.0
Asian / Pacific Islander	na	6.6	4.9	4.9	4.3	4.4	4.1	4.1	na
Hispanic / Latina (of any race)	na	7.5	5.6	5.6	5.3	5.2	5.1	5.0	na
Number of children in foster care on (9/30)	**na**	**na**	**552,000**	**511,000**	**404,878**	**398,057**	**397,153**	**400,989**	**415,129**
White	na	na	38%	41%	41%	41%	42%	42%	42%
Black	na	na	39%	32%	29%	27%	26%	24%	24%
Hispanic	na	na	15%	18%	21%	21%	21%	22%	22%
Asian	na	na	1%	1%	1%	1%	1%	1%	1%

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

1 *Includes mixed races prior to 2002.*

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

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

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

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

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

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

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

African-American population

	1980	1990	2000	2005	2010	2011	2012	2013	2014
African-American population	**26,683,000**	**29,930,524**	**34,658,190**	**37,961,688**	**40,250,635**	**40,804,913**	**41,258,866**	**41,702,460**	**42,167,490**
% of total population	11.8%	12.0%	12.3%	12.8%	13.0%	13.1%	13.1%	13.2%	13.2%
Age and sex									
Male	47.3%	47.2%	47.5%	46.5%	47.7%	47.8%	47.8%	47.8%	47.8%
Female	52.7%	52.8%	52.5%	53.5%	52.3%	52.2%	52.2%	52.2%	52.2%
<5 years of age	9.2%	9.2%	8.1%	8.4%	7.6%	7.5%	7.4%	7.2%	7.2%
5 to 14 years	19.5%	17.7%	18.3%	17.2%	15.3%	15.1%	15.0%	14.8%	14.7%
15 to 24 years	21.6%	17.1%	16.0%	16.4%	16.9%	16.9%	16.8%	16.7%	16.4%
25 to 34 years	15.9%	18.1%	14.9%	14.0%	14.0%	14.2%	14.3%	14.4%	14.6%
35 to 44 years	10.2%	14.0%	15.9%	14.7%	13.6%	13.3%	13.1%	13.0%	13.0%
45 to 54 years	8.6%	8.9%	11.8%	13.3%	14.0%	13.9%	13.7%	13.5%	13.3%
55 to 64 years	7.2%	6.7%	6.8%	8.0%	9.8%	10.3%	10.6%	10.8%	11.0%
65+ years	7.8%	8.4%	8.1%	8.1%	8.7%	8.9%	9.2%	9.5%	9.8%
18+ years	64.5%	68.0%	68.6%	70.6%	71.9%	72.5%	73.0%	73.4%	73.6%
Median age (years)	24.9	28.3	30.2	na	32.0	32.3	32.5	32.8	33.0
Regional									
Northeast	18.3%	18.7%	17.6%	17.0%	16.8%	16.7%	16.7%	16.6%	16.5%
Midwest	20.1%	19.0%	18.8%	18.4%	17.9%	17.4%	17.6%	17.7%	17.4%
South	53.0%	52.8%	54.8%	55.9%	56.5%	57.2%	57.1%	57.1%	57.5%
West	8.5%	9.4%	8.9%	8.7%	8.8%	8.7%	8.7%	8.7%	8.6%
Educational attainment									
Population 25 years and over (in thousands)	na	15,761	19,858	21,203	22,969	23,364	23,899	24,371	24,864
Less than high school graduate	na	32.9%	27.7%	18.9%	18.4%	18.6%	18.3%	18.1%	17.6%
High school graduate	na	29.7%	29.8%	37.2%	32.6%	31.8%	30.8%	30.3%	30.0%
Some college or associate's degree	na	25.3%	28.2%	26.4%	29.2%	29.8%	29.6%	29.8%	30.1%
Bachelor's degree	na	8.0%	9.5%	12.4%	13.3%	13.2%	13.7%	14.1%	14.6%
Graduate or professional degree	na	4.1%	4.8%	5.1%	6.5%	6.7%	7.5%	7.6%	7.6%
Income									
Number of households (in thousands)	8,847	10,671	13,174	14,002	15,265	15,583	15,872	16,009	16,437
Earning <$15,000 annually	27.0%	26.7%	19.0%	21.6%	23.9%	24.4%	23.6%	22.9%	22.4%
$15,000 to $24,999	17.1%	14.5%	12.9%	14.7%	14.0%	14.5%	15.2%	14.0%	14.4%
$25,000 to $34,999	13.5%	10.9%	12.7%	11.2%	12.4%	12.3%	11.7%	12.4%	12.7%
$35,000 to $49,999	14.6%	14.4%	14.6%	15.0%	14.3%	13.4%	14.3%	14.7%	14.4%
$50,000 to $74,999	15.6%	16.5%	17.7%	15.9%	15.0%	15.3%	15.0%	15.1%	15.1%
$75,000 or more	12.7%	16.9%	23.0%	21.6%	20.4%	20.1%	20.1%	20.9%	21.0%
Employment									
Population 16 years and over (in thousands)	25,361	27,828	28,367	28,810	29,475	29,892	30,310	30,670	31,139
In labor force	65.7%	62.8%	64.3%	63.2%	62.2%	62.0%	62.0%	62.1%	62.1%
Civilian labor force	65.3%	62.3%	63.6%	62.5%	61.7%	61.6%	61.5%	61.6%	61.7%
Employed	56.7%	54.8%	56.2%	52.4%	50.6%	50.6%	51.2%	52.3%	53.5%
Unemployed	8.7%	7.5%	7.4%	10.1%	11.1%	10.9%	10.3%	9.4%	8.2%
Armed Forces	0.4%	0.5%	0.7%	0.7%	0.5%	0.4%	0.5%	0.4%	0.4%
Not in labor force	34.3%	37.2%	35.7%	36.8%	37.8%	38.0%	38.0%	37.9%	37.9%

* *Source: US Census Bureau.*

Hispanic population

	1980	1990	2000	2005	2010	2011	2012	2013	2014
Hispanic population	**14,608,673**	**21,900,089**	**35,305,818**	**43,023,614**	**50,477,594**	**51,953,707**	**53,074,304**	**54,203,686**	**55,395,168**
% of total population	6.4%	8.8%	12.5%	14.4%	16.3%	16.7%	16.9%	17.1%	17.4%
Age and sex									
Male	49.8%	50.8%	51.4%	51.3%	50.8%	50.7%	50.6%	50.6%	50.6%
Female	50.2%	49.2%	48.6%	48.7%	49.2%	49.3%	49.4%	49.4%	49.4%
<5 years of age	11.4%	10.6%	10.5%	10.7%	10.1%	9.9%	9.7%	9.4%	9.3%
5 to 14 years	20.6%	19.0%	19.2%	18.6%	18.5%	18.3%	18.3%	18.2%	18.1%
15 to 24 years	21.9%	19.1%	18.6%	16.9%	17.5%	17.4%	17.2%	17.1%	17.0%
25 to 34 years	17.1%	20.0%	18.4%	18.3%	16.7%	16.5%	16.3%	16.2%	16.0%
35 to 44 years	10.7%	13.3%	14.5%	14.9%	14.5%	14.5%	14.5%	14.5%	14.4%
45 to 54 years	8.1%	7.8%	8.9%	9.9%	10.8%	11.0%	11.2%	11.3%	11.4%
55 to 64 years	5.3%	5.3%	4.8%	5.5%	6.4%	6.7%	6.9%	7.1%	7.3%
65+ years	4.9%	4.8%	4.9%	5.2%	5.5%	5.7%	6.0%	6.2%	6.4%
18+ years	61.5%	65.1%	65.0%	65.8%	66.1%	66.5%	66.9%	67.3%	67.6%
Median age (years)	23.2	25.6	25.8	na	27.3	27.6	27.9	28.2	28.5
Regional									
Northeast	17.8%	16.6%	14.9%	13.9%	13.9%	13.8%	13.9%	14.0%	14.0%
Midwest	8.7%	7.6%	8.8%	9.0%	9.2%	9.2%	9.2%	9.2%	9.2%
South	30.6%	30.4%	32.8%	34.2%	36.1%	36.2%	36.4%	36.5%	36.7%
West	42.8%	45.4%	43.5%	42.8%	40.8%	40.7%	40.5%	40.3%	40.2%
Educational attainment									
Population 25 years and over									
(in thousands)	na	11,227	18,270	22,551	26,375	26,672	28,445	29,130	29,919
Less than high school graduate	na	50.2%	47.6%	41.5%	39.4%	38.5%	38.4%	35.6%	36.7%
High school graduate	na	21.6%	22.1%	27.6%	27.4%	27.0%	26.7%	27.2%	26.7%
Some college or associate's degree	na	19.1%	19.9%	18.9%	19.3%	20.4%	20.5%	20.7%	21.4%
Bachelor's degree	na	5.9%	6.7%	8.4%	10.1%	10.0%	10.3%	10.7%	10.6%
Graduate or professional degree	na	3.3%	3.8%	3.5%	3.8%	4.1%	4.2%	4.3%	4.6%
Income									
Number of households (in thousands)	3,906	6,220	10,034	12,519	14,435	14,939	15,589	16,088	16,239
Earning <$15,000 annually	17.5%	17.3%	12.3%	13.9%	15.8%	15.8%	16.4%	15.3%	14.6%
$15,000 to $24,999	15.6%	15.5%	13.4%	13.7%	13.9%	13.7%	14.4%	14.7%	14.1%
$25,000 to $34,999	13.6%	12.0%	12.1%	12.1%	14.1%	14.0%	13.1%	14.4%	12.4%
$35,000 to $49,999	17.8%	16.9%	16.7%	17.3%	14.8%	16.6%	15.8%	15.1%	15.6%
$50,000 to $74,999	18.8%	19.0%	19.5%	18.7%	17.6%	17.3%	17.4%	15.7%	18.0%
$75,000 or more	16.6%	19.4%	25.8%	24.2%	23.8%	22.4%	22.9%	24.9%	25.4%

	2005	2007	2008	2009	2010	2011	2012	2013	2014
Employment									
Population 16 years and over									
(in thousands)	28,858	31,561	32,402	33,252	35,347	36,347	37,186	38,072	39,196
In labor force	68.3%	67.8%	69.4%	68.9%	67.8%	67.4%	67.5%	67.3%	67.1%
Civilian labor force	68.0%	67.4%	69.0%	68.4%	67.4%	67.0%	67.1%	67.0%	66.8%
Employed	62.2%	62.5%	63.8%	60.3%	58.7%	58.7%	59.5%	60.3%	61.1%
Unemployed	5.9%	4.9%	5.2%	8.1%	8.7%	8.4%	7.6%	6.7%	5.6%
Armed Forces	0.2%	0.3%	0.5%	0.4%	0.4%	0.3%	0.4%	0.4%	0.4%
Not in labor force	31.7%	32.2%	30.6%	31.1%	32.2%	32.6%	32.5%	32.7%	32.9%

* *Source: US Census Bureau.*

Demographics of native-born and foreign-born population

Native-born population

	2000	2005	2010	2011	2012	2013	2014
Total population [1]	**281,421,906**	**288,378,137**	**309,349,689**	**311,591,919**	**313,914,040**	**316,128,839**	**318,857,056**
Native-born	250,314,017	252,688,295	269,393,835	271,214,059	273,089,382	274,780,773	276,465,262
Foreign-born	31,107,889	35,689,842	39,955,854	40,377,860	40,824,658	41,348,066	42,391,794
Foreign-born; naturalized	12,542,626	14,967,828	17,476,082	18,140,192	18,686,237	19,294,710	19,984,738
Foreign-born; not a US citizen	18,565,263	20,722,014	22,479,772	22,237,668	22,138,421	22,053,356	22,407,056
Native-born demographics [1]	**250,314,017**	**252,688,295**	**269,393,835**	**271,214,059**	**273,089,382**	**274,780,773**	**276,465,262**
White	na	78.6%	78.0%	77.9%	77.8%	77.6%	77.3%
Black / African American	na	12.8%	13.2%	13.2%	13.2%	13.2%	13.3%
Asian	na	1.6%	1.8%	1.8%	1.9%	2.0%	2.0%
Hispanic	na	9.9%	11.9%	12.2%	12.5%	12.7%	13.0%
Non-Hispanic, White only	na	73.3%	70.3%	69.9%	69.4%	69.0%	68.6%
Median age (years)	na	35.7	35.9	35.9	35.9	35.9	35.9
Educational attainment							
Population 25 years and over	na	159,698,715	170,663,408	172,088,339	173,677,107	175,209,833	176,980,069
Less than high school graduate	na	12.7%	11.0%	10.6%	10.2%	10.0%	9.6%
High school graduate	na	30.8%	29.7%	29.6%	29.2%	28.9%	28.8%
Some college or associate's degree	na	29.2%	30.9%	31.0%	31.3%	31.2%	31.2%
Bachelor's degree	na	17.5%	18.1%	18.3%	18.6%	18.9%	19.1%
Graduate or professional degree	na	9.8%	10.3%	10.5%	10.8%	11.1%	11.3%
Employment							
Population 16 years and over	na	na	206,115,307	207,871,107	209,777,405	211,437,659	213,149,182
In labor force	na	na	63.8%	63.4%	63.3%	63.0%	62.7%
Civilian labor force	na	na	63.3%	62.9%	62.8%	62.6%	62.3%
Employed	na	na	56.3%	56.4%	56.8%	57.2%	57.7%
Unemployed	na	na	6.9%	6.6%	6.0%	5.4%	4.6%
Armed Forces	na	na	0.5%	0.5%	0.5%	0.4%	0.4%
Not in labor force	na	na	36.2%	36.6%	36.7%	37.0%	37.3%
Total civilian employed	na	115,788,045	116,126,410	117,136,592	119,222,552	120,898,666	122,971,107
Management and professional	na	35.3%	37.4%	37.4%	37.4%	37.7%	38.2%
Service occupations	na	15.2%	16.6%	16.9%	17.0%	17.0%	16.9%
Sales and office	na	27.3%	26.4%	25.9%	25.9%	25.6%	25.1%
Natural resources, construction, maintenance	na	9.9%	8.4%	8.3%	8.3%	8.1%	8.1%
Production, transportation and moving	na	12.4%	11.2%	11.4%	11.5%	11.6%	11.7%
Annual earnings							
Population 16+ years with earnings	na	77,501,349	80,424,892	81,282,169	83,181,059	84,239,226	85,944,931
Earning <$15,000 annually	na	6.9%	5.9%	5.8%	5.7%	5.5%	5.3%
$15,000 to $24,999	na	16.4%	13.9%	13.7%	13.4%	13.2%	13.0%
$25,000 to $34,999	na	19.3%	17.0%	16.6%	16.5%	16.3%	16.1%
$35,000 to $49,999	na	22.2%	21.6%	21.2%	21.0%	20.9%	20.7%
$50,000 to $74,999	na	19.6%	21.8%	22.0%	22.0%	22.0%	22.0%
$75,000 or more	na	15.6%	19.8%	20.7%	21.4%	22.1%	22.8%

* *Source: US Census Bureau.*

1 *2005-2014 data is sourced from the American Community Survey and therefore total population may differ from other tables; 2000 data is sourced from decennial census survey.*

Foreign-born population

	2000	2005	2010	2011	2012	2013	2014
Total population [1]	**281,421,906**	**288,378,137**	**309,349,689**	**311,591,919**	**313,914,040**	**316,128,839**	**318,857,056**
Native-born	250,314,017	252,688,295	269,393,835	271,214,059	273,089,382	274,780,773	276,465,262
Foreign-born	31,107,889	35,689,842	39,955,854	40,377,860	40,824,658	41,348,066	42,391,794
Foreign-born; naturalized	12,542,626	14,967,828	17,476,082	18,140,192	18,686,237	19,294,710	19,984,738
Foreign-born; not a US citizen	18,565,263	20,722,014	22,479,772	22,237,668	22,138,421	22,053,356	22,407,056
Foreign-born demographics [1]	**31,107,889**	**35,689,842**	**39,955,854**	**40,377,860**	**40,824,658**	**41,348,066**	**42,391,794**
White	na	46.7%	47.9%	48.3%	48.2%	48.0%	47.5%
Black / African American	na	7.6%	8.3%	8.4%	8.5%	8.6%	8.7%
Asian	na	23.5%	24.5%	24.8%	25.3%	25.6%	26.2%
Hispanic	na	47.0%	47.1%	46.6%	46.2%	45.9%	45.7%
Non-Hispanic, White only	na	20.9%	18.8%	18.8%	18.7%	18.6%	18.1%
Median age (years)	na	39.3	41.4	42.1	42.6	43.1	43.5
Educational attainment							
Population 25 years and over	na	29,252,044	33,625,525	34,383,331	35,054,391	35,700,782	36,745,555
Less than high school graduate	na	32.4%	31.7%	31.5%	30.8%	30.3%	29.9%
High school graduate	na	22.8%	22.5%	22.5%	22.2%	22.4%	22.7%
Some college or associate's degree	na	18.1%	18.8%	18.8%	19.1%	19.0%	18.9%
Bachelor's degree	na	15.7%	15.9%	16.0%	16.4%	16.4%	16.5%
Graduate or professional degree	na	11.0%	11.1%	11.3%	11.6%	11.8%	12.0%
Employment							
Population 16 years and over	na	na	37,717,616	38,323,004	38,823,878	39,398,340	40,439,765
In labor force	na	na	67.7%	67.2%	66.9%	66.7%	66.3%
Civilian labor force	na	na	67.6%	67.1%	66.7%	66.5%	66.1%
Employed	na	na	60.7%	60.7%	61.0%	61.5%	61.9%
Unemployed	na	na	6.9%	6.4%	5.7%	5.0%	4.2%
Armed forces	na	na	0.1%	0.1%	0.1%	0.1%	0.1%
Not in labor force	na	na	32.3%	32.8%	33.1%	33.3%	33.7%
Total civilian employed	na	20,670,765	22,907,518	23,262,956	23,699,135	24,230,010	25,048,801
Management and professional	na	27.2%	28.6%	28.8%	29.5%	29.8%	30.3%
Service occupations	na	22.2%	25.1%	25.5%	25.1%	25.1%	24.6%
Sales and office	na	18.3%	17.8%	17.5%	17.3%	17.1%	17.0%
Farming, fishing, and forestry	na	15.3%	13.0%	12.8%	12.5%	12.9%	12.9%
Production, transportation, and moving	na	16.9%	15.5%	15.4%	15.5%	15.2%	15.2%
Annual earnings							
Population 16+ years with earnings	na	14,265,547	16,022,680	16,273,371	16,807,333	17,173,755	17,832,681
Earning <$15,000 annually	na	13.4%	10.4%	9.8%	9.3%	8.8%	8.5%
$15,000 to $24,999	na	25.6%	23.4%	23.2%	22.5%	22.3%	21.4%
$25,000 to $34,999	na	18.4%	17.7%	17.7%	17.5%	17.5%	17.8%
$35,000 to $49,999	na	16.6%	17.1%	16.6%	16.8%	16.8%	17.0%
$50,000 to $74,999	na	13.5%	14.7%	15.2%	15.4%	15.4%	15.7%
$75,000 or more	na	12.6%	16.7%	17.4%	18.4%	19.3%	19.7%

* *Source: US Census Bureau.*

1 *2005-2014 data is sourced from the American Community Survey and therefore total population may differ from other tables; 2000 data is sourced from decennial census survey.*

Cohorts of our population

To get a consistent and informative picture of our populations, we chose to view several statistics in cohorts of people grouped by family structure and income. Several reasons led to this decision:

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

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

Family structure and income cohorts

In the US, marriage tends to be correlated with higher incomes. Among non-elderly people married with children, the largest fraction (42%) is in the top 20% by income. Among non-elderly married couples without children, the figure is similar – 43% are in the top 20% income group. By contrast, among single non-elderly people without children, a plurality, or 25%, is in the income cohort that is second from the bottom. Single non-elderly parents do slightly better, where the largest fraction, or 25%, in the second-lowest income category.

White people make up 79% of the population but just 67% of single-parent family and individual units (Units). Black people represent 13% of the population and 27% of single-parent Units. The proportions are similar for Hispanic people: they make up 15% of Americans and 25% of single-parent Units. For Asian people, the figures are 5% of the population and 3% of single-parent Units.

Black people, who make up 14% of Americans, account for 19% of the lowest income quintile (earning less than $8,000 a year). At higher income levels, black representation diminishes. The opposite is true among white people: they make up 79% of the population but 72% of the poorest Americans and 84% of the wealthiest 1%. Hispanic people, who account for 15% of Americans, are fairly evenly divided among income groups, with the heaviest representation in the second lowest quintile (earning $8,000 to $31,000 a year).

Women make up 44% of the main earners in American families but 58% of those in the lowest income group. Women are the main earners in just 30% of Units in the top 20% by income, who earn over $113,000 a year.

Southerners make up 38% of the population and 41% of the poorest fifth of Americans. The opposite is true for Northeasterners, who make up 18% of the population and more than 21% of the top 1% by income. As incomes rise, Americans are more likely to live in urban areas.

		Average Per Unit			Top Earner by Sex		Race, Ethnicity of Unit Head											
Family and Individual Unit Sub Group / Income %	# of Units	Persons	Children (Under 18)	Age of Unit Head	% Male	% Female	% White	% Black	% Asian	% Other Race	% Hispanic	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All family and individual units	***146,713,385***	***2.2***	***0.5***	***49.6***	***56%***	***44%***	***79%***	***14%***	***5%***	***2%***	***15%***	***84%***	***82%***	***18%***	***18%***	***21%***	***38%***	***23%***
Bottom 5% ($0)	4,895,074	1.5	0.3	47.1	41%	59%	64%	24%	9%	3%	20%	80%	80%	20%	18%	16%	44%	22%
Bottom 5%-20% ($0-$8k)	22,007,114	1.6	0.3	50.7	42%	58%	74%	18%	5%	3%	16%	85%	79%	21%	17%	20%	40%	23%
Second 20% ($8-$31k)	29,343,527	1.8	0.4	51.1	47%	53%	77%	16%	4%	3%	18%	84%	79%	21%	16%	22%	40%	22%
Middle 20% ($31-$61k)	29,342,438	2.1	0.5	49.2	56%	44%	79%	15%	4%	2%	17%	84%	82%	18%	17%	22%	38%	23%
Fourth 20% ($61-$113k)	29,341,956	2.5	0.6	48.3	64%	36%	82%	11%	5%	2%	13%	85%	83%	17%	18%	22%	36%	24%
Top 2%-20% ($113k-$711k)	27,876,554	2.9	0.7	49.3	70%	30%	84%	7%	8%	1%	9%	85%	87%	13%	20%	22%	34%	24%
Top 1% (S711k+)	1,467,201	3.0	0.7	52.1	72%	28%	84%	5%	11%	—%	7%	82%	91%	9%	21%	18%	34%	27%
Married no kids	***23,909,522***	***2.4***	—	***51.0***	***71%***	***29%***	***84%***	***8%***	***6%***	***2%***	***11%***	***84%***	***81%***	***19%***	***17%***	***22%***	***38%***	***23%***
Bottom 5%	167,440	2.0	—	53.8	56%	44%	60%	16%	20%	4%	16%	66%	78%	22%	17%	10%	47%	26%
Bottom 5%-20%	1,137,024	2.2	—	52.8	68%	32%	79%	11%	7%	3%	21%	76%	77%	23%	14%	16%	43%	27%
Second 20%	1,759,080	2.3	—	52.2	71%	29%	82%	9%	8%	1%	19%	75%	77%	23%	13%	18%	41%	28%
Middle 20%	3,211,405	2.3	—	51.4	10%	29%	82%	10%	6%	2%	17%	80%	77%	23%	13%	21%	42%	24%
Fourth 20%	6,957,973	2.4	—	50.1	70%	30%	85%	8%	5%	2%	11%	86%	79%	21%	17%	24%	38%	21%
Top 2%-20%	9,837,906	2.5	—	50.8	72%	28%	86%	6%	7%	1%	8%	87%	85%	15%	20%	23%	35%	22%
Top 1%	486,941	2.5	—	54.4	72%	28%	85%	4%	10%	1%	6%	85%	92%	8%	22%	17%	36%	25%
Married parents	***24,777,229***	***4.2***	***1.9***	***40.3***	***77%***	***23%***	***81%***	***8%***	***9%***	***2%***	***20%***	***76%***	***83%***	***17%***	***17%***	***21%***	***37%***	***25%***
Bottom 5%	56,836	4.2	1.8	38.6	70%	30%	64%	14%	18%	4%	23%	48%	82%	18%	12%	16%	47%	25%
Bottom 5%-20%	763,935	4.3	2.1	38.8	72%	28%	79%	9%	9%	3%	36%	58%	79%	21%	13%	15%	42%	30%
Second 20%	1,873,967	4.3	2.1	37.7	79%	21%	80%	10%	8%	2%	40%	57%	81%	19%	14%	13%	43%	30%
Middle 20%	3,820,814	4.4	2.1	38.4	82%	18%	81%	9%	7%	3%	34%	65%	79%	21%	13%	19%	40%	28%
Fourth 20%	7,659,516	4.2	2.0	39.9	76%	24%	82%	9%	7%	2%	20%	78%	80%	20%	16%	23%	37%	24%
Top 2%-20%	9,873,235	4.1	1.8	42.0	75%	25%	82%	7%	10%	1%	11%	82%	88%	12%	20%	22%	34%	24%
Top 1%	538,251	4.3	1.9	43.5	75%	25%	79%	4%	16%	1%	7%	77%	92%	8%	22%	17%	34%	27%
Single no kids	***50,956,891***	***1.2***	—	***40.7***	***52%***	***48%***	***75%***	***17%***	***5%***	***3%***	***15%***	***86%***	***84%***	***16%***	***18%***	***21%***	***37%***	***24%***
Bottom 5%	2,534,789	1.1	—	39.9	46%	54%	62%	26%	9%	3%	18%	82%	81%	19%	19%	17%	43%	21%
Bottom 5%-20%	10,245,930	1.1	—	39.5	47%	53%	72%	19%	6%	3%	15%	87%	82%	18%	17%	21%	38%	24%
Second 20%	12,931,293	1.2	—	40.3	51%	49%	75%	18%	4%	3%	18%	85%	82%	18%	15%	22%	39%	24%
Middle 20%	12,381,772	1.2	—	40.3	53%	47%	77%	17%	4%	2%	15%	88%	85%	15%	18%	23%	36%	23%
Fourth 20%	8,403,951	1.3	—	42.3	57%	43%	79%	13%	6%	2%	12%	88%	89%	11%	20%	21%	34%	25%
Top 2%-20%	3,561,559	1.4	—	43.7	61%	39%	79%	12%	8%	1%	11%	85%	93%	7%	23%	18%	32%	27%
Top 1%	133,342	1.2	—	41.4	60%	40%	85%	8%	6%	1%	12%	87%	91%	9%	22%	17%	27%	34%
Single parents	***14,902,194***	***2.8***	***1.7***	***35.2***	***23%***	***77%***	***67%***	***27%***	***3%***	***3%***	***25%***	***84%***	***81%***	***19%***	***16%***	***21%***	***42%***	***21%***
Bottom 5%	1,015,832	2.3	1.5	27.3	25%	75%	65%	26%	4%	5%	28%	83%	76%	24%	15%	16%	44%	25%
Bottom 5%-20%	3,345,014	2.7	1.7	31.1	17%	83%	65%	27%	2%	5%	25%	86%	79%	21%	15%	21%	43%	21%
Second 20%	4,385,711	2.9	1.7	34.9	18%	82%	64%	30%	2%	4%	27%	84%	83%	17%	15%	21%	43%	21%
Middle 20%	3,567,055	2.9	1.6	37.5	25%	75%	67%	27%	3%	3%	25%	84%	83%	17%	16%	21%	42%	21%
Fourth 20%	1,728,013	2.9	1.5	40.5	36%	64%	74%	21%	3%	2%	20%	87%	87%	13%	21%	22%	35%	22%
Top 2%-20%	611,921	3.0	1.5	42.3	40%	60%	73%	19%	4%	4%	17%	84%	92%	8%	17%	19%	37%	27%
Top 1%	20,795	3.1	1.4	41.8	55%	45%	76%	23%	1%	—%	28%	82%	88%	12%	21%	22%	37%	20%
Elderly	***32,167,549***	***1.7***	***0.0***	***72.7***	***50%***	***50%***	***85%***	***10%***	***4%***	***1%***	***7%***	***89%***	***78%***	***22%***	***19%***	***22%***	***37%***	***22%***
Bottom 5%	1,120,177	1.4	0.0	73.9	40%	60%	68%	22%	9%	1%	20%	74%	79%	21%	19%	15%	44%	25%
Bottom 5%-20%	6,515,210	1.4	0.0	74.3	39%	61%	81%	13%	4%	2%	10%	86%	75%	25%	18%	20%	41%	21%
Second 20%	8,393,477	1.5	0.0	74.1	45%	55%	86%	11%	2%	1%	7%	92%	76%	24%	19%	23%	39%	19%
Middle 20%	6,361,392	1.7	0.0	72.9	53%	47%	87%	9%	3%	1%	6%	91%	78%	22%	20%	24%	34%	22%
Fourth 20%	4,592,504	1.9	0.0	71.2	59%	41%	87%	8%	4%	1%	5%	89%	81%	219	19%	23%	34%	24%
Top 2%-20%	3,991,932	2.1	0.1	69.4	64%	36%	89%	6%	5%	–%	5%	88%	84%	16%	21%	24%	32%	23%
Top 1%	287,872	2.2	0.0	69.0	73%	27%	90%	3%	6%	1%	5%	85%	87%	13%	17%	22%	32%	29%

Officers

Federal

The federal government's key officers as of March 1, 2017 were as follows:

Name	Age	Position with our Government
Donald Trump	70	President
Mike Pence	57	Vice President
Paul Ryan	47	Speaker of the House
Kevin McCarthy	52	House Majority Leader
Nancy Pelosi	76	House Minority Leader
Mitch McConnell	75	Senate Majority Leader
Charles Schumer	66	Senate Minority Leader
John Roberts	61	Chief Justice

President

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

Mr. Trump is the 45th President. Born and raised in Queens, New York, Mr. Trump received an economics degree from the Wharton School of Finance at the University of Pennsylvania. After graduating from Wharton, Mr. Trump followed in his father's footsteps as a real estate developer, building, renovating, and managing numerous office towers, hotels, casinos, golf courses, and other properties. In a departure from his real estate acquisitions, Mr. Trump and the NBC Television Network (NBC) were partners in the ownership and broadcast rights for the Miss Universe, Miss USA, and Miss Teen USA Pageants. By January of 2004, Mr. Trump had joined forces with Mark Burnett Productions and NBC to produce and star in the television reality show, *The Apprentice*. In 2005, Mr. Trump launched his Donald J. Trump Signature Collection, which included clothing and accessories, and later introduced Trump Home, providing home furnishings and accessories. He also has a line of fragrances, *Success by Trump* and *Empire*. An accomplished author, Mr. Trump has authored over 14 bestsellers. In 2015, Mr. Trump bought out NBC's portion of the Miss Universe Organization and sold it in its entirety to IMG. Mr. Trump announced his candidacy for President on June 16, 2015, and accepted the Republican nomination for President of the United States in July of 2016. As of 2017, *Forbes* listed Mr. Trump as the 544th wealthiest person in the world (201st in the US), with a net worth of $3.5 billion.

Vice President

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

Mr. Pence was born in Columbus, Indiana, on June 7, 1959, one of six children born to Edward and Nancy Pence. Mr. Pence earned his bachelor's degree in history in 1981 from Hanover College. He later attended Indiana University School of Law. After graduating, Mr. Pence practiced law, led the Indiana Policy Review Foundation, and began hosting *The Mike Pence Show*, a syndicated talk radio show and a weekly television public affairs program in Indiana. In 2000, he launched a successful bid for his local congressional seat, entering the United States House of Representatives at the age of 40. The people of East-Central Indiana elected Mr. Pence six times to represent them in Congress, and his colleagues elected him to serve as Chairman of the House Republican Study Committee and House Republican Conference Chairman. In 2013, Mr. Pence became the 50th Governor of Indiana, where he served until 2017 when he became Vice President.

Speaker of the House

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

Born and raised in the community of Janesville, Mr. Ryan is a fifth-generation Wisconsin native currently serving his ninth term as a member of Congress. In October 2015, after then-House Speaker John Boehner retired from Congress, Mr. Ryan was elected House Speaker. Prior to serving as Speaker of the House, Mr. Ryan served as the chairman of the House Ways and Means Committee, and during the 112th and 113th Congresses, he served as chairman of the House Budget Committee. He was the Republican Party nominee for Vice President of the US in 2012, running with Mitt Romney. Mr. Ryan earned a degree in economics and political science from Miami University in Ohio. He is the youngest of four children of Paul Sr. (deceased) and Betty Ryan.

House Majority Leader

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

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

House Minority Leader

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

Mrs. Pelosi is the Democratic Leader of the US House of Representatives for the 114th Congress. From 2007 to 2011, Mrs. Pelosi served as Speaker of the House, the first woman to do so in American history. For 29 years, Leader Pelosi has represented San Francisco, California's 12th District, in Congress. She has led House Democrats for more than 12 years and previously served as House Democratic Whip. Mrs. Pelosi comes from a family tradition of public service. Her late father, Thomas D'Alesandro Jr., served as Mayor of Baltimore for 12 years, after representing the city for five terms in Congress. Her brother, Thomas D'Alesandro III, also served as Mayor of Baltimore. She graduated from Trinity College in Washington, D.C.

Senate Majority Leader

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

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

Senate Minority Leader

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

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

Chief Justice

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

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

State and local[27]

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

Our state governors as of March 1, 2017 were as follows:

Name	Age	State Represented	Party *	Name	Age	State Represented	Party *
Robert Bentley	74	Alabama	R	Stephen Bullock	50	Montana	D
William Walker	65	Alaska	I	John (Pete) Ricketts	52	Nebraska	R
Douglas Ducey	52	Arizona	R	Brian Sandoval	53	Nevada	R
Asa Hutchinson	66	Arkansas	R	Chris Sununu	42	New Hampshire	R
Edmund (Jerry) Brown, Jr.	78	California	D	Christopher Christie	54	New Jersey	R
John Hickenlooper	65	Colorado	D	Susana Martinez	57	New Mexico	R
Dannel Malloy	61	Connecticut	D	Andrew Cuomo	59	New York	D
John Carney	56	Delaware	D	Roy Cooper	59	North Carolina	D
Richard Scott	64	Florida	R	Doug Burgum	60	North Dakota	R
John (Nathan) Deal	74	Georgia	R	John Richard Kasich	64	Ohio	R
David Ige	60	Hawaii	D	Mary Fallin	62	Oklahoma	R
Clement Otter	74	Idaho	R	Kate Brown	56	Oregon	D
Bruce Rauner	60	Illinois	R	Thomas Wolf	68	Pennsylvania	D
Eric Holcomb	48	Indiana	R	Gina Raimondo	45	Rhode Island	D
Terry Branstad	70	Iowa	R	Henry McMaster	69	South Carolina	R
Samuel Brownback	60	Kansas	R	Dennis Daugaard	63	South Dakota	R
Matt Bevin	50	Kentucky	R	William Haslam	58	Tennessee	R
John Bel Edwards	50	Louisiana	D	Gregory Abbott	59	Texas	R
Paul LePage	68	Maine	R	Gary Herbert	69	Utah	R
Larry Hogan	60	Maryland	R	Phil Scott	58	Vermont	R
Charles Baker, Jr.	60	Massachusetts	R	Terence McAuliffe	60	Virginia	D
Richard Snyder	58	Michigan	R	Jay Inslee	66	Washington	D
Mark Dayton	70	Minnesota	D	Jim Justice	65	West Virginia	D
Dewey (Phil) Bryant	62	Mississippi	R	Scott Walker	49	Wisconsin	R
Eric Greitens	42	Missouri	R	Matthew Mead	55	Wyoming	R

Our other territory leaders as of March 1, 2017 were as follows:

Name	Age	Area Represented	Party *
Lolo Moliga	68	American Samoa	D
Muriel Bowser	44	District of Columbia	D
Eddie Calvo	55	Guam	R
Ralph Torres	37	Northern Mariana Islands	R
Ricardo Rossello	37	Puerto Rico	PNP
Kenneth Mapp	61	US Virgin Islands	I

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

Employees

As of March 31, 2014, there were approximately 23.3 million full and part-time employees of our Government, including:

- 4.0 million federal employees, of whom 8% (excluding armed forces) work part-time;
- 5.3 million state employees, of whom 30% work part-time; and
- 14.0 million local government employees, of whom 24% work part-time.

27 The majority of the information in this section comes from National Governors Association, including https://www.nga.org/cms/home/management-resources/governors-powers-and-authority.html and www.nga.org/cms/governors/bios.

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

- Education – 47%, of which 70% relate to elementary and secondary education, 29% relate to higher education, and 1% relate to other education;
- Active duty military – 6%;
- Hospitals – 5%; and
- Police – 5%.

Employees by segment and reporting unit (to the extent allocable) were as follows as of March of 2014:

March	2014	State and Local	Federal
Total – All government employment functions (part-time and full-time)	**23,269,407**	**19,230,452**	**4,038,955**
Establish Justice and Ensure Domestic Tranquility	**2,836,504**	**2,551,265**	**285,239**
Police protection	1,151,802	966,172	185,630
Fire protection	432,001	432,001	—
Corrections	757,629	718,618	39,011
Judicial and legal	495,072	434,474	60,598
Provide for the Common Defense	**2,082,300**	**—**	**2,082,300**
National defense and international relations [1]	743,813	—	743,813
Active duty military [2]	1,338,487	—	1,338,487
Promote the General Welfare	**4,658,367**	**3,591,940**	**1,066,427**
Highways	513,940	511,057	2,883
Transit	243,522	243,522	—
Air transportation	94,333	49,270	45,063
Water transport and terminals	18,239	13,746	4,493
Space research and technology	17,736	—	17,736
Public welfare	537,538	527,851	9,687
Housing and community development	124,498	112,271	12,227
Health	632,227	463,097	169,130
Hospitals	1,290,903	1,064,188	226,715
Social insurance administration (state and local) [3]	77,669	77,669	—
Solid waste management	113,306	113,306	—
Sewerage	133,151	133,151	—
Water supply	181,092	181,092	—
Electric power	78,452	78,452	—
Gas supply	11,285	11,285	—
Postal service	578,493	—	578,493
State liquor stores	11,983	11,983	—
Secure the Blessings of Liberty to Ourselves and Our Posterity	**12,026,351**	**11,754,848**	**271,503**
Education	10,979,260	10,969,886	9,374
Libraries	188,533	185,153	3,380
Parks and Recreation	434,078	409,724	24,354
Social Insurance Administration (federal) [3]	62,708	—	62,708
Natural Resources	361,772	190,085	171,687
General Government and Other	**1,665,885**	**1,332,399**	**333,486**
Financial administration	544,976	427,825	117,151
Other government administration	437,065	412,930	24,135
All other and unallocable	683,844	491,644	192,200
Memo: Employees of government-run businesses (estimate) [4]	**2,478,488**	**1,899,995**	**578,493**

* *Sources: US Census Bureau, Bureau of Economic Analysis*

1 *Civilian military Employees are included in national defense and international relations.*

2 *Active duty military are as of September of each year, reserves are not included.*

3 *At the federal level, social insurance administration employees are primarily those responsible for administering Social Security and Medicare and therefore have been allocated to "Secure the Blessings of Liberty to Ourselves and Our Posterity." State and local social insurance administration employees administer unemployment and job services and therefore are allocated to "Promote the General Welfare."*

4 *Some government-run businesses are not included in the estimate due to limited data granularity, Amtrak, for example, cannot be disaggregated from all federal transit employees and therefore is not included.*

For 2014, approximately 39% of government employees were represented by unions, including approximately 32% of federal government employees, 33% of state government employees, and 46% of local government employees.[28]

Talented employees are critical to the success of governments, and the market for talented employees is competitive.

Available information

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

- USAFacts Summary – a summary annual score card for our Government;
- USAFacts Annual Report – a detailed annual score card for our Government;
- USAFacts 10-K (this report) – an annual report for our Government in the style of a corporate Form 10-K; and
- a database containing the data used in these reports, plus additional data an analysis, for all periods available back to 1980.

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

Item 1A. Risk Factors

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

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

Our Government provides services, promulgates regulations, and enacts legislation intended to provide for the general welfare and secure the blessings of liberty; however, citizens are responsible for making their own choices as to employment, healthcare, education, and the like. They may choose wisely or poorly, and they may or may not take advantage of the opportunities open to them. For example:

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

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

Our Government's ability to deliver services to citizens is highly dependent on the state of the economy. Indeed, maintaining economic growth, full employment, and low and stable inflation are among its top priorities because these conditions are necessary both to ensure the prosperity and well-being of its citizens and to provide the tax revenue needed to deliver services.

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

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

[28] https://www.bls.gov/cps/cps_aa2014.htm # union, table 42

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

Policy errors

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

Other potential causes

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

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

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

Without a change in current laws and policies, federal spending, especially for Social Security and Medicare, is forecast to outstrip revenue over the next decade, widening the national debt to 86% of GDP in 2026 from 76% in 2016, according to the Congressional Budget Office. In 30 years, the Congressional Budget Office projects the debt will rise to 155% of GDP. As a result, there is a risk that interest payments on the debt could consume a growing portion of the budget, possibly limiting the federal government's ability to provide other services unless taxes are raised or revenue is otherwise increased. A rising debt also risks pushing up interest rates, reducing savings and investment, and increasing the chances of a fiscal crisis.

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

Gross federal debt, or the sum of the debt held by the public and debt held by government entities (such as the Social Security trust fund) is subject to a statutory ceiling set by Congress. The ceiling, known as the debt limit, was $18.1 trillion as of March 31, 2017, and the limit had been reached. Once the limit is reached, the Treasury may not issue new debt to pay bills already incurred by Congress. Since 1960, Congress has raised, extended, or altered the definition of the debt ceiling or suspended it numerous times, most recently effective November 2, 2015. Failure to raise the ceiling when needed could prompt an unprecedented default on Treasury securities, which are generally considered the world's safest government debt and form a foundation for the global financial system. A US default, in turn, could trigger a financial crisis and throw the nation into a recession.

Ongoing efforts to modernize the financial regulatory system and the federal role in housing finance also pose risks to the budget outlook and economic stability.[29]

Following massive bailouts of financial firms during the 2007-2008 crisis, the federal government in 2010 enacted the Dodd-Frank Act, which was intended to strengthen oversight of the financial system and reduce the risk of another crisis. The act has not been tested, however, and it's unclear whether it is adequate to prevent future financial crises that would involve the use of government funds to rescue financial institutions. Our Government also took over two housing-finance agencies, Fannie Mae and Freddie Mac, which guarantee about half of the new mortgages in the US and have combined assets of about $5 trillion. Our Government's role in housing finance could require the use of significant government funds.

Our Government has significant fiscal exposure to risks associated with a changing environment.[29]

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

Our Government's revenue and spending and the desired outcomes may be significantly affected by social unrest.

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

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

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

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

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

[29] Certain of the risks outlined in these Risk Factors were derived from the Government Accountability Report to Congressional Committees, High Risk Series, An Update, February 2015.

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

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

- *Russia*, a nuclear power and principal successor to the USSR, maintains aspirations to world leadership on a par with the US and seeks to assert its influence in the Middle East, Iran, parts of Latin America, and former Soviet states, principally Belarus and Ukraine, that it considers to be essential to its security. There is a risk that Russia, under President Vladimir Putin, will seek to annex former Soviet states, including the Baltic States, which are members of NATO. An attack on one NATO member would be considered an attack on all.
- *China*, which also possesses a nuclear arsenal, is a rising economic force that's using its financial muscle to secure supplies of strategic raw materials in Latin America and Africa and expand its armed forces. China is seeking to project power beyond its shores with the purchase of four aircraft carriers and is reportedly building its own (possibly nuclear-powered) carrier. China has laid claim to the Spratly Islands, which occupy a key strategic position in the South China Sea and possess potentially significant oil and natural-gas reserves. The islands are also claimed by Vietnam, Cambodia, the Philippines, Malaysia, and Taiwan, making them a potential regional flashpoint.
- *Global terrorism* – Groups such as Islamic State have taken advantage of instability in the Middle East, including the collapse of Libya, civil war in Syria, and a weak, US-backed regime in Iraq, to extend control over territory and natural resources that can then be used to stage terrorist attacks across the globe. Such groups are difficult to counter because they usually deploy suicide attackers and their radical ideology, alien to our own values, makes it difficult if not impossible to negotiate with them.
- *Nuclear proliferation* – North Korea already possesses nuclear weapons and is working on delivery systems, potentially posing a threat to our allies in South Korea and Japan, and possibly the US. Pakistan, India, and Israel also possess nuclear weapons, and Iran has the capacity to develop them. Any of these nations could become embroiled in a regional conflict that ultimately threatens US interests and security.
- *Alliances* – Our Government has concluded alliances and partnerships with a number of nations around the world, including Turkey, Pakistan, Israel, and Saudi Arabia. The goals and interests of these nations may not be identical to our own, and they may become embroiled in local conflicts that end up involving the US.
- Cyberwarfare could disrupt our military capabilities and command and control; adversaries could also create economic havoc through cyber-attacks on the financial system, the power grid, our water sources, and nuclear power plants.

Our Government's ability to secure the financial future of retirees is threatened by the risk of insolvency facing Social Security trust funds and the Pension Benefit Guaranty Corporation.[30]

The cost of providing Social Security and disability benefits is rising faster than revenue generated by the payroll tax. Reserves of the DI Trust Fund may be depleted as early as 2020, and reserves of the OASI Trust Fund may be depleted as early as 2030, according to projections by the funds' trustees. See Exhibit 99.06 for more information. The Pension Benefit Guaranty Corporation (PBGC), which backs the pensions of 40 million Americans, may not be able to meet its long-term obligations, partly because the decline in the number of defined-benefit plans is reducing premium income. According to the Government Accountability Office, the PBGC's deficit widened to a record $79 billion as of September 30, 2016. Its projections show that the risk of insolvency in its multiemployer program could exceed 50% in 2025.

Promoting good health, especially for the elderly, faces key challenges.[30]

First, the Medicare Hospital Insurance Trust Fund is forecast to be depleted as early as 2022, reflecting rising health-care costs and a relative decline in the number of workers paying payroll taxes. See Exhibit 99.07 for more information. Second, epidemics, such as those caused by the Ebola or Zika viruses, could bring about widespread illness and loss of life.

Failure to maintain and upgrade the nation's surface transportation system could curb economic growth and adversely affect the quality of life for citizens.[30]

The nation's highways, mass transit, and rail systems are under growing strain, reflecting increasing congestion and freight demand, and traditional funding sources are eroding. For example, federal taxes on gasoline haven't been raised since 1993. Inflation-adjusted revenue from motor fuel taxes that support the Highway Trust Fund, a major source of federal surface transportation funding, is declining, according to the Government Accountability Office, and our Government has been using

[30] Certain of the risks outlined in these Risk Factors were derived from the Government Accountability Report to Congressional Committees, High Risk Series, An Update, February 2015.

general revenues to maintain spending levels. This trend is forecast to continue as consumers turn to vehicles that are more fuel efficient or that use alternative energy sources. The Congressional Budget Office estimates that $107 billion in additional funding would be needed between 2021 and 2026 to maintain inflation adjusted spending on current levels.

Recruiting and retaining skilled workers is key to delivering essential, and in many cases life-saving, services to the American people.[31]

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

Item 2. Properties

Domestic

The federal government owns and manages roughly 640 million acres of land, more than a quarter of the 2 billion acres of land in the US. Four primary federal agencies manage 610 million acres, or about 95%, of this federally-owned-and-managed land. The four agencies are the Bureau of Land Management (BLM), the Forest Service, the Fish and Wildlife Service, and the National Park Service, managing 248 million, 193 million, 89 million, and 80 million acres, respectively, at September 30, 2015. These lands are managed for many purposes, primarily preservation, recreation, and development of natural resources.

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

Below is detail of federal and state-owned non-public domain land, buildings, and structures. We plan to provide detail on public domain land in the future.

[31] Certain of the risks outlined in these Risk Factors were derived from the Government Accountability Report to Congressional Committees, High Risk Series, An Update, February 2015.

Non-public-domain land, buildings, and structures

	2013	2014	2015
Buildings [5]	286,092	275,195	273,125
Owned [1]	263,187	254,083	253,481
Total square feet (in thousands)	2,541,920	2,505,805	2,520,991
Total annual operating costs (in thousands) [4,7]	$14,316,501	$14,448,129	$ 11,644,642
Leased	22,905	21,112	19,644
Total square feet (in thousands)	306,017	294,163	283,125
Total annual lease costs (in thousands) [4,8]	$ 6,829,746	$ 7,071,773	$ 7,103,442
Structures [6]	469,294	481,398	496,022
Owned [1]	465,633	477,634	492,263
Total annual operating costs (in thousands) [4,7]	$ 7,722,127	$ 7,784,400	$ 8,787,913
Leased	3,661	3,764	3,759
Total annual lease costs (in thousands) [4,8]	$ 47,243	$ 64,972	$ 58,053
Land acres [2]	39,975,867	39,784,271	49,601,819
Owned [1]	38,973,787	38,829,324	47,909,576
Total annual operating costs (in thousands) [4,7]	$ 109,826	$ 140,751	$ 122,890
Leased	1,002,079	954,947	1,692,243
Total annual lease costs (in thousands) [4,8]	$ 49,631	$ 48,561	$ 49,568
Buildings real property use [9]			
Utilized	154,189	103,902	96,718
Underutilized	2,434	1,611	3,598
Unutilized	3,098	3,360	3,414
Repair needs [1,3]			
Owned building repair needs costs (in thousands)			$126,669,949
Owned structure repair needs costs (in thousands)			$ 95,719,178

* *Data source is the General Services Administration FY 2015 Federal Real Property Profile (FRPP) Open Data Set*

1 *Includes federal government owned, foreign government owned, museum trust, and state government owned.*

2 *Includes federal government owned, museum trust, state government owned, withdrawn land, and leased. Does not include public domain land.*

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

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

5 *Buildings (examples): office, laboratories, hospital, warehouse*

6 *Structures (examples): airfield pavements, flood control and navigation, utility systems, navigation and traffic aids*

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

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

9 *The reporting of utilization is only required for offices, laboratories, hospitals, warehouses, family housing, dormitories, and barracks.*

Buildings and acreage detail

As shown in the table above, our Government occupies approximately 2.8 billion square feet of building space in the US and US territories, of which 2.5 billion square feet are owned and 283 million square feet are leased. Information by use and by government department or agency as of 2015 are shown in the tables below:

Buildings Real Property Use	Owned sq/ft [1]	Owned Annual Operating Costs [1,4]	Owned Annual Costs per sq/ft [1,4]	Leased sq/ft	Leased Annual Costs [2,4]	Leased Annual Costs per sq/ft [2,4]
Total	**2,520,990,605**	**$11,644,641,735**	**—**	**283,125,364**	**$7,103,442,155**	**—**
Office	511,194,292	$ 2,520,474,649	$ 4.93	183,495,568	$ 5,221,121,690	$28.45
Service	391,718,523	$ 1,367,166,925	$ 3.49	6,778,569	$ 90,308,880	$13.32
School	250,564,323	$ 902,083,095	$ 3.60	4,827,922	$ 30,012,377	$ 6.22
All other [3]	229,002,426	$ 614,028,040	$ 2.68	8,385,946	$ 160,517,915	$19.14
Dormitories/Barracks	227,622,693	$ 918,123,483	$ 4.03	2,129,058	$ 33,026,658	$15.51
Other institutional uses	176,214,578	$ 822,684,409	$ 4.67	1,850,541	$ 22,925,942	$12.39
Laboratories	174,917,414	$ 1,437,121,823	$ 8.22	5,069,887	$ 140,952,748	$27.80
Warehouses	132,288,785	$ 379,539,420	$ 2.87	23,220,047	$ 237,847,979	$10.24
Hospital	125,767,918	$ 740,092,593	$ 5.88	405,111	$ 14,510,198	$35.82
Industrial	113,591,694	$ 808,316,562	$ 7.12	941,895	$ 13,199,192	$14.01
Family housing	56,021,916	$ 183,241,203	$ 3.27	3,045,382	$ 12,462,477	$ 4.09
Prisons and detention centers	42,509,973	$ 348,737,566	$ 8.20	—	$ —	$ —
Communications systems	17,218,154	$ 75,692,571	$ 4.40	281,974	$ 4,604,209	$16.33
Outpatient healthcare facility	13,662,349	$ 91,135,163	$ 6.67	10,813,377	$ 273,332,962	$25.28
Navigation and traffic aids	12,246,088	$ 185,881,176	$15.18	1,009,155	$ 14,191,161	$14.06
Facility security	11,073,122	$ 52,165,893	$ 4.71	144,829	$ 525,642	$ 3.63
Child care center	9,186,292	$ 24,584,322	$ 2.68	55,955	$ 677,335	$12.10
Post office	1,263,243	$ 4,891,990	$ 3.87	1,908	$ 3	$ 0.00
Aviation security related	281,518	$ 1,797,815	$ 6.39	3,577,193	$ 147,259,764	$41.17

* *Data source is the General Services Administration FY 2015 Federal Real Property Profile (FRPP) Open Data Set*

1 *Includes federal government owned, foreign government owned, museum trust, and state government owned.*

2 *Includes operations and maintenance costs and rent.*

3 *The All Other category is defined as "buildings that cannot be classified elsewhere."*

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

(In thousands)	**Building Square Feet**			**Acres**		
Department or Agency	**Owned**	**Leased**	**Total**	**Owned**	**Leased**	**Total**
Army Department	714,195	16,572	730,767	18,852	1,284	20,136
Air Force Department	457,720	4,892	462,612	8,001	103	8,104
Navy Department	435,327	4,294	439,621	4,306	43	4,349
General Services Administration	230,908	194,438	425,346	4	—	4
Department of Veterans Affairs	153,939	17,090	171,030	38	—	38
Department of Energy	114,860	570	115,430	2,195	9	2,204
Department of Interior	102,150	3,205	105,355	6,279	2	6,281
Other department or agency	311,891	42,065	353,952	8,235	251	8,486
Total	2,520,991	283,125	2,804,116	47,910	1,692	49,602

* *Data source is the General Services Administration FY 2015 Federal Real Property Profile (FRPP) Open Data Set.*

Federal Indian reservations[32]

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

International

We are not aware of a current aggregated source for land held by our Government outside of the US.

Item 3. Legal Proceedings

Our Government is subject to a variety of claims and suits that arise from time to time in the ordinary course of its operations. See *Part II, Item 8 – Financial Statements and Supplementary Data*, *Notes to financial statements*, *Note 17 – Contingencies* for a discussion of these items.

32 Information in this section was derived from https://www.bia.gov.

Part II

Item 6. Selected Financial Data

Combined financial highlights

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

(In billions)

Year Ended September 30,	**2014**	**2013**	**2009**	**2004**	**2000**	**1990**	**1980**
As reported							
Revenue	**$ 5,217**	$ 4,780	$ 2,931	$ 3,323	$ 3,216	$ 1,639	$ 770
Expenditures	**$ 5,385**	$ 5,273	$ 5,247	$ 3,582	$ 2,806	$ 1,860	$ 843
Surplus (deficit)	**$ (168)**	$ (493)	$ (2,316)	$ (259)	$ 410	$ (221)	$ (73)
Cash, cash equivalents, and short-term investments [1]	**$ 1,085**	$ 977	$ 1,044	$ 539	$ 520	$ 298	$ 128
Total assets [1]	**$20,509**	$19,495	$16,707	$12,007	$10,243	$ 5,567	$2,848
Total liabilities [1]	**$24,780**	$23,794	$17,486	$11,839	$ 8,382	$ 5,062	$1,951
Net worth [1]	**$ (4,271)**	$ (4,299)	$ (779)	$ 168	$ 1,861	$ 505	$ 897
Adjusted for inflation [2]							
Revenue	**$ 5,217**	$ 4,857	$ 3,236	$ 4,185	$ 4,444	$ 3,006	$2,272
Expenditures	**$ 5,385**	$ 5,358	$ 5,793	$ 4,511	$ 3,877	$ 3,411	$2,487
Surplus (deficit)	**$ (168)**	$ (501)	$ (2,557)	$ (326)	$ 567	$ (405)	$ (215)
Cash, cash equivalents, and short-term investments [1]	**$ 1,085**	$ 993	$ 1,153	$ 679	$ 719	$ 546	$ 378
Total assets [1]	**$20,509**	$19,811	$18,445	$15,121	$14,154	$10,209	$8,402
Total liabilities [1]	**$24,780**	$24,179	$19,305	$14,910	$11,582	$ 9,283	$5,756
Net worth [1]	**$ (4,271)**	$ (4,369)	$ (860)	$ 212	$ 2,572	$ 926	$2,646

1 *Balance sheet figures shown here are sourced from the Federal Reserve. The balance sheets that we use in all other sections of this document are sourced as described in About This Report, Structure and content, Sources of data, Financial statement and related data at the beginning of this report. Because Item 6 requires us to show more years of financial information than elsewhere in this report, the figures that we show here are sourced from the Federal Reserve as this is the only source of which we are aware that provides an extended time series of combined balance sheet data. Key differences in the balance sheets from the two sources are that the Federal Reserve does not appear to include in its data: TARP investments, inventories and related property, investments in GSEs, or land in their assets or environmental and disposal liabilities, benefits due and payable, loan guarantee liabilities, or other liabilities in their liabilities. They also appear to account for Treasury securities, property, plant, and equipment, and employee and veteran benefits payable on different bases.*

2 *To show the financial highlights in "real" terms, we have calculated and reported inflation-adjusted amounts. The inflation adjustment factors are based on the Consumer Price Index – All Urban Consumers (CPI-U) with a baseline year of 2014.*

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

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

Overview

The United States of America (US) is a federal republic composed of 50 states, a federal district of Washington, D.C., five major and various minor insular areas, as well as over 90,000 local governments, including counties, municipalities, townships, and special district governments. At 3.8 million square miles and with over 320 million people, the US is the world's third-largest country by total area and the third most populous.

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

To achieve the vision of the people, our Government raises money, spends money, and exercises, grants, and rescinds authorities. Our Government generates revenue mainly by taxing individuals and businesses in the US, and to a lesser degree through income on assets invested and charges for government services. Our Government's most significant expenditure is transfer payments to individuals and subsidies, comprising just over 45% of its expenditures, most significantly for Social Security, Medicare, and Medicaid. Personnel and compensation costs is our Government's second-largest expenditure, comprising more than 25% of its expenditures. By segment, our Government's most significant expenditures are for securing the blessings of liberty to ourselves and our posterity, comprising more than half of its expenditures.

Fiscal years presented

In this MD&A, we analyze the one-year, five-year, and 10-year periods ending September 30, 2014, the most recent period for which a nearly complete set of federal and state and local data is available. A public company is generally required to analyze its immediately prior three fiscal years. While decisions can be made and implemented quickly within companies, and the impact of those decisions may be seen shortly thereafter, this is not generally the case within government. Therefore, we have provided a longer-term view within this MD&A than we would for a company.

Trends

During the one-year, five-year, and 10-year periods ending in 2014, we saw a mixture of stagnation, progression towards, and retreat from, achievement of our Constitutional objectives. Our Government's role in these trends is certainly not clear. However, we believe it may be useful to observe these trends in evaluating our Government. Highlights in key metrics for these years include:

Progress –

- *improving health of the economy*, including growing GDP, the S&P500, median annual wages, and household financial assets while decreasing bankruptcy filings and bank failures;
- *reducing crime and physical harm*, including reducing rates of crime, workplace injuries and fatalities, and transportation fatalities, and numbers of child victims and fatalities, hate crimes, and border apprehensions;
- *improving quality of life for certain populations*, including reducing numbers of children in foster care and military personnel abroad, as well as the veteran unemployment rate, while increasing charitable giving; and
- *tending to our environment*, including reducing acres burned in forest fires and overall emissions while increasing energy consumption from nuclear and renewable sources.

Retreat –

- *increasing specific crimes*, including fraud complaints, health discrimination investigations, intellectual property seizures, and airport firearm discoveries;
- *increasing challenges to the health of our population*, including increased rates of diabetes and obesity and increased total personal healthcare expenditures;
- increasing numbers of children living in poverty; and
- *increasing challenges to homeownership*, including reduced new home sales and the percentage of families that are homeowners.

Financially, our Government continues to spend more than it takes in each year, accumulating an overall deficit that reached $10.4 trillion at September 30, 2014. Expenditures increased nearly 50% between 2004 and 2009, reaching $5.2 trillion annually before stabilizing somewhat but not retreating. Our Government has, however, reduced its annual deficit by more than 90% from its peak in 2009 to $168 billion for 2014 through increased revenue. Increases in revenue have been driven by both overall economic prosperity (primarily increased taxable income and income on invested Government assets) and tax policy changes.

Macro economy and related government actions

The first five years

The 10-year period from fiscal year 2004 to fiscal year 2014 began as the US macro economy was continuing to recover from both a recession that started in 2001 and the 9/11 Terrorists Attacks. Between fiscal years 2004 and 2009, nominal GDP increased by 17%, with the 1) finance, real estate, rental, and leasing, 2) professional and business services, and 3) government sectors contributing the largest increases. During the middle of this first five-year period, in 2006, the housing bubble peaked and shortly thereafter gave way to a financial crisis.

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

The following five years

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

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

At the end of fiscal year 2009, the recession waned and a gradual recovery began, followed by economic growth in the final five years of the 10-year window included in this MD&A.

In December 2010, some tax cuts enacted in ARRA and those enacted during President George W. Bush's term were extended for two more years. Some of those were eventually allowed to expire in December 2012 – primarily those affecting high-income taxpayers. Also during this period, the Affordable Care Act (ACA) was enacted with most of the government revenue increases taking effect on January 1, 2013.

Overall, between fiscal years 2009 and 2014, nominal GDP grew by 21%, with the 1) finance, real estate, rental, and leasing, 2) educational services, 3) professional and business services, and 4) government sectors contributing the largest increases. The finance, real estate, rental, and leasing sector contributed more than twice the growth of the other three of these sectors. During this period, federal budget deficits reached record highs as revenues declined and spending increased. Revenues for state and local governments also declined significantly because of the economic downturn, prompting some cuts to spending and higher tax rates. The ARRA provided some fiscal relief to the states.

Key economic indicators

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

	2004	2009	2013	2014
Interest rates				
10-year Treasury Rate	4.27%	3.26%	2.35%	2.54%
US Federal Funds Rate	1.35%	0.16%	0.11%	0.09%
US Bank Prime Loan Rate	4.34%	3.25%	3.25%	3.25%
Economic indicators				
Average annual US inflation rate (calendar year)	2.7%	(0.4)%	1.5%	1.6%
Average annual US inflation rate (fiscal year)	2.3%	(0.3)%	1.6%	1.6%
Average annual US inflation from the respective year to 2014	*26.0%*	*10.4%*	*1.6%*	*—%*
Stock indices (last day of each year)				
Standard and Poor's 500 (S&P 500)	1,212	1,115	1,848	2,059
Dow Jones Industrial Average	10,783	10,428	16,577	17,823
NASDAQ Composite	2,175	2,269	4,177	4,736
Chicago Board Options Exchange Volatility Index (VIX)	13	22	14	19
Deutsche Boerse AG German Stock Index, Performance (DAX)	4,256	5,957	9,552	9,806
Nikkei 225: N225 (NIKKEI)	11,489	10,546	16,291	17,451
Financial Times Stock Exchange 100 Index: UKX (FTSE)	4,814	5,413	6,749	6,566
Asset and service prices				
Gold price	$435.60	$1,087.50	$1,204.50	$1,206.00
West Texas Intermediate (WTI) crude oil spot price	$ 41.51	$ 61.95	$ 97.98	$ 93.17
Consumer Price Index (average monthly for the fiscal year):				
Consumer price index	187.4	213.8	232.2	236.0
Growth from the respective year to 2014	*48.7%*	*22.2%*	*3.8%*	*—%*
Food price index	184.8	218.3	236.4	240.8
Growth from the respective year to 2014	*30.3%*	*10.3%*	*1.9%*	*—%*
Medical care price index	306.8	372.4	422.9	432.6
Growth from the respective year to 2014	*41.0%*	*16.2%*	*2.3%*	*—%*
Medical care commodities price index	267.6	302.3	334.6	340.5
Growth from the respective year to 2014	*27.2%*	*12.6%*	*1.7%*	*—%*
Medical care services price index	317.5	394.0	451.0	462.2
Growth from the respective year to 2014	*45.6%*	*17.3%*	*2.5%*	*—%*
Hospital and related services price index	412.7	558.6	694.0	726.3
Growth from the respective year to 2014	*76.0%*	*30.0%*	*4.7%*	*—%*
Foreign exchange				
US Dollar (USD) per 1 Great Britain Pound (GBP)	1.93	1.62	1.64	1.56
USD per 1 Euro	1.34	1.46	1.37	1.23
Housing				
US 30-year mortgage rate	5.84%	5.04%	3.98%	4.17%
Median new home sales price (in thousands) [2]	$ 230	$ 223	$ 276	$ 302
Median home values (in thousands) [3]	na	$ 170	$ 160	na
Existing home sales (in thousands of housing units) [1]	na	na	5,078	4,923
New home sales (in thousands of housing units)	1,203	375	429	437

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

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

2 *December of each year*

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

Other factors affecting this discussion

Modification of data

In cases where only calendar year annual data was available, we used one simple formula to create fiscal year data – 25% of the prior calendar year figure plus 75% of the current calendar year figure. All the figures in this MD&A that were converted from calendar year to fiscal year in this manner are indicated by * (an asterisk). In addition, for tax revenues, we calculated the impact of tax rates vs. tax bases by holding one constant while fluctuating the other. See more information at Exhibit 99.13.

Comparability of data

See discussion of the comparability of data within this MD&A in *Part I, About This Report, Comparability of data*.

The impact of inflation and changes in US population

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

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

- 2013 to 2014 – 2.4 million people or 1%;
- 2009 to 2014 – 12.1 million people or 4%; and
- 2004 to 2014 – 26.1 million people or 9%.

Our population aged 65 years and older grew by:

- 2013 to 2014 – 152 thousand people or 3%;
- 2009 to 2014 – 662 thousand people or 17%; and
- 2004 to 2014 – 1.0 million people or 28%.

The timing of changes in law and calculation of tax impacts

Certain tax and other law changes go into effect during the fiscal year, so only part of the fiscal year reflects the changes. Furthermore, the tax filing season (and therefore cash receipt and the recording of revenue by our Government) for any tax year is in the following fiscal year, therefore, tax law changes within a particular tax year have a disproportionate influence on revenue for the following fiscal year. As income tax revenue is collected via withholding and estimated tax payments throughout the year, this impact is somewhat tempered for this revenue source.

Which changes are discussed

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

Summary results of operations

(In billions, except percentages)	2014	Federal	State and Local	2013	Federal	State and Local	Changes $	Federal	State and Local	%	Federal	State and Local
Revenues	**$ 5,217**	$3,048	$2,169	**$ 4,780**	$ 2,805	$1,975	**$ 437**	$ 243	$ 194	**9%**	9%	10%
Expenditures	**5,385**	2,934	2,451	**5,273**	2,905	2,368	**112**	29	83	**2%**	1%	4%
Intergovernmental (expenditures) revenues *	**—**	(581)	581	**—**	(550)	550	**—**	(31)	31	**—%**	6%	6%
Net surplus (deficit)	**$ (168)**	$ (467)	$ 299	**$ (493)**	$ (650)	$ 157	**$ 325**	$ 183	$ 142	**(66)%**	(28)%	90%
Estimated impact of inflation on net surplus (deficit)							**$ (8)**	$ (11)	$ 3	**2%**	2%	2%
Estimated impact of population growth on net surplus (deficit)							**(4)**	(5)	1	**1%**	1%	1%

(In billions, except percentages)	2014	Federal	State and Local	2009	Federal	State and Local	Changes $	Federal	State and Local	%	Federal	State and Local
Revenues	**$ 5,217**	$3,048	$2,169	**$ 2,931**	$ 2,141	$ 790	**$ 2,286**	$ 907	$1,379	**78%**	42%	175%
Expenditures	**5,385**	2,934	2,451	**5,247**	3,028	2,219	**138**	(94)	232	**3%**	(3)%	10%
Intergovernmental (expenditures) revenues *	**—**	(581)	581	**—**	(538)	538	**—**	(43)	43	**—%**	8%	8%
Net surplus (deficit)	**$ (168)**	$ (467)	$ 299	**$ (2,316)**	$(1,425)	$ (891)	**$ 2,148**	$ 958	$1,190	**(93)%**	(67)%	(134)%
Estimated impact of inflation on net surplus (deficit)							**$ (241)**	$ (148)	$ (93)	**10%**	10%	10%
Estimated impact of population growth on net surplus (deficit)							**(91)**	(56)	(35)	**4%**	4%	4%

(In billions, except percentages)	2014	Federal	State and Local	2004	Federal	State and Local	Changes $	Federal	State and Local	%	Federal	State and Local
Revenues	**$ 5,217**	$3,048	$2,169	**$ 3,323**	$ 1,895	$1,428	**$ 1,894**	$1,153	$ 741	**57%**	61%	52%
Expenditures	**5,385**	2,934	2,451	**3,582**	1,889	1,693	**1,803**	1,045	758	**50%**	55%	45%
Intergovernmental expenditures (revenues) *	**—**	(581)	581	**—**	(408)	408	**—**	(173)	173	**—%**	42%	42%
Net surplus (deficit)	**$ (168)**	$ (467)	$ 299	**$ (259)**	$ (402)	$ 143	**$ 91**	$ (65)	$ 156	**(35)%**	16%	109%
Estimated impact of inflation on net surplus (deficit)							**$ (67)**	$ (104)	$ 37	**26%**	26%	26%
Estimated impact of population growth on net surplus (deficit)							**(23)**	(36)	13	**9%**	9%	9%

* *See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

Our Government ran a net deficit in each of the years discussed in this MD&A (2004, 2009, 2013, and 2014), as well as in all intervening years (2004 to 2014) except 2007.

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

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

Revenues[33]

Fiscal year 2014 compared with fiscal year 2013

							Changes					
(In billions, except percentages)	**2014**	**Federal**	**State and Local** *	**2013**	**Federal**	**State and Local** *	**$**	**Federal**	**State and Local** *	**%**	**Federal**	**State and Local** *
Individual income taxes	**$1,736**	$1,395	$ 341	**$1,655**	$1,316	$ 339	**$ 81**	$ 79	$ 2	**5%**	6%	1%
Payroll taxes	**1,041**	1,041	—	**966**	966	—	**75**	75	—	**8%**	8%	—%
Sales and excise taxes	**610**	93	517	**579**	84	495	**31**	9	22	**5%**	11%	4%
Property taxes	**466**	—	466	**453**	—	453	**13**	—	13	**3%**	—%	3%
Corporate income taxes	**376**	321	55	**327**	274	53	**49**	47	2	**15%**	17%	4%
Other taxes	**182**	63	119	**179**	61	118	**3**	2	1	**2%**	3%	1%
Tax revenues	**$4,411**	$2,913	$1,498	**$4,159**	$2,701	$1,458	**$252**	$212	$ 40	**6%**	8%	3%
Earnings on investments	**$ 539**	$ —	$ 539	**$ 388**	$ —	$ 388	**$151**	$ —	$151	**39%**	—%	39%
Federal Reserve earnings	**100**	100	—	**76**	76	—	**24**	24	—	**32%**	32%	—%
Sales of government resources	**29**	9	20	**31**	12	19	**(2)**	(3)	1	**(6)%**	(25)%	5%
Other non-tax revenues	**138**	26	112	**126**	16	110	**12**	10	2	**10%**	63%	2%
Total non-tax revenues	**$ 806**	$ 135	$ 671	**$ 621**	$ 104	$ 517	**$185**	$ 31	$154	**30%**	30%	30%
Total revenues	**$5,217**	$3,048	$2,169	**$4,780**	$2,805	$1,975	**$437**	$243	$194	**9%**	9%	10%
Estimated impact of inflation on total revenues							**$ 77**	$ 44	$ 32	**2%**	2%	2%
Estimated Impact of population growth on total revenues							**36**	21	15	**1%**	1%	1%

* *State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2013 to 2014 | Federal individual income tax revenue

The $79 billion federal individual income tax revenue increase was driven primarily by a $73 billion* increase attributable to higher individual taxable income. The increase in individual taxable income reflected an approximately $506 billion* or 6%* increase in aggregate Adjusted Gross Income (AGI).

AGI by cohort

AGI increased for all cohorts with AGI above $30,000, most significantly for cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $464 billion* or 9%*. These increases in AGI were offset in part by an aggregate $8 billion* or 1%* decrease in AGI for the two lowest cohorts where AGI is $30,000 or less.

AGI by income type

Over half* of the $506 billion increase in AGI was driven by higher wages and salaries, which increased $276 billion* or 4%*. All cohorts with AGI above $15,000 saw wage and salary growth. The largest dollar amount of growth, at an aggregate increase of $87 billion* or 5%*, was for the cohort with AGI between $100,000 and $200,000. The highest rate of growth, at 12%* or $31 billion* in aggregate, was for the cohort with AGI between $500,000 and $1 million.

Net capital gains income increased $119 billion* or 23%*, comprising a little less than a quarter* of the $506 billion increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an aggregate increase of $65 billion* or 20%*, was for the cohort with AGI over $1 million. The highest rate of growth, at 238%* or $1 billion* in aggregate, was for the cohort with AGI under $15,000. The average daily closing price of the S&P 500 during the respective federal fiscal year (October 1 to September 30) increased 20%.

2013 to 2014 | Payroll tax revenue

The $75 billion increase in payroll tax revenue primarily reflected a $62 billion or 9% increase in Social Security taxes. This increase in Social Security taxes can be attributed $33 billion* to changes in average tax rates and $29 billion* to higher taxable income.

The key changes in average Social Security tax rates were mid-fiscal year 2013 statutory increases of 2 percentage points each in the employee and self-employed Social Security tax rates (approximating 0.5 percentage point* increases for the fiscal year) due to the expiration of temporary reductions of these rates. In addition, there was a 3%* increase in the Social Security Wage Base – the maximum amount of an employee's annual earnings on which Social Security taxes may be imposed.

[33] The majority of the individual and corporate income and tax data in this section was derived from the Internal Revenue Service Statistics of Income Division, which can be found at https://www.irs.gov/uac/soi-tax-stats-statistics-of-income. See also Exhibit 99.13 for a discussion of our income and rate analysis.

The increase in taxable income reflected a $301 billion* or 4%* increase in earnings subject to Social Security taxes.

2013 to 2014 | Federal corporate income tax revenue

Federal corporate income tax revenues increased $47 billion, primarily reflecting $42 billion attributable to changes in average tax rates. These variations in rates indicate changes in corporate behavior (e.g. tax planning strategies).

2013 to 2014 | State and local earnings on investments[34]

State and local earnings on funds held by retirement, workers' compensation, and other trusts increased $151 billion or 39% due to a 13% increase in investment balances, combined with stock market performance. The largest investment balance increases were in corporate stocks and foreign and international securities. Regarding market performance, there were 21%, 36%, 21%, and 9% increases in the average daily closing prices of the S&P 500, NIKKEI, DAX, and FTSE, respectively, during the state and local fiscal year (July 1 to June 30).

Fiscal year 2014 compared with fiscal year 2009

							Changes					
(In billions, except percentages)	**2014**	**Federal**	**State and Local** *	**2009**	**Federal**	**State and Local** *	**$**	**Federal**	**State and Local** *	**%**	**Federal**	**State and Local** *
Individual income taxes	**$1,736**	$1,395	$ 341	**$1,186**	$ 915	$ 271	**$ 550**	$480	$ 70	**46%**	52%	26%
Payroll taxes	**1,041**	1,041	—	**906**	906	—	**135**	135	—	**15%**	15%	—%
Sales and excise taxes	**610**	93	517	**497**	63	434	**113**	30	83	**23%**	48%	19%
Property taxes	**466**	—	466	**435**	—	435	**31**	—	31	**7%**	—%	7%
Corporate income taxes	**376**	321	55	**184**	138	46	**192**	183	9	**104%**	133%	20%
Other taxes	**182**	63	119	**157**	54	103	**25**	9	16	**16%**	17%	16%
Tax revenues	**$4,411**	$2,913	$1,498	**$3,365**	$2,076	$1,289	**$1,046**	$837	$ 209	**31%**	40%	16%
Earnings on investments	**$ 539**	$ —	$ 539	**$ (618)**	$ —	$ (618)	**$1,157**	—	1,157	**(187)%**	—%	(187)%
Federal Reserve earnings	**100**	100	—	**34**	34	—	**66**	66	—	**194%**	194%	—%
Sales of government resources	**29**	9	20	**40**	22	18	**(11)**	(13)	2	**(28)%**	(59)%	11%
Other non-tax revenues	**138**	26	112	**110**	9	101	**28**	17	11	**25%**	189%	11%
Total non-tax revenues	**$ 806**	$ 135	$ 671	**$ (434)**	$ 65	$ (499)	**$1,240**	$ 70	$1,170	**(286)%**	108%	(234)%
Total revenues	**$5,217**	$3,048	$2,169	**$2,931**	$2,141	$ 790	**$2,286**	$907	$1,379	**78%**	42%	175%
Estimated impact of inflation on total revenues							**$ 305**	$223	$ 82	**10%**	10%	10%
Estimated impact of population growth on total revenues							**115**	84	31	**4%**	4%	4%

* *State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2009 to 2014 | Federal individual income tax revenue

The federal individual income tax revenue increase of $480 billion can be attributed $266 billion* to changes in average tax rates and $214 billion* to higher taxable income.

Tax rate changes

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

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

[34] Retirement fund balance data is from www.census.gov/govs/retire.

Income changes

The $214 billion increase in individual taxable income reflected an approximately $1,816 billion* or 23%* increase in aggregate AGI.

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $1,646 billion* or 42%*. These increases in AGI were offset by a slight decrease in AGI in the lowest cohort where AGI is less than $15,000. This cohort saw a decline in aggregate AGI of $2 billion* or 1%*.

AGI by income type

Over half* of the overall $1,868 increase in AGI was driven by higher wages and salaries, which increased $940 billion* or 16%*. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an aggregate increase of $312 billion* or 22%*, was for the cohort with AGI between $100,000 and $200,000. The highest rate of growth, at 56%* or $108 billion* in aggregate, was for the cohort with AGI between $500,000 and $1 million.

Net capital gains income increased $346 billion* or 119%*, comprising just under 20%* of the overall increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an aggregate increase of $202 billion* or 104%*, was for the cohort with AGI over $1 million. The highest rate of growth, at 1,565%* or $5 billion* in aggregate, was for the cohort with AGI between $30,000 and $50,000. The average daily closing price of the S&P 500 during the federal fiscal year (October 1 to September 30) increased 107%.

Partnership and S Corporation income increased $220 billion* or 63%*, comprising a little over 10%* of the overall increase in AGI. Most the increase was for the cohorts with AGI between $100,000 and $1 million, where Partnership and S Corporation income increased an aggregate of $162 billion* or 39%*. The highest rate of growth, at 110%* or $1 billion* in aggregate, was for the cohort with AGI between $15,000 and $30,000.

2009 to 2014 | Payroll tax revenue

The $135 billion increase in payroll tax revenue primarily reflected an $83 billion or 12% increase in Social Security taxes. This increase in Social Security taxes can be attributed $119 billion* to higher taxable income, offset in part by a decrease of $34 billion* attributable to changes in average tax rates.

The increase in taxable income reflected a $1,104 billion* or 21%* increase in earnings subject to Social Security taxes.

There were no changes in the statutory Social Security tax rates when comparing 2009 to 2014. The increase attributable to changes in average tax rates is due primarily to a 10%* increase in the Social Security Wage Base – the maximum amount of an employee's annual earnings on which Social Security taxes may be imposed.

2009 to 2014 | Federal corporate income tax revenue

Federal corporate income tax revenues increased $183 billion, reflecting a $123 billion increase attributable to changes in average tax rates and a $60 billion increase attributable to higher taxable income.

Tax rate changes

Key changes in average tax rates reflected changes in corporate behavior and an increase in the deduction available for producing products in the US from 6% to 9% of a company's income from qualified domestic production activities.

Income changes

The increase in corporate taxable income was driven primarily by $724 billion or 169% growth in profits of corporations that are taxed separately from their owners (C Corporations). The IRS has not yet published 2014 C Corporation tax data by sector.

2009 to 2014 | State and local earnings on investments[35]

State and local earnings on funds held by retirement, workers' compensation, and other trusts increased due to a 53% increase in investment balances, combined with stock market performance. The largest investment balance increases were in corporate

35 Retirement fund balance data is from www.census.gov/govs/retire.

stocks and foreign and international securities. Regarding market performance, there were 85%, 51%, 81%, and 48% increases in the average daily closing prices of the S&P 500, NIKKEI, DAX, and FTSE, respectively, during the state and local fiscal year (July 1 to June 30).

Fiscal year 2014 compared with fiscal year 2004

							Changes					
(In billions, except percentages)	**2014**	**Federal**	**State and Local** *	**2004**	**Federal**	**State and Local** *	**$**	**Federal**	**State and Local** *	**%**	**Federal**	**State and Local** *
Individual income taxes	**$1,736**	$1,395	$ 341	**$1,024**	$ 809	$ 215	**$ 712**	$ 586	$126	**70%**	72%	59%
Payroll taxes	**1,041**	1,041	—	**743**	743	—	**298**	298	—	**40%**	40%	—%
Sales and excise taxes	**610**	93	517	**431**	70	361	**179**	23	156	**42%**	33%	43%
Property taxes	**466**	—	466	**318**	—	318	**148**	—	148	**47%**	—%	47%
Corporate income taxes	**376**	321	55	**223**	189	34	**153**	132	21	**69%**	70%	62%
Other taxes	**182**	63	119	**142**	53	89	**40**	10	30	**28%**	19%	34%
Tax revenues	**$4,411**	$2,913	$1,498	**$2,881**	$1,864	$1,017	**$1,530**	$1,049	$481	**53%**	56%	47%
Earnings on investments	**$ 539**	$ —	$ 539	**$ 320**	$ —	$ 320	**$ 219**	—	219	**68%**	—%	68%
Federal Reserve earnings	**100**	100	—	**20**	20	—	**80**	80	—	**400%**	400%	—%
Sales of government resources	**29**	9	20	**16**	5	11	**13**	4	9	**81%**	80%	82%
Other non-tax revenues	**138**	26	112	**86**	6	80	**52**	20	32	**60%**	333%	40%
Total non-tax revenues	**$ 806**	$ 135	$ 671	**$ 442**	$ 31	$ 411	**$ 364**	$ 104	$260	**82%**	335%	63%
Total revenues	**$5,217**	$3,048	$2,169	**$3,323**	$1,895	$1,428	**$1,894**	$1,153	$741	**57%**	61%	52%
Estimated impact of inflation on total revenues							**$ 863**	$ 492	$371	**26%**	26%	26%
Estimated impact of population growth on total revenues							**296**	169	127	**9%**	9%	9%

* *State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2004 to 2014 | Federal individual income tax revenue

The $586 billion federal individual income tax revenue increase included $360 billion* attributable to higher individual taxable income and $226 billion* attributable to changes in average tax rates.

Income changes

The increase in taxable income reflected an approximately $2,958 billion* or 45%* increase in aggregate AGI across all cohorts.

AGI by cohort

The largest increases in AGI were for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $2,650 billion* or 91%*.

AGI by income type

Over 60%* of the $2,650 billion increase in AGI was driven by higher wages and salaries, which increased $1,854 billion* or 38%*. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an aggregate increase of $762 billion* or 78%*, was for the cohort with AGI between $100,000 and $200,000. The highest rate of growth, at 129%* or $527 billion* in aggregate, was for the cohort with AGI between $200,000 and $500,000.

Partnership and S Corporation income increased $270 billion* or 90%*, comprising just under 10%* of the overall increase in AGI. More than 75%* of the increase was for the top two cohorts, where AGI is above $500,000, which saw an aggregate increase in Partnership and S Corporation income of $206 billion* or 56%*. The highest rate of growth, at 108%* or $156 billion* in aggregate, was for the cohort with AGI above $1 million.

Net capital gains income increased $209 billion* or 49%*, comprising more than 5%* of the overall increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount and rate of growth, at an aggregate increase of $152 billion* or 62%*, was for the cohort with AGI over $1 million. The average daily closing price of the S&P 500 during the federal fiscal year (October 1 to September 30) increased 69%.

Tax rate changes

Key changes in average federal individual income tax rates were the same as those discussed above under *Fiscal year 2014 compared with fiscal year 2009*.

2004 to 2014 | Payroll tax revenue

The $298 billion increase in payroll tax revenue primarily reflected a $206 billion or 38% increase in Social Security tax revenues, as well as a $74 billion or 48% increase in Medicare tax revenues.

Social Security payroll tax revenues

The $206 billion increase in Social Security tax revenues primarily reflects $215 billion* attributable to higher taxable income. This increase in taxable income reflected a $2,074 billion* or 39%* increase in earnings subject to Social Security taxes.

Medicare payroll tax revenues

The $74 billion increase in Medicare tax revenue primarily reflects $58 billion attributable to higher taxable income, reflecting a $2,065 billion* or 37%* increase in earnings subject to Medicare taxes.

2004 to 2014 | State and local sales and excise taxes

The $156 billion growth in revenue from sales and excise taxes reflects a $102 billion or 42% increase in general sales taxes and a $54 billion or 47% increase in selective sales taxes.

General sales tax revenues

General sales tax revenues increased due to increases in both sales tax rates and consumption of taxable goods and services. State-level general sales tax rates in 17 states increased by varying amounts, offset in part by decreases to a lesser degree in three states.[36] Many local governments also raised general sales tax rates. Consumption of most categories of taxable goods and services also increased during the period, led by food and beverages away from home, recreation and entertainment, and household supplies, jewelry, and personal care.

Selective sales tax revenues

Selective sales taxes increased across nearly every category, led by increases in public utilities, motor fuels, tobacco, insurance premiums, and amusement taxes due to increases in both selective sales tax rates and consumption of taxable goods and services.

Tax rates

We are not aware of an aggregated source of data for state and local government public utility, tobacco, insurance premium, or amusement tax rates. The unweighted average of gas tax rates across all states increased approximately 17% during this period.[36]

Consumption

Consumption of goods and services subject to selective sales taxes increased across nearly every category, led by motor fuels, communications, and household utilities and fuels.

2004 to 2014 | Property taxes

The $148 billion growth in revenue from property taxes reflects an approximately 15% increase in the value of real estate held by households and businesses, driven by a 29% increase in the value of household real estate.[37] In addition, property tax rates increased, including growth of 13% in the aggregate unweighted average of the nominal residential property tax rate for the largest city in each state.[36]

2004 to 2014 | State and local earnings on investments[38]

State and local earnings on funds held by retirement, workers' compensation, and other trusts increased $219 billion or 68%, driven by a 78% increase in investment balances, combined with stock market performance. The largest investment balance increases were in corporate stocks and foreign and international securities. Regarding market performance, there were 66%, 36%, 142%, and 52% increases in the average daily closing prices of the S&P 500, NIKKEI, DAX, and FTSE, respectively, during the state and local fiscal year (July 1 to June 30).

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[36] Source: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2014.
[37] Source: Federal Reserve Z.1 for 2014.
[38] Retirement fund balance data is from www.census.gov/govs/retire.

2004 to 2014 | Federal Reserve earnings

The $80 billion growth in revenue from Federal Reserve earnings reflects growth in income of the Federal Reserve itself, the majority of which is remitted to the Treasury by law. The Federal Reserve's income grew as it purchased more securities from the federal government and the federal government paid more interest on those securities.

Note that the interest payments made by the federal government to the Federal Reserve and the earnings received by the federal government from the Federal Reserve can be seen as offsetting each other, in part. This is because these are largely the same dollars; the federal government pays interest on its debt securities held by the Federal Reserve, the Federal Reserve receives those dollars, and then the Federal Reserve remits most of those dollars back to the federal government. We report the inflows in non-tax revenues and the outflows in net interest paid because the Federal Reserve is a separate legal entity from the federal government.

Expenditures by function[39]

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

Fiscal year 2014 compared with fiscal year 2013

							Changes					
(In billions, except percentages)	**2014**	**Federal***	**State and Local**	**2013**	**Federal***	**State and Local**	**$**	**Federal***	**State and Local**	**%**	**Federal***	**State and Local**
Transfer payments to individuals and subsidies	**$2,482**	$1,889	$ 593	**$2,395**	$1,831	$ 564	**$ 87**	$ 58	$ 29	**4%**	3%	5%
Personnel and compensation	**1,460**	539	921	**1,421**	534	887	**39**	5	34	**3%**	1%	4%
Payments to others for goods and services	**687**	144	543	**701**	179	522	**(14)**	(35)	21	**(2)%**	(20)%	4%
Capital expenditures	**476**	155	321	**493**	173	320	**(17)**	(18)	1	**(3)%**	(10)%	—%
Net interest paid	**302**	229	73	**296**	221	75	**6**	8	(2)	**2%**	4%	(3)%
Other	**(22)**	(22)	—	**(33)**	(33)	—	**11**	11	—	**(33)%**	(33)%	—%
Total expenditures	**$5,385**	$2,934	$2,451	**$5,273**	$2,905	$2,368	**$112**	$ 29	$ 83	**2%**	1%	4%
Estimated impact of inflation on total expenditures							**$ 85**	$ 47	$ 38	**2%**	2%	2%
Estimated impact of population growth on total expenditures							**39**	21	18	**1%**	1%	1%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2013 to 2014 | Federal transfer payments to individuals and subsidies

The $58 billion increase in transfer payments to individuals and subsidies reflects increases across all categories except unemployment insurance and SNAP benefits payments. The most significant changes are discussed below.

Social Security

Social Security payments increased $37 billion or 5%, driven by:

- a 1.1 million person or 2% increase in the number of OASDI recipients, all for OASI; and
- a 2% increase in the average monthly benefit payment, including increases of $31 or 3% for OASI and $18 or 2% for DI.

The average OASI recipient age remained 71 during this period. OASDI benefit payments are indexed for inflation.

Medicare

Medicare payments (net of premiums received) increased $17 billion or 3%, reflecting a 1.6 million* person or 3%* increase in Medicare enrollees, and a 1%* increase in average costs per beneficiary (net of premiums received). Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 3% during this period. General medical care cost inflation for this period was 2%, with prices of medical commodities and medical services also each inflating 2%.

Veterans benefits

Veterans benefits payments increased $9 billion or 7%, despite a less than 1% increase in the number of veterans. The increase in payments reflects a $5 billion or 8% increase in veterans service-connected compensation payments and a $4 billion or 7% increase in payments for hospital and medical care for veterans.

[39] Most of the data in this section can be found, with sources noted, on our website usafacts.org. Data that is not yet there will be provided in the near future.

The 8% increase in service-connected compensation payments was driven primarily by a 5% increase in both the number of disability compensation and pension benefits recipients and the average annual disability compensation payment.

The 7% increase in payments for hospital and medical care for veterans was driven by increased medical personnel, direct patient care costs, purchases of medical equipment and related information technology support, and medical services infrastructure costs. There was an increase of over 9,000 full-time medical personnel serving a 2% percent increase in the number of patients who received care at a Veterans Health Administration facility. Most of the increase in medical services related to outpatient care, especially for mental health. In addition, 4% more outpatient surgery procedures were performed.

Unemployment insurance

The increases in the categories above were offset in part by a $25 billion or 36% decrease in unemployment insurance payments, driven primarily by a 40%* decrease in the total number of weeks of unemployment claimed, as the economy continued to recover from the Great Recession.

2013 to 2014 | State and local transfer payments to individuals and subsidies

The $29 billion increase in state and local transfer payments to individuals and subsidies was driven by a $24 billion or 6% increase in Medicaid and CHIP payments. This increase reflects:

- 4.3 million additional enrollees (person-year equivalent enrollment) newly eligible for Medicaid through the Affordable Care Act, constituting a 7% increase in enrollment; offset in part by
- a 1% decrease in per enrollee spending, with per enrollee spending for those in the most expensive groups, disabled and aged, decreasing 1% and 2%, respectively.

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

2013 to 2014 | State and local personnel and compensation

The $34 billion increase in state and local employee compensation payments comprised growth of $21 billion or 3% in compensation for current employees and $13 billion or 5% in compensation for former employees.

Current employees

The 3% increase in compensation for current employees was driven by a 2%* increase in compensation (excluding pension) per hour, including 2%* growth in wages and salaries and 2%* growth in health insurance benefits. In addition, there was a 1%* increase in the number of state and local government full-time equivalent employees, primarily those working outside of education.

Former employees

The 5% increase in compensation for former employees was driven by a 3% increase in the number of retirees receiving periodic benefits and a 2% increase in the benefit payment per recipient. The increase in number of retirees receiving benefits may be driven by our aging population; our population aged 65 years and older grew by 3% during this period.

2013 to 2014 | Federal payments to others for goods and services

The $35 billion decrease in federal payments to others for goods and services was driven in large part by decreased expenditures for natural disasters and for deposit insurance through the Federal Deposit Insurance Corporation (FDIC).

Fiscal year 2014 compared with fiscal year 2009

							Changes					
(In billions, except percentages)	**2014**	**Federal** *	**State and Local**	**2009**	**Federal** *	**State and Local**	**$**	**Federal** *	**State and Local**	**%**	**Federal** *	**State and Local**
Transfer payments to individuals and subsidies	**$2,482**	$1,889	$ 593	**$2,050**	$1,585	$ 465	**$ 432**	$ 304	$128	**21%**	19%	28%
Personnel and compensation	**1,460**	539	921	**1,329**	499	830	**131**	40	91	**10%**	8%	11%
Payments to others for goods and services	**687**	144	543	**1,073**	559	514	**(386)**	(415)	29	**(36)%**	(74)%	6%
Capital expenditures	**476**	155	321	**549**	186	363	**(73)**	(31)	(42)	**(13)%**	(17)%	(12)%
Net interest paid	**302**	229	73	**234**	187	47	**68**	42	26	**29%**	22%	55%
Other	**(22)**	(22)	—	**12**	12	—	**(34)**	(34)	—	**(283)%**	(283)%	—%
Total expenditures	**$5,385**	$2,934	$2,451	**$5,247**	$3,028	$2,219	**$ 138**	$ (94)	$232	**3%**	(3)%	10%
Estimated impact of inflation on total expenditures							**$ 546**	$ 315	$231	**10%**	10%	10%
Estimated impact of population growth on total expenditures							**207**	120	87	**4%**	4%	4%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2009 to 2014 | Federal transfer payments to individuals and subsidies

The $304 billion increase in transfer payments to individuals and subsidies reflects increases across all categories except unemployment insurance benefits payments. The most significant changes are discussed below.

Social Security

Social Security payments increased $167 billion or 25%, driven by:

- a 6.6 million person or 13% increase in the number of OASDI recipients, including increases of 5.2 million people or 12% for OASI and 1.4 million people or 14% for DI; and
- an 11% increase in the average monthly benefit payment, including increases of $141 or 13% for OASI and $84 or 9% for DI.

The average OASI recipient age remained 71 during this period. OASDI benefit payments are indexed for inflation.

Medicare

Medicare payments increased $97 billion or 20%, driven by a 7.4 million* person or 16%* increase in Medicare enrollees and a 7%* increase in average costs per beneficiary. Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 17% during this period, while general medical care cost inflation was 16%, with prices of medical commodities inflating 13% and medical services inflating 17%.

Veterans benefits

Veterans benefits payments increased $48 billion or 51%, despite a 5% decline in the number of veterans. The increase in payments reflects a $24 billion or 59% increase in veterans service-connected compensation payments, a $14 billion or 32% increase in payments for hospital and medical care for veterans, and a $9 billion or 217% increase in veteran readjustment benefit expenditures.

The 59% increase in service-connected compensation payments was driven primarily by a 26% increase in the number of disability compensation and pension benefits recipients and a 24% increase in the average annual disability compensation payment. These increases were driven by policy that made it easier for veterans to claim benefits, the recent conflicts in Iraq and Afghanistan, and difficult labor market conditions during this period.

The 32% increase in payments for hospital and medical care for veterans were driven by increased medical personnel, direct patient care costs, purchases of medical equipment and related information technology support and pharmaceuticals, and medical services infrastructure costs. There was a 13% percent increase in the number of patients who received care at a Veterans Health Administration facility.

The 217% increase in veteran readjustment benefit expenditures was driven by a 93% increase in the number of veterans receiving educational program benefits and more generous benefits. These increases were driven by the Post-9/11 GI Bill, through which additional educational benefits became available August 1, 2009. The basic benefits include 36 months of full-time education benefits, including tuition and fees, monthly housing allowance, and a books and supplies stipend.

SNAP

Food and nutritional assistance payments through the SNAP program increased $20 billion or 41%, driven by a 39% increase in the average number of monthly participants, likely due to the Great Recession. The Congressional Budget Office (CBO) noted that reductions in participation in the program lagged improvement in the economy by several years.

Unemployment insurance

The increases in the categories above were offset in part by a decrease in unemployment insurance payments of $76 billion or 64%, driven by an approximately 63%* decrease in the total number of weeks of unemployment claimed, as the economy recovered from the Great Recession.

2009 to 2014 | State and local transfer payments to individuals and subsidies

The $128 billion increase in state and local transfer payments to individuals and subsidies was driven by a $118 billion or 36% increase in Medicaid and CHIP payments. This increase reflects:

- 13.0 million or 26% growth in person-year equivalent enrollment, driven by 3.1 million children (13% growth), 3.1 million adults (26% growth), 1.2 million disabled enrollees (13% growth), and 4.3 million enrollees newly eligible for Medicaid through the Affordable Care Act (100% growth); and
- a 12% increase in per enrollee spending, driven by a 15% increase in per enrollee spending for the disabled, the most expensive group served.

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

2009 to 2014 | State and local compensation for personnel past and present

The $91 billion increase in state and local employee compensation payments reflects growth of $66 billion or 31% in compensation for former employees and $25 billion or 4% in compensation for current employees.

Former employees

The 31% increase in compensation for former employees was driven by a 20% increase in the number of retirees receiving periodic benefits and a 12% increase in the benefit payment per recipient. The increase in number of retirees receiving benefits may be driven by our aging population; our population aged 65 years and older grew by 17% during this period.

Current employees

The 4% increase in compensation for current employees was driven by a 7%* increase in compensation (excluding pension) per hour, including 7%* growth in wages and salaries and 16%* growth in health insurance benefits. These increases were offset in part by a decline of 3%* in the number of state and local government full-time equivalent employees, primarily those working outside of education.

2009 to 2014 | Federal payments to others for goods and services

The $415 billion decrease in federal payments to others for goods and services was driven primarily by $154 billion in TARP payments made in 2009 that did not recur in 2014 and a $161 billion or 186% decrease in payments for Fannie Mae and Freddie Mac assistance, reflecting returns on these investments.

Fiscal year 2014 compared with fiscal year 2004

							Changes					
(In billions, except percentages)	**2014**	**Federal ***	**State and Local**	**2004**	**Federal ***	**State and Local**	**$**	**Federal ***	**State and Local**	**%**	**Federal ***	**State and Local**
Transfer payments to individuals and subsidies	**$2,482**	$1,889	$ 593	**$1,386**	$1,031	$ 355	**$1,096**	$ 858	$238	**79%**	83%	67%
Personnel and compensation	**1,460**	539	921	**1,037**	388	649	**423**	151	272	**41%**	39%	42%
Payments to others for goods and services	**687**	144	543	**590**	210	380	**97**	(66)	163	**16%**	(31)%	43%
Capital expenditures	**476**	155	321	**380**	111	269	**96**	44	52	**25%**	40%	19%
Net interest paid	**302**	229	73	**200**	160	40	**102**	69	33	**51%**	43%	83%
Other	**(22)**	(22)	—	**(11)**	(11)	—	**(11)**	(11)	—	**100%**	100%	—%
Total expenditures	**$5,385**	$2,934	$2,451	**$3,582**	$1,889	$1,693	**$1,803**	$1,045	$758	**50%**	55%	45%
Estimated impact of inflation on total expenditures							**$ 930**	$ 490	$440	**26%**	26%	26%
Estimated impact of population growth on total expenditures							**319**	168	151	**9%**	9%	9%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

2004 to 2014 | Federal transfer payments to individuals and subsidies

The $858 billion increase in federal transfer payments to individuals and subsidies reflects increases across all categories. The most significant changes are discussed below.

Social Security

Social Security payments increased $353 billion or 72%, driven by:

- a 11.3 million person or 24% increase in the number of OASDI recipients, including increases of 8.2 million people or 21% for OASI and 3.1 million people or 39% for DI; and
- a 40% increase in the average monthly benefit payment, including increases of $366 or 42% for OASI and $267 or 36% for DI.

The average OASI recipient age remained 71 during this period. OASDI payments are indexed for inflation.

Medicare

Medicare payments increased $289 billion or 98%, reflecting a 12.0 million* person or 29%* increase in Medicare enrollees combined with a 73%* increase in average cost per beneficiary. Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 28% during this period, while general medical care cost inflation was 41%, with prices of medical commodities inflating 27% and medical services inflating 46%.

Veterans benefits

Veterans benefits payments increased $80 billion or 129%, despite an 11% decline in the number of veterans. The increase in payments reflects a $38 billion or 145% increase in veterans service-connected compensation payments, a $30 billion or 105% increase in payments for hospital and medical care for veterans, and an $11 billion or 361% increase in veteran readjustment benefit expenditures.

The 145% increase in service-connected compensation payments was driven primarily by a 47% increase in the number of disability compensation and pension benefits recipients and a 70% increase in the average annual disability compensation payment.

The 105% increase in payments for hospital and medical care for veterans were driven by increased medical personnel, direct patient care costs, purchases of medical equipment and related information technology support and pharmaceuticals, and medical services infrastructure costs. There was a 17% percent increase in the number of patients who received care at a Veterans Health Administration facility.

The 361% increase in veteran readjustment benefit expenditures was driven by a 122% increase in the number of veterans receiving educational program benefits and more generous benefits. These increases were driven by the Post-9/11 GI Bill, through which additional educational benefits became available August 1, 2009.

SNAP

Food and nutritional assistance payments through the SNAP program increased $46 billion or 189%, driven by a 96% increase in the average monthly number of participants and a 45% increase in the average monthly benefit per person.

The 96% increase in the average number of monthly participants was likely due to the Great Recession, as well as due to the impact of the ARRA, which eased eligibility requirements, and new program tools (e.g. online applications) that have made it easier for people to apply for and continue receiving benefits. The CBO noted that reduced participation lagged improvement in the economy by several years.

The 45% increase in average monthly benefit per person reflects a 34% increase in maximum allotments, which are adjusted annually for changes in cost of living, and which during this period reflected the impact of the ARRA, which increased the maximum allotments for participants by 14% (effective April 1, 2009 to October 31, 2013).

2004 to 2014 | State and local transfer payments to individuals and subsidies

The $238 billion increase in state and local transfer payments to individuals and subsidies was driven by a $186 billion or 71% increase in Medicaid and CHIP payments. This increase reflects:

- 18.7 million or 41% growth in person-year equivalent enrollment, driven by 5.6 million children (26% growth), 4.9 million adults (49% growth), and 4.3 million enrollees newly eligible for Medicaid through the Affordable Care Act (100% growth); and
- a 23% increase in per enrollee spending, driven by a 31% increase in per enrollee spending for the disabled, the most expensive group served.

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

2004 to 2014 | State and local personnel and compensation

The $272 billion increase in state and local personnel and compensation payments comprised growth of $150 billion or 30% in compensation for current employees and $122 billion or 79% in compensation for former employees.

Current employees

The 30% increase in compensation for current employees was driven by a 21%* increase in compensation (excluding pension) per hour, including 17%* growth in wages and salaries and 50%* growth in health insurance benefits. In addition, there was a net 1%* increase in the number of state and local government full-time equivalent employees, reflecting a 3%* increase in full-time equivalent education employees offset in part by a 1%* decrease in full-time equivalent non-education employees.

Former employees

The 79% increase in compensation for former employees was driven by a 43% increase in the number of retirees receiving periodic benefits and a 33% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 28% during this period.

Expenditures by segment[40]

							Changes					
(In billions, except percentages)	2014	Federal *	State and Local	2013	Federal *	State and Local	$	Federal *	State and Local	%	Federal *	State and Local
Justice and Domestic Tranquility	$ 396	$ 44	$ 352	$ 396	$ 55	$ 341	$ —	$(11)	$11	—%	(20)%	3%
Common Defense	813	812	1	832	831	1	(19)	(19)	—	(2)%	(2)%	—%
General Welfare	1,232	420	812	1,230	452	778	2	(32)	34	—%	(7)%	4%
Blessings of Liberty	2,789	1,657	1,132	2,679	1,576	1,103	110	81	29	4%	5%	3%
General government support and other	155	1	154	136	(9)	145	19	10	9	14%	(111)%	6%
Total expenditures	$5,385	$2,934	$2,451	$5,273	$2,905	$2,368	$112	$ 29	$83	2%	1%	4%
Estimated impact of inflation on total expenditures							$ 85	$ 47	$38	2%	2%	2%
Estimated impact of population growth on total expenditures							39	21	18	1%	1%	1%

							Changes					
(In billions, except percentages)	2014	Federal *	State and Local	2009	Federal *	State and Local	$	Federal *	State and Local	%	Federal *	State and Local
Justice and Domestic Tranquility	$ 396	$ 44	$ 352	$ 387	$ 46	$ 341	$ 9	$ (2)	$ 11	2%	(4)%	3%
Common Defense	813	812	1	809	808	1	4	4	—	—%	—%	—%
General Welfare	1,232	420	812	1,313	623	690	(81)	(203)	122	(6)%	(33)%	18%
Blessings of Liberty	2,789	1,657	1,132	2,550	1,520	1,030	239	137	102	9%	9%	10%
General government support and other	155	1	154	188	31	157	(33)	(30)	(3)	(18)%	(97)%	(2)%
Total expenditures	$5,385	$2,934	$2,451	$5,247	$3,028	$2,219	$138	$ (94)	$232	3%	(3)%	10%
Estimated impact of inflation on total expenditures							$546	$ 315	$231	10%	10%	10%
Estimated impact of population growth on total expenditures							207	120	87	4%	4%	4%

							Changes					
(In billions, except percentages)	2014	Federal *	State and Local	2004	Federal *	State and Local	$	Federal *	State and Local	%	Federal *	State and Local
Justice and Domestic Tranquility	$ 396	$ 44	$ 352	$ 305	$ 39	$ 266	$ 91	$ 5	$ 86	30%	13%	32%
Common Defense	813	812	1	550	549	1	263	263	—	48%	48%	—%
General Welfare	1,232	420	812	782	257	525	450	163	287	58%	63%	55%
Blessings of Liberty	2,789	1,657	1,132	1,823	1,041	782	966	616	350	53%	59%	45%
General government support and other	155	1	154	122	3	119	33	(2)	35	27%	(67)%	29%
Total expenditures	$5,385	$2,934	$2,451	$3,582	$1,889	$1,693	$1,803	$1,045	$758	50%	55%	45%
Estimated impact of inflation on total expenditures							$ 930	$ 490	$440	26%	26%	26%
Estimated impact of population growth on total expenditures							319	168	151	9%	9%	9%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this Annual Report).*

40 Most of the data in this section can be found, with sources noted, on our website usafacts.org. Data that is not yet there will be provided in the near future.

Justice and Domestic Tranquility (JDT)

This segment's expenditures comprise a small portion (7%) of the overall government budget. The majority (more than 65%) of this segment's expenditures comprises state and local government crime and disaster expenditures, primarily (more than 65%) law enforcement and corrections expenditures. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2014 compared with fiscal year 2013

(In billions, except percentages)	2014	Federal *	State and Local	2013	Federal *	State and Local	Changes $	Changes Federal *	Changes State and Local	Changes %	Changes Federal *	Changes State and Local
Crime and disaster	**$303**	$ 38	$ 265	**$306**	$ 49	$ 257	**$(3)**	$(11)	$ 8	**(1)%**	(22)%	3%
Child safety and miscellaneous social services	**73**	—	73	**71**	1	70	**2**	(1)	3	**3%**	(100)%	4%
Safeguarding consumers and employees	**20**	6	14	**19**	5	14	**1**	1	—	**5%**	20%	—%
Total Justice and Domestic Tranquility	**$396**	$ 44	$ 352	**$396**	$ 55	$ 341	**$—**	$(11)	$ 11	**—%**	(20)%	3%
As a percentage of total expenditures	**7%**	1%	14%	**8%**	2%	14%						
Estimated impact of inflation on segment expenditures							**$ 6**	$ 1	$ 5	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**3**	0	3	**1%**	1%	1%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

The $11 billion decrease in federal crime and disaster expenditures was driven by a $10 billion decrease in disaster relief expenditures, primarily national flood insurance fund costs relating to Hurricane Sandy in 2013 that did not recur in 2014.

Fiscal year 2014 compared with fiscal year 2009

(In billions, except percentages)	2014	Federal *	State and Local	2009	Federal *	State and Local	Changes $	Changes Federal *	Changes State and Local	Changes %	Changes Federal *	Changes State and Local
Crime and disaster	**$303**	$ 38	$ 265	**$294**	$ 40	$ 254	**$ 9**	$(2)	$11	**3%**	(5)%	4%
Child safety and miscellaneous social services	**73**	—	73	**72**	—	72	**1**	—	1	**1%**	—%	1%
Safeguarding consumers and employees	**20**	6	14	**21**	6	15	**(1)**	—	(1)	**(5)%**	—%	(7)%
Total Justice and Domestic Tranquility	**$396**	$ 44	$ 352	**$387**	$ 46	$ 341	**$ 9**	$(2)	$11	**2%**	(4)%	3%
As a percentage of total expenditures	**7%**	1%	14%	**7%**	2%	15%						
Estimated impact of inflation on segment expenditures							**$40**	$ 5	$35	**10%**	10%	10%
Estimated impact of population growth on segment expenditures							**15**	2	13	**4%**	4%	4%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

The $11 billion increase in state and local crime and disaster expenditures was driven primarily by a $7 billion or 8% increase in police protection operations costs. Annualized gross payroll costs for state and local police officers grew $4 billion or 6% during this period, despite a 5% decrease in the number of state and local police officers.

Fiscal year 2014 compared with fiscal year 2004

(In billions, except percentages)	2014	Federal *	State and Local	2004	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
Crime and disaster	**$303**	$ 38	$ 265	**$224**	$ 35	$ 189	**$79**	$ 3	$76	**35%**	9%	40%
Child safety and miscellaneous social services	**73**	—	73	**66**	—	66	**7**	—	7	**11%**	—%	11%
Safeguarding consumers and employees	**20**	6	14	**15**	4	11	**5**	2	3	**33%**	50%	27%
Total Justice and Domestic Tranquility	**$396**	$ 44	$ 352	**$305**	$ 39	$ 266	**$91**	$ 5	$86	**30%**	13%	32%
As a percentage of total expenditures	**7%**	1%	14%	**9%**	2%	16%						
Estimated impact of inflation on segment expenditures							**$79**	$10	$69	**26%**	26%	26%
Estimated impact of population growth on segment expenditures							**27**	3	24	**9%**	9%	9%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

The $76 billion increase in state and local crime and disaster expenditures was driven mainly by a $50 billion or 40% increase in costs of law enforcement and corrections, reflecting a $32 billion or 45% increase in law enforcement expenditures and an $18 billion or 33% increase in corrections expenditures.

The $32 billion increase in law enforcement expenditures was driven mainly by a $31 billion or 46% increase in police protection operations costs. Annualized gross payroll costs for state and local police officers grew $16 billion or 34% during this period, while the number of state and local police officers increased 1%.

The increase in corrections expenditures comprised an increase in correctional operations costs. Annualized gross payroll costs for state and local corrections officers grew $9 billion or 30% during this period, while the number of correctional officers grew 1%. Comparing these years, there was a 4% and 3% increase in the number of people incarcerated in local jails and state prisons, respectively.

Common Defense

This segment's expenditures currently comprise a relatively small portion (15%) of the overall government budget. Nearly 75% of this segment's expenditures are costs of national defense, while most of the rest (nearly 20%) comprise costs of support for veterans. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2014 compared with fiscal year 2013

(In billions, except percentages)	2014	Federal *	State and Local	2013	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
National defense	**$ 604**	$ 604	$ —	**$ 633**	$ 633	$ —	**$(29)**	$(29)	$—	**(5)%**	(5)%	—%
Support for veterans	**149**	148	1	**139**	138	1	**10**	10	—	**7%**	7%	—%
Foreign affairs and foreign aid	**47**	47	—	**46**	46	—	**1**	1	—	**2%**	2%	—%
Immigration and border security	**13**	13	—	**14**	14	—	**(1)**	(1)	—	**(7)%**	(7)%	—%
Total Common Defense	**$ 813**	$ 812	$ 1	**$ 832**	$ 831	$ 1	**$(19)**	$(19)	—	**(2)%**	(2)%	—%
As a percentage of total expenditures	**15%**	15%	—%	**15%**	15%	—%						
Estimated impact of inflation on segment expenditures							**$ 13**	$ 13	—	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**6**	6	—	**1%**	1%	1%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

The $29 billion decrease in national defense expenditures reflected:

- a $15 billion or 6% decline in operation and maintenance expenditures, reflecting $11 billion or 16% for the Army generally and $3 billion or 40% for the Afghanistan Security Forces Fund;
- a $14 billion or 18% decline in research, development, test, and evaluation expenditures across all military branches; and
- a $7 billion or 6% decline in military procurement expenditures, mostly for the Army and for the procurement of items other than aircraft, missiles, ammunition, or weapons and tracked combat vehicles. Air Force aircraft procurement expenditures also declined.

Though more detail is available for budget appropriation requests for operations and maintenance expenditures, more detail is not available for outlays. Therefore, we do not know the drivers of these changes in expenditures.

The number of active duty Army personnel decreased 4% during this period.

Fiscal year 2014 compared with fiscal year 2009

(In billions, except percentages)	2014	Federal *	State and Local	2009	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
National defense	**$ 604**	$ 604	$ —	**$ 661**	$ 661	$ —	**$(57)**	$(57)	$ —	**(9)%**	(9)%	—%
Support for veterans	**149**	148	1	**96**	95	1	**53**	53	—	**55%**	56%	—%
Foreign affairs and foreign aid	**47**	47	—	**37**	37	—	**10**	10	—	**27%**	27%	—%
Immigration and border security	**13**	13	—	**15**	15	—	**(2)**	(2)	—	**(13)%**	(13)%	—%
Total Common Defense	**$ 813**	$ 812	$ 1	**$ 809**	$ 808	$ 1	**$ 4**	$ 4	$ —	**—%**	—%	—%
As a percentage of total expenditures	**15%**	15%	—%	**15%**	15%	—%						
Estimated impact of inflation on segment expenditures							**$ 84**	$ 84	$ —	**10%**	10%	10%
Estimated impact of population growth on segment expenditures							**32**	32	—	**4%**	4%	4%

* Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).

National defense

The $57 billion decrease in national defense expenditures reflected:

- a $22 billion or 17% decline in military procurement expenditures, mostly for the Army and for the procurement of items other than aircraft, missiles, ammunition, or weapons and tracked combat vehicles;
- a $15 billion or 6% decline in operation and maintenance expenditures, mostly for the Army generally; and
- a $14 billion or 18% decline in research, development, test, and evaluation expenditures across all military branches.

The number of active duty Army personnel decreased 8% during this period.

Support for veterans

The $53 billion increase in support for veterans expenditures is driven primarily by increased benefits payments, as discussed above under *Expenditures by function, Federal transfer payments to individuals and subsidies, Veterans benefits*.

Fiscal year 2014 compared with fiscal year 2004

(In billions, except percentages)	2014	Federal *	State and Local	2004	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
National defense	**$ 604**	$ 604	$ —	**$ 456**	$ 456	$ —	**$148**	$148	$ —	**32%**	32%	—%
Support for veterans	**149**	148	1	**60**	59	1	**89**	89	—	**148%**	151%	—%
Foreign affairs and foreign aid	**47**	47	—	**27**	27	—	**20**	20	—	**74%**	74%	—%
Immigration and border security	**13**	13	—	**7**	7	—	**6**	6	—	**86%**	86%	—%
Total Common Defense	**$ 813**	$ 812	$ 1	**$ 550**	$ 549	$ 1	**$263**	$263	$ —	**48%**	48%	—%
As a percentage of total expenditures	**15%**	15%	—%	**10%**	10%	—%						
Estimated impact of inflation on segment expenditures							**$143**	$143	$ —	**26%**	26%	26%
Estimated impact of population growth on segment expenditures							**49**	49	—	**9%**	9%	9%

* Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).

National defense

The $148 billion increase in national defense expenditures reflects:

- a $70 billion or 40% increase in operation and maintenance expenditures across all military branches;
- a $35 billion or 31% increase in military personnel expenditures across all military branches, including an aggregate $16 billion increase for the major branches of the military (Army, Navy, Air Force, Marines), a $14 billion increase in health and retirement contributions across all branches, a $4 billion increase for the National Guard, and a $2 billion increase for reserve personnel; and
- a $31 billion or 41% increase in military procurement expenditures across all military branches, with the largest increase at $13 billion for the Navy, primarily for aircraft procurement and shipbuilding.

Comparing these years, there was a 6% decrease in the number of active duty military personnel and a 9% increase in the number of civilian military personnel.

Support for veterans

The $89 billion increase in support for veterans expenditures is primarily driven by increased benefits payments, as discussed above under *Expenditures by function, Federal transfer payments to individuals and subsidies, Veterans benefits*.

General Welfare (GW)

This segment's expenditures comprise nearly a quarter of the overall government budget. Expenditures for standard of living and aid to the disadvantaged comprise 70% of this segment's expenditures. More than half of the expenditures for standard of living and aid to the disadvantaged are for state and local medical assistance to the poor, including Medicaid and CHIP. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2014 compared with fiscal year 2013

(In billions, except percentages)	2014	Federal *	State and Local	2013	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
Economy and infrastructure	**$ 221**	$ 48	$ 173	**$ 230**	$ 63	$ 167	**$ (9)**	$(15)	$ 6	**(4)%**	(24)%	4%
Standard of living and aid to the disadvantaged	**862**	325	537	**853**	339	514	**9**	(14)	23	**1%**	(4)%	4%
Health (excluding Medicaid and Medicare)	**149**	47	102	**147**	50	97	**2**	(3)	5	**1%**	(6)%	5%
Total General Welfare	**$1,232**	$420	$ 812	**$1,230**	$452	$ 778	**$ 2**	$(32)	$34	**—%**	(7)%	4%
As a percentage of total expenditures	**23%**	8%	15%	**23%**	8%	14%						
Estimated impact of inflation on segment expenditures							**$20**	$ 7	$13	**2%**	2%	2%
Estimated impact of population growth on segment expenditures							**9**	3	6	**1%**	1%	1%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

Federal economy and infrastructure expenditures

The $15 billion decrease in federal economy and infrastructure expenditures was driven by a $14 billion or 173% decrease in banking and financing expenditures, primarily related to reduced deposit insurance expenditures through the FDIC as the banking sector continued to recover from the Great Recession.

Federal standard of living and aid to the disadvantaged expenditures

The $14 billion decrease in federal standard of living and aid to the disadvantaged expenditures primarily reflected the $25 billion or 36% decrease in unemployment insurance payments discussed above under *Expenditures by function, Federal transfer payments to individuals and subsidies, Unemployment*. This decrease was offset in part by $13 bilion of refundable tax credits paid to families and individuals in 2014 to assist them in purchasing health insurance.

State and local standard of living and aid to the disadvantaged expenditures

State and local standard of living and aid to the disadvantaged expenditures increased $23 billion due mainly to a $24 billion or 6% increase in Medicaid and CHIP benefits payments, as discussed within *Expenditures by function, State and local transfer payments to individuals and subsidies* above.

Fiscal year 2014 compared with fiscal year 2009

(In billions, except percentages)	2014	Federal *	State and Local	2009	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
Economy and infrastructure	**$ 221**	$ 48	$ 173	**$ 419**	$ 248	$ 171	**$(198)**	$(200)	$ 2	**(47)%**	(81)%	1%
Standard of living and aid to the disadvantaged	**862**	325	537	**755**	335	420	**107**	(10)	117	**14%**	(3)%	28%
Health (excluding Medicaid and Medicare)	**149**	47	102	**139**	40	99	**10**	7	3	**7%**	18%	3%
Total General Welfare	**$1,232**	$420	$ 812	**$1,313**	$ 623	$ 690	**$ (81)**	$(203)	$122	**(6)%**	(33)%	18%
As a percentage of total expenditures	**23%**	8%	15%	**24%**	12%	13%						
Estimated impact of inflation on segment expenditures							**$ 137**	$ 65	$ 72	**10%**	10%	10%
Estimated impact of population growth on segment expenditures							**52**	25	27	**4%**	4%	4%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

Federal economy and infrastructure expenditures

The $200 billion decrease in federal economy and infrastructure expenditures was driven by a $194 billion or 112% decrease in banking and financing expenditures, primarily due to $154 billion in TARP payments made in 2009 that did not recur in 2014.

State and local standard of living and aid to the disadvantaged expenditures

The $117 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $118 billion or 36% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, State and local transfer payments to individuals and subsidies* above.

Fiscal year 2014 compared with fiscal year 2004

(In billions, except percentages)	2014	Federal *	State and Local	2004	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
Economy and infrastructure	**$ 221**	$ 48	$ 173	**$ 180**	$ 50	$ 130	**$ 41**	$ (2)	$ 43	**23%**	(4)%	33%
Standard of living and aid to the disadvantaged	**862**	325	537	**500**	174	326	**362**	151	211	**72%**	87%	65%
Health (excluding Medicaid and Medicare)	**149**	47	102	**102**	33	69	**47**	14	33	**46%**	42%	48%
Total General Welfare	**$1,232**	$420	$ 812	**$ 782**	$257	$ 525	**$450**	$163	$287	**58%**	63%	55%
As a percentage of total expenditures	**23%**	8%	15%	**15%**	5%	10%						
Estimated impact of inflation on segment expenditures							**$203**	$ 67	$136	**26%**	26%	26%
Estimated impact of population growth on segment expenditures							**70**	23	47	**9%**	9%	9%

* *Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).*

Federal standard of living and aid to the disadvantaged expenditures

The $151 billion increase in federal standard of living and aid to the disadvantaged expenditures was driven by many items. The items that each increased over $15 billion were:

- a $46 billion or 189% increase in food and nutritional assistance payments, as discussed within *Expenditures by function, Federal transfer payments to individuals and subsidies, SNAP* above;
- a $27 billion or 81% increase in refundable earned income tax credits, reflecting a 28% increase in the number of tax returns with qualifying earned income tax credits claimed and a $597 or 33% increase in the average amount of each earned income tax credit, driven primarily by the ARRA;
- a $21 billion or 63% increase in Supplemental Security Income (SSI), reflecting a 22% increase in the number of recipients and a $1,433 or 34% increase in average annual payment per recipient; and
- as $18 billion or 124% increase in Pell grants, reflecting a 69% increase in the number of Pell grant recipients and a 47% increase or $1,161 in the average grant per recipient, both driven primarily by the ARRA.

State and local standard of living and aid to the disadvantaged expenditures

The increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $186 billion or 71% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, State and local transfer payments to individuals and subsidies* above.

Blessings of Liberty (BL)

This segment's expenditures comprise more than half of our Government's expenditures. Wealth and savings (primarily Social Security, government obligations, including pension obligations and interest on debt, and Medicare) expenditures comprise nearly 70% of the segment's expenditures, with education expenditures comprising most of the remainder. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2014 compared with fiscal year 2009

(In billions, except percentages)	2014	Federal *	State and Local	2009	Federal *	State and Local	Changes $	Federal *	State and Local	%	Federal *	State and Local
Costs of central government functions	**$173**	$ 19	$154	**$175**	$ 18	$157	**$ (2)**	$ 1	$ (3)	**(1)%**	6%	(2)%
Other	**(18)**	(18)	—	**13**	13	—	**(31)**	(31)	—	**(238)%**	(238)%	—%
Total general government support and other	**$155**	$ 1	$154	**$188**	$ 31	$157	**$(33)**	$(30)	$ (3)			
As a percentage of total expenditures	**3%**	–%	3%	**3%**	1%	3%						
Estimated impact of inflation on segment expenditures							**$ 18**	$ 2	$16	**10%**	10%	10%
Estimated impact of population growth on segment expenditures								1	6	**4%**	4%	4%

* Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).

Other federal expenditures decreased $31 billion due to annual variations in the discrepancy between transfers for grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Fiscal year 2014 compared with fiscal year 2004

(In billions, except percentages)	2014	Federal *	State and Local	2004	Federal *	State and Local	Changes $	Federal	State and Local	%	Federal *	State and Local
Costs of central government functions	**$173**	$ 19	$154	**$133**	$ 14	$119	**$40**	$ 5	$35	**30%**	36%	29%
Other	**(18)**	(18)	—	**(11)**	$ (11)	$ —	**(7)**	(7)	—	**64%**	64%	—%
Total general government support and other	**$155**	$ 1	$154	**$122**	$ 3	$119	**$33**	$(2)	$35			
As a percentage of total expenditures	**3%**	—%	3%	**2%**	—%	2%						
Estimated impact of inflation on segment expenditures							**$35**	$ 4	$31	**26%**	26%	26%
Estimated impact of population growth on segment expenditures								1	11	**9%**	9%	9%

* Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 22 – Intergovernmental transfers (Part II, Item 8 within this annual report).

State and local central government functions expenditures increased $35 billion primarily due to a $29 billion or 35% increase in expenditures labeled as "current operations – other and unallocable" in the Census. We do not know what comprises these costs.

Key metrics by segment

In this section, we analyze by segment certain key metrics that measure progress towards the constitutional objectives of justice, domestic tranquility, common defense, general welfare, and security of the blessings of liberty to ourselves and our posterity. We chose metrics for which government data was available and that seemed representative of the status of the constitutional objectives. There are more metrics on our website at usafacts.org and we will add more over time. We have analyzed the metrics of one reporting unit in the initial release of this Form 10-K. For other reporting units, we have only provided the data. We intend to update this report to include analysis of this data as soon as reasonably possible, and have marked the related areas of this section with the note "More analysis to come."

As discussed in *Part I, Item 1A. Risk Factors*, in a free society, human behavior cannot be fully regulated or controlled. Government provides services, promulgates regulations, and enacts legislation intended to provide for the general welfare and secure the blessings of liberty; however, citizens are responsible for making their own choices. In addition, there are many other forces influencing these key metrics, including the natural world, governments and citizens of other countries, and businesses and philanthropic organizations worldwide. Therefore, one should not assume that the revenue and expenditures discussed above and the legislation discussed throughout this document caused the key metrics discussed in this section.

Justice and Domestic Tranquility (JDT)

The JDT segment works to establish justice and ensure domestic tranquility among the US population. Its reporting units are crime and disaster, safeguarding consumers and employees, and child safety and miscellaneous social services. Overall, the long-term trend for the periods presented shows we:

- made meaningful progress on reducing rates of crime, workplace injuries and fatalities, transportation fatalities, the number of children in foster care, and the number of child victims and fatalities;
- saw no meaningful movement in the numbers of incarcerated people, children living in single parent households, and children adopted with Public Child Welfare Agency involvement; and
- regressed notably in fraud complaints.

Crime and disaster

The crime and disaster reporting unit seeks to reduce crime, administer justice, and mitigate and prevent disasters.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Crime							
Violent crimes	1,153	1,168	1,326	1,360	(1)%	(13)%	(15)%
Murders and non-negligent manslaughter	14	14	15	16	—%	(7)%	(13)%
Property crimes	8,209	8,652	9,337	10,319	(5)%	(12)%	(20)%
Arrests for:							
drugs	1,561	1,501	1,664	1,747	4%	(6)%	(11)%
assault	1,466	1,457	1,741	1,723	1%	(16)%	(15)%
larceny (theft)	1,238	1,232	1,335	1,186	—%	(7)%	4%
other	6,942	7,113	8,949	9,286	(2)%	(22)%	(25)%
Incarcerated population	2,224	2,223	2,298	2,137	—%	(3)%	4%
Fire and other disaster							
Fire incidents	1,298	1,240	1,349	1,551	5%	(4)%	(16)%
Civilian deaths from fire incidents (actual)	3,275	3,240	3,010	3,900	1%	9%	(16)%
Disaster declarations (actual)	675	742	1,257	1,843	(9)%	(46)%	(63)%

* *Sources: Bureau of Justice Statistics, Federal Bureau of Investigation, US Fire Administration, National Fire Protection Association, Federal Emergency Management Agency.*

Crime

Violent crimes and property crimes have generally declined at accelerating rates during the periods discussed in this report, with declines seen across most crime sub-categories and every region of the US. Underlying this overall positive trend, there are demographical points to note:

- youth (under age 18) are more often arrested for property crimes than violent crimes and are comprising a smaller percentage of all arrests over time (a nearly 5-percentage point decline overall between 2004 and 2012 – the latest data available); and
- the overall rates of arrest by race have not fluctuated significantly during the periods discussed in this report, however, black people have been arrested at a rate (28% in 2012) that is significantly higher than the rate they comprise of the US population (13% in 2012) throughout the periods discussed in this report.

Our incarcerated population hasn't changed materially during the periods presented in this report and has not grown with the increase in our overall population. However, just as there are disproportionate arrests of black people, black people are also disproportionately jailed, comprising 35% of those jailed in 2014 as compared to 13% of the population in 2014.

Fire and other disaster

The number of fire incidents has also declined at an accelerating rate during the periods discussed in this report. However, civilian deaths from fire incidents have fluctuated and increased overall in the last five years, with the increase driven by home fire incidents.

The number of disaster incidents fluctuated and peaked in 2011 and have declined consistently since then. The most frequent type of disaster is fire, followed by severe storm, while the most expensive is hurricane, followed by severe storm.

Safeguarding consumers and employees

The safeguarding consumers and employees reporting unit seeks to keep people away from harm by regulating, primarily commercial interests. In doing this, their priorities are limiting product, finance, workplace, and transportation related accidents, injuries, deaths, and fraud.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Product							
Consumer product safety injuries	13,861	14,034	13,967	13,097	(1)%	(1)%	6%
Finance							
Fraud complaints	1,579	1,213	709	410	30%	123%	285%
Identity theft complaints	333	290	278	247	15%	20%	35%
Consumer financial protection complaints	153	108	na	na	42%	na	na
Work							
Workplace violations (actual)	67,941	78,186	87,663	86,708	(13)%	(22)%	(22)%
Non-fatal workplace injuries	3,676	3,753	4,141	4,257	(2)%	(11)%	(14)%
Fatal workplace injuries (actual)	4,821	4,585	4,551	5,764	5%	6%	(16)%
Back wages recovered	$240,832	$249,954	$172,615	$196,664	(4)%	40%	22%
Transportation							
Transportation accidents	6,091	5,713	5,530	6,213	7%	10%	(2)%
Transportation fatalities (actual)	34,567	34,685	35,978	45,028	—%	(4)%	(23)%

* *Sources: Consumer Financial Protection Bureau, Consumer Product Safety Commission, Bureau of Labor Statistics, Occupational Safety and Health Administration, Department of Labor, Department of Transportation, National Highway Traffic Safety Administration.*

More analysis to come.

Child safety and miscellaneous social services

The child safety and miscellaneous social services reporting unit works to maintain the welfare and safety of all children. The reporting unit does so by operating a foster care system, investigating crimes against children, and providing child welfare programs.

	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Family situation							
Children in single parent households (in thousands)	20,258	20,531	19,415	20,474	(1)%	4%	(1)%
Children in foster care	415,129	400,989	418,672	517,000	4%	(1)%	(20)%
Children entering foster care	264,746	255,080	254,896	305,000	4%	4%	(13)%
Children exiting foster care	238,230	240,392	277,606	283,000	(1)%	(14)%	(16)%
Median time in foster care (months)	13	13	15	17	—%	(13)%	(24)%
Children adopted with Public Child Welfare Agency involvement	50,644	50,841	57,187	52,000	—%	(11)%	(3)%
Crimes against children							
Child victims (nearest thousand)	702,000	682,000	693,000	879,000	3%	1%	(20)%
Child fatalities	1,580	1,530	1,740	1,490	3%	(9)%	6%
Child welfare							
Children in poverty (in thousands)	15,540	14,659	15,451	13,041	6%	1%	19%
Homeless children enrolled in school	na	1,298,936	939,903	655,591	na	na	na

* *Sources: Department of Health and Human Services, National Center for Homeless Education, US Census Bureau.*

More analysis to come.

Common Defense (CD)

CD works to provide for the common defense of the US population. Its reporting units are national defense and veterans' affairs, immigration and border security, and foreign affairs and foreign aid. Overall, the long-term trend for the periods presented shows we:

- made meaningful progress on lowering the veteran unemployment rate, reducing border apprehensions, and bringing home our active duty military personnel who were stationed abroad;
- saw no meaningful movement in the rate of veterans in poverty or who have a disability and the number of active military stationed in the US; and
- regressed notably in the number of intellectual property seizures and airport firearm discoveries.

National defense and veterans' affairs

The national defense and veterans' affairs reporting unit maintains and manages the military and provides benefits for veterans. Its key metrics are the numbers of military personnel deployed and military deaths, as well as the number of veterans and unique VA patients, and the veteran unemployment, poverty, and disability rates.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
National defense							
Number of active duty military stationed in:							
US	1,168	1,209	1,156	1,139	(3)%	1%	3%
Abroad	159	161	263	288	(1)%	(40)%	(45)%
Number of military deaths from (actual):							
Accidents	na	na	467	605	na	na	na
Hostile/terrorist	na	na	346	735	na	na	na
Suicide	na	na	77	46	na	na	na
Illness	na	na	277	256	na	na	na
Homicide	na	na	302	197	na	na	na
Undetermined	na	na	27	8	na	na	na
Veterans' affairs							
Number of veterans	21,894	21,882	22,972	24,655	—%	(5)%	(11)%
Number of unique VA patients	5,829	5,690	5,138	4,969	2%	13%	17%
Rate of veteran:							
Unemployment	6%	7%	9%	na	(1) ppt	(3) ppt	na
Poverty	7%	7%	7%	na	— ppt	— ppt	na
Disability	29%	29%	26%	na	— ppt	3 ppt	na

* *Sources: US Census Bureau, Department of Defense, Defense Manpower Data Center, Bureau of Economic Analysis, Department of Veterans Affairs.*

More analysis to come.

Immigration and border security

The immigration and border security reporting unit maintains the immigration process in the US and manages the borders and customs responsibilities. Its key metrics are the numbers of naturalizations, green cards, and visas granted, the discovery and seizure of items, and the estimated undocumented population in the US.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Naturalizations	653	780	744	537	(16)%	(12)%	22%
Green cards granted	1,017	991	1,131	958	3%	(10)%	6%
Visas granted	9,932	9,164	5,804	5,049	8%	71%	97%
Estimated undocumented population	na	na	10,750	na	na	na	na
Border apprehensions	487	421	556	1,160	16%	(12)%	(58)%
Intellectual property seizures	29	32	15	7	(9)%	93%	314%
Airport firearm discoveries (actual)	2,212	1,813	976	na	22%	127%	na

* *Sources: Department of Homeland Security, Department of State, Customs and Border Protection, Transportation Security Administration, Drug Enforcement Administration, Immigration and Customs Enforcement.*

Population change from immigration: undocumented immigrants living in the US

	2000	2005	2006	2007	2008	2009	2010	2010[1]	2011[2]	2012[2]
Unauthorized Immigration *										
Estimated Population (in thousands)	8,460	10,490	11,310	11,780	11,600	10,750	10,790	11,590	11,510	11,430
Economy										
Income	na	na	na	na	na	na	na	na	na	na
Taxes	na	na	na	na	na	na	na	na	na	na
Period of Entry										
% Arriving 1980 to 1984	na	10.0%	7.9%	7.6%	9.2%	8.0%	7.9%	na	7.4%	7.8%
1985 to 1989	na	11.1%	11.0%	27.8%	28.0%	11.1%	10.8%	na	9.3%	9.7%
1990 to 1994	na	19.9%	17.1%	29.5%	28.1%	15.5%	15.5%	na	14.3%	15.0%
1995 to 1999	na	29.8%	28.0%	16.0%	15.5%	28.7%	27.1%	na	26.3%	25.5%
2000 to 2004	na	29.2%	30.2%	11.0%	11.3%	28.3%	29.6%	na	28.9%	28.4%
2005 to 2011	na	—%	5.8%	8.2%	7.8%	8.5%	9.2%	na	13.7%	13.5%
Age and Sex										
Male	na	na	na	56.7%	57.2%	57.5%	57.0%	na	53.3%	53.4%
Female	na	na	na	43.3%	42.8%	42.5%	43.0%	na	46.7%	46.6%
Under 18 years	na	na	na	14.2%	13.3%	12.3%	11.4%	na	11.7%	9.8%
18 to 24 years	na	na	na	15.9%	14.0%	13.1%	12.0%	na	14.0%	12.3%
25 to 34 years	na	na	na	35.7%	34.9%	34.0%	35.1%	na	32.4%	32.0%
35 to 44 years	na	na	na	23.8%	26.3%	27.3%	27.7%	na	26.6%	29.0%
45 to 54 years	na	na	na	7.5%	8.5%	9.7%	10.2%	na	11.2%	12.2%
55+years	na	na	na	3.0%	3.0%	3.6%	3.6%	na	4.1%	4.5%
Memo: Total Persons under 18 years (in thousands)	na	na	na	1,670	1,540	1,320	1,230	na	1,350	1,120
Country of Birth										
% from Mexico	55.3%	56.9%	58.0%	59.3%	60.6%	61.9%	61.5%	58.3%	59.5%	58.8%
El Salvador	5.1%	4.5%	4.5%	4.6%	4.9%	4.9%	5.7%	5.7%	5.8%	6.0%
Guatemala	3.4%	3.5%	3.8%	4.2%	3.7%	4.5%	4.8%	4.4%	4.5%	4.9%
Honduras	1.9%	1.7%	2.5%	2.4%	2.6%	3.0%	3.1%	3.2%	3.3%	3.1%
Philippines	2.4%	2.0%	2.5%	2.5%	2.6%	2.5%	2.6%	2.5%	2.4%	2.7%
India	1.4%	2.7%	1.9%	1.9%	1.4%	1.9%	1.9%	2.3%	2.1%	2.3%
Korea	2.1%	2.0%	2.0%	2.0%	2.1%	1.9%	1.6%	1.9%	2.0%	2.0%
China	2.2%	2.2%	1.5%	2.5%	1.9%	1.1%	1.2%	2.6%	2.4%	1.8%
Other countries	26.1%	24.5%	23.3%	20.8%	20.3%	18.4%	17.6%	19.0%	17.9%	18.3%
State of Residence										
% in California	29.7%	26.4%	24.7%	24.1%	24.6%	24.2%	23.8%	25.2%	24.6%	24.7%
Texas	12.9%	13.0%	14.3%	14.5%	14.5%	15.6%	16.4%	15.4%	15.5%	16.0%
Florida	9.5%	8.1%	8.5%	8.1%	7.2%	6.7%	7.1%	6.3%	6.4%	6.4%
New York	6.4%	5.3%	4.5%	5.4%	5.5%	5.1%	4.3%	6.0%	5.5%	5.1%
Illinois	5.2%	5.0%	4.7%	4.8%	4.7%	5.0%	4.5%	4.8%	4.8%	4.7%
New Jersey	4.1%	3.6%	3.7%	4.0%	3.4%	3.3%	3.4%	3.8%	3.6%	3.8%
Georgia	2.6%	4.5%	4.3%	4.2%	4.0%	4.5%	4.3%	3.7%	3.8%	3.5%
North Carolina	3.1%	3.4%	3.2%	3.2%	3.3%	3.4%	3.6%	3.4%	3.5%	3.2%
Other states	26.6%	30.8%	32.1%	31.7%	32.8%	32.1%	32.6%	31.5%	32.3%	32.7%

* *The unauthorized resident immigrant population is defined as all foreign-born non-citizens who are not legal residents. Under section 249 of the INA, the registry provision, qualified persons who have resided continuously in the US since prior to January 1, 1972 may apply for legal permanent resident (LPR) status. Additionally, persons who had resided continuously in the US since prior to January 1, 1982 as unauthorized residents were eligible to adjust for LPR status under the Immigration Reform and Control Act (IRCA) of 1986.*

** *Source: Department of Homeland Security.*

1 *Revised by DHS to be consistent with estimates derived from the 2010 Census.*

2 *2011-2012 estimates should not be compared with DHS estimates previously released for 2000-2010 due to the use of the 2010 Census population estimates versus the 2000 Census population estimates. A revision for 2010 to be consistent with the 2010 Census has been provided by DHS.*

Methodology:

Two populations are estimated in order to derive the unauthorized population estimates:

a) *The total foreign-born population living in the US on January 1 of the respective year; and*
b) *The legally resident population on the same date. The legally resident immigrant population as defined for these estimates includes all persons who were granted lawful permanent residence; granted asylum; admitted as refugees; or admitted as nonimmigrants for a temporary stay in the US and not required to leave by January of the respective year.*

The unauthorized population estimate is the residual when b) is subtracted from a).

More analysis to come.

Foreign affairs and foreign aid

(In thousands, except percentages)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Number of valid passports in circulation	121,512	117,444	97,597	60,891	3%	25%	100%

* *Source: Department of State.*

The foreign affairs and aid reporting unit aims to support American interests and values around the world through diplomacy.

More analysis to come.

General Welfare (GW)

This segment works to promote the general welfare of the US population. Its reporting units are economy and infrastructure, standard of living and aid to the poor, and health. Overall, the long-term trend for the periods presented shows we:

- made meaningful progress on an overall improved economy measured by an increase in GDP, the S&P 500 index, the median annual wage, and a decrease in bankruptcy filings and bank failures;
- saw no meaningful movement in life expectancy at birth and the average age at death; and
- regressed notably in new home sales and multiple health related factors, including diabetes, obesity, and total personal healthcare expenditures, as well as the number of children living in poverty.

Economy and infrastructure

The economy and infrastructure reporting unit seeks to encourage business growth, development, and investment and to limit economic volatility, while managing trade with foreign countries. It also works to ensure there are jobs for those who can work and to maintain minimum wages. In doing so, it monitors total employment, net change in jobs, jobs per person in the working age population, and the median annual wage. Its general economic indicators are new businesses formed, bankruptcies, bank failures, new home sales, values of the S&P 500, private investment, gross domestic product (GDP), jobs, and wages.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Economy							
Establishments less than one year old	653	629	609	654	4%	7%	—%
Net change in establishments (opening – closing)	92	95	(147)	92	3%	163%	—%
Bankruptcy filings	964	1,108	1,403	1,619	(13)%	(31)%	(40)%
Bank failures	18	24	140	4	(25)%	(87)%	350%
New home sales	437	429	375	1,203	2%	17%	(64)%
S&P 500 (end of December) (actual)	2,059	1,848	1,115	1,212	11%	85%	70%
Private fixed investment (in billions)	$ 2,821	$ 2,614	$ 2,026	$ 2,213	8%	39%	27%
GDP (in billions)	$ 17,348	$ 16,663	$ 14,417	$ 12,272	4%	20%	41%
Jobs							
Total employment (in thousands)	138,958	136,381	131,313	131,787	2%	6%	5%
Jobs per person in working age population (16-24)	0.67	0.66	0.65	0.69	2%	3%	(3)%
Median annual wage	$ 35,540	$ 35,080	$ 33,190	$ 28,770	1%	7%	24%

* *Sources: Federal Reserve, Freddie Mac, Bureau of Economic Analysis, US Census Bureau, Bureau of Labor Statistics, Department of Labor, Bankruptcy Courts, Federal Deposit Insurance Corporation.*

Employment Profile (2015)

Family and Individual Unit Sub Group / Income%	16 + Population *(in K)*	Employed *(in K)*	Unemployed *(in K)*	Employment-Population Ratio	Labor Force Participation Rate	Unemployment Rate	Avg. Number of Hours Worked per Unit		% of Units with # of Primary Earners		
							Primary Earners	All Earners	0 Earners	1 Earner	2 Earners
All Family and Individual Units	**256,989**	**150,762**	**8,390**	**58.7%**	**61.9%**	**5.3%**	**35.5**	**39.1**	**27%**	**50%**	**23%**
Bottom 5% ($0)	5,756	351	270	6.1%	10.8%	43.5%	0.0	0.0	100%	—%	—%
Bottom 5%-20% ($0-$8k)	28,818	7,338	1,571	25.5%	30.9%	17.6%	8.0	8.4	66%	33%	1%
Second 20% ($8-$31k)	42,926	21,349	1,820	49.7%	54.0%	7.9%	23.3	25.5	33%	63%	4%
Middle 20% ($31-$61k)	48,415	28,810	1,475	59.5%	62.6%	4.9%	34.7	38.0	19%	70%	11%
Fourth 20% ($61-$113k)	59,070	40,766	1,659	69.0%	71.8%	3.9%	49.1	54.3	9%	55%	36%
Top 2%-20% ($113k-$711k)	64,527	48,560	1,417	75.3%	77.5%	2.8%	63.3	70.2	5%	34%	61%
Top 1% ($711k+)	3,458	2,544	61	73.6%	75.3%	2.3%	66.4	72.2	4%	35%	61%
Married No Kids	**57,574**	**40,116**	**1,662**	**69.7%**	**72.6%**	**4.0%**	**59.4**	**65.3**	**9%**	**29%**	**62%**
Bottom 5%	340	25	5	7.4%	8.8%	16.2%	0.0	0.0	100%	—%	—%
Bottom 5%-20%	2,463	634	111	25.7%	30.3%	14.9%	14.3	15.1	56%	31%	13%
Second 20%	3,996	1,971	150	49.3%	53.1%	7.1%	35.5	37.9	18%	52%	30%
Middle 20%	7,439	4,101	257	55.1%	58.6%	5.9%	44.4	47.6	14%	46%	40%
Fourth 20%	16,607	12,133	492	73.1%	76.0%	3.9%	62.5	67.5	3%	30%	67%
Top 2%-20%	24,755	20,067	597	81.1%	83.5%	2.9%	73.3	82.1	1%	19%	80%
Top 1%	1,201	971	29	80.9%	83.2%	2.9%	76.2	83.8	1%	21%	78%
Married Parents	**63,917**	**42,764**	**1,812**	**66.9%**	**69.7%**	**4.1%**	**63.7**	**67.2**	**2%**	**32%**	**66%**
Bottom 5%	153	20	7	13.4%	18.0%	25.8%	0.0	0.0	100%	—%	—%
Bottom 5%-20%	1,925	659	118	34.2%	40.4%	15.2%	22.8	23.9	36%	48%	16%
Second 20%	4,657	2,407	252	51.7%	57.1%	9.5%	44.5	46.4	3%	63%	34%
Middle 20%	9,674	5,596	315	57.8%	61.1%	5.3%	53.1	56.0	1%	53%	46%
Fourth 20%	19,937	13,653	548	68.5%	71.2%	3.9%	65.1	69.0	—%	30%	70%
Top 2%-20%	25,649	19,184	523	74.8%	76.8%	2.7%	73.7	77.7	—%	19%	91%
Top 1%	1,434	1,009	24	70.4%	72.1%	2.4%	74.3	77.7	—%	24%	76%
Single No Kids	**60,490**	**42,403**	**2,765**	**70.1%**	**74.7%**	**6.1%**	**29.0**	**31.9**	**22%**	**78%**	**—%**
Bottom 5%	2,702	231	173	8.6%	14.9%	42.8%	0.0	0.0	100%	—%	—%
Bottom 5%-20%	11,198	4,413	774	39.4%	46.3%	14.9%	11.0	11.3	53%	47%	—%
Second 20%	15,022	10,847	761	72.2%	77.3%	6.6%	28.6	30.5	16%	84%	—%
Middle 20%	14,809	12,646	475	85.4%	88.6%	3.6%	38.7	41.8	4%	96%	—%
Fourth 20%	10,800	9,540	387	88.3%	91.9%	3.9%	41.4	47.4	2%	98%	—%
Top 2%-20%	4,916	4,274	148	86.9%	89.9%	3.3%	43.0	52.3	2%	98%	—%
Top 1%	162	147	3	90.3%	92.0%	1.9%	43.3	48.0	1%	99%	—%
Single Parents	**22,235**	**12,286**	**1,390**	**55.3%**	**61.5%**	**10.2%**	**25.9**	**29.3**	**25%**	**75%**	**—%**
Bottom 5%	1,066	55	83	5.2%	13.0%	60.1%	0.0	0.0	100%	—%	—%
Bottom 5%-20%	4,269	1,149	433	26.9%	37.1%	27.4%	6.6	7.2	62%	38%	—%
Second 20%	6,432	4,001	455	62.2%	69.3%	10.2%	29.9	32.1	7%	93%	—%
Middle 20%	5,771	3,917	256	67.9%	72.3%	6.1%	37.9	42.2	3%	97%	—%
Fourth 20%	3,145	2,216	113	67.9%	74.1%	4.9%	40.4	49.0	3%	97%	—%
Top 2%-20%	1,144	839	29	73.3%	75.9%	3.4%	41.8	54.0	3%	97%	—%
Top 1%	41	34	—	83.6%	84.4%	1.0%	40.7	58.4	1%	99%	—%
Elderly	**52,773**	**13,193**	**762**	**25.0%**	**26.4%**	**5.5%**	**10.8**	**13.8**	**71%**	**23%**	**6%**
Bottom 5%	1,495	19	3	1.3%	1.4%	11.7%	0.0	0.0	100%	—%	—%
Bottom 5%-20%	8,963	484	135	5.4%	6.9%	21.8%	1.1	1.5	94%	6%	—%
Second 20%	12,818	2,123	202	16.6%	18.1%	8.7%	4.3	6.9	82%	16%	2%
Middle 20%	10,721	2,551	172	23.8%	25.4%	6.3%	9.1	12.6	69%	27%	4%
Fourth 20%	8,581	3,223	118	37.6%	38.9%	3.5%	19.7	24.7	49%	41%	10%
Top 2%-20%	8,063	4,196	121	52.0%	53.5%	2.8%	34.4	40.5	29%	45%	26%
Top 1%	620	384	5	61.9%	62.6%	1.2%	47.4	54.5	16%	43%	41%

More analysis to come.

Standard of living and aid to the disadvantaged

The standard of living and aid to the disadvantaged reporting unit seeks to maintain a standard of living for all Americans and reduce levels of poverty among the US population, including children by providing for their basic needs through programs such as welfare, free and subsidized school lunches, and child healthcare.

(In thousands, except percentages)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Rate of poverty of all persons	15%	15%	14%	13%	— ppt	1 ppt	2 ppt
Children (under age 18) in poverty	15,540	14,659	15,451	13,041	6%	1%	19%
Total household cash expenditures (consumption)	$10,953	$10,501	$ 9,295	$ 7,724	4%	18%	42%

* *Sources: US Census Bureau, Bureau of Economic Analysis.*

Poverty profile using Official Poverty Measure (2015)*

		Average Per Unit			Top Earner by Sex		Race, Ethnicity of Unit Head											
Family and Individual Unit Sub Group / % of Poverty Threshold % ¹	# of Units	Persons	Children (Under 18)	Age of Unit Head	% Male	% Female	% White	% Black	% Asian	% Other Race	% Hispanic	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All Families and Individual Units	***146,713,385***	***2.2***	***0.5***	***49.6***	***56%***	***44%***	***79%***	***13%***	***5%***	***2%***	***15%***	***84%***	***82%***	***18%***	***18%***	***21%***	***38%***	***23%***
<100% of poverty threshold	23,698,970	2.0	0.7	43.6	40%	60%	69%	22%	6%	3%	22%	80%	79%	21%	17%	19%	41%	23%
100%-200%	27,348,629	2.1	0.6	50.6	49%	51%	77%	17%	4%	2%	21%	81%	78%	22%	16%	20%	41%	23%
200%-300%	23,426,057	2.1	0.5	49.8	56%	44%	79%	13%	5%	2%	16%	84%	80%	20%	16%	22%	38%	23%
300%-400%	18,199,137	2.3	0.5	49.7	58%	42%	81%	12%	5%	2%	13%	86%	82%	18%	17%	23%	38%	22%
400%+	54,040,592	2.3	0.4	51.0	66%	34%	84%	8%	6%	1%	8%	88%	86%	14%	20%	22%	34%	24%
Single No Kids	***50,956,891***	***1.2***	***—***	***40.7***	***52%***	***48%***	***75%***	***17%***	***5%***	***2%***	***15%***	***86%***	***84%***	***16%***	***18%***	***21%***	***37%***	***24%***
<100% of poverty threshold	11,001,720	1.1	—	39.4	45%	55%	68%	23%	7%	3%	16%	85%	81%	19%	17%	21%	40%	22%
100%-200%	9,109,547	1.2	—	40.9	50%	50%	75%	19%	4%	3%	19%	84%	81%	19%	16%	22%	38%	24%
200%-300%	9,257,422	1.2	—	39.4	52%	48%	76%	16%	4%	3%	17%	86%	84%	16%	16%	23%	37%	24%
300%-400%	6,575,410	1.3	—	40.3	50%	50%	76%	17%	5%	2%	14%	87%	85%	15%	17%	22%	38%	23%
400%+	15,012,792	1.2	—	42.5	59%	41%	80%	12%	6%	1%	10%	88%	90%	10%	21%	20%	34%	26%
Single Parents	***14,902,194***	***2.8***	***1.7***	***35.2***	***23%***	***77%***	***67%***	***27%***	***3%***	***4%***	***25%***	***84%***	***81%***	***19%***	***16%***	***21%***	***42%***	***21%***
<100% of poverty threshold	6,164,637	2.9	1.8	31.4	18%	82%	63%	29%	2%	5%	27%	83%	78%	22%	16%	20%	43%	21%
100%-200%	4,115,022	2.9	1.6	35.9	21%	79%	66%	29%	2%	3%	28%	83%	81%	19%	16%	20%	43%	21%
200%-300%	1,994,696	2.8	1.5	38.0	28%	72%	68%	25%	3%	3%	20%	86%	81%	19%	14%	23%	41%	22%
300%-400%	1,153,457	2.8	1.4	39.4	26%	74%	73%	21%	3%	2%	17%	89%	85%	15%	18%	21%	41%	19%
400%+	1,474,382	2.7	1.4	41.8	40%	60%	76%	18%	4%	2%	16%	88%	89%	11%	20%	20%	36%	24%
Married No Kids	***23,909,522***	***2.4***	***—***	***51.0***	***71%***	***29%***	***84%***	***8%***	***6%***	***2%***	***11%***	***84%***	***81%***	***19%***	***17%***	***22%***	***38%***	***23%***
<100% of poverty threshold	1,117,791	2.2	—	52.2	57%	43%	76%	11%	9%	4%	23%	70%	78%	22%	13%	14%	43%	30%
100%-200%	2,038,582	2.4	—	51.9	75%	25%	78%	11%	8%	3%	23%	74%	74%	26%	13%	17%	46%	25%
200%-300%	2,432,192	2.4	—	50.7	70%	30%	82%	10%	6%	3%	20%	77%	75%	25%	13%	21%	40%	25%
300%-400%	2,934,805	2.5	—	51.1	70%	30%	84%	10%	5%	1%	15%	82%	79%	21%	15%	23%	41%	21%
400%+	15,386,152	2.4	—	50.9	72%	28%	86%	7%	6%	1%	7%	88%	83%	17%	19%	23%	36%	22%
Married Parents	***24,777,229***	***4.2***	***1.9***	***40.3***	***77%***	***23%***	***81%***	***8%***	***9%***	***2%***	***20%***	***76%***	***83%***	***17%***	***17%***	***21%***	***37%***	***25%***
<100% of poverty threshold	1,942,623	4.7	2.5	38.1	78%	22%	80%	9%	9%	2%	45%	51%	80%	20%	14%	13%	42%	30%
100%-200%	4,013,972	4.6	2.2	38.1	81%	19%	82%	9%	6%	3%	38%	61%	80%	20%	12%	19%	39%	30%
200%-300%	3,898,433	4.3	2.0	39.1	78%	22%	79%	10%	8%	2%	25%	74%	79%	21%	14%	20%	40%	26%
300%-400%	3,631,878	4.2	1.9	39.9	76%	24%	81%	9%	7%	2%	16%	82%	82%	18%	16%	24%	36%	24%
400%+	11,290,323	4.0	1.7	42.1	74%	26%	82%	6%	10%	1%	9%	83%	87%	13%	20%	22%	35%	23%
Elderly (65+)	***32,167,549***	***1.7***	***—***	***72.7***	***50%***	***50%***	***85%***	***10%***	***4%***	***1%***	***7%***	***89%***	***78%***	***22%***	***19%***	***22%***	***37%***	***22%***
<100% of poverty threshold	3,472,200	1.4	0.1	74.0	32%	68%	72%	20%	6%	2%	15%	79%	77%	23%	18%	18%	43%	21%
100%-200%	8,071,506	1.5	—	74.5	41%	59%	82%	13%	3%	2%	9%	88%	74%	26%	18%	20%	43%	19%
200%-300%	5,843,314	1.7	—	73.8	50%	50%	87%	9%	3%	1%	7%	91%	78%	22%	19%	23%	37%	20%
300%-400%	3,903,587	1.8	—	72.7	56%	44%	89%	7%	3%	1%	6%	91%	76%	24%	19%	23%	36%	22%
400%+	10,876,943	1.9	—	70.7	61%	39%	89%	7%	4%	1%	4%	91%	83%	17%	20%	24%	32%	24%

* *Poverty as defined by the Official Poverty Measure (OPM), officially used by the Census Bureau since 1963. Varies by family size, composition, and age of householder. Poverty line set as equal to three times the cost of a minimum diet in 1963 (adjusted for inflation). Uses gross income before tax as resource measure.*

Poverty profile using Supplemental Poverty Measure (2015)*

Family and Individual Unit Sub Group / % of Poverty Threshold [1]	# of Units	Average Per Unit: Persons	Average Per Unit: Children *(Under 18)*	Average Per Unit: Age of Unit Head	Top Earner by Sex: % Male	Top Earner by Sex: % Female	Race, Ethnicity of Unit Head: % White	Race, Ethnicity of Unit Head: % Black	Race, Ethnicity of Unit Head: % Asian	Race, Ethnicity of Unit Head: % Other Race	Race, Ethnicity of Unit Head: % Hispanic	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All Families and Individual Units	***146,713,385***	***2.2***	***0.5***	***49.6***	***56%***	***44%***	***79%***	***13%***	***5%***	***2%***	***15%***	***84%***	***82%***	***18%***	***18%***	***21%***	***38%***	***23%***
<100% of poverty threshold	23,271,123	2.0	0.5	47.8	46%	54%	70%	21%	7%	3%	22%	77%	83%	17%	17%	17%	40%	25%
100%-200%	43,105,875	2.3	0.7	48.3	51%	49%	76%	17%	5%	3%	21%	80%	81%	19%	18%	20%	38%	24%
200%-300%	30,360,698	2.3	0.5	48.5	57%	43%	81%	12%	5%	2%	12%	87%	81%	19%	17%	23%	37%	23%
300%-400%	19,175,892	2.1	0.4	50.4	61%	39%	84%	10%	5%	1%	8%	90%	81%	19%	18%	23%	36%	23%
400%+	30,799,797	2.0	0.3	52.8	65%	35%	87%	7%	6%	1%	6%	90%	83%	17%	18%	24%	37%	21%
Single No Kids	***50,956,891***	***1.2***	***—***	***40.7***	***52%***	***48%***	***75%***	***17%***	***5%***	***2%***	***15%***	***86%***	***84%***	***16%***	***18%***	***21%***	***37%***	***24%***
<100% of poverty threshold	10,507,305	1.2	—	39.5	51%	49%	67%	23%	7%	3%	18%	81%	85%	15%	18%	18%	39%	25%
100%-200%	14,238,438	1.2	—	40.8	49%	51%	73%	20%	4%	3%	20%	83%	83%	17%	17%	21%	37%	24%
200%-300%	10,294,793	1.2	—	40.0	51%	49%	77%	16%	5%	2%	14%	89%	83%	17%	18%	23%	35%	24%
300%-400%	6,763,480	1.2	—	40.6	55%	45%	79%	14%	5%	2%	10%	91%	86%	14%	18%	21%	37%	24%
400%+	9,152,875	1.1	—	42.8	57%	43%	84%	10%	5%	1%	8%	90%	86%	14%	18%	23%	37%	23%
Single Parents	***14,902,194***	***2.8***	***1.7***	***35.2***	***23%***	***77%***	***67%***	***27%***	***3%***	***4%***	***25%***	***84%***	***81%***	***19%***	***16%***	***21%***	***42%***	***21%***
<100% of poverty threshold	3,886,133	3.0	1.8	34.0	18%	82%	63%	30%	3%	4%	30%	78%	82%	18%	17%	18%	44%	22%
100%-200%	6,723,947	2.9	1.7	34.7	21%	79%	63%	30%	3%	4%	27%	83%	81%	19%	17%	21%	41%	21%
200%-300%	2,646,910	2.7	1.5	36.4	28%	72%	73%	21%	2%	3%	18%	91%	79%	21%	15%	24%	40%	21%
300%-400%	953,256	2.5	1.4	37.3	32%	68%	80%	15%	2%	2%	14%	92%	77%	23%	14%	23%	43%	20%
400%+	691,949	2.5	1.4	38.4	35%	65%	78%	16%	2%	3%	13%	92%	84%	16%	16%	22%	41%	21%
Married No Kids	***23,909,522***	***2.4***	***—***	***51.0***	***71%***	***29%***	***84%***	***8%***	***6%***	***2%***	***11%***	***84%***	***81%***	***19%***	***17%***	***22%***	***38%***	***23%***
<100% of poverty threshold	1,834,212	2.4	—	52.3	64%	36%	76%	10%	11%	3%	22%	70%	80%	20%	14%	15%	42%	28%
100%-200%	3,938,598	2.6	—	51.1	72%	28%	79%	11%	7%	3%	23%	71%	81%	19%	16%	19%	38%	27%
200%-300%	4,743,977	2.5	—	50.6	70%	30%	82%	10%	6%	2%	12%	84%	81%	19%	18%	22%	37%	22%
300%-400%	4,137,558	2.5	—	50.2	71%	29%	85%	8%	6%	1%	8%	88%	81%	19%	18%	22%	36%	24%
400%+	9,255,178	2.3	—	51.3	72%	28%	88%	5%	6%	1%	5%	90%	81%	19%	18%	24%	38%	20%
Married Parents	***24,777,229***	***4.2***	***1.9***	***40.3***	***77%***	***23%***	***81%***	***8%***	***9%***	***2%***	***20%***	***76%***	***83%***	***17%***	***17%***	***21%***	***37%***	***25%***
<100% of poverty threshold	2,209,851	4.5	2.1	39.4	78%	22%	78%	10%	10%	2%	41%	51%	87%	13%	18%	12%	37%	33%
100%-200%	8,381,593	4.4	2.1	38.8	78%	22%	80%	10%	8%	3%	30%	67%	83%	17%	16%	19%	36%	29%
200%-300%	6,694,097	4.1	1.9	40.3	76%	24%	82%	9%	8%	2%	14%	84%	81%	19%	16%	24%	37%	22%
300%-400%	3,203,243	4.0	1.8	41.5	75%	25%	85%	6%	8%	1%	9%	87%	81%	19%	15%	25%	37%	23%
400%+	4,288,446	4.0	1.8	43.1	74%	26%	83%	5%	11%	1%	8%	82%	88%	12%	19%	21%	38%	21%
Elderly (65+)	***32,167,549***	***1.7***	***—***	***72.7***	***50%***	***50%***	***85%***	***10%***	***4%***	***1%***	***7%***	***89%***	***78%***	***22%***	***19%***	***22%***	***37%***	***22%***
<100% of poverty threshold	4,833,621	1.6	0.1	73.9	37%	63%	75%	17%	6%	2%	13%	81%	81%	19%	17%	18%	41%	23%
100%-200%	9,823,300	1.6	—	74.0	44%	56%	82%	13%	4%	1%	10%	88%	77%	23%	20%	20%	39%	21%
200%-300%	5,980,922	1.7	—	72.9	50%	50%	88%	7%	3%	1%	6%	91%	77%	23%	19%	23%	36%	22%
300%-400%	4,118,356	1.8	—	72.1	57%	43%	89%	8%	3%	1%	4%	92%	76%	24%	20%	25%	33%	23%
400%+	7,411,350	1.8	—	70.8	63%	37%	91%	5%	3%	1%	3%	93%	80%	20%	19%	26%	34%	21%

* *Poverty threshold as defined by the Supplemental Poverty Measure (SPM) for 2013 from the Census Bureau. The SPM extends the official poverty measure by taking account of many of the government programs designed to assist low-income families and individuals that are not included in the current official poverty measure. It uses different methodologies for household size and adjusts for cost of living differences across geographies.*

More analysis to come.

Health

The health reporting unit seeks to maintain good public health in America, to incentivize healthy behavior, and to manage the healthcare delivery system. To gauge its success, it monitors the percentage of families with certain health conditions, rates of illicit drug use, life expectancy at birth and age at death, and total and out-of-pocket healthcare expenditures.

	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Percent of adults with:							
depression	19%	19%	na	na	— ppt	na	na
diabetes	10%	10%	8%	7%	— ppt	2 ppt	3 ppt
binge drinkers	16%	17%	16%	15%	(1) ppt	— ppt	1 ppt
smokers	18%	19%	18%	21%	(1) ppt	— ppt	(3) ppt
obese	30%	29%	27%	23%	1 ppt	3 ppt	7 ppt
overweight	35%	35%	36%	37%	— ppt	(1) ppt	(2) ppt
Rate of illicit drug use among 12 years and older	10%	9%	9%	8%	1 ppt	1 ppt	2 ppt
Life expectancy at birth (years)	78.8	78.8	78.5	77.6	—%	—%	2%
Average age at death (years)	73.1	73.2	72.5	72.2	—%	1%	1%
Total personal healthcare expenditures (in millions)	$2,562,824	$2,435,624	$2,114,221	$1,587,994	5%	21%	61%
Out-of-pocket healthcare expenditures (in millions)	$ 329,652	$ 325,130	$ 293,130	$ 248,479	1%	12%	33%
Percentage of disposable income spent on healthcare	22%	22%	22%	20%	— ppt	— ppt	2 ppt

* *Sources: US Census Bureau, Centers for Medicare and Medicaid Services, Bureau of Economic Analysis, Internal Revenue Service matched database, Centers for Disease Control and Prevention.*

Health profile (2014)

Family and Individual Unit Sub Group / Income %	Percent of adults who have health condition: % Depression [1]	% Diabetes [2]	% Limited Activity [3]	% Binge Drinker [4]	% Smoker [5]	% Exercise Regularly [6]	% Obese [7]	% Overweight [8]
All Families	17.8%	11.5%	20.9%	16.0%	16.5%	76.3%	29.0%	35.1%
Bottom 20% ($0-$12k)	28.2%	17.4%	34.5%	13.5%	25.8%	63.2%	34.1%	31.7%
Second 20% ($12-$33k)	19.5%	13.8%	24.2%	14.2%	19.7%	69.7%	31.3%	34.6%
Middle 20% ($33-$62k)	16.4%	11.2%	20.2%	15.5%	16.3%	76.4%	29.5%	35.3%
Fourth 20% ($62-$115k)	13.6%	8.7%	14.5%	18.8%	13.6%	82.4%	27.7%	36.3%
Top 20% ($115k+)	11.1%	6.5%	11.0%	18.1%	7.1%	89.6%	22.3%	37.9%
Married No Kids	17.2%	12.2%	21.8%	14.5%	14.9%	77.7%	32.0%	37.6%
Bottom 20% ($0-$12k)	31.9%	22.4%	42.2%	11.3%	28.8%	58.1%	39.6%	34.1%
Second 20% ($12-$33k)	23.1%	16.8%	30.0%	12.5%	21.6%	66.3%	36.3%	36.4%
Middle 20% ($33-$62k)	20.0%	13.6%	28.4%	12.0%	16.7%	73.3%	35.8%	36.6%
Fourth 20% ($62-$115k)	13.1%	10.1%	15.9%	16.9%	14.5%	80.4%	32.7%	38.3%
Top 20% ($115k+)	11.7%	7.8%	12.5%	16.0%	6.3%	89.6%	24.5%	39.2%
Married Parents	14.8%	7.7%	13.1%	16.2%	13.7%	80.2%	30.0%	37.0%
Bottom 20% ($0-$12k)	25.2%	13.2%	24.1%	11.1%	22.1%	63.7%	38.5%	34.4%
Second 20% ($12-$33k)	18.9%	10.6%	17.8%	13.4%	20.5%	70.2%	35.2%	36.2%
Middle 20% ($33-$62k)	17.4%	9.0%	16.3%	13.8%	17.7%	75.6%	34.7%	35.3%
Fourth 20% ($62-115k)	13.4%	6.5%	11.3%	18.9%	14.7%	81.7%	31.1%	37.8%
Top 20% ($115k+)	10.0%	5.2%	8.0%	18.0%	6.7%	89.7%	23.1%	38.3%
Single No Kids	21.7%	8.1%	21.7%	24.3%	22.7%	77.9%	26.4%	31.2%
Bottom 20% ($0-$12k)	33.2%	13.7%	38.9%	19.6%	31.4%	67.0%	31.2%	29.4%
Second 20% ($12-$33k)	20.9%	7.6%	20.8%	23.7%	25.0%	75.0%	28.8%	31.3%
Middle 20% ($33-$62k)	16.3%	5.4%	14.1%	25.3%	20.1%	81.7%	24.6%	32.0%
Fourth 20% ($62-$115k)	15.5%	5.6%	11.5%	27.4%	15.2%	86.8%	22.5%	32.3%
Top 20% ($115k+)	13.4%	3.6%	9.0%	31.6%	10.9%	91.9%	17.9%	33.0%
Single Parents	20.2%	6.7%	16.6%	19.4%	23.9%	75.1%	29.4%	29.9%
Bottom 20% ($0-$12k)	27.4%	10.0%	25.1%	15.9%	30.7%	65.3%	36.1%	28.8%
Second 20% ($12-$33k)	20.5%	8.1%	16.1%	18.7%	25.9%	73.5%	32.8%	30.9%
Middle 20% ($33-$62k)	15.6%	4.1%	11.9%	20.8%	21.6%	79.6%	26.5%	30.9%
Fourth 20% ($62-$115k)	14.4%	3.5%	10.0%	23.6%	14.9%	85.2%	20.5%	29.5%
Top 20% ($115k+)	14.3%	2.2%	9.0%	23.8%	14.2%	87.2%	17.9%	29.0%
Elderly (65+)	15.1%	23.0%	31.0%	4.5%	8.4%	68.8%	27.5%	39.0%
Bottom 20% ($0-$12k)	20.8%	30.7%	38.4%	3.5%	12.6%	57.0%	31.8%	35.6%
Second 20% ($12-$33k)	15.9%	23.7%	33.4%	3.6%	9.3%	63.8%	27.8%	38.2%
Middle 20% ($33-$62k)	13.5%	21.9%	28.6%	4.7%	6.9%	71.5%	28.1%	40.6%
Fourth 20% ($62-$115k)	11.3%	18.0%	25.2%	6.1%	6.5%	78.7%	25.0%	40.6%
Top 20% ($115k+)	9.9%	14.3%	22.2%	5.8%	2.9%	87.4%	19.8%	42.6%

1 *Individuals who have ever been told by a medical professional that they have a depressive disorder, including depression, major depression, dysthymia, or minor depression.*
2 *Individuals who have ever been told by a medical professional that they have diabetes.*
3 *Adults who are limited in any activities because of physical, mental or emotional problems.*
4 *Males having 5+ drinks on one occasion, females having 4+ drinks on one occasion.*
5 *Individuals who smoke cigarettes every day or some days.*
6 *Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.*
7 *Individuals with a body mass index (BMI) greater than 29.9.*
8 *Individuals with a body mass index (BMI) between 25.0 and 29.9.*

Health profile by race/ethnicity: black (2014)

Family and Individual Unit Sub Group / Income %	Percent of black adults who have health condition							
	% Depression [1]	% Diabetes [2]	% Limited Activity [3]	% Binge Drinker [4]	% Smoker [5]	% Exercise Regularly [6]	% Obese [7]	% Overweight [8]
All Families	15.1%	15.6%	21.0%	12.5%	18.4%	71.3%	38.8%	33.8%
Bottom 20% ($0-$12k)	24.7%	20.2%	34.3%	12.8%	27.8%	61.5%	41.4%	30.8%
Second 20% ($12-$33k)	12.9%	15.0%	18.2%	13.5%	17.7%	68.5%	38.6%	32.7%
Middle 20% ($33-$62k)	9.9%	12.5%	13.4%	11.3%	14.1%	77.6%	37.6%	35.1%
Fourth 20% ($62-$115k)	7.9%	13.1%	11.6%	12.9%	10.0%	82.5%	36.9%	37.2%
Top 20% ($115k+)	4.9%	8.8%	7.2%	9.8%	5.4%	86.5%	34.3%	41.5%
Married No Kids	15.3%	20.8%	23.7%	11.1%	17.6%	71.6%	42.3%	37.2%
Bottom 20% ($0-$12k)	35.9%	29.2%	43.8%	15.5%	33.6%	55.6%	43.8%	33.8%
Second 20% ($12-$33k)	17.5%	22.5%	27.9%	9.8%	19.0%	64.2%	43.4%	32.5%
Middle 20% ($33-$62k)	8.1%	17.5%	17.7%	9.3%	15.9%	77.0%	43.1%	39.6%
Fourth 20% ($62-$115k)	8.0%	20.6%	15.8%	11.2%	11.5%	81.0%	43.1%	40.5%
Top 20% ($115k+)	3.4%	9.5%	8.3%	9.3%	4.1%	84.4%	34.3%	41.5%
Married Parents	11.2%	10.9%	14.2%	10.7%	13.7%	75.7%	40.3%	37.2%
Bottom 20% ($0-$12k)	25.1%	13.7%	31.8%	9.8%	24.3%	61.0%	45.9%	31.3%
Second 20% ($12-$33k)	13.6%	12.0%	16.0%	11.8%	15.0%	69.5%	36.3%	36.9%
Middle 20% ($33-$62k)	10.6%	12.1%	15.3%	8.9%	17.0%	73.7%	46.2%	32.4%
Fourth 20% ($62-$115k)	7.1%	9.7%	7.9%	13.8%	11.0%	81.4%	40.5%	40.3%
Top 20% ($115k+)	3.7%	8.2%	5.3%	8.7%	4.9%	87.5%	34.4%	42.5%
Single No Kids	17.0%	11.8%	22.7%	15.4%	21.4%	73.0%	36.2%	32.0%
Bottom 20% ($0-$12k)	27.0%	16.7%	37.2%	14.4%	31.4%	64.7%	38.0%	29.3%
Second 20% ($12-$33k)	10.6%	9.0%	15.1%	18.5%	18.0%	72.0%	36.8%	32.1%
Middle 20% ($33-$62k)	9.8%	8.0%	10.8%	13.3%	14.4%	80.7%	34.1%	34.7%
Fourth 20% ($62-$115k)	8.7%	7.1%	9.8%	16.4%	8.0%	86.5%	31.1%	35.7%
Top 20% ($115k+)	8.4%	9.3%	9.2%	14.3%	8.4%	90.3%	41.5%	35.9%
Single Parents	17.4%	8.3%	17.0%	16.3%	22.3%	70.3%	40.3%	29.0%
Bottom 20% ($0-$12k)	25.5%	10.3%	27.5%	17.8%	31.9%	62.8%	46.3%	28.0%
Second 20% ($12-$33k)	14.0%	8.7%	13.4%	15.9%	20.7%	69.4%	41.8%	27.0%
Middle 20% ($33-$62k)	10.7%	5.6%	7.0%	15.7%	13.8%	79.5%	32.9%	31.8%
Fourth 20% ($62-$115k)	9.1%	5.7%	7.4%	13.3%	8.8%	81.3%	29.6%	30.3%
Top 20% ($115k+)	12.6%	5.0%	8.2%	14.6%	8.9%	82.5%	28.8%	38.6%
Elderly (65+)	11.6%	34.6%	28.9%	3.6%	12.6%	63.5%	37.0%	37.5%
Bottom 20% ($0-$12k)	14.5%	38.0%	34.5%	3.2%	14.8%	56.7%	38.7%	35.6%
Second 20% ($12-$33k)	10.4%	32.4%	24.6%	4.6%	13.1%	63.2%	33.8%	39.9%
Middle 20% ($33-$62k)	9.8%	32.3%	24.2%	2.8%	7.7%	72.0%	37.2%	40.2%
Fourth 20% ($62-$115k)	5.7%	29.2%	21.7%	4.5%	10.3%	79.8%	38.2%	34.4%
Top 20% ($115k+)	1.7%	23.4%	20.0%	1.0%	0.5%	86.0%	25.7%	53.3%

* *See initial health profile table above for footnotes.*

Health profile by race/ethnicity: Hispanic (2014)

Family and Individual Unit Sub Group / Income %	Percent of Hispanic adults who have health condition							
	% Depression [1]	% Diabetes [2]	% Limited Activity [3]	% Binge Drinker [4]	% Smoker [5]	% Exercise Regularly [6]	% Obese [7]	% Overweight [8]
All Families	14.6%	12.7%	14.7%	17.4%	12.8%	70.4%	32.3%	37.9%
Bottom 20% ($0-$12k)	19.1%	17.5%	20.9%	14.2%	14.0%	63.8%	34.5%	35.3%
Second 20% ($12-$33k)	13.4%	11.7%	13.1%	17.4%	14.4%	67.7%	31.6%	40.2%
Middle 20% ($33-$62k)	11.0%	9.3%	10.2%	19.3%	11.1%	74.6%	30.4%	39.0%
Fourth 20% ($62-$115k)	10.9%	8.2%	9.2%	24.4%	10.7%	82.1%	31.8%	37.9%
Top 20% ($115k+)	9.2%	7.3%	7.3%	15.3%	6.2%	88.1%	26.9%	40.5%
Married No Kids	15.9%	16.1%	18.0%	14.9%	13.1%	68.3%	36.3%	41.0%
Bottom 20% ($0-$12k)	20.4%	23.1%	28.1%	11.8%	15.1%	61.8%	38.1%	39.5%
Second 20% ($12-$33k)	17.6%	16.1%	16.5%	16.8%	14.0%	62.0%	34.0%	42.8%
Middle 20% ($33-$62k)	14.4%	11.3%	14.8%	15.3%	12.9%	67.6%	36.5%	44.4%
Fourth 20% ($62-$115k)	9.5%	11.1%	12.0%	17.0%	11.0%	80.8%	39.4%	38.1%
Top 20% ($115k+)	10.6%	11.5%	5.6%	14.7%	6.5%	88.8%	29.5%	39.8%
Married Parents	12.1%	11.1%	10.2%	15.0%	10.2%	69.7%	35.9%	40.6%
Bottom 20% ($0-$12k)	17.2%	13.2%	13.4%	11.6%	9.3%	63.1%	38.0%	39.4%
Second 20% ($12-$33k)	12.5%	11.6%	10.6%	14.1%	13.2%	65.9%	36.5%	40.1%
Middle 20% ($33-$62k)	8.4%	12.4%	9.2%	16.0%	10.9%	70.3%	33.1%	43.9%
Fourth 20% ($62-$115k)	9.8%	7.9%	6.5%	22.8%	8.8%	77.9%	39.5%	39.1%
Top 20% ($115k+)	7.4%	6.1%	7.5%	12.7%	4.7%	87.2%	26.7%	41.7%
Single No Kids	16.5%	9.0%	16.2%	25.4%	17.2%	75.2%	26.5%	35.5%
Bottom 20% ($0-$12k)	22.6%	14.1%	24.9%	22.1%	20.4%	66.9%	29.0%	34.0%
Second 20% ($12-$33k)	12.9%	5.0%	12.7%	25.8%	18.8%	74.2%	23.8%	39.6%
Middle 20% ($33-$62k)	10.5%	5.7%	7.8%	27.1%	10.2%	82.5%	26.3%	32.1%
Fourth 20% ($62-$115k)	12.6%	6.3%	8.2%	34.0%	14.4%	90.6%	25.3%	35.4%
Top 20% ($115k+)	14.9%	5.3%	11.6%	20.1%	11.0%	92.6%	21.2%	42.9%
Single Parents	13.1%	7.8%	11.2%	19.2%	14.0%	70.4%	29.6%	34.3%
Bottom 20% ($0-$12k)	15.0%	10.6%	14.2%	15.0%	15.1%	62.7%	32.9%	31.5%
Second 20% ($12-$33k)	12.5%	7.9%	11.4%	19.4%	14.9%	71.8%	30.2%	38.2%
Middle 20% ($33-$62k)	11.2%	4.7%	7.2%	21.6%	12.1%	77.6%	27.6%	34.2%
Fourth 20% ($62-$115k)	10.4%	2.1%	7.1%	29.4%	10.9%	83.4%	17.9%	36.3%
Top 20% ($115k+)	10.5%	3.2%	1.5%	32.2%	9.6%	86.2%	29.1%	30.7%
Elderly (65+)	19.6%	35.1%	29.3%	4.8%	6.5%	64.1%	34.5%	38.6%
Bottom 20% ($0-$12k)	23.1%	39.8%	33.2%	4.5%	6.8%	63.4%	38.5%	34.6%
Second 20% ($12-$33k)	13.3%	32.0%	22.6%	3.8%	6.2%	57.0%	31.7%	42.5%
Middle 20% ($33-$62k)	17.5%	22.4%	26.1%	5.1%	6.7%	72.2%	27.2%	46.6%
Fourth 20% ($62-$115k)	19.3%	30.3%	28.4%	9.0%	5.7%	77.7%	25.3%	45.1%
Top 20% ($115k+)	9.9%	18.5%	19.9%	7.9%	6.6%	89.0%	27.0%	41.4%

* *See initial health profile table above for footnotes.*

Health profile by race/ethnicity: white (2014)

Family and Individual Unit Sub Group / Income %	% Depression [1]	% Diabetes [2]	% Limited Activity [3]	% Binge Drinker [4]	% Smoker [5]	% Exercise Regularly [6]	% Obese [7]	% Overweight [8]
	Percent of white adults who have health condition							
All Families	19.6%	10.7%	22.8%	16.7%	17.3%	78.4%	27.8%	35.5%
Bottom 20% ($0-$12k)	35.9%	16.5%	43.5%	13.4%	32.3%	63.0%	32.1%	30.4%
Second 20% ($12-$33k)	23.7%	14.4%	30.2%	13.5%	22.3%	70.6%	30.6%	33.8%
Middle 20% ($33-$62k)	18.9%	11.5%	23.3%	15.6%	18.0%	76.5%	29.1%	35.5%
Fourth 20% ($62-$115k)	14.9%	8.3%	15.9%	19.2%	14.7%	82.6%	27.1%	36.7%
Top 20% ($115k+)	12.3%	6.1%	11.9%	19.7%	7.2%	90.2%	23.0%	38.4%
Married No Kids	18.2%	10.5%	22.5%	15.6%	15.3%	79.9%	31.3%	37.7%
Bottom 20% ($0-$12k)	41.3%	19.1%	54.8%	10.4%	39.7%	56.1%	40.3%	30.9%
Second 20% ($12-$33k)	28.1%	15.1%	36.8%	12.2%	26.4%	68.4%	36.7%	36.0%
Middle 20% ($33-$62k)	22.7%	13.2%	31.4%	12.2%	17.9%	73.7%	35.5%	35.1%
Fourth 20% ($62-$115k)	14.0%	9.2%	16.5%	18.1%	15.6%	80.3%	32.0%	38.7%
Top 20% ($115k+)	12.6%	7.3%	13.4%	17.1%	6.5%	90.1%	25.4%	39.7%
Married Parents	17.1%	6.0%	14.3%	18.3%	15.4%	84.1%	28.7%	36.7%
Bottom 20% ($0-$12k)	41.1%	12.2%	39.3%	11.7%	42.4%	65.1%	40.6%	29.3%
Second 20% ($12-$33k)	27.9%	9.0%	25.6%	14.3%	30.0%	74.9%	35.8%	32.2%
Middle 20% ($33-$62k)	22.5%	7.4%	19.3%	14.2%	21.5%	78.0%	35.1%	33.5%
Fourth 20% ($62-$115k)	15.5%	5.6%	12.7%	19.4%	16.5%	83.0%	29.5%	38.1%
Top 20% ($115k+)	11.4%	4.6%	8.7%	20.5%	7.1%	90.5%	23.8%	3.85%
Single No Kids	24.9%	7.4%	23.5%	26.8%	24.9%	79.7%	25.7%	30.9%
Bottom 20% ($0-$12k)	40.6%	12.7%	45.8%	21.2%	36.0%	67.5%	30.5%	28.0%
Second 20% ($12-$33k)	26.9%	8.2%	25.2%	25.1%	29.3%	76.8%	29.8%	29.7%
Middle 20% ($33-$62k)	19.3%	5.2%	16.1%	28.0%	23.9%	81.9%	24.0%	32.6%
Fourth 20% ($62-$115k)	17.3%	5.4%	12.6%	28.7%	17.1%	86.7%	22.4%	31.9%
Top 20% ($115k+)	14.8%	3.5%	9.9%	35.1%	10.8%	92.8%	18.0%	33.4%
Single Parents	26.7%	5.7%	20.0%	21.4%	31.6%	79.6%	25.8%	28.9%
Bottom 20% ($0-$12k)	44.7%	9.4%	36.3%	15.2%	49.1%	69.6%	33.0%	26.6%
Second 20% ($12-$33k)	30.8%	8.3%	21.9%	20.4%	39.0%	76.3%	31.0%	29.0%
Middle 20% ($33-$62k)	20.8%	3.4%	16.2%	22.8%	30.6%	80.2%	24.0%	30.9%
Fourth 20% ($62-$115k)	17.2%	3.9%	11.7%	24.7%	17.6%	87.1%	20.4%	29.2%
Top 20% ($115k+)	15.4%	1.9%	9.6%	25.6%	14.9%	88.6%	17.2%	28.7%
Elderly (65+)	15.1%	20.4%	31.4%	4.6%	8.0%	69.6%	26.4%	39.4%
Bottom 20% ($0-$12k)	21.6%	25.6%	41.2%	3.3%	13.4%	55.3%	28.6%	35.9%
Second 20% ($12-$33k)	16.7%	22.0%	35.1%	3.6%	9.0%	64.1%	27.2%	37.8%
Middle 20% ($33-$62k)	13.5%	20.9%	28.6%	4.8%	6.9%	71.5%	27.8%	40.9%
Fourth 20% ($62-$115k)	11.4%	16.4%	25.6%	6.3%	6.1%	78.5%	24.6%	40.8%
Top 20% ($115k+)	10.5%	13.1%	22.6%	6.0%	3.0%	87.5%	20.1%	42.6%

* *See initial health profile table above for footnotes.*

More analysis to come.

Blessings of Liberty (BL)

This segment works to promote the liberty and posterity of the US population. Its reporting units are education, wealth and savings, balancing contributions and benefits for today and tomorrow, economic mobility, and community participation.

Overall, during the periods presented, we:

- made meaningful progress on total and average household financial assets and total giving, as well as reductions in hate crime incidents, acres burned in forest fires, and emissions accompanied by increased energy consumption from renewable sources and nuclear;
- saw no meaningful movement in the average SAT critical reading score, the average SAT math score, the rate of citizen voting in presidential elections and primary energy consumption; and
- regressed notably in the rate of total government debt as a percent of GDP, the percentage of families that are homeowners, and health discrimination investigations.

Education

The education reporting unit seeks to increase educational attainment in the US. To gauge its success, it monitors the rate of early childhood education enrollment, average NAEP and SAT reading and math scores, high school graduation, college enrollment, graduation rate from four-year institutions, and the percentage of the adult population 25 years and over with a high school diploma or GED and a bachelor's degree or higher.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Pre-K-12							
Head Start funded enrollment	927	904	904	906	3%	3%	2%
Rate of high school graduates as percentage of freshman cohort	na	82%	76%	74%	na	na	na
% students at or above proficient NAEP reading level							
4th grade	na	35%	33%	na	na	na	na
8th grade	na	36%	32%	na	na	na	na
% students at or above proficient NAEP math level							
4th grade	na	42%	39%	na	na	na	na
8th grade	na	35%	34%	na	na	na	na
Average SAT critical reading score (actual)	497	496	501	508	—%	(1)%	(2)%
Average SAT math score (actual)	513	514	515	518	—%	—%	(1)%
Percentage of adult population 25 years and over with a high school diploma or GED	30%	30%	31%	32%	— ppt	(1) ppt	(2) ppt
Higher education							
Rate of college enrollment as percentage of recent high school graduates	68%	66%	70%	67%	2 ppt	(2) ppt	1 ppt
Rate of graduation from four-year institutions within six years of start	60%	59%	58%	na	1 ppt	2 ppt	na
Rate of graduation from two-year institutions within three years of start	28%	29%	29%	na	(1) ppt	(1) ppt	na
Percentage of adult population 25 years and over with a bachelor's degree or higher	32%	32%	30%	28%	— ppt	2 ppt	4 ppt

* *Sources: National Center for Education Statistics, Department of Education.*

Education profile (2015)

Family and Individual Unit Sub Group / Income %	Educational Attainment of Unit Head: % Some H.S.	% H.S. Diploma	% Some College	% College Graduate	# of Students (in thousands): Pre-School (All Aged 3+)	K-12 Public	K-12 Private	College Full-Time	College Part-Time
All Family and Individual Units	**11%**	**28%**	**29%**	**32%**	**4,883**	**48,296**	**5,550**	**14,204**	**5,151**
Bottom 20% ($0-$8k)	24%	33%	28%	15%	541	5,950	344	3,173	530
Second 20% ($8k-$31k)	15%	35%	31%	19%	726	7,614	582	2,170	851
Middle 20% ($31k-$61k)	10%	30%	31%	29%	891	9,388	813	2,105	1,033
Fourth 20% ($61k-$113k)	6%	24%	30%	39%	1,154	11,676	1,365	2,829	1,294
Top 20% ($113k+)	3%	16%	23%	58%	1,510	13,108	2,404	3,689	1,391
Single No Kids	**9%**	**27%**	**31%**	**32%**	**—**	**751**	**28**	**5,504**	**1,474**
Bottom 20%	17%	31%	34%	18%	—	265	12	2,494	253
Second 20%	12%	34%	33%	21%	—	161	4	1,315	392
Middle 20%	6%	27%	32%	35%	—	178	9	732	415
Fourth 20%	3%	19%	27%	51%	—	102	1	526	295
Top 20%	2%	12%	20%	67%	—	40	2	273	114
Single Parents	**19%**	**31%**	**33%**	**17%**	**1,461**	**16,296**	**1,041**	**1,305**	**676**
Bottom 20%	37%	32%	24%	6%	424	4,353	244	381	161
Second 20%	18%	35%	36%	11%	480	4,891	333	328	216
Middle 20%	9%	29%	39%	22%	356	4,116	236	336	172
Fourth 20%	6%	24%	32%	38%	118	1,926	152	173	99
Top 20%	3%	14%	29%	54%	52	700	60	72	23
Married No Kids	**8%**	**28%**	**28%**	**36%**	**—**	**714**	**110**	**3,513**	**1,260**
Bottom 20%	22%	37%	25%	16%	—	20	0	122	21
Second 20%	17%	34%	30%	19%	—	43	3	187	66
Middle 20%	14%	38%	26%	21%	—	103	16	391	138
Fourth 20%	7%	31%	32%	30%	—	216	36	986	357
Top 20%	2%	20%	26%	51%	—	330	54	1,793	660
Married Parents	**9%**	**21%**	**26%**	**43%**	**3,357**	**29,610**	**4,285**	**3,313**	**1,329**
Bottom 20%	25%	32%	25%	19%	106	1,105	77	100	37
Second 20%	26%	33%	25%	16%	240	2,357	228	227	91
Middle 20%	19%	30%	30%	20%	517	4,833	541	535	228
Fourth 20%	8%	25%	32%	35%	1,025	9,277	1,164	1,021	462
Top 20%	2%	13%	22%	63%	1,439	11,807	2,251	1,413	500
Elderly	**14%**	**32%**	**25%**	**29%**	**65**	**924**	**87**	**569**	**412**
Bottom 20%	27%	37%	22%	15%	11	207	12	76	59
Second 20%	15%	38%	26%	21%	6	161	13	113	86
Middle 20%	9%	34%	28%	29%	18	158	11	111	81
Fourth 20%	8%	25%	28%	39%	11	154	11	123	80
Top 20%	4%	18%	23%	55%	19	231	39	138	94

More analysis to come.

Wealth and savings

The wealth and savings reporting unit encourages wealth creation through fair taxation and tools for home ownership and encourages saving for retirement through pension plans, Social Security, and Medicare and seeks to maintain a manageable balance between current expenditures and future debt.

(In thousands, except percentages or otherwise noted)	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Wealth creation							
Rate of savings as a percentage of disposable income	12%	12%	13%	11%	— ppt	(1) ppt	1 ppt
Percentage of households that are unbanked	na	8%	na	na	na	na	na
Total household financial assets (primarily at market value) (in billions)	$ 69,270	$ 65,398	$ 48,521	$ 41,690	6%	43%	66%
Average household financial assets (actual)	$562,122	$534,043	$414,068	$372,230	5%	36%	51%
Average household home mortgage debt (actual)	$ 76,776	$ 77,306	$ 89,209	$ 70,170	(1)%	(14)%	9%
Percentage of families that are homeowners	65%	65%	67%	69%	— ppt	(2) ppt	(4) ppt
Retirement							
Elderly (65+) poverty rate	10%	10%	9%	10%	— ppt	1 ppt	— ppt
Government obligations							
Total government debt held by the public as % of GDP	86%	86%	70%	50%	— ppt	16 ppt	36 ppt

* *Sources: Federal Reserve, US Census Bureau, Internal Revenue Service matched database, Department of the Treasury.*

Wealth profile (2013)

	Average Assets (thousands)	Average Debt (thousands)	Average Net Worth (thousands)	Ratio of Debt Payments to Income (Avg.)	% Families Past Due on Debt (60 Days)	% Families that Saved
All families	$ 625	$ 91	$ 534	12.0%	6.9%	53.0%
Bottom 20%	106	20	86	15.5%	8.4%	31.7%
Second 20%	145	32	113	14.8%	9.5%	40.9%
Middle 20%	226	57	169	16.2%	8.1%	49.6%
Fourth 20%	441	107	334	16.7%	6.4%	64.5%
Top 20%	2,211	240	1,971	11.9%	2.2%	78.4%
Under 35	139	64	76	14.9%	8.9%	55.5%
Age 35-44	476	129	347	13.6%	9.7%	53.5%
Age 45-54	654	124	530	13.9%	9.9%	50.7%
Age 55-64	903	104	799	11.1%	5.0%	55.4%
Age 65-74	1,129	72	1,057	8.8%	3.1%	51.2%
Age 75+	669	24	645	5.8%	1.1%	49.7%

* *Source: Survey of Consumer Finances (SCF), Federal Reserve. Note: Quintile statistics are directly from SCF, and the income metric used to place families into quintiles is not the same as that used elsewhere in other tables. One notable difference is that the bottom quintile in the SCF includes negative income families, whereas they are excluded from other tables.*

More analysis to come.

Sustainability and self-sufficiency

The sustainability and self-sufficiency reporting unit works to protect the environment and to manage our natural resources responsibly. Key areas of focus are our energy sources and consumption, emissions, environmental violations, and acres burned in forest fires.

	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Energy							
Emissions (million metric tons of CO2 equivalents)	6,870	6,800	6,776	7,370	1%	1%	(7)%
Primary energy consumption (quadrillion Btu)	99	97	94	100	2%	5%	(1)%
Energy consumption from renewable sources and nuclear (quadrillion Btu)	18	18	16	14	—%	13%	29%
Violations							
Air violations (facilities)	5,631	5,529	na	na	2%	na	na
Drinking water violations (facilities)	56,838	55,430	na	na	3%	na	na
Hazardous waste violations (facilities)	11,714	11,552	na	na	1%	na	na
Pesticide violations (number of federal violations)	1,297	1,297	na	na	—%	na	na
Fires							
Acres burned in forest fires (in thousands)	3,596	4,320	5,922	8,098	(17)%	(39)%	(56)%
Agriculture							
Crops harvested (in millions of acres)	325	321	319	321	1%	2%	1%
Crop failures (in millions of acres)	10	12	8	9	(17)%	25%	11%

* *Sources: Environmental Protection Agency, Department of Energy, Energy Information, Department of the Interior, National Interagency Fire Center, Department of Agriculture, Administration, US Department of Agriculture.*

More analysis to come.

American Dream

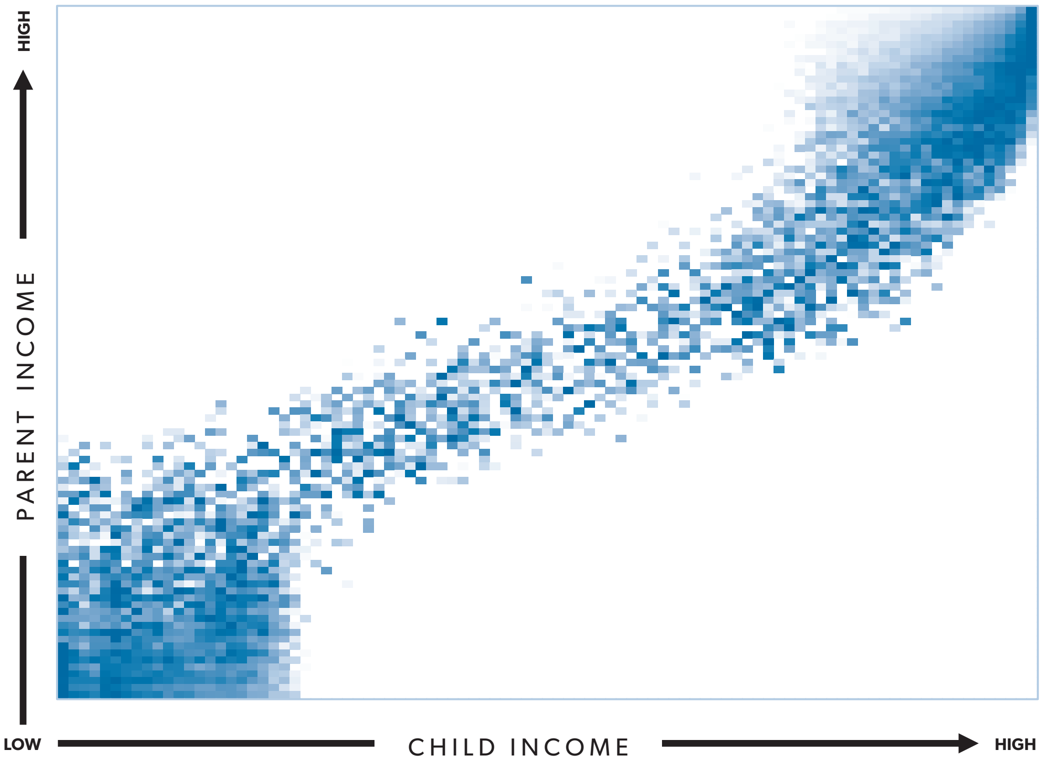
The American Dream reporting unit works to increase economic mobility, civil rights, and democratic and community participation in the US.

Economic mobility

Our Government seeks to increase economic mobility in the US, where kids have a decent chance of moving to a higher quintile than that of their parents. Economic mobility success is indicated by an ever-greater percentage of kids with parents in each income quintile moving to higher income quintiles when they become adults. The following analyses, which illustrate income mobility, were prepared by non-governmental sources using government data.[41]

[41] Sources: IRS Statistics of Income cross-sections (analysis by the Equality of Opportunity Project see http://www.equality-of-opportunity.org/), Bureau of Labor Statistics, US Census Bureau, Social Security Administration, SIPP-SSA (analysis by Federal Reserve Bank of Chicago)

What is a person's likely income around age 30 compared his or her parents' income at birth?



A darker blue color indicates a higher likelihood of a child being in the income group.

Whites

Child income quintile

Parent Income Quintile	1%-20%	20%-40%	40%-60%	60%-80%	80%-100%
1%-20%	26.30%	26.70%	20.80%	15.90%	10.30%
20%-40%	20.50%	23.90%	21.90%	20.40%	13.30%
40%-60%	15.60%	20.30%	23.60%	22.30%	18.20%
60%-80%	14.70%	16.20%	20.60%	23.40%	25.00%
80%-100%	11.30%	13.60%	15.50%	21.70%	38.00%

Blacks

Child income quintile

Parent Income Quintile	1%-20%	20%-40%	40%-60%	60%-80%	80%-100%
1%-20%	50.80%	20.70%	15.50%	9.20%	3.20%
20%-40%	35.70%	24.60%	20.30%	12.90%	6.50%
40%-60%	34.10%	21.20%	17.60%	19.00%	8.10%
60%-80%	27.20%	23.60%	17.30%	17.80%	14.10%
80%-100%	21.30%	18.00%	18.00%	19.10%	23.60%

More analysis to come.

Civil rights

Our Government seeks to ensure that minorities are protected and to reduce the number of civil rights crimes in the US. In doing so, it works to reduce the number of hate crime incidents, equal employment charges, housing discrimination complaints, and health discrimination investigations.

	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Hate crime incidents	5,479	5,928	6,604	7,649	(8)%	(17)%	(28)%
Equal employment charges	88,778	93,727	93,277	79,432	(5)%	(5)%	12%
Housing discrimination complaints	na	8,368	10,242	na	na	na	na
Health discrimination investigations	1,956	4,465	3,357	1,393	(56)%	(42)%	40%

* *Sources: Federal Bureau of Investigation, Equal Employment Opportunity Commission, Department of Housing and Urban Development, Department of Health and Human Services.*

More analysis to come.

Democratic participation

Our Government seeks to encourage civic participation, including voting.

	2012	2008	2004	2000	Percentage Change 2012 vs. 2008	Percentage Change 2012 vs. 2004	Percentage Change 2012 vs. 2000
Rate of citizen voting in presidential elections	62%	64%	64%	60%	(2) ppt	(2) ppt	2 ppt

* *Source: US Census Bureau.*

We do not yet have updated detailed information on the 2016 presidential election.

More analysis to come.

	2014	2012	2008	2004	Percentage Change 2014 vs. 2012	Percentage Change 2014 vs. 2008	Percentage Change 2014 vs. 2004
Rate of citizen voting in midterm elections	42%	62%	64%	64%	(20) ppt	(22) ppt	(22) ppt

* *Source: US Census Bureau.*

We do not yet have updated detailed information on the 2016 midterm elections.

More analysis to come.

Community participation

Our Government seeks to build strong communities throughout the US. It gauges the strength of communities by monitoring the rates of volunteering and participation in school groups or neighborhood associations, and total giving. The community participation reporting unit also monitors rates of citizen voting in presidential elections and midterm elections.

	2014	2013	2009	2004	Percentage Change 2014 vs. 2013	Percentage Change 2014 vs. 2009	Percentage Change 2014 vs. 2004
Volunteering rate	25%	25%	27%	29%	— ppt	(2)ppt	(4)ppt
Participation in school groups or neighborhood associations	na	13%	15%	na	na	na	na
Charitable deductions (in millions)	$210,599	$194,664	$158,017	$165,564	8%	33%	27%

** *Sources: US Census Bureau, Internal Revenue Service.*

More analysis to come.

Financial condition[42]

Liquidity and capital resources

Cash and other monetary assets

Our Government's cash and other monetary assets increased $104 billion, or 11%, in 2014 to $1,084 billion.

Most of the increase in cash and other monetary assets at the federal level relates to operating cash held by the Treasury, which increased by $70 billion or 84% in 2014 due to Treasury's investment and borrowing decisions to manage the balance and timing of our Government's cash position.

The majority of the increase in cash and other monetary assets at the state and local government level relates to an increase in non-pension cash balances of $35 billion or 5% in 2014.

Our Government holds cash and monetary assets primarily to fund near-term operations and existing obligations and where otherwise required by law. It also holds international monetary assets in the International Monetary Fund (IMF). The IMF promotes international monetary cooperation and a stable payments system to facilitate growth in the world economy.

Debt and equity securities

Our Government's debt and equity securities increased $378 billion, or 9%, in 2014 to $4,363 billion. The debt and equity securities comprise mainly corporate equities, corporate and foreign bonds, and agency and GSE-backed securities, primarily held at the state and local level. These securities are predominantly US dollar-denominated securities, but also include foreign currency-denominated securities.

Of the total increase in 2014, $348 billion relates to increased state and local government investments related to pension assets, which are not considered liquid assets our Government can use for general operations.

Off balance sheet assets and other arrangements

There are significant resources available to our Government that extend beyond the assets reflected in the accompanying balance sheets. Those resources include stewardship land (e.g. national parks, wildlife refuges, national forests, and other lands of national and historical significance) and heritage assets (e.g. national monuments and historical sites of historical, natural, cultural, educational, or artistic significance) in addition to our Government's sovereign powers to tax and set monetary policy.

The federal government states that stewardship land and heritage assets are not expected to be used to meet the obligations of the federal government, and as such, they are not recorded as assets on the balance sheet. However, our Government does generate revenues from these assets. See *Part II, Item. 8, Financial Statements and Supplementary Data, Note 21 – Stewardship land and heritage assets* within this annual report for more information.

The primary cash inflows of our Government come from its ability to tax and set monetary policy, for which there are no assets recorded on the balance sheet. Tax revenue comprised approximately 85% and 87% of our Government's total revenues for 2014 and 2013, respectively.

Our Government has certain obligations and rights related to its relationship with government-sponsored enterprises (GSEs) that may not be recorded on the balance sheet. See *Note 8 – Investments in government-sponsored enterprises* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report for more information.

Our Government also has certain other obligations that are not legal liabilities in our balance sheets. See *Note 17 – Contingencies* and *Note 18 – Commitments* for more information.

Debt

Total Government debt held by the public increased $740 billion, or 5%, in 2014 to $15,061 billion.

Federal government

The unified federal budget surplus or deficit is the difference between total federal spending and receipts (e.g. taxes) in a given year. Our Government borrows from the public (increases federal debt levels) to finance deficits by issuing Treasury bills, bonds, and notes. During a budget surplus (i.e. when receipts exceed spending), our Government typically uses those excess funds to reduce the debt held by the public. The federal debt balance was $12,040 billion at the end of 2014.

[42] The majority of the information in this section comes from our financial statements and footnotes. See Item 8. Financial Statements and Supplementary Data.

Foreign governments and other overseas entities top the list of holders of federal debt securities, owning $6,158 billion, or 47% of the total federal debt held by the public at December 31, 2014. That proportion has risen gradually from 42% in 2004, even as the total amount of federal debt has grown. The biggest foreign holders of US debt in 2014 were China, with $1,244 billion, or 10%, and Japan, with $1,231 billion, or 9%.

The second-largest category of investors in Treasury securities are American households and businesses, which owned $3,270 billion at December 31, 2014, or about 25% of the total federal debt held by the public.

The third-largest holder of federal debt was the Federal Reserve, the US central bank. The Federal Reserve's holdings jumped to $2,793 billion at December 31, 2014 from $713 billion at December 31, 2004, as it sought to bring the country out of the Great Recession and keep the economy growing afterwards. To do that, the Federal Reserve bought large amounts of Treasury securities to keep long-term interest rates low. Buying Treasury securities pushes up their price, which in turn lowers the interest rate, or yield. That makes it cheaper for companies and individuals to borrow, since many types of loans, including home mortgages, are linked to Treasury yields.

State and local government

State and local governments generally borrow to finance the construction of projects, including schools, hospitals, and roads. When these governments borrow, they sell bonds, which represent money that must later be repaid with interest. The state and local government debt balance was $3,021 billion at the end of 2014.

We are not aware of an aggregated source for a listing of holders of the state and local government debt held by the public.

Intergovernmental debt

In addition to debt held by the public, our federal government had $5,107 billion in federal intergovernmental debt outstanding at September 30, 2014, which arose when one part of our federal government borrowed from another. This amount represents debt issued by the Treasury and held by federal government accounts, including the Social Security ($2,783 billion) and Medicare ($270 billion) trust funds. Because these amounts are both liabilities of the Treasury and assets of federal government trust funds, they are eliminated as part of the consolidation process for the federal government financial statements. However, when those securities are redeemed, for example, to pay future Social Security benefits, the Treasury will need to obtain the resources necessary to reimburse the trust funds.

There is also intergovernmental debt between the federal and the state and local governments, which generally arises when state and local governments invest in Treasury securities. We eliminated the state and local government holdings of Treasury securities when preparing our combined balance sheets. See *Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 22 – Intergovernmental transfers* for more information.

Contractual obligations

The following table summarizes the payments due by fiscal year for our Government's outstanding contractual obligations as of September 30, 2014:

(In billions)	2015	2016-2017	2018-2019	Thereafter	Total
Long-term debt: [1]					
Federal government Treasury securities principal payments	$2,935	$3,122	$2,142	$3,791	$11,990
Federal government Treasury securities interest payments [2]	253	374	278	1,134	2,039
State and local government principal payments [3]	*	*	*	*	3,021
Federal government long-term operating leases [4]	*	*	*	*	38
Federal undelivered orders [5]	*	*	*	*	1,063
Federal other commitments [6]	*	*	*	*	385
Total contractual obligations	$3,188	$3,496	$2,420	$4,925	$18,536

* *We are not aware of a source for this data by year.*

1 *Excludes unamortized discounts and agency securities. See Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 11 – Debt securities held by the public and accrued interest within this annual report.*

2 *These amounts represent estimates of the amounts due for interest on federal government debt obligations. We calculated the interest payments using the September 2014 Monthly Statement of the Public Debt report from the Treasury (found at https://www.treasurydirect.gov/govt/reports/pd/mspd/2014/2014_sep.htm). We multiplied the outstanding Treasury security*

balances by each security's interest rate, to arrive at an annual expected interest payment. This sum was then multiplied by the number of years remaining on each security as of September 30, 2014, and grouped to arrive at the estimated interest payments for the years presented.

3 *This amount represents total state and local government debt outstanding on the 2014 balance sheet. We are not aware of an aggregated source that provides the amount of principal debt payments in each of the years shown above. This amount does not include expected interest on the state and local government debt obligations as we are not aware of an aggregated source for this data.*

4 *This amount represents the federal long-term operating leases at September 30, 2014 that require then-future use of financial resources. See Note 18 – Commitments for more information. We are not aware of an aggregated source for state and local government long-term operating lease commitments.*

5 *This amount represents the federal government undelivered orders at September 30, 2014, which represent the value of goods and services ordered that had not yet been received as of that date. See Note 18 – Commitments for more information. We are not aware of an aggregated source for state and local government undelivered orders.*

6 *This amount represents other federal government commitments at September 30, 2014 that may require then-future use of financial resources. See Note 18 – Commitments for more information. We are not aware of an aggregated source for other state and local government commitments.*

Companies are also required to report in the table above within their Form 10-Ks future capital lease obligation payments. We are not aware of a federal or state and local aggregated source for this data and as such, the table above omits this information.

Other expected uses of capital

We expect our Government will continue to invest in major government functions and programs, such as Social Security, Medicare, infrastructure, education, and training, to name a few, in alignment with its overall objectives.

Social insurance

The largest outlays of the federal government are the various social insurance programs (e.g. Social Security and Medicare), and grants to the states for Medicaid. Our Government records liabilities for social insurance programs when payments are due and payable to beneficiaries or service providers. These liabilities do not encompass total expected future expenditures.

The Treasury, in its annual *Financial Report*, provides Statements of Social Insurance (SOSI). The SOSI provide estimates of the potential future obligations for the most significant social insurance programs –Social Security, Medicare, Railroad Retirement, and Black Lung. The estimates represent the actuarial present values of the projected future net expenditures for the programs, generally based on continuation of then-current program provisions and economic and demographic assumptions from the respective programs' trustees over the following 75 years. The estimates at September 30, 2014 show net present values of estimated then-future net expenditures for Social Security, Medicare, and other social insurance programs of $13,330 billion, $28,483 billion, and $103 billion, respectively.

Deferred maintenance and repairs

Deferred maintenance and repairs result from maintenance not being performed on assets on a timely basis. The consequences of not performing regular maintenance and repairs could include increased safety hazards, poor service to the public, higher costs in the future, and inefficient operations. Our federal government estimates the cost to bring Government-owned property, plant, and equipment to an acceptable condition. These estimates exclude the cost of expanding the capacity of assets or upgrading them to serve needs beyond those originally intended. Some deferred maintenance and repairs have been deemed critical, for which the estimated cost is $111 billion, and the low and high estimates for other (non-critical) deferred maintenance and repairs ranges from $42 billion to $48 billion, all as of September 30, 2014. Estimated deferred maintenance and repairs costs are not recognized as a liability on the balance sheets.

Sustainability

Federal

Our federal government operates at a deficit nearly every year, with cash outflows exceeding inflows. We do not expect existing cash, cash equivalents, short-term investments, and cash flows from operations to be sufficient to fund federal government operations. Rather, we rely on our federal government's ability to issue debt securities or to adjust tax and other revenues to fund its activities. This is true for at least the next 12 months and thereafter for the foreseeable future.

Our federal government's ability to issue debt securities is subject to a statutory debt limit (the Debt Limit) and is impacted by its credit rating. The sum of debt held by the public and intergovernmental debt equals gross federal debt, which (with some adjustments) is subject to the Debt Limit. At September 30, 2014, debt subject to the Debt Limit was $17.8 trillion. The Debt Limit was $0 and $16.7 trillion dollars at September 30, 2014, and 2013, respectively. The debt limit of $0 at September 30, 2014, was due to Congress' temporary suspension of the Debt Limit. Twice during fiscal year 2014, delays in raising the debt limit resulted in the Treasury implementing "extraordinary measures" on a temporary basis, to enable the federal government to protect the full faith and credit of the US by continuing to pay the nation's bills. These extraordinary measures permit the federal government to continue to honor pre-existing commitments; it does not increase spending or authorize new spending. On March 16, 2015, the statutory debt limit was increased to $18.1 trillion. As of September 30, 2014, and 2013, the federal government had the highest possible rating among the largest credit rating agencies in the US. See *Item 7A. – Quantitative and Qualitative Disclosures about Market Risk, Sovereign credit rating,* for further information.

According to the Treasury, an important item for citizens to understand is the current fiscal policy and the importance and magnitude of policy reforms necessary to make it sustainable, according to its definition of sustainability. According to the Treasury, a sustainable policy is one where the ratio of debt held by the public to Gross Domestic Product (GDP) (the debt-to-GDP ratio) is stable or declining over the long term. GDP measures the size of the nation's economy in terms of the total value of all final goods and services that are produced in a year. The debt-to-GDP ratio is a measure commonly used to gauge a nation's ability to pay its debt, as GDP is one measure of a country's ability to generate the financial resources needed to service its debt. Debt held by the public was $15,061 billion at September 30, 2014, or 87% of GDP, up slightly from 86% of GDP at September 30, 2013.

The projections in the *Financial Report* at the end of 2014 indicate that the debt-to-GDP ratio was projected to reach 321% in 2089 and to rise continuously thereafter. The debt-to-GDP ratio rises at an accelerating rate despite primary deficits (the total budget deficit excluding net payments) that flatten out because higher levels of debt lead to higher net interest expenditures, and higher net interest expenditures lead to higher debt. Preventing the debt-to-GDP ratio from rising over the 75 years following 2014 was estimated by the Treasury to require some combination of spending reductions and revenue increases that amount to 2.1 percent of GDP over the projection period. While this estimate of the "75-year fiscal gap" is highly uncertain, the Treasury believes it is nevertheless nearly certain that then-current fiscal policies cannot be sustained indefinitely.

State and local

We are not aware of a consolidated state and local government source that analyzes its financial sustainability.

Application of critical accounting policies

Preparing financial statements requires preparers to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by the application of accounting policies. As the combined financial statements in this annual report represent the aggregation of financial data prepared by other entities, and as we do not have complete information about the accounting policies used to prepare the data, we are unable to determine what are the critical accounting policies.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk[43]

Risks

The US is exposed to economic risk from its sovereign credit rating, interest rates, foreign exchange rates, equity prices, and commodity prices. These risks may impact our Government's combined financial statements as well as the overall US economic health and our Government's ability to achieve its objectives.

Vulnerabilities in the US financial system remained moderate in 2014. Domestic economic conditions improved and regulators continued to make progress in financial reforms, which further strengthened the balance sheets of financial institutions. The US financial system successfully weathered a variety of shocks from abroad. These included rising geopolitical tensions in Ukraine and the Middle East; slowing growth in Europe, Japan, and China; renewed concerns about the sustainability of Greece's debt; and a sharp drop in oil prices. Despite improvements in some areas, the financial system became more vulnerable to shocks in other areas. For example, the continued low-interest-rate environment has encouraged some investors to take on more risk by reaching for yield.

Sovereign credit rating

A sovereign credit rating is the credit rating of a country. Sovereign credit ratings give investors insight into the level of economic and political risk associated with investing in a country. The sovereign credit rating usually influences a country's access to international funding and interest rates. A poor US credit rating could have significant impact on global financial markets.

[43] The majority of the information in this section was derived from the Financial Stability Oversight Council 2015 Annual Report.

The three major credit rating agencies, Standard & Poor's, Moody's, and Fitch, left overall ratings of US sovereign debt unchanged AA+u, Aaa, and AAA, respectively, during 2014, and each maintained a stable outlook for Treasury securities at the end of 2014.[44] After the completion of the Federal Reserve's asset purchase program, demand for Treasury securities remained strong among both domestic and foreign institutions, as evidenced by allocations to various investor classes and the relatively high bid-to-cover ratios at Treasury auctions.

Interest rate

The federal funds rate is maintained by the Federal Reserve and is generally viewed as the base rate for all other interest rates in the US economy. The higher the federal funds rate, the more expensive it is to borrow money. The US federal funds rate can influence domestic and international monetary and financial conditions. See more about the federal funds rate at *Part I, Item I. Purpose and Function of Our Government, Other related entities, The Federal Reserve* within this report.

The historically low-yield environment continues to encourage greater risk-taking across the financial system. Investors may seek incremental gains in yield for disproportionate amounts of risk. A sharp increase in interest rates or credit spreads could generate losses on longer-term assets, including less liquid assets such as high-yield and emerging market bonds. If such losses are borne by leveraged investors, they could lead to fire sales and further declines in asset prices.

Investigations of manipulation of the widely-used London Interbank Offered Rate (LIBOR) that surfaced in 2012 highlighted concerns about the integrity of interest rate and other financial benchmarks. Incidents of manipulation reduce public confidence in the financial system and risk financial instability, in part owing to the significant disruptions associated with changing the reference rates for financial contracts. The problems with US dollar LIBOR (USD LIBOR) reflect several interrelated structural factors including the decline in unsecured interbank lending markets, the incentives to manipulate rates submitted to reference rate panels, and the dominance of instruments tied to LIBOR in terms of market liquidity. Since the Financial Stability Oversight Council's 2014 annual report, administrators of LIBOR, the Euro Interbank Offered Rate (Euribor), and the Tokyo Interbank Offered Rate (TIBOR) have made substantial progress toward enhancing oversight, governance, transparency, and accountability of these benchmark rates. Official sector efforts have focused on developing multiple reference rates, which would allow the rate used in a financial transaction to be more closely tied to the underlying economic purpose, reduce incentives for manipulation, and enhance stability by having more ready alternatives.

Foreign currency

The currencies of most developed countries are valued based on the demand and supply of the currency. The value of currency can impact economic factors such as trade balance, GDP, and employment.

The US dollar has appreciated significantly on a trade-weighted basis since mid-2014 as the economic outlook in the US began to improve relative to the rest of the world, and as foreign central banks began aggressively easing monetary policy or signaling their intent to do so. Along with the US dollar's appreciation there has been an increase in developed market currency volatility, albeit from a very low level. The euro and Japanese yen depreciated significantly, as did the currencies of oil exporters.

Equity

Generally, rising stock prices for companies from a particular country indicate a healthy, growing market, while a downward trend in stocks may reflect weakening fundamentals in a country's economy. Rising stock prices usually indicate net investment in the future health and growth of the economy. An equity index represents a portfolio of securities of a certain market or sector. Global equity indices represent the overall health of the equity market.

Equity indices in developed markets saw mixed performances in 2014. US stocks generally benefitted from low interest rates and continuing accommodative monetary policy, as well as modest growth in earnings and economic performance, but these gains were tempered by global growth concerns, commodity driven declines in energy-related stocks, and geopolitical tensions. In the US, the S&P 500 Index gained 10% over the 12-month period ending in March 2015. The Euro Stoxx Index rose 17% over this period, while in the United Kingdom, the FTSE 250 Index increased 3%. Japanese equity markets increased by 30% over the same period.

US equity market implied volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), averaged 14% during 2014 and generally remained below its historical average. Levels of volatility were particularly low during the first half of the year, but then increased owing to concerns about the weaker global outlook.

44 Obtained from Bloomberg, accessed on April 4, 2017.

Commodity

Commodities are generally traded goods such as oil, crops, and minerals for inputs towards the production of other goods or services. The price of most commodities are generally valued based on the demand and supply of the commodity. Volatility in global price can have extensive implications for both commodity importers and exporters.

Commodity prices declined in 2014, led by the 50% drop in oil prices during the second half of the year. The overall S&P GSCI (formerly the Goldman Sachs Commodity Index) decreased over 30% during the course of the year, while the S&P GSCI Energy Index declined nearly 50%. Prices of metals and agricultural commodities also declined in 2014, but much less so than energy prices. The S&P GSCI Industrial Metals Index declined approximately 6% in 2014, as slowing growth in China and other emerging markets affected demand expectations. Agricultural commodities prices also declined in 2014, as harvests in several key agricultural commodities were larger than expected.

The International Monetary Fund (IMF) estimated in 2014 that the positive effect of lower oil prices on growth would outweigh the negative effects from the slowdown of investment in energy and the increased financial risks to oil-exporting countries. In addition, the disinflationary effects of lower oil prices should provide more room for monetary policy accommodation in countries facing higher inflation.

Item 8. Financial Statements and Supplementary Data

Combined functional income statements

(In billions, except per share amounts) Fiscal Year	2014	2013	2009	2004
Tax revenues	**$4,411**	$4,159	$ 3,365	$2,881
Non-tax revenues (expenditures)	**806**	621	(434)	442
Total revenue	**5,217**	4,780	2,931	3,323
Transfer payments to individuals other than personnel and subsidies	**2,482**	2,395	2,050	1,386
Compensation for personnel past and present	**1,460**	1,421	1,329	1,037
Payments to others for goods and services	**687**	701	1,073	590
Capital expenditures	**476**	493	549	380
Net interest paid	**302**	296	234	200
Other (income) expenditures	**(22)**	(33)	12	(11)
Total expenditures	**5,385**	5,273	5,247	3,582
Net deficit	**$ (168)**	$ (493)	$(2,316)	$ (259)

Combined segment income statements

(In billions, except per share amounts) Fiscal Year	2014	2013	2009	2004
Tax revenues	**$4,411**	$4,159	$ 3,365	$2,881
Non-tax revenues	**806**	621	(434)	442
Total revenues	**5,217**	4,780	2,931	3,323
Establish justice and ensure domestic tranquility expenditures	**396**	396	387	305
Provide for the common defense expenditures	**813**	832	809	550
Promote the general welfare expenditures	**1,232**	1,230	1,313	782
Secure the blessings of liberty to ourselves and our posterity expenditures	**2,789**	2,679	2,550	1,823
General government and other expenditures	**155**	136	188	122
Total expenditures	**5,385**	5,273	5,247	3,582
Net deficit	**$ (168)**	$ (493)	$(2,316)	$ (259)

See accompanying notes.

Combined balance sheets

(In billions)	2014	2013
Assets		
Cash and other monetary assets (Note 2)	**$ 1,084**	$ 980
Accounts and taxes receivable, net (Note 3)	**410**	394
Loans receivable, net (Note 4)	**1,327**	1,220
Inventories and related property, net (Note 5)	**318**	311
Property, plant, and equipment, net (Note 6)	**10,730**	10,427
Debt and equity securities (Note 7)	**4,363**	3,985
Investments in government-sponsored enterprises (Note 8)	**96**	140
Other assets (Note 9)	**166**	182
Total assets	**$ 18,494**	$ 17,639
Stewardship land and heritage assets (Note 21)		
Liabilities and stockholders' equity		
Accounts payable (Note 10)	**$ 872**	$ 831
Debt securities held by the public and accrued interest (Note 11)	**15,061**	14,321
Employee and veteran benefits payable (Note 12)	**11,780**	11,424
Environmental and disposal liabilities (Note 13)	**369**	349
Benefits due and payable (Note 14)	**192**	174
Insurance and guarantee program liabilities (Note 15)	**168**	140
Loan guarantee liabilities (Note 4)	**53**	59
Other liabilities (Note 16)	**408**	522
Total liabilities	**28,903**	27,820
Contingencies (Note 17) and commitments (Note 18)		
Accumulated deficit	**(10,409)**	(10,181)
Total liabilities and accumulated deficit	**$ 18,494**	$ 17,639

See accompanying notes.

Notes to financial statements

General note on sources

Federal government

Federal government amounts and the related text within Notes 2 through 21 were copied from the 2014 United States (US) Treasury (Treasury) *Financial Report of the United States* (the *Financial Report*). We condensed and reordered the *Financial Report* information in reproducing it here to reflect the materiality level of this report, generally rounding dollars to the nearest billion, condensing amounts in tables less than 5% of the respective totals, and deleting the corresponding text. We also excluded the following notes of the *Financial Report*:

- *Note 1 – Summary of significant accounting policies* – excluded because aggregated accounting policies for state and local governments are not available, and the federal accounting policies are voluminous and less helpful without the associated state and local government information. Rather, we refer you to each of our sources for information on their accounting policies – see *Part I, About this Report, Structure and content, Sources of data* with in this report for more information on our financial statement sources;
- *Note 17 – Collections and refunds of federal revenue* – excluded because the footnote provides details on federal government revenues shown in the *Financial Report*, whereas our revenues come from a different source and therefore this detail is not applicable to our report;
- *Note 19 – Prior-period adjustments* – excluded because this is our inaugural Form 10-K and therefore we aren't restating any prior-period figures;
- *Note 24 – Social insurance* – excluded because this footnote primarily contains projections that a company would not normally include in its footnotes, though we have provided some supplemental information on potential future social insurance program (e.g. Medicare, Social Security) obligations in Exhibits 99.06 and 99.07 of this report; and
- *Note 26 – Subsequent events* – excluded because we are not aware of an aggregated source for this information for federal and state and local governments in the years between 2015 and the date of the issuance of this report.

Finally, we supplemented the *Financial Report* information in *Note 8 – Investments in government-sponsored enterprises* by providing the Fannie Mae and Freddie Mac balance sheets and in *Note 21 – Stewardship land and heritage assets* by providing tables that show revenues generated from federally owned land, including stewardship land.

Please see also *Note 1 – Accounting policies* below.

State and local government

State and local government amounts within these footnotes were sourced from the Federal Reserve. We have aggregated certain figures to reflect the materiality level of this report and grouped the figures to match the federal government categories. The Federal Reserve does not provide definitions or other accompanying text for the state and local government data. Therefore, there is a risk that we mapped the state and local government figures to the federal government categories in a different way than the state and local governments or the Federal Reserve would have mapped them. In addition, we have not provided as much information for state and local governments in these footnotes as we have for the federal government due to this data source limitation. We plan to provide more detailed state and local data in the future.

Note 1 – Accounting policies

Accounting principles

As discussed under *General note on sources* above, our combined financial statements and accompanying notes represent the aggregation of data prepared by other organizations. The accounting principles, including principles of combination, the preparation of estimates, and the use of assumptions can be found at each respective source. Principles we have applied in addition to theirs are discussed in this note.

Principles of combination

The combined financial statements have been prepared through the aggregation of federal and state and local government data, as described above. Certain intergovernmental amounts have been eliminated (see *Note 22 – Intergovernmental transfers*) and certain revenues and expenditures have been netted (see *Note 23 – Offsetting amounts*).

Estimates and assumptions

Preparing financial statements requires management of organizations to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures. As our financial statements comprise the combined data of other organizations, the related estimates and assumptions have been made by management of those organizations.

Note 2 – Cash and other monetary assets

(In billions)	2014	2013
Federal	$ 266	$206
State and local	818	774
Total cash and other monetary assets	$1,084	$980

Federal government

(In billions)	2014	2013
Unrestricted cash		
Cash held by Treasury for federal government-wide operations	$153	$ 83
Other	8	5
Restricted cash	22	22
Total cash	183	110
International monetary assets	66	73
Other monetary assets	17	23
Total cash and other monetary assets	$266	$206

Unrestricted cash includes cash held by Treasury for government-wide operations (Operating Cash) and all other unrestricted cash held by the federal agencies. Operating Cash represents balances from tax collections, other revenue, federal debt receipts, and other various receipts net of cash outflows for budget outlays and other payments. Treasury checks outstanding are netted against Operating Cash until they are cleared by the Federal Reserve System. Other unrestricted cash not included in Treasury's Operating Cash balance includes balances representing cash, cash equivalents, and other funds held by agencies, such as undeposited collections, deposits in transit, demand deposits, amounts held in trust, and imprest funds. Operating Cash held by the Treasury increased by $70 billion (an increase of approximately 85%) in fiscal year 2014 due to Treasury's investment and borrowing decisions to manage the balance and timing of the federal government's cash position.

Restrictions on cash are due to the imposition on cash deposits by law, regulation, or agreement. Restricted cash is primarily composed of cash held by the Executive Office of the President (EOP) Foreign Military Sales program. The Foreign Military Sales program included $21 billion as of both September 30, 2014, and 2013.

International monetary assets include the US reserve position in the International Monetary Fund (IMF) and US holdings of Special Drawing Rights (SDRs). The US reserve position in the IMF is an interest-bearing claim on the IMF that includes the reserve asset portion of the financial subscription that the US has paid in as part of its participation in the IMF as well as any amounts drawn by the IMF from a letter of credit made available by the US as part of its financial subscription to the IMF.

Only a portion of the US financial subscription to the IMF is made in the form of reserve assets; the remainder is provided in the form of a letter of credit from the US to the IMF. The balance available under the letter of credit totaled $48 billion and $45 billion as of September 30, 2014, and 2013 respectively. The US reserve position in the IMF has a US dollar equivalent of $15 billion and $20 billion as of September 30, 2014, and 2013, respectively.

The SDR is an international reserve asset created by the IMF to supplement the existing reserve assets of its members. These interest-bearing assets can be obtained by IMF allocations, transactions with IMF member countries, or in the form of interest earnings on SDR holdings and reserve positions in the IMF. US SDR holdings are an interest-bearing asset of Treasury's Exchange Stabilization Fund (ESF). The total amount of SDR holdings of the US was the equivalent of $53 billion and $55 billion as of September 30, 2014, and 2013, respectively.

The IMF allocates SDRs to its members in proportion to each member's quota in the IMF. The SDR Act, enacted in 1968, authorized the Secretary of the Treasury to issue SDR Certificates (SDRCs) to the Federal Reserve in exchange for dollars. The amount of SDRCs outstanding cannot exceed the dollar value of SDR holdings. The Secretary of the Treasury determines when Treasury will issue or redeem SDRCs. SDRCs outstanding totaled $5 billion as of both September 30, 2014, and 2013, and are included in *Note 16 – Other liabilities*.

As of September 30, 2014, and 2013, respectively, other liabilities included $52 billion and $54 billion of interest-bearing liability to the IMF for SDR allocations. The SDR allocation item represents the cumulative total of SDRs distributed by the IMF to the US in allocations that occurred in 1970, 1971, 1972, 1979, 1980, 1981, and 2009. The US has received no SDR allocations since 2009.

State and local government

(In billions)	2014	2013
Non-pension		
Time and savings deposits	$312	$298
Money market fund shares	165	158
Security repurchase agreements	131	126
Checkable deposits and currency	122	113
Total non-pension cash and other monetary assets	$730	$695
Pension		
Money market fund shares	$ 44	$ 39
Other	44	40
Total pension cash and other monetary assets	88	79
Total cash and other monetary assets	$818	$774

Note 3 – Accounts and taxes receivable, net

(In billions)	2014	2013
Federal	$104	$103
State and local	306	291
Total accounts and taxes receivable, net	$410	$394

Federal government

(In billions)	2014	2013
Accounts receivable		
Gross accounts receivable	$ 87	$ 89
Allowance for uncollectible amounts	(26)	(24)
Accounts receivable, net	61	65
Taxes receivable		
Gross taxes receivable	162	164
Allowance for uncollectible amounts	(119)	(126)
Taxes receivable, net	$ 43	$ 38
Total accounts and taxes receivable, net	$ 104	$ 103

Accounts receivable include related interest receivable of $5 billion and $8 billion as of September 30, 2014, and 2013, respectively. Treasury comprises approximately 41% of the federal government's reported accounts and taxes receivable, net, as of September 30, 2014. Refer to the financial statements of the Treasury, the Social Security Administration, the Department of Health and Human Services, the Department of Defense, the Department of Homeland Security, the Pension Benefit Guaranty Corporation, the Department of Energy, the Department of Veterans Affairs, the Federal Deposit Insurance Corporation, the Department of the Interior, the Department of Housing and Urban Development, and the Department of Labor for details on gross accounts and taxes receivable and the related allowance for doubtful accounts. These agencies comprise 92% of the federal government's accounts and taxes receivable, net, of $104 billion as of September 30, 2014.

State and local government

(In billions)	2014	2013
Trade receivables, net	$178	$168
Taxes receivable, net	128	123
Total accounts and taxes receivable, net	$306	$291

Note 4 – Loans receivable and loan guarantee liabilities, net

Loans receivable

(In billions)	2014	2013
Federal	$1,107	$1,006
State and local	220	214
Total loans receivable	$1,327	$1,220

Loan guarantee liabilities

(In billions)	2014	2013
Federal	$53	$59
State and local	—	—
Total loan guarantee liabilities	$53	$59

Federal government

The federal government has two types of loan programs: direct loans and loan guarantees. One major type of loan is direct loans such as the Department of Education's (Education) Federal Direct Student Loans. The second type is loan guarantee programs, such as the Department of Housing and Urban Development's (HUD's) Federal Housing Administration Loans program.

Direct loans and loan guarantee programs are used to promote the Nation's welfare by making financing available to segments of the population not served adequately by non-federal institutions, or otherwise providing for certain activities or investments. For those unable to afford credit at the market rate, federal credit programs provide subsidies in the form of direct loans offered at an interest rate lower than the market rate. For those to whom non-federal financial institutions are reluctant to grant credit because of the high risk involved, federal credit programs guarantee the payment of these non-federal loans and absorb the cost of defaults.

The amount of the long-term cost of post-1991 direct loans and loan guarantees outstanding equals the subsidy cost allowance for direct loans and the liability for loan guarantees as of September 30. The amount of the long-term cost of pre-1992 direct loans and loan guarantees equals the allowance for uncollectible amounts (or present value allowance) for direct loans and the liability for loan guarantees. The long-term cost is based on all direct loans and guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of these loans and guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, re-estimates, amortizations, and write-offs.

Net loans receivable includes related interest and foreclosed property. Foreclosed property is property that is transferred from borrowers to a federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans or as a compensation for losses that the federal government sustained under post-1991 loan guarantees. Please refer to the financial statements of the United States Department of Agriculture (USDA), VA, and HUD for significant detailed information regarding foreclosed property.

The total subsidy expense/(income) is the cost of direct loans and loan guarantees recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for direct and guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loans and guarantees outstanding, and for upward or downward re-estimates as of the end of the fiscal year of the cost of loans and guarantees outstanding. This expense/(income) is included in the Statements of Net Cost.

	Face Value of Loans Outstanding		Long-term Cost of (Income from) Direct Loans and Defaulted Guaranteed Loans Outstanding		Loans Receivable, Net		Subsidy Expense (Income) for the Fiscal Year	
(In billions)	2014	2013	2014	2013	2014	2013	2014	2013
Federal Direct Student Loans – Education	$ 731	$614	$(47)	$(65)	$ 778	$ 679	$ 8	$(40)
Federal Family Education Loans – Education	140	144	(3)	(2)	143	146	(2)	(1)
All other programs	219	221	33	30	186	181	(1)	2
Total direct loans and defaulted guaranteed loans	$1,090	$969	$(17)	$(37)	$1,107	$1,006	$ 5	$(39)

	Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the US		Loan Guarantee Liabilities		Subsidy Expense (Income) for the Fiscal Year	
(In billions)	2014	2013	2014	2013	2014	2013	2014	2013
Federal Housing Administration Loans – HUD	$1,291	$1,283	$1,186	$1,192	$34	$41	$(11)	$(18)
Veterans Housing Benefit Programs – VA	389	339	102	89	9	8	—	2
Federal Family Education Loans – Education	242	264	237	258	—	—	(5)	(8)
All other guaranteed loan programs	334	321	304	296	10	10	1	—
Total loan guarantees	$2,256	$2,207	$1,829	$1,835	$53	$59	$(15)	$(24)

Loan programs

The majority of the loan programs are provided by Education, HUD, USDA, Treasury, Small Business Administration (SBA), VA, Export-Import Bank and United States Agency for International Development (USAID). For significant detailed information regarding the direct and guaranteed loan programs listed in the tables above, please refer to the financial statements of the agencies.

Education has two major loan programs, authorized by Title IV of the Higher Education Act of 1965 (HEA). The first program is the William D. Ford Federal Direct Student Loan Program, (referred to as the Direct Loan Program) that was established in fiscal year 1994. The Direct Loan Program offers four types of educational loans: Stafford, Unsubsidized Stafford, PLUS for parents and/or graduate or professional students, and consolidation loans. With this program, the federal government makes loans directly to students and parents through participating institutions of higher education. Direct loans are originated and serviced through contracts with private vendors. Education disbursed approximately $134 billion in Direct Loans to eligible borrowers in fiscal year 2014 and approximately $130 billion in fiscal year 2013. The second program is the Federal Family Education Loan (FFEL) Program. This program was established in fiscal year 1965, and is a guaranteed loan program. Like the William D. Ford Federal Direct Student Loan Program, it offers four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents and/or graduate or professional students, and consolidation loans. The Student Aid and Fiscal Responsibility Act (SAFRA), which was enacted as part of the Health Care Education and Reconciliation Act of 2010 (Public Law 111-152), eliminated the authority to guarantee new FFEL after June 30, 2010. During fiscal year 2014, Education net loans receivable increased by $99 billion, largely the result of increased Direct Loan Program disbursements for new loan originations and FFEL consolidations, net of borrower principal and interest collections.

HUD's Federal Housing Administration (FHA) provides mortgage insurance to encourage lenders to make credit available to expand home ownership. FHA serves many borrowers that the conventional market does not serve adequately. This includes first-time homebuyers, minorities, low-income, and other underserved households to realize the benefit of home ownership. Borrowers obtain an FHA insured mortgage and pay an upfront premium as well as an annual premium to FHA. The proceeds from those premiums are used to fund FHA program costs, including claims on defaulted mortgages and holding costs, property management fees, property sales, and other associated costs. The possibility of a sizable volume of delinquencies remains a significant risk for the housing market and for FHA in the near term. The number of FHA mortgages has risen dramatically. FHA has taken a number of steps to help improve its financial health and reduce its market share, including fee increases and underwriting changes.

VA operates the following direct loan and loan guarantee programs: Vocational Rehabilitation and Employment, Home Loans, and Insurance. The VA Home Loans program is the largest of the VA loan programs. The Home Loan program provides loan guarantees and direct loans to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms. During fiscal year 2014, the VA principal amount of loans under guarantee increased by $50 billion. This increase was primarily due to new loans under guarantee with a principal totaling $87 billion, partially offset by guaranteed loan terminations with a principal amount of $37 billion.

State and local government

(In billions)	2014	2013
Loans (mortgages)	$210	$205
Loans (mortgages) – pensions	10	9
Total loans receivable	$220	$214

Note 5 – Inventories and related property, net

(In billions)	2014	2013
Federal	$318	$311
State and local	—	—
Total inventories and related property, net	$318	$311

Federal government

	2014			2013		
(In billions)	Defense	All Others	Total	Defense	All Others	Total
Operating materials and supplies held for use	$139	$ 4	$143	$143	$ 4	$147
Inventory purchased for resale	63	—	63	57	1	58
Inventory and operating material and supplies held for repair	61	1	62	60	2	62
Stockpile materials	—	51	51	—	51	51
Other inventories and related property	5	1	6	11	—	11
Allowance for loss	(6)	(1)	(7)	(17)	(1)	(18)
Total inventories and related property, net	$262	$56	$318	$254	$57	$311

Operating materials and supplies held for use are tangible personal property to be consumed in normal operations.

Inventory purchased for resale is the cost or value of tangible personal property purchased by an agency for resale. As of September 30, 2014, the Department of Defense (DOD) values approximately 87% of its resale inventory using the moving average cost (MAC) method. An additional 11% (fuel inventory) is reported using the first-in-first-out method. DOD reports the remaining 2% of resale inventories at an approximation of historical cost using LAC adjusted for holding gains and losses. The LAC method is used because DOD's legacy inventory systems do not maintain historical cost data. DOD developed a methodology to determine the net realizable value of inventory-excess, obsolete, and unserviceable that resulted in a major decrease in the amount reported for fiscal year 2014. Please refer to the individual financial statements of DOD for significant detailed information regarding its inventories.

Inventory and operating materials and supplies held for repair are damaged inventory that require repair to make them suitable for sale (inventory) or are more economical to repair than to dispose of (operating materials and supplies). Excess, obsolete, and unserviceable inventory is reported at net realizable value.

Stockpile materials include strategic and critical materials held in reserve for use in national defense, conservation, or national emergencies due to statutory requirements; for example, nuclear materials and oil, as well as stockpile materials that are authorized to be sold. The majority of the amount reported by DOD is stockpile materials held for sale. The amount reported by others is stockpile materials held in reserve, with the majority of it being reported by the Department of Energy (DOE). Please refer to their financial statements for more information on stockpile materials.

State and local government

Based on our review of a select Comprehensive Annual Financial Reports, we know that the state governments do have inventories and related property, however the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of the data.

Note 6 – Property, plant, and equipment, net

(In billions)	2014	2013
Federal	$ 878	$ 896
State and local	9,852	9,531
Total property, plant, and equipment, net	$10,730	$10,427

Federal government

(In billions)	Cost Defense	Cost All Others	Accumulated Depreciation/Amortization Defense	Accumulated Depreciation/Amortization All Others	Net Defense	Net All Others
2014						
Furniture, fixtures, and equipment	$ 992	$ 166	$572	$105	$420	$ 61
Buildings, structures, and facilities	272	259	131	137	141	122
Construction in progress	42	41	—	—	42	41
Other property, plant, and equipment	26	62	9	28	17	34
Subtotal	1,332	528	712	270	620	258
Total property, plant, and equipment, net		$1,860		$982		$878

(In billions)	Cost Defense	Cost All Others	Accumulated Depreciation/Amortization Defense	Accumulated Depreciation/Amortization All Others	Net Defense	Net All Others
2013						
Furniture, fixtures, and equipment	$ 984	$ 165	$548	$103	$436	$ 62
Buildings, structures, and facilities	270	250	128	130	142	120
Construction in progress	47	42	na	na	47	42
Other property, plant, and equipment	24	56	8	25	16	31
Subtotal	1,325	513	684	258	641	255
Total property, plant, and equipment, net		$1,838		$942		$896

The DOD comprises approximately 71% of the federal government's reported property, plant, and equipment, net, as of September 30, 2014. Refer to the financial statements of DOD, DOE, the Tennessee Valley Authority (TVA), GSA, VA, the Department of Interior (DOI), DHS, and the Department of State, for detailed information on the useful lives and related capitalization thresholds for property, plant, and equipment. These agencies comprise 90% of the federal government's total cost of property, plant, and equipment net of $878 billion as of September 30, 2014.

State and local government

(In billions)	2014	2013
Structures	$9,479	$9,167
Equipment	249	246
Intellectual property	124	118
Total property, plant, and equipment, net	$9,852	$9,531

Note 7 – Debt and equity securities

(In billions)	2014	2013
Federal	$ 115	$ 107
State and local	4,248	3,878
Total debt and equity securities	$4,363	$3,985

Federal government

(In billions)	Held-to-Maturity: Cost Basis	Held-to-Maturity: Unamortized Premium/ Discount	Held-to-Maturity: Net Investment	Available-for-Sale: Cost Basis	Available-for-Sale: Unrealized Gain/(Loss)	Available-for-Sale: Fair Value	Trading Securities: Cost Basis	Trading Securities: Unrealized Gain/(Loss)	Trading Securities: Fair Value	Total
2014										
Debt Securities										
Non-US Government	$—	$—	$—	$19	$(1)	$18	$11	$—	$11	$ 29
Corporate and other bonds	—	—	—	—	—	—	11	—	11	11
All other debt securities	—	—	—	—	—	—	6	—	6	6
Equity Securities										
Unit trust	—	—	—	—	—	—	15	6	21	21
Other	4	—	4	—	—	—	18	1	19	23
Total debt and securities categorized as held-to-maturity, available-for-sale or trading	$ 4	$—	$ 4	$19	$(1)	$18	$61	$ 7	$68	$ 90
Total RRB debt and equity securities										25
Total debt and equity securities										$115

(In billions)	Held-to-Maturity: Cost Basis	Held-to-Maturity: Unamortized Premium/ Discount	Held-to-Maturity: Net Investment	Available-for-Sale: Cost Basis	Available-for-Sale: Unrealized Gain/(Loss)	Available-for-Sale: Fair Value	Trading Securities: Cost Basis	Trading Securities: Unrealized Gain/(Loss)	Trading Securities: Fair Value	Total
2013										
Debt Securities										
Non-US Government	$—	$—	$—	$14	$—	$14	$10	$—	$10	$ 24
Corporate and other bonds	—	—	—	—	—	—	10	—	10	10
All other debt securities	—	—	—	—	—	—	5	—	5	5
Equity Securities										
Unit trust	—	—	—	—	—	—	12	7	19	19
Other	4	—	4	—	—	—	20	1	21	25
Total debt and securities categorized as held-to-maturity, available-for-sale or trading	$ 4	$—	$ 4	$14	$—	$14	$57	$ 8	$65	$ 83
Total RRB debt and equity securities										24
Total debt and equity securities										$107

Debt and equity securities by agency

(In billions)	2014	2013
Pension Benefit Guaranty Corporation	$ 58	$ 55
Railroad Retirement Board	25	24
Department of the Treasury	18	14
Tennessee Valley Authority	10	11
All other	4	3
Total securities and investments	$115	$107

These debt and equity securities do not include nonmarketable Treasury securities, which have been eliminated in consolidation. Held-to-maturity debt and equity securities are reported at amortized cost, net of unamortized discounts and premiums. Available-for-sale debt and equity securities are reported at fair value. Trading debt and equity securities are reported at fair value. The Pension Benefit Guaranty Corporation (PBGC) and the TVA invest primarily in fixed maturity and equity securities, classified as trading. Treasury invests primarily in fixed maturity and equity securities, classified as available-for-sale securities. Treasury's Exchange Stabilization Fund invests primarily in foreign fixed maturity debt, with a fair value of $18 billion and $14 billion as of September 30, 2014, and 2013, respectively. The National Railroad Retirement Investment Trust (NRRIT), on behalf of the RRB, manages and invests railroad retirement assets that are to be used to pay retirement benefits to the Nation's railroad workers under the Railroad Retirement Program. As an investment company, NRRIT is subject to different accounting standards that do not require the classifications presented above. NRRIT's total debt and equity securities are presented as a separate line item. Please refer to NRRIT's financial statements for more detailed information concerning this specific investment. The TVA balance includes $8 billion and $7 billion as of September 30, 2014, and 2013, respectively, for the Tennessee Valley Authority Retirement System. Please refer to the individual financial statements of PBGC, NRRIT, Treasury, and TVA for more detailed information related to debt and equity securities. These agencies comprise 96% of the federal government's total reported debt and equity securities of $115 billion as of September 30, 2014.

State and local government

(In billions)	2014	2013
Pension		
Corporate equities	$2,203	$1,967
Corporate and foreign bonds	496	448
Mutual fund shares	234	189
Other	258	239
Total pension debt and equity securities	$3,191	$2,843
Non-pension		
Agency and GSE-backed securities	$ 453	$ 468
Other	604	567
Total non-pension debt and equity securities	$1,057	$1,035
Total debt and equity securities	$4,248	$3,878

Note 8 – Investments in government-sponsored enterprises

(In billions)	2014	2013
Federal	$96	$140
State and local	—	—
Total investments in government-sponsored enterprises	$96	$140

Federal government

(In billions) 2014	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	$117	$(64)	$53
Freddie Mac senior preferred stock	72	(41)	31
Fannie Mae warrants common stock	3	5	8
Freddie Mac warrants common stock	2	2	4
Total investments in GSEs	$194	$(98)	$96

(In billions) 2013	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	$117	$(40)	$ 77
Freddie Mac senior preferred stock	72	(16)	56
Fannie Mae warrants common stock	3	2	5
Freddie Mac warrants common stock	2	—	2
Total investments in GSEs	$194	$(54)	$140

Congress established Fannie Mae and Freddie Mac as government sponsored enterprises (GSEs) to support the supply of mortgage loans. A key function of the GSEs is to package purchased mortgages into securities, which are subsequently sold to investors, and guarantee the timely payment of principal and interest on these securities.

Leading up to the financial crisis, increasingly difficult conditions in the housing market challenged the soundness and profitability of the GSEs, thereby undermining the entire housing market. This led Congress to pass the Housing and Economic

Recovery Act of 2008 (HERA). This Act created the Federal Housing Finance Agency (FHFA), with enhanced regulatory authority over the GSEs, and provided the Secretary of the Treasury with certain authorities intended to ensure the financial stability of the GSEs, if necessary. In September 2008, FHFA placed the GSEs under conservatorship and Treasury entered into a senior preferred stock purchase agreement (SPSPA) with each GSE. These actions were taken to preserve the GSEs' assets, ensure a sound and solvent financial condition, and mitigate systemic risks that contributed to market instability. The SPSPAs were amended in August 2012 (the amended SPSPAs) and changed, among other things, the basis for determining quarterly dividends that are paid by the GSEs to the US Government. The dividend change in the amended SPSPAs became operationally effective commencing with the quarter ending March 31, 2013.

The actions taken by Treasury, as authorized by section 1117 of HERA, thus far are temporary and are intended to provide financial stability. The purpose of Treasury's actions is to maintain the solvency of the GSEs so they can continue to fulfill their vital roles in the home mortgage market while the Administration and Congress determine what structural changes should be made. Draws under the SPSPAs are designed to enable the GSEs to maintain a positive net worth. The SPSPAs were structured to ensure any draws result in an increased investment as further discussed below. Per SFFAC No. 2, Entity and Display, these entities meet the criteria of "bailed out" entities. Accordingly, the federal government has not consolidated them into its financial statements, but included disclosure of the relationship(s) with the bailed out entities and any actual or potential material costs or liabilities in its consolidated financial statements.

Senior preferred stock purchase agreements

Under the SPSPAs, Treasury initially received from each GSE: 1) 1 million shares of non-voting variable liquidation preference senior preferred stock with a liquidation preference value of $1,000 per share; and 2) a non-transferable warrant for the purchase, at a nominal cost, of 80% of common stock on a fully-diluted basis. The warrants expire on September 7, 2028. Under the amended SPSPAs, the quarterly dividend payment changed from a 10% per annum fixed rate dividend to an amount equivalent to the GSE's positive net worth above a capital reserve amount. The capital reserve amount was initially set at $3 billion for calendar year 2013, declined to $2 billion on January 1, 2014, and will continue to decline by $600 million at the beginning of each calendar year thereafter until it reaches zero by calendar year 2018. The GSEs will not pay a quarterly dividend if their positive net worth is below the required capital reserve threshold.

Cash dividends of $73 billion and $96 billion were received during fiscal years ended September 30, 2014, and 2013, respectively. Dividends received in fiscal years 2014 and 2013 were primarily attributable to a federal income tax benefit that was recognized in the earnings of one GSE in fiscal year 2014 and the earnings of the other GSE in fiscal year 2013.

The SPSPAs, which have no expiration date, provide that Treasury will disburse funds to the GSEs if at the end of any quarter, the FHFA determines that the liabilities of either GSE exceed its assets. The maximum amount available to each GSE under this agreement was previously based on a formulaic cap which ended December 31, 2012, at which time, the maximum amount became fixed. Draws against the funding commitment of the SPSPAs do not result in the issuance of additional shares of senior preferred stock; instead the liquidation preference of the initial 1 million shares is increased by the amount of the draw. There were no payments to the GSEs for the fiscal years ended September 30, 2014 and 2013.

Senior preferred stock and warrants for common stock

In determining the fair value of the senior preferred stock and warrants for common stock, Treasury relied on the GSEs' public filings and press releases concerning their financial statements, as well as non-public, long-term financial forecasts, monthly summaries, quarterly credit supplements, independent research regarding preferred stock trading, independent research regarding the GSEs' common stock trading on the OTC Bulletin Board, discussions with each of the GSEs and FHFA, and other information pertinent to the fair valuations. Because of the nature of the senior preferred stock and warrants, which are not publicly traded and for which there is no comparable trading information available, the fair valuations rely on significant unobservable inputs that reflect assumptions about the expectations that market participants would use in pricing.

The fair value of the senior preferred stock considers the amount of forecasted dividend payments. The fair valuations assume that a hypothetical buyer would acquire the discounted dividend stream as of the transaction date. The fair value of the senior preferred stock decreased at September 30, 2014 when compared to 2013 primarily due to lower forecasted dividends as a result of lower forecasted GSE earnings to be derived from guarantee fees, coupled with one-time benefits recognized in the GSEs' historical earnings that contributed to the higher fair value of these investments at the end of 2013 but which did not recur at the end of 2014.

The fair value of the warrants is impacted by the nominal exercise price and the large number of potential exercise shares, the market trading of the common stock that underlies the warrants as of September 30, the principal market, and the market participants. Other factors impacting the fair value include, among other things, the holding period risk related directly to the assumption of the amount of time that it will take to sell the exercised shares without depressing the market. The fair value of the warrants increased at the end of fiscal year 2014 when compared to 2013 primarily due to increases in the market price of the underlying common stock of each GSE.

Contingent liability to GSEs

As part of the annual process undertaken by Treasury, a series of long-term financial forecasts are prepared to assess as of September 30, the likelihood and magnitude of future draws under the SPSPAs. Treasury used financial forecasts prepared through 2039 and 2038 in assessing if a contingent liability was required as of September 30, 2014 and 2013, respectively. If future payments under the SPSPAs are deemed to be probable within the forecast time horizon, Treasury will estimate and accrue a contingent liability to the GSEs to reflect the forecasted equity deficits of the GSEs.

Based on the annual assessment, Treasury estimated no probable future funding draws as of September 30, 2014 and 2013, and thereby accrued no contingent liability. During fiscal year 2013, the accrued contingent liability decreased by $9 billion. Such recorded accruals will be adjusted as new information develops or circumstances change.

Treasury forecasts of potential future draws by the GSEs may differ from actual experience. Potential future actual draw amounts will depend on numerous factors that are difficult to predict including, but not limited to, changes in government policy with respect to the GSEs, the business cycle, inflation, home prices, unemployment rates, interest rates, changes in housing preferences, home financing alternatives, availability of debt financing, market rates of guarantee fees, outcomes of loan refinancings and modifications, new housing programs, and other applicable factors. As of September 30, 2014 and 2013, the maximum remaining contractual commitment to the GSEs for the remaining life of the SPSPAs was $258 billion, which was established at a fixed amount as of December 31, 2012.

Regulatory environment

A provision within the Dodd Frank Act required the Secretary of the Treasury to conduct a study and develop recommendations regarding the options for ending the conservatorship of the two GSEs. In 2011, the President delivered to Congress a report from the Secretary of the Treasury that provided recommendations regarding the options for ending the conservatorship and plans to wind down the GSEs. To date, Congress has not approved a plan to address the future of the GSEs, and thus the GSEs continue to operate under the direction of their conservator, the FHFA, whose stated strategic goals for the GSEs are to: (1) maintain foreclosure prevention activities and credit availability; (2) reduce taxpayer risk through increasing the role of private capital in the mortgage market; and (3) build a new single-family securitization infrastructure.

The Temporary Payroll Tax Cut Continuation Act of 2011 (TPTCCA) was funded by an increase of 10 basis points in the GSEs' guarantee fees which began in April 2012, and is effective through October 1, 2021. The increased fees are to be remitted to Treasury and not retained by the GSEs.

Accordingly, the increased fees do not affect the profitability of the GSEs. For fiscal years 2014 and 2013, the GSEs remitted to the Treasury the increased fees totaling $2 billion and $1 billion, respectively.

Fannie Mae balance sheet

	As of December 31,	
(In billions)	**2014**	**2013**
Assets		
Cash and cash equivalents	$ 53	$ 58
Restricted cash	33	29
Investments in securities [1]	62	69
Mortgage loans:		
Of Fannie Mae	273	301
Of consolidated trusts	2,782	2,770
Allowance for loan losses	(36)	(44)
Mortgage loans, net of allowance for loan losses	3,019	3,027
Deferred tax assets, net	42	48
Other assets	39	39
Total assets	$3,248	$3,270
Liabilities and equity		
Debt:		
Of Fannie Mae	$ 460	$ 529
Of consolidated trusts	2,762	2,705
Other liabilities	22	26
Total liabilities	3,244	3,260
Senior preferred stock	117	117
Other [2]	(113)	(107)
Total equity	4	10
Total liabilities and equity	$3,248	$3,270

1 *Includes $20 billion as of December 31, 2014 and $16 billion as of December 31, 2013 of Treasury securities that are included in our other investment portfolio.*

2 *Consists of preferred stock, common stock, accumulated deficit, accumulated other comprehensive income, Treasury stock and noncontrolling interest.*

Freddie Mac balance sheet

(In billions)	As of December 31, 2014	2013
Assets		
Cash and cash equivalents	$ 11	$ 11
Restricted cash	9	12
Federal funds sold and securities purchased under agreements to resell	52	62
Investments in securities:		
Available-for-sale, at fair value	107	129
Trading, at fair value	30	23
Total investments in securities	137	152
Mortgage loans:		
Held-for-investment, at amortized cost: By consolidated trusts	1,558	1,530
Held-for-investment, at amortized cost: Unsecuritized	130	146
Held-for-sale, at lower-of-cost-or-fair-value	12	9
Total mortgage loans, net	1,700	1,685
Other assets	37	44
Total assets	$1,946	$1,966
Liabilities and equity		
Accrued interest payable	$ 6	$ 7
Debt, net:		
Debt securities of consolidated trusts held by third parties	1,480	1,434
Other debt	450	507
Total debt, net	1,930	1,941
Other liabilities	7	5
Total liabilities	1,943	1,953
Total equity	3	13
Total liabilities and equity	$1,946	$1,966

State and local government

The Federal Reserve does not provide amounts for investments in GSEs at the state and local government level. We do not know if states have these investments, and if they do, we are not aware of another aggregated source for this data.

Note 9 – Other assets

(In billions)	2014	2013
Federal	$166	$182
State and local	—	—
Total other assets	$166	$182

Federal government

(In billions)	2014	2013
Advances and prepayments	$107	$106
Regulatory assets	21	17
FDIC receivable from resolution activity	15	22
TARP direct loans and equity investments, net	2	18
Other	21	19
Total other assets	$166	$182

Advances and prepayments are assets that represent funds disbursed in contemplation of the future performance of services, receipt of goods, the incurrence of expenditures, or the receipt of other assets. These include advances to contractors and grantees, travel advances, and prepayments for items such as rents, taxes, insurance, royalties, commissions, and supplies.

With regard to regulatory assets, the DOE's Power Marketing Authorities (PMAs) and the TVA record certain amounts as assets in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 980, Regulated Operations. The provisions of FASB ASC Topic 980 require that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise. In order to defer incurred costs under FASB ASC Topic 980, a regulated entity must have the statutory authority to establish rates that recover all costs, and those rates must be charged to and collected from customers. If the PMAs' or TVA's rates should become market-based, FASB ASC Topic 980 would no longer be applicable, and all of the deferred costs under that standard would be expensed. Other items included in "other" are purchased power generating capacity, deferred nuclear generating units, nonmarketable equity investments in international financial institutions, derivatives assets, and the balance of assets held by the experience rated carriers participating in the Health Benefits and Life Insurance Program (pending disposition on behalf of OPM).

The Federal Deposit Insurance Corporation (FDIC) has the responsibility for resolving failed institutions in an orderly and efficient manner. The resolution process involves valuing a failing institution, marketing it, soliciting and accepting bids for the sale of the institution, determining which bid is least costly to the insurance fund, and working with the acquiring institution through the closing process. FDIC records receivables for resolutions that include payments by the Deposit Insurance Fund to cover obligations to insured depositors, advances to receiverships and conservatorships for working capital, and administrative expenses paid on behalf of receiverships and conservatorships.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have other assets, however the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 10 – Accounts payable

(In billions)	2014	2013
Federal	$ 69	$ 67
State and local	803	764
Total accounts payable	$872	$831

Federal government

(In billions)	2014	2013
Department of Defense	$18	$20
Department of Veterans Affairs	12	11
Department of Justice	6	4
Department of the Treasury	6	4
Department of Education	4	4
All other	23	24
Total accounts payable	$69	$67

Accounts payable includes amounts due for goods and property ordered and received, services rendered by other than federal employees, accounts payable for cancelled appropriations, and non-debt related interest payable.

State and local government

The Federal Reserve does not provide additional detailed information on the composition of the state and local government accounts payable balance, and we are not aware of another aggregated source of this data.

Note 11 – Debt securities held by the public and accrued interest

(In billions)	2014	2013
Federal	$12,040	$11,242
State and local	3,021	3,079
Total debt securities held by the public and accrued interest	$15,061	$14,321

Federal government

(In billions)	Balance 2013	Net Change during Fiscal Year 2014	Balance 2014	Average Interest Rate 2014	Average Interest Rate 2013
Treasury securities (public)					
Marketable securities:					
Treasury bills [1]	$ 1,528	$(120)	$ 1,408	0.1%	0.1%
Treasury notes [2]	6,963	403	7,366	1.8%	1.8%
Treasury bonds [3]	1,363	171	1,534	4.9%	5.1%
Treasury inflation-protected securities (TIPS) [4]	936	109	1,045	0.9%	1.1%
Treasury floating rate notes (FRN) [5]	—	123	123	0.1%	—%
Total marketable Treasury securities	10,790	686	11,476		
Nonmarketable securities	399	115	514	2.3%	2.4%
Net unamortized discounts	(25)	(5)	(30)		
Total Treasury securities, net (public)	11,164	796	11,960		
Agency securities					
Tennessee Valley Authority	25	(1)	24		
All other agencies	1	—	1		
Total agency securities, net of unamortized premiums and discounts	26	(1)	25		
Accrued interest payable	52	3	55		
Total debt securities held by the public and accrued interest	$11,242	$ 798	$12,040		

1 *Bills – short-term obligations issued with a term of 1 year or less*

2 *Notes – medium-term obligations issued with a term of 2-10 years. In creating the combined balance sheets, we eliminated Treasury securities held by state and local governments from the Treasury notes balance amounts. We chose this balance as our location of elimination because it is the largest balance in the table, and because the Federal Reserve does not tell us what comprises the state and local balances. See Note 22 – Intergovernmental transfers for more information. We do not have information about the associated average interest rates and therefore have not adjusted these rates.*

3 *Bonds – long-term obligations of more than 10 years*

4 *TIPS – term of more than 5 years*

5 *FRN – term of 2 years*

Federal debt securities held by the public outside the federal government are held by individuals, corporations, state or local governments, FRBs, foreign governments, and other entities outside the federal government. The above table details federal government borrowing primarily to finance operations and shows marketable and nonmarketable securities at face value less net unamortized premiums and discounts including accrued interest.

Securities that represent federal debt held by the public are issued primarily by the Treasury and include:

- Interest-bearing marketable securities (bills, notes, bonds, inflation-protected, and floating rate notes).
- Interest-bearing nonmarketable securities (government account series held by deposit and fiduciary funds, foreign series, state and local government series, domestic series, and savings bonds).
- Non-interest-bearing marketable and nonmarketable securities (matured and other).

Section 3111 of Title 31, United States Code (U.S.C.) authorizes the Secretary of the Treasury to use money received from the sale of an obligation and other money in the General Fund of the Treasury to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the federal government. There were no buyback operations in fiscal years 2014 and 2013.

Gross federal debt (with some adjustments) is subject to a statutory ceiling (i.e. the debt limit). Prior to 1917, Congress approved each debt issuance. In 1917, to facilitate planning in World War I, Congress and the President first enacted a statutory dollar ceiling for federal borrowing. With the Public Debt Act of 1941 (Public Law No. 77-7), Congress and the President set an overall limit of $65 billion on Treasury debt obligations that could be outstanding at any one time; since then, Congress and the President have enacted a number of debt limit increases.

Most recently, Treasury faced two delays in raising the statutory debt limit that required it to depart from its normal debt management operations and to invoke legal authorities to avoid exceeding the statutory debt limit. During each of these periods, extraordinary measures taken by Treasury resulted in federal debt securities not being issued to certain federal accounts. The first occurred from May 20, 2013 through October 16, 2013. As such, a delay in raising the statutory debt limit existed as of September 30, 2013. The $120 billion of uninvested principal of and related interest for the Thrift Saving Plan (TSP) G Fund that would have been reported as Federal Debt Securities Held by the Public and Accrued Interest had there not been a delay in raising the statutory debt limit as of September 30, 2013, and had the securities been issued, were reported as miscellaneous liabilities. On October 17, 2013, the Continuing Appropriations Act, 2014 (Public Law No. 113-46) was enacted which temporarily suspended the statutory debt limit through February 7, 2014. Treasury subsequently restored the uninvested principal and related interest, resulting in an increase in federal debt securities held by the public from 2013 to 2014. See *Note 16 – Other liabilities* for more information. On February 8, 2014, the debt limit was raised to $17,212 billion. The second occurred from February 10, 2014, through February 14, 2014. On February 15, 2014 Congress enacted the Temporary Debt Limit Extension Act (Public Law No. 113-83) which temporarily suspended the debt limit through March 15, 2015.

As of September 30, 2014, and 2013, debt subject to the statutory debt limit was $17,781 billion and $16,699 billion, respectively. The debt subject to the limit includes Treasury securities held by the public and federal government guaranteed debt of federal agencies (shown in the table above) and intragovernmental debt holdings (shown in *Note 22 – Intergovernmental transfers*). See *Note 16 – Other liabilities* and *Note 20 – Fiduciary activities* for additional information.

State and local government

(In billions)	2014	2013
Municipal securities	$3,019	$3,077
Municipal securities – pensions	2	2
Total debt securities held by the public	$3,021	$3,079

The Federal Reserve does not provide additional detailed information on the composition of the state and local government debt securities held by the public, and we are not aware of another aggregated source of this data that would indicate whether accrued interest is included in the amounts listed above.

Note 12 – Employee and veteran benefits payable

(In billions)	2014	2013
Federal	$ 6,673	$ 6,538
State and local	5,107	4,886
Total employee and veteran benefits payable	$11,780	$11,424

Federal government

	Civilian		Military		Total	
(In billions)	2014	2013	2014	2013	2014	2013
Pension and accrued benefits	$1,905	$1,868	$1,565	$1,524	$3,470	$3,392
Veterans compensation and burial benefits	na	na	2,007	1,975	2,007	1,975
Post-retirement health and accrued benefits	337	327	761	747	1,098	1,074
Liability for other benefits	77	76	21	21	98	97
Total federal employee and veteran benefits payable	$2,319	$2,271	$4,354	$4,267	$6,673	$6,538

Change in pension and accrued benefits

(In billions)	Civilian 2014	Civilian 2013	Military 2014	Military 2013	Total 2014	Total 2013
Actuarial accrued pension liability, beginning of fiscal year	$1,868	$1,772	$1,524	$1,482	$3,392	$3,254
Pension expense						
Normal costs	38	38	33	32	71	70
Interest on liability	77	77	65	68	142	145
Actuarial (gains)/losses (from experience)	(13)	(19)	(23)	(15)	(36)	(34)
Actuarial (gains)/losses (from assumption changes)	18	81	22	12	40	93
Total pension expense	120	177	97	97	217	274
Less benefits paid	(83)	(81)	(56)	(55)	(139)	(136)
Actuarial accrued pension liability, end of fiscal year	$1,905	$1,868	$1,565	$1,524	$3,470	$3,392

Change in post-retirement health and accrued benefits

(In billions)	Civilian 2014	Civilian 2013	Military 2014	Military 2013	Total 2014	Total 2013
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	$327	$328	$748	$833	$1,075	$1,161
Post-Retirement health benefits expense						
Prior (and past) service costs from plan amendments or new plans	—	—	—	(47)	—	(47)
Normal costs	12	12	22	22	34	34
Interest on liability	14	15	33	39	47	54
Actuarial (gains)/losses (from experience)	(3)	(15)	(8)	(4)	(11)	(19)
Actuarial (gains)/losses (from assumption changes)	1	1	(15)	(75)	(14)	(74)
Total post-retirement health benefits expense	24	13	32	(65)	56	(52)
Less claims paid	(14)	(14)	(20)	(21)	(34)	(35)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	$337	$327	$760	$747	$1,097	$1,074

The federal government offers its employees life and health insurance, as well as retirement and other benefits. The liabilities for these benefits, which include both actuarial amounts and amounts due and payable to beneficiaries and healthcare carriers, apply to current and former civilian and military employees. Large fluctuations in actuarial amounts can result from changes in estimates to future outflows for benefits based on complex assumptions and cost models.

The Office of Personnel Management (OPM) administers the largest civilian plan. DOD and VA administer the largest military plans. Other significant pension plans with more than $10 billion in accrued benefits payable include those of the Coast Guard (DHS), Foreign Service (Department of State), TVA, and HHS's Public Health Service Commissioned Corps Retirement System. Please refer to the financial statements of the agencies listed for further details regarding their pension plans and other benefits.

Significant long-term economic assumptions used in determining pension liability and the related expense

	Civilian 2014 FERS	Civilian 2014 CSFS	Civilian 2013 FERS	Civilian 2013 CSFS	Military 2014	Military 2013
Rate of interest	4.3%	3.9%	4.4%	4.1%	4.3%	4.3%
Rate of inflation	2.5%	2.5%	2.5%	2.5%	2.4%	2.4%
Projected salary increases	1.9%	1.9%	2.2%	2.2%	2.5%	2.8%
Cost of living adjustment	1.9%	2.5%	2.0%	2.5%	—%	—%

Significant long-term economic assumptions used in determining post-retirement health benefits and the related expense

	Civilian		Military	
	2014	2013	2014	2013
Rate of interest	4.3%	4.4%	4.3%	4.4%
Single equivalent medical trend rate	5.3%	5.2%	4.9%	4.8%
Ultimate medical trend rate	4.2%	4.2%	5.2%	5.2%

With the implementation of SFFAS No. 33, Pension, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates, agencies are required to separately present gains and losses from changes in long-term assumptions used to estimate liabilities associated with pensions, ORB, and OPEB on the Statement of Net Cost. SFFAS No. 33 also provides a standard for selecting the discount rate assumption for present value estimates of federal employee pension, ORB, and OPEB liabilities. In addition, SFFAS No. 33 provides a standard for selecting the valuation date for estimates of federal employee pension, ORB, and OPEB liabilities that will establish a consistent method for such measurements. The SFFAS 33 standard for selecting discount rate assumption requires it be based on a historical average of interest rates on marketable Treasury securities consistent with the cash flows being discounted.

In fiscal year 2014, Treasury developed a new model and methodology for developing these rates to provide a sustainable, justifiable data resource for the affected agencies. As of July 2014, Treasury began releasing interest rate yield curve data using this new Yield Curve for Treasury Nominal Coupon Issues (TNC yield curve), which is derived from Treasury notes and bonds. The TNC yield curve provides information on Treasury nominal coupon issues and the methodology extrapolates yields beyond 30 years through 100 years maturity. The TNC yield curve is used to produce a Treasury spot yield curve (a zero coupon curve), which provides the basis for discounting future cash flows. The new method is based on methodology used to produce the High Quality Market (HQM) Yield Curve pursuant to the Pension Protection Act of 2006. Generally, for FY 2014, the data from the new yield curve was implemented in full in one single year (i.e. replace the historical rate series used under the legacy method with those produced under the new TNC method).

Civilian employees

Pensions

OPM administers the largest civilian pension plan, which covers substantially all full-time, permanent civilian federal employees. This plan includes two components of defined benefits, the Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS). The basic benefit components of the CSRS and the FERS are financed and operated through the Civil Service Retirement and Disability Fund (CSRDF), a trust fund.

CSRDF monies are generated primarily from employees' contributions, agency contributions, payments from the General Fund, and interest on investments in Treasury securities. See *Note 19 – Funds from dedicated collections*.

The Federal Retirement Thrift Investment Board administers the TSP Fund. The TSP Fund investment options include two fixed income funds (the G and F Funds), three stock funds (the C, S, and I Funds) and five lifecycle funds (L 2050, L 2040, L 2030, L 2020, and L Income). The L Funds diversify participant accounts among the G, F, C, S, and I Funds, using professionally determined investment mixes (allocations) that are tailored to different time horizons. Treasury securities held in the G Fund are included in federal debt securities held by the public and accrued interest on the Balance Sheet. The G Fund held $184 billion and $53 billion in nonmarketable Treasury securities as of September 30, 2014, and 2013, respectively. The increase in nonmarketable Treasury securities held in the G Fund relates to the delay in raising the debt limit that was ongoing as of September 30, 2013. The Secretary of the Treasury has authority to take extraordinary measures to stay within the statutory debt limit imposed by Congress.

One such measure involves the suspension of the issuance of securities to the G Fund if the issuance cannot be made without causing the debt limit to be exceeded. Please see *Note 16 – Other liabilities* for additional information.

Post-retirement health benefits

The post-retirement civilian health benefit liability is an estimate of the federal government's future cost of providing postretirement health benefits to current employees and retirees. Although active and retired employees pay insurance premiums under the Federal Employees Health Benefits Program (FEHB), these premiums cover only a portion of the costs. The OPM actuary applies economic assumptions to historical cost information to estimate the liability. The Postal Accountability and Enhancement Act of 2006 (Postal Act of 2006) (Public Law No 109-435, Title VIII), made significant changes in the funding of future retiree health benefits for employees of the USPS, including the requirement for the USPS to make scheduled payments to the third Health Benefits Program (HBP) fund, the Postal Service Retiree Health Benefits (PSRHB) Fund. Public Law No. 109435 requires the USPS to make scheduled payment contributions to the PSRHB Fund ranging from $5 billion to $6 billion per year from fiscal year 2007 through fiscal year 2016. (The fiscal year 2009 payment was subsequently reduced to $1 billion.) Thereafter, the USPS will make annual payments in the amount of the normal cost payment plus or minus an amount to amortize the unfunded liability or surplus. The payment originally due by September 30, 2011, was deferred by Public Law No. 112-74, resulting in two payments due in fiscal year 2012, one for $5 billion due by August 1, 2012, and a second payment of $6 billion due by September 30, 2012, a total of $11 billion. Both were defaulted upon by USPS. In addition, there were $6 billion payments due by both September 30, 2013 and September 30, 2014, respectively, which USPS also did not make. At this time, Congress has not taken further action on these payments due to the PSRHB from USPS. The cost for these annual payments, including any defaulted payments, along with all its other benefit program costs, are included in USPS' net cost in the consolidated Statements of Net Cost in the *Financial Report*.

Military employees (including veterans)

Pensions

The DOD Military Retirement Fund accumulates funds to finance, on an accrual basis, the liabilities of DOD military retirement and survivor benefit programs. The increase in the Military Retirement Pension liability is due to additional benefit accruals (normal cost), interest on the pension liability, and assumption changes, offset somewhat by reductions due to experience gains and benefits paid out. Liabilities in the future will depend on expected changes due to interest and benefit accruals, future benefit changes, assumption changes, and actuarial experience.

This Fund receives income from three sources: monthly normal cost payments from the Services and Treasury to pay for the current years' service cost; annual payments from the Treasury to amortize the unfunded liability and pay for the increase in the normal cost attributable to Concurrent Receipt per Public Law 108-136; and investment income.

The military retirement system consists of a funded, noncontributory, defined benefit plan. It applies to military personnel (Departments of Army, Navy, Air Force, and the Marine Corps). This system includes non-disability retired pay, disability retired pay, survivor annuity programs, and Combat-Related Special Compensation. The Service Secretaries may approve immediate non-disability retired pay at any age with credit of at least 20 years of active duty service. Reserve retirees must be at least 60 years old and have at least 20 qualifying years of service before retired pay commences; however, in some cases, the age can be less than 60 if the reservist performs certain types of active service. There are three distinct non-disability benefit formulas related to three populations within the Military Retirement System: Final Pay, High-3, and Career Status Bonus/Redux. The date an individual enters the military determines which retirement system they would fall under and if they have the option to pick their retirement system. For more information on these benefits, see DOD's website https://www.dfas.mil/retiredmilitary/plan/estimate/csbredux.html.

Veterans compensation and burial benefits

The federal government compensates disabled veterans and their survivors. Veterans compensation is payable as a disability benefit or a survivor's benefit. Entitlement to compensation depends on the veteran's disabilities having been incurred in, or aggravated during, active military service; death while on duty; or death resulting from service-connected disabilities, if not on active duty.

Eligible veterans who die or are disabled from military service-related causes, as well as their dependents, receive compensation benefits. Also, veterans are provided with burial flags, headstones/markers, and grave liners for burial in a VA national cemetery or are provided a burial flag, headstone/marker and a plot allowance for burial in a private cemetery. These benefits are provided under 38 U.S.C., Part 2, Chapter 23 in recognition of a veteran's military service and are recorded as a liability in the period the requirements are met.

The liability for veterans' compensation and burial benefits payable is based on an actuarial estimate of future compensation and burial payments and increased by $32 billion in fiscal year 2014. The $32 billion increase in the Federal Employee and Veterans Benefits Liabilities represents a small increase of 2% which consists of several component changes, none of which is significant.

Several significant actuarial assumptions were used in the valuation of compensation and burial benefits to calculate the present value of the liability. A liability was recognized for the projected benefit payments to: 1) those beneficiaries, including veterans and survivors, currently receiving benefit payments; 2) current veterans who will in the future become beneficiaries of the compensation program; and 3) a proportional share of those in active military service as of the valuation date who will become veterans in the future. Future benefits payments to survivors of those veterans in classes 1, 2, and 3 above are also incorporated into the projection. The projected liability does not include any administrative costs.

The veterans compensation and burial benefits liability is developed on an actuarial basis. It is impacted by interest on the liability balance, changes in experience, changes in actuarial assumptions, prior service costs, and amounts paid for costs included in the liability balance.

Change in veterans compensation and burial benefits

	Compensation		Burial		Total	
(In billions)	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Actuarial accrued liability beginning of fiscal year	$1,970	$1,757	$ 5	$ 5	$1,975	$1,762
Current year expenses						
Interest on the liability balance	83	76	—	—	83	76
Prior (and past) service costs from program amendments or new programs during the period	—	1	—	—	—	1
Actuarial (gain)/losses (from experience)	36	87	—	—	36	87
Actuarial (gain)/losses (from assumption changes)	(22)	114	—	—	(22)	114
Total current year expense	97	278	—	—	97	278
Less benefits paid	(65)	(65)	—	—	(65)	(65)
Actuarial accrued liability, end of fiscal year	$2,002	$1,970	$ 5	$ 5	$2,007	$1,975

Significant economic assumptions used in determining veterans compensation and burial benefits

	2014	**2013**
Rate of interest	4.29%	4.20%
Rate of inflation	2.61%	2.57%

Post-retirement health benefits

Military retirees and their dependents are entitled to health care in military medical facilities if a facility can provide the needed care. Prior to becoming Medicare eligible, military retirees and other eligible beneficiaries are entitled to participate in TRICARE (now managed by the Defense Health Agency), which reimburses (net of beneficiary copay and deductible requirements) for the cost of healthcare from civilian providers. TRICARE options are available in indemnity, preferred provider organization, and health maintenance organization (HMO) designs.

Since fiscal year 2002, TRICARE, as second payer to Medicare, covers military retirees and other eligible beneficiaries after they become Medicare eligible. This TRICARE coverage for Medicare eligible beneficiaries requires that the beneficiary enroll in Medicare Part B (unless the beneficiary that is Medicare eligible is the spouse of an Active Duty Service Member) and is referred to as TRICARE for Life (TFL). Healthcare under TFL can be obtained from military medical facilities on an “as available” basis or from civilian providers. Military retiree healthcare actuarial liabilities are calculated annually using assumptions and actual experience. Military retiree healthcare liability figures include costs incurred in military medical facilities, as well as claims paid to civilian providers and certain administrative costs. Costs paid to civilian providers are net of Medicare’s portion of the cost.

10 U.S.C., Chapter 56 created the DOD Medicare-Eligible Retiree Health Care Fund, which became operative on October 1, 2002. The purpose of this fund is to account for the health benefits of Medicare-eligible military retirees, their dependents, and survivors who are Medicare eligible. The Fund receives contributions from the Uniformed Services and Treasury, as well as interest earnings on its investments and pays costs incurred in military medical facilities, as well as claims for care provided by civilian providers under TFL, administration costs associated with processing the TFL claims, and capitated payments for coverage provided by US Family Health Plans. The actuaries calculate the actuarial liabilities annually using assumptions and actual experience (e.g. mortality and retirement rates, direct care costs, purchased care). The current year actuarial present value of projected plan benefits rolls forward from the prior year’s results.

In addition to the healthcare benefits for civilian and military retirees and their dependents, the VA also provides medical care to veterans on an “as available” basis, subject to the limits of the annual appropriations. In accordance with 38 CFR 17.36 (c), VA’s Secretary makes an annual enrollment decision that defines the veterans, by priority, who will be treated for that fiscal year subject to change based on funds appropriated, estimated collections, usage, the severity index of enrolled veterans, and changes in cost. While VA expects to continue to provide medical care to veterans in future years, an estimate of such future benefits cannot be reasonably made. Accordingly, VA recognizes the medical care expenses in the period the medical care services are provided. For the fiscal years 2010 through 2014, the average medical care cost per year was $41 billion.

Pension Benefits

The VA also provides certain veterans and/or their dependents with pension benefits, based on annual eligibility reviews, if the veteran died or was disabled for nonservice-related causes. VA pension benefits are recognized as a nonexchange transaction due to the nature of the VA pension plan. Therefore, the actuarial present value of these future benefits is not required to be recorded on the Balance Sheet. The projected amounts of future payments for pension benefits (presented for informational purposes only) as of September 30, 2014, and 2013, was $103 billion and $98 billion, respectively.

State and local government

(In billions)	2014	2013
Unfunded pension entitlements	$1,468	$1,648
Other pension liabilities	3,639	3,238
Total employee and veteran benefits payable	$5,107	$4,886

Note 13 – Environmental and disposal liabilities

(In billions)	2014	2013
Federal	$369	$349
State and local	—	—
Total environmental and disposal liabilities	$369	$349

Federal government

(In billions)	2014	2013
Department of Energy		
Environmental and disposal liabilities	$300	$280
Department of Defense		
Environmental restoration	27	27
Disposal of weapon systems program	21	22
All other Department of Defense	10	9
Total Department of Defense	58	58
All other agencies	11	11
Total environmental and disposal liabilities	$369	$349

Department of Energy

During World War II and the Cold War, DOE (or predecessor agencies) developed a massive industrial complex to research, produce, and test nuclear weapons. This included nuclear reactors, chemical-processing buildings, metal machining plants, laboratories, and maintenance facilities that manufactured tens of thousands of nuclear warheads and conducted more than 1,000 nuclear tests.

At all sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage, and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. The environmental legacy of nuclear weapons production also includes thousands of contaminated buildings and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal.

Estimated cleanup costs at sites for which there are no current feasible remediation approaches, such as the Nevada nuclear test site, are excluded from the estimates, although applicable stewardship and monitoring costs for these sites are included. DOE has not been required through regulation to establish remediation activities for these sites.

Estimating DOE's environmental cleanup liability requires making assumptions about future activities and is inherently uncertain. The future course of DOE's environmental cleanup and disposal will depend on a number of fundamental technical and policy choices, many of which have not been made. The sites and facilities could be restored to a condition suitable for any desirable use, or could be restored to a point where they pose no near-term health risks. Achieving the former conditions would have a higher cost but may (or may not) warrant the costs, or be legally required. The environmental and disposal liability estimates include contingency estimates intended to account for the uncertainties associated with the technical cleanup scope of the program.

DOE's environmental and disposal liabilities estimates are dependent on annual funding levels and achievement of work as scheduled. Congressional appropriations at lower than anticipated levels or unplanned delays in project completion would cause increases in life-cycle costs.

DOE's environmental and disposal liabilities also include the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities, soil and groundwater remediation, and disposition of excess material for sites. The Department is responsible for the post-closure activities at many of the closure sites as well as other sites. The costs for these post-closure activities are estimated for a period of 75 years after the balance sheet date, i.e. through 2089 in fiscal year 2014 and through 2088 in fiscal year 2013. While some post-cleanup monitoring and other long-term stewardship activities post-2089 are included in the liability, there are others the Department expects to continue beyond 2089 for which the costs cannot reasonably be estimated.

A portion of DOE's environmental and disposal liabilities at various field sites includes anticipated costs for facilities managed by DOE's ongoing program operations which will ultimately require stabilization, deactivation, and decommissioning. The estimate is largely based upon a cost-estimating model. Site specific estimates are used in lieu of the cost-estimating model, when available. Cost estimates for ongoing program facilities are updated each year. For facilities newly contaminated since fiscal year 1997, cleanup costs allocated to future periods and not included in environmental and disposal liabilities amounted to $1 billion for both fiscal years 2014 and 2013.

Please refer to the financial statements of the DOE for significant detailed information regarding DOE's environmental and disposal liabilities, including cleanup costs.

Department of Defense

DOD follows the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), Superfund Amendments and Reauthorization Act, Resource Conservation and Recovery Act (RCRA) and other applicable federal or state laws to clean up contamination. The CERCLA and RCRA require the DOD to clean up contamination in coordination with regulatory agencies, current owners of property damaged by the Department, and third parties that have a partial responsibility for the environmental restoration. Failure to comply with agreements and legal mandates puts the DOD at risk of incurring fines and penalties.

DOD must restore active installations, installations affected by base realignment and closure, and other areas formerly used as Defense sites. DOD also bears responsibility for disposal of chemical weapons and environmental costs associated with the disposal of weapons systems (primarily nuclear powered aircraft carriers and submarines).

DOD uses engineering estimates and independently validated models to estimate environmental costs. The engineering estimates are used after obtaining extensive data during the remedial investigation/feasibility phase of the environmental project.

For general PP&E placed into service after September 30, 1997, DOD expenses associated environmental costs systematically over the life of the asset using two methods: physical capacity for operating landfills and life expectancy in years for all other assets. The Department expenses the full cost to clean up contamination for stewardship property, plant, and equipment at the time the asset is placed into service. DOD has expensed the costs for cleanup associated with general property, plant, and equipment placed into service before October 1, 1997, except for costs intended to be recovered through user charges; for those costs, DOD has expensed cleanup costs associated with that portion of the asset life that has passed since it was placed into service. DOD systematically recognizes the remaining cost over the remaining life of the asset. The unrecognized portion of the cleanup cost associated with general property, plant, and equipment is $3 billion for both fiscal years 2014 and 2013. Not all components of DOD are able to compile the necessary information for this disclosure, thus the amount reported may not accurately reflect DOD's total unrecognized costs associated with general property, plant, and equipment. DOD is implementing procedures to address these deficiencies.

DOD is unable to estimate and report a liability for environmental restoration and corrective action for buried chemical munitions and agents, because the extent of the buried chemical munitions and agents is unknown at this time. DOD is also unable to provide a complete estimate for the Formerly Utilized Sites Remedial Action Program. DOD has ongoing studies and will update its estimate as additional liabilities are identified. DOD has the potential to incur costs for restoration initiatives in conjunction with returning overseas Defense facilities to host nations. However, DOD is unable to provide a reasonable estimate at this time because the extent of required restoration is unknown.

Please refer to the financial statements of the DOD for further detailed information regarding DOD's environmental and disposal liabilities, including cleanup costs.

In addition, due to the implementation of TB 2006-1 in fiscal year 2013, agencies recorded an environmental and disposal liability for asbestos-related cleanup costs totaling $4 billion as of both September 30, 2014, and 2013.

State and local government

The Federal Reserve does not provide amounts for environmental and disposal liabilities at the state and local government level. We do not know if states have these liabilities, and if they do, we are not aware of another aggregated source for this data.

Note 14 – Benefits due and payable

(In billions)	2014	2013
Federal	$192	$174
State and local	—	—
Total benefits due and payable	$192	$174

Federal government

(In billions)	2014	2013
Federal Old-Age and Survivors Insurance	$ 63	$ 60
Federal Supplementary Medical Insurance (Medicare Parts B and D)	32	28
Grants to States for Medicaid	32	28
Federal Hospital Insurance (Medicare Part A)	26	21
Federal Disability Insurance	26	24
All other benefits programs	13	13
Total benefits due and payable	$192	$174

Benefits due and payable are amounts owed to program recipients or medical service providers as of September 30 that have not been paid. HHS and the SSA administer the majority of the medical service programs and the DOL administers the Unemployment Insurance program. For a description of the programs, see *in the 2014 Financial Report*, *Note 24 – Social Insurance* and the *Unaudited Required Supplementary Information – Social Insurance* section.

State and local government

Based on our understanding of the state and local government, we expect there to be amounts for benefits due and payable, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 15 – Insurance and guarantee program liabilities

(In billions)	2014	2013
Federal	$168	$140
State and local	—	—
Total insurance and guarantee program liabilities	$168	$140

Federal government

(In billions)	2014	2013
Pension Benefit Guaranty Corporation – Benefit Pension Plans	$147	$115
Federal Deposit Insurance Corporation Funds	13	17
All other insurance and guarantee programs	8	8
Total insurance and guarantee program liabilities	$168	$140

PBGC insures pension benefits for participants in covered defined benefit pension plans. As a wholly-owned corporation of the federal government, PBGC's financial activity and balances are included in the consolidated federal financial statements. However, under current law, PBGC's liabilities may be paid only from PBGC's assets and not from the General Fund of the Treasury or assets of the federal government in general. As of September 30, 2014, and 2013, PBGC had total liabilities of

$152 billion and $121 billion, and its total liabilities exceeded its total assets by $62 billion and $36 billion, respectively. In addition, as discussed in *Note 17 – Contingencies*, PBGC reported reasonably possible contingent losses of about $184 billion and $329 billion as of September 30, 2014, and 2013, respectively.

Of the total FDIC amount as of September 30, 2014, and 2013, $2 billion and $1 billion, respectively, represents the recorded contingent liability and loss provision for institutions insured by the Deposit Insurance Fund that are likely to fail. In addition, $11 billion and $16 billion pertain to liabilities due to resolutions of failed or failing institutions and to pending depositor claims as of September 30, 2014, and 2013, respectively.

State and local government

The Federal Reserve does not provide amounts for insurance and guarantee program liabilities. We do not know if states have these liabilities, and if they do, we are not aware of another aggregated source for this data.

Note 16 – Other liabilities

(In billions)	**2014**	**2013**
Federal	$408	$522
State and local	—	—
Total other liabilities	$408	$522

Federal government

(In billions)	**2014**	**2013**
Unearned revenue and assets held for others		
Unearned fees for nuclear waste disposal (DOE) and other unearned revenue	$ 51	$ 49
Assets held on behalf of others	81	79
Subtotal	132	128
Employee-related liabilities		
Accrued federal employees' wages and benefits	38	38
Selected DOE contractors' and D.C. employees' pension benefits	49	47
Subtotal	87	85
International monetary liabilities and gold certificates		
Exchange Stabilization Fund	58	59
Gold certificates	11	11
Subtotal	69	70
Subsidies and grants	27	27
Miscellaneous liabilities		
Legal and other contingencies	46	43
Liability for restoration of federal debt principal and interest	—	120
Other miscellaneous	47	49
Subtotal	93	212
Total	$408	$522

Other liabilities represent liabilities that are not separately identified on the Balance Sheet and are presented on a comparative basis by major category.

Unearned revenue and assets held for others

The federal government recognizes a liability when it receives money in advance of providing goods and services or assumes custody of money belonging to others. The federal government's unearned revenue from fees DOE has collected from utility companies for the future cost of managing the disposal of nuclear waste is about $36 billion and $34 billion as of September 30, 2014, and 2013, respectively. Other unearned revenue includes USPS income for such things as prepaid postage, outstanding money orders, and prepaid P.O. Box rentals. FDIC collected prepaid assessments from the financial institutions to address the Deposit Insurance Fund (DIF) liquidity needs to pay for projected near-term failures and to ensure that the deposit insurance system remains industry-funded. The prepaid collection was based on maintaining assessment rates at their current levels through the end of 2010 and adopting a uniform 3 basis point increase in assessment rates effective January 1, 2011. An institution's quarterly risk-based deposit insurance assessment thereafter is offset by the amount prepaid until that amount is exhausted or until June 30, 2013, when any amount remaining would be returned to the institution. The final offset of prepaid assessments occurred for the period ending March 31, 2013, and in June 2013, as required by regulation, the DIF refunded $6 billion of unused prepaid assessments to Insured Depository Institutions. Assets held on behalf of others include funds collected in advance and undelivered Defense articles. The Foreign Military Sales program holds $68 billion and $67 billion as of September 30, 2014, and 2013, respectively for articles and services for future delivery to foreign governments.

Employee-related liabilities

This category includes amounts owed to employees at year end and actuarial liabilities for certain non-federal employees. Actuarial liabilities for federal employees and veteran benefits are included in *Note 12 – Employee and veteran benefits payable* and are reported on another line on the Balance Sheet. The largest liability in the employee-related liabilities category is the amount owed at the end of the fiscal year to federal employees for wages and benefits (including accrued annual leave). In addition, DOE is liable to certain contractors such as the University of California, which operates the Lawrence Livermore National Laboratory, for contractor employee pension and post-retirement benefits, which is about $23 billion and $21 billion as of September 30, 2014, and 2013, respectively. Also, the federal government owed about $9 billion as of both September 30, 2014, and 2013, for estimated future pension benefits of the District of Columbia's judges, police, firefighters, and teachers.

International monetary liabilities and gold certificates

Consistent with US obligations in the IMF on orderly exchange arrangements and a stable system of exchange rates, the Secretary of the Treasury, with the approval of the President, may use the Exchange Stabilization Fund to deal in gold, foreign exchange, and other instruments of credit and securities.

Gold certificates are issued in nondefinitive or book-entry form to the Federal Reserve Banks. The federal government's liability incurred by issuing the gold certificates, as reported on the Balance Sheet, is limited to the gold being held by the Treasury at the standard value established by law. Upon issuance of gold certificates to the FRBs, the proceeds from the certificates are deposited into the operating cash of the US Government. All of the Treasury's certificates issued are payable to the FRBs.

Gold totaling $11 billion as of both September 30, 2014, and 2013, was pledged as collateral for gold certificates issued and authorized to the FRBs by the Secretary of the Treasury. Treasury may redeem the gold certificates at any time. Foreign currency is translated into US dollars at the exchange rate at fiscal year-end. The foreign currency is maintained by the ESF and various US federal agencies as well as foreign banks.

Subsidies and grants

The federal government supports the public good through a wide variety of subsidy and grant programs in such areas as agriculture, medical and scientific research, education, and transportation. USDA programs such as Conservation Reserve, Tobacco Transition Payment, Disaster Assistance and Direct and Counter-Cyclical Payment Programs account for the majority of the subsidies due, about $5 billion and $7 billion as of September 30, 2014, and 2013, respectively.

The federal government awards hundreds of billions of dollars in grants annually. These include project grants that are competitively awarded for agency-specific projects, such as HHS grants to fund projects to "enhance the independence, productivity, integration, and inclusion into the community of people with developmental disabilities." Other grants are formula grants, such as matching grants. Formula grants go to state governments for such things as education and transportation programs. These grants are paid in accordance with distribution formulas that have been provided by law or administrative regulations. Of the total liability reported for grants as of September 30, 2014, and 2013, DOT, Education, and HHS collectively owed their grantees about $12 billion and $13 billion, respectively. Refer to the financial statements and footnotes of the respective agencies for additional information.

Miscellaneous liabilities

Some of the more significant liabilities included in this category are for (1) legal and other contingencies (see *Note 17 – Contingencies*), (2) Bonneville Power Administration liability to pay annual budgets of several power projects for its electrical generating capacity, (3) payables due to the purchases of securities, and (4) other liabilities reported by Treasury as a result of the occurrence of a delay in raising the statutory debt limit as of September 30, 2013. When delays in raising the statutory debt limit occur, Treasury often must deviate from its normal debt management operations and take a number of extraordinary measures to meet the federal government's obligations as they come due without exceeding the debt limit. Many extraordinary measures taken by Treasury during the period of May 20, 2013, through September 30, 2013, resulted in federal debt securities not being issued to certain federal government accounts. As a result of Treasury securities not being issued to the G Fund, Treasury reported miscellaneous liabilities in the amount of $120 billion that represent uninvested principal of and related interest for the Thrift Savings Plan's (TSP) G Fund that would have been reported in *Note 11 – Debt securities held by the public and accrued interest* had there not been a delay in raising the statutory debt limit as of September 30, 2013, and had the securities been issued. These extraordinary measures ended when Congress enacted legislation which temporarily suspended the debt limit, therefore resulting in an increase of Federal Debt Securities Held by the Public and Accrued Interest from fiscal years 2013 to 2014. For further information on this, see *Note 11 – Debt securities held by the public and accrued interest* and *Note 20 – Fiduciary activities*.

In addition, many federal agencies reported relatively small amounts of miscellaneous liabilities that are not otherwise classified.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have other liabilities, however the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 17 – Contingencies

(In billions)	2014	2013
Federal	$30	$31
State and local	—	—
Total contingencies	$30	$31

Federal government

Financial treatment of loss contingencies

Loss contingencies that are assessed to be at least reasonably possible are disclosed in this note. Loss contingencies involve situations where there is an uncertainty of a possible loss. The reporting of loss contingencies depends on the likelihood that a future event or events will confirm the loss or impairment of an asset or the incurrence of a liability. Terms used to assess the range for the likelihood of loss are probable, reasonably possible, and remote. Loss contingencies that are assessed as probable and measurable are accrued in the financial statements. Loss contingencies that are assessed as remote are not reported in the financial statements, nor disclosed in the notes. All other material loss contingencies are disclosed in this note. The following table provides criteria for how federal agencies are to account for loss contingencies, based on the likelihood of the loss and measurability.

The federal government is subject to loss contingencies that include insurance and litigation cases. These loss contingencies arise in the normal course of operations and their ultimate disposition is unknown. Based on information currently available, however, it is management's opinion that the expected outcome of these matters, individually or in the aggregate, will not have a material adverse effect on the financial statements, except for the insurance and litigation described in the following section, which could have a material adverse effect on the financial statements.

Insurance contingencies

At the time an insurance policy is issued, a contingency arises. The contingency is the risk of loss assumed by the insurer, that is, the risk of loss from events that may occur during the term of the policy. The federal government has insurance contingencies that are reasonably possible in the amount of $186 billion as of September 30, 2014, and $333 billion as of September 30, 2013. The major programs are identified below:

- PBGC reported $184 billion and $329 billion as of September 30, 2014, and 2013, respectively, for the estimated aggregate unfunded vested benefits exposure to the PBGC for private-sector single-employer and multi-employer defined benefit pension plans that are classified as a reasonably possible exposure to loss.
- FDIC reported $2 billion and $4 billion as of September 30, 2014, and 2013, respectively, for identified additional risk in the financial services industry that could result in additional loss to the DIF should potentially vulnerable insured institutions ultimately fail. Actual losses, if any, will largely depend on future economic and market conditions.

Deposit insurance

Deposit insurance covers all types of deposit accounts such as checking, Negotiable Order of Withdrawal and savings accounts, money market deposit accounts, and certificates of deposit received at an insured bank, savings association, or credit union. The insurance covers the balance of each depositor's account and shares, dollar-for-dollar, up to the insurance limit, including principal and any accrued interest through the date of the insured financial institution's closing. As a result, the federal government has the following exposure from federally-insured financial institutions:

- FDIC has estimated insured deposits of $6,132 billion as of September 30, 2014, and $5,969 billion as of September 30, 2013, for the DIF.
- National Credit Union Administration (NCUA) has estimated insured shares of $896 billion as of September 30, 2014, and $869 billion as of September 30, 2013, for the National Credit Union Share Insurance Fund.

Legal contingencies

Legal contingencies as of September 30, 2014, and 2013, are summarized in the table below:

	2014			2013		
		Estimated Range of Loss for Certain Cases 2			Estimated Range of Loss for Certain Cases 2	
(In billions)	**Accrued Liabilities**	**Lower End**	**Upper End**	**Accrued Liabilities**	**Lower End**	**Upper End**
Probable	$ 7	$ 7	$ 9	$ 7	$7	$ 9
Reasonably possible	$—	$10	$14	$—	$9	$15

The federal government is party to various administrative claims and legal actions brought against it, some of which may ultimately result in settlements or decisions against the federal government.

Management and legal counsel have determined that it is "probable" that some of these actions will result in a loss to the federal government and the loss amounts are reasonably measurable. The estimated liabilities for these cases are $7 billion as of both September 30, 2014, and 2013, and are included in "Other Liabilities" on the Balance Sheet. For example, HHS is subject to various claims and contingencies related to lawsuits. For cases in which payment has been deemed probable and for which the amount of potential liability has been estimated, about $3 billion has been accrued in the financial statements as of both September 30, 2014, and 2013. The US Supreme Court decision in Salazar v. Ramah Navajo, dated June 18, 2012 is likely to result in increased claims against the Indian Health Service, a component within HHS. Tribes are expected to file claims for prior years and seek to consolidate their claims in a class action lawsuit. It is not clear if these will be filed as administrative cases or filed in Federal District Court. In fiscal year 2014, in DOI's case of Navajo Nation v. United States, in which an Indian tribe seeks damages relating to management of tribal trust funds and assets, the federal government settled the case for $554 million, an amount representing the largest settlement with a single Indian tribe. The $554 million was not recorded as a liability in fiscal year 2013 as the settlement negotiation was ongoing.

There are also administrative claims and legal actions pending where adverse decisions are considered by management and legal counsel as "reasonably possible" with an estimate of potential loss or a range of potential loss. The estimated potential losses for such claims and actions range from $10 billion to $14 billion as of September 30, 2014, and from $9 billion to $15 billion as of September 30, 2013.

Numerous litigation cases are pending where the outcome is uncertain or it is reasonably possible that a loss has been incurred and where estimates cannot be made. There are other litigation cases where the plaintiffs have not made claims for specific dollar amounts, but the settlement may be significant. The ultimate resolution of these legal actions for which the potential loss could not be determined may materially affect the US government's financial position or operating results. Examples of specific cases are summarized below:

- In the case, Starr International Co., Inc. v. United States, the plaintiffs' principal class claim in this case, filed in the US Court of Federal Claims, arises out of the receipt by the US of a 80% equity interest in American International Group, Inc. (AIG) as part of the consideration for the extension of an $85 billion, two-year revolving credit facility to AIG by the Federal Reserve Bank of New York in September 2008 and prior to the passage of the Emergency Economic Stabilization Act of 2008. Plaintiffs claim that the transfer of the equity interest, which was in the form of Series C preferred stock held by a trust for the benefit of the US government, was an illegal exaction under Section 13(3) of the Federal Reserve Act or constituted a taking of AIG shareholders' property for which just compensation is due under the Fifth Amendment to the US Constitution. In a separate class claim, plaintiffs allege that an illegal exaction or taking for which just compensation is due occurred when the US government allegedly caused AIG to conduct a reverse stock split in June 2009 without a separate class vote of the then outstanding common shareholders. Plaintiffs seek compensatory damages from the federal government, including an amount related to the exchange of Series E and F preferred shares for common shares of AIG in January 2011 that were previously held by TARP, which common shareholders allegedly could have blocked had the reverse stock split not occurred. The federal government is unable to determine the likelihood of an unfavorable outcome or make an estimate of potential loss at this time.

Environmental and disposal contingencies

Environmental and disposal contingencies as of September 30, 2014, and 2013, are summarized in the table below:

	2014			2013		
		Estimated Range of Loss for Certain Cases 2			Estimated Range of Loss for Certain Cases 2	
(In billions)	**Accrued Liabilities**	**Lower End**	**Upper End**	**Accrued Liabilities**	**Lower End**	**Upper End**
Probable	$23	$23	$23	$24	$24	$24
Reasonably possible	$ —	$ 1	$ 1	$ —	$ 1	$ 1

The federal government is subject to loss contingencies for a variety of environmental cleanup costs for the storage and disposal of hazardous material as well as the operations and closures of facilities at which environmental contamination may be present.

Management and legal counsel have determined that it is "probable" that some of these actions will result in a loss to the federal government and the loss amounts are reasonably measurable. The estimated liabilities for these cases are $23 billion and $24 billion as of September 30, 2014, and 2013, respectively, and are included in "Other Liabilities" on the Balance Sheet. DOE is subject to Spent Nuclear Fuel litigation for damages suffered by all utilities as a result of the delay in beginning disposal of spent nuclear fuel and also damages for alleged exposure to radioactive and/or toxic substances. Significant claims for partial breach of contract and a large number of class action and/or multiple plaintiff tort suits have been filed with estimated liability amounts of $23 billion and $21 billion as of September 30, 2014, and 2013, respectively.

Other contingencies

DOT and HHS reported the following other contingencies:

- The Federal Highway Administration (FHWA) reimburses states for construction costs on projects related to the Federal Highway System of roads. FHWA has pre-authorized $46.0 billion to the states to establish budgets for its construction projects for both fiscal years ending September 30, 2014, and 2013. Congress has not provided appropriations for these projects and no liability is accrued in the DOT consolidated financial statements.
- Contingent liabilities have been accrued as a result of Medicaid audit and program disallowances that are currently being appealed by the states and for reimbursement of state plan amendments. The Medicaid amounts are $8 billion and $6 billion for fiscal years ending September 30, 2014, and 2013, respectively. In all cases, the funds have been returned to HHS. If the appeals are decided in favor of the states, HHS will be required to pay these amounts. In addition, certain amounts for payment have been deferred under the Medicaid program when there is reasonable doubt as to the legitimacy of expenditures claimed by a state. There are also outstanding reviews of the state expenditures in which a final determination has not been made.

Treaties

The US Government is a party to major treaties and other international agreements. These treaties and other international agreements address various issues including, but not limited to trade, commerce, security, and arms that may involve financial obligations or give rise to possible exposure to losses. A comprehensive analysis to determine any such financial obligations or possible exposure to loss and their related effect on the consolidated financial statements of the federal government has not yet been performed.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have contingencies, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source of this data.

Note 18 – Commitments

(In billions)	2014	2013
Federal	$1,487	$1,618
State and local	—	—
Total commitments	$1,487	$1,618

Federal government

(In billions)	2014	2013
General Services Administration	$24	$23
US Postal Service	7	7
Other operating leases	7	9
Total long-term operating leases	$38	$39

The federal government has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations and undelivered orders. Undelivered orders represent the value of goods and services ordered that have not yet been received.

The federal government has other commitments that may require future use of financial resources. For example, the federal government has callable subscriptions in certain Multilateral Development Banks (MDBs), which are international financial institutions that finance economic and social development projects in developing countries. Callable capital stock shares in the MDBs serve as a supplemental pool of resources that may be redeemed and converted into ordinary paid-in shares, if the MDB cannot otherwise meet certain obligations through its other available resources. MDBs are able to use callable capital as backing to obtain very favorable financing terms when borrowing from world capital markets. To date, there has never been a call on this capital for any of the major MDBs and none are anticipated.

Undelivered orders and other commitments

(In billions)	2014	2013
Undelivered Orders		
Department of Defense	$ 136	$ 202
Department of the Treasury	164	171
Defense Security Cooperation Agency	161	—
Department of Education	130	216
Department of Health and Human Services	111	88
Department of Transportation	108	102
EOP Foreign Military Sales Program	—	154
All other agencies	254	269
Total undelivered orders	$1,064	$1,202
Other Commitments		
GSE Senior Preferred Stock Purchase Agreement	$ 258	$ 258
Callable Capital Subscriptions for Multilateral Development Banks	102	91
All other commitments	25	28
Total other commitments	$ 385	$ 377

Other commitments and risks

Commitments to GSEs

At September 30, 2014, and 2013, the maximum remaining potential commitment to the GSEs for the remaining life of the SPSPAs was $258 billion, which was established on December 31, 2012. Refer to *Note 8 – Investments in government-sponsored enterprises* for a full description of the SPSPA agreements, related commitments, and contingent liability, if any, as well as additional information.

Terrorism Risk Insurance Program

The Terrorism Risk Insurance Act of 2002 (TRIA or the Act), which established the Terrorism Risk Insurance Program (Program) first was enacted on November 26, 2002. On January 12, 2015, the Terrorism Risk Insurance Program Reauthorization Act of

2015 (the "Reauthorization Act"), amended the termination date of the Program to December 31, 2020. This program could create claims on government resources in the future. The purpose of the Act is to address market disruptions and ensure the continued widespread availability and affordability of commercial property and casualty insurance for terrorism risk. If the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General, certifies an act as an "act of terrorism," insurers may be eligible to receive payments from the federal government partially reimbursing insured losses above a designated deductible amount. The Act also gives Treasury authority to recoup federal payments made under the Program through policyholder surcharges under certain circumstances and contains provisions designed to manage litigation arising from or relating to certified acts of terrorism. The Secretary of the Treasury has never certified an "act of terrorism" under TRIA, and therefore, there have been no payments under the Program.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have commitments, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source for this data.

Note 19 – Funds from dedicated collections

(In billions)	2014	2013
Federal	$1,503	$3,144
State and local	—	—
Total funds from dedicated collections	$1,503	$3,144

Federal government

(In billions)	Federal Old-Age and Survivors Insurance Trust Fund	Federal Hospital Insurance Trust Fund (Medicare Part A)	Federal Disability Insurance Trust Fund	Federal Supplementary Medical Insurance Trust Fund (Medicare Parts B and D)	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Combined)
2014						
Assets						
Cash and other monetary assets	$ —	$ —	$ —	$ —	$ 58	$ 58
Fund balance with Treasury	—	1	—	18	120	139
Investments in Treasury securities, net of unamortized premiums/discounts	2,713	202	70	68	182	3,235
Other federal assets	23	33	1	36	17	110
Non-federal assets	2	1	4	5	113	125
Total assets	$2,738	$237	$ 75	$127	$490	$3,667
Liabilities and net position						
Due and payable to beneficiaries	$ 63	$ 26	$ 26	$ 32	$ 3	$ 150
Other federal liabilities	4	30	1	36	80	151
Other non-federal liabilities	—	1	—	2	165	168
Total liabilities	67	57	27	70	248	469
Total net position	2,671	180	48	57	242	3,198
Total liabilities and net position	$2,738	$237	$ 75	$127	$490	$3,667
Change in net position						
Beginning net position	$2,616	$190	$ 80	$ 53	$205	$3,144
Prior-period adjustment	—	—	—	—	—	—
Beginning net position, adjusted	2,616	190	80	53	205	3,144
Investment revenue	96	9	4	2	3	114
Individual income taxes	642	228	109	—	—	979
Unemployment and excise taxes	—	—	—	—	109	109
Other taxes and receipts	—	10	—	6	36	52
Other changes in fund balance	19	9	(2)	247	30	303
Total financing sources	757	256	111	255	178	1,557
Program gross costs and non-program expenses	702	270	143	320	178	1,613
Less: program revenue	—	(4)	—	(69)	(37)	(110)
Net cost	702	266	143	251	141	1,503
Ending net position	$2,671	$180	$ 48	$ 57	$242	$3,198

(In billions)	Federal Old-Age and Survivors Insurance Trust Fund	Federal Hospital Insurance Trust Fund (Medicare Part A)	Federal Disability Insurance Trust Fund	Federal Supplementary Medical Insurance Trust Fund (Medicare Parts B and D)	All Other Funds from Dedicated Collections	Total Funds from Dedicated Collections (Combined)
2013						
Assets						
Cash and other monetary assets	$ —	$ —	$ —	$ —	$ 65	$ 65
Fund balance with Treasury	—	2	—	8	104	114
Investments in Treasury securities, net of unamortized premiums/discounts	2,656	206	101	67	164	3,194
Other federal assets	24	31	1	46	17	119
Non-federal assets	1	—	3	—	109	113
Total assets	$2,681	$239	$105	$121	$459	$3,605
Liabilities and net position						
Due and payable to beneficiaries	$ 60	$ 21	$ 24	$ 28	$ 4	$ 137
Other federal liabilities	5	27	1	38	89	160
Other non-federal liabilities	—	1	—	2	161	164
Total liabilities	65	49	25	68	254	461
Total net position	2,616	190	80	53	205	3,144
Total liabilities and net position	$2,681	$239	$105	$121	$459	$3,605
Change in net position						
Beginning net position	$2,552	$212	$111	$ 70	$203	$3,148
Prior-period adjustment	—	—	—	—	1	1
Beginning net position, adjusted	2,552	212	111	70	204	3,149
Investment revenue	99	10	5	2	4	120
Individual income taxes	589	213	100	—	—	902
Unemployment and excise taxes	—	—	—	—	107	107
Other taxes and receipts	—	1	—	3	32	36
Other changes in fund balance	43	15	4	215	35	312
Total financing sources	731	239	109	220	178	1,477
Program gross costs and non-program expenses	667	265	140	303	211	1,586
Less: program revenue	—	4	—	66	34	104
Net cost	667	261	140	237	177	1,482
Ending net position	$2,616	$190	$ 80	$ 53	$205	$3,144

Generally, funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, provided to the federal government by non-federal sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the federal government's general revenues. Funds from dedicated collections generally include trust funds, public enterprise revolving funds (not including credit reform financing funds), and special funds. Funds from dedicated collections specifically exclude any fund established to account for pensions, other retirement benefits, other postemployment or other benefits provided for federal employees (civilian and military). In the federal budget, the term "trust fund" means only that the law requires a particular fund be accounted for separately, used only for a specified purpose, and designated as a trust fund. A change in law may change the future receipts and the terms under which the fund's resources are spent. In the private sector, trust fund refers to funds of one party held and managed by a second party (the trustee) in a fiduciary capacity. The activity of funds from dedicated collections differs from fiduciary activities primarily in that assets within funds from dedicated collections are government-owned. For further information related to fiduciary activities, see *Note 20 – Fiduciary activities*.

Public enterprise revolving funds include expenditure accounts authorized by law to be credited with offsetting collections, mostly from the public, that are generated by and dedicated to finance a continuing cycle of business-type operations. Some of the financing for these funds may be from appropriations.

Special funds are federal funds dedicated by law for a specific purpose. Special funds include the special fund receipt account and the special fund expenditure account.

The tables above depict major funds from dedicated collections chosen based on their significant financial activity and importance to taxpayers. All other government funds from dedicated collections not shown separately are aggregated as "all other."

Total assets represent the unexpended balance from all sources of receipts and amounts due to the funds from dedicated collections, regardless of source, including related governmental transactions. These are transactions between two different entities within the federal government (for example, monies received by one entity of the federal government from another entity of the federal government).

The intragovernmental assets comprise fund balances with Treasury, investments in Treasury securities-including unamortized amounts, and other assets that include the related accrued interest receivable on federal investments. These amounts were eliminated in preparing the principal financial statements.

The non-federal assets represent only the activity with individuals and organizations outside of the federal government.

Most of the assets within funds from dedicated collections are invested in intragovernmental debt holdings. The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the Treasury, which uses the cash for general government purposes. Treasury securities are issued to federal agencies as evidence of its receipts. Treasury securities are an asset to the federal agencies and a liability to the Treasury and, therefore, they do not represent an asset or a liability in the *Financial Report*. These securities require redemption if a fund's disbursements exceeds its receipts. Redeeming these securities will increase the federal government's financing needs and require more borrowing from the public (or less repayment of debt), or will result in higher taxes than otherwise would have been needed, or less spending on other programs than otherwise would have occurred, or some combination thereof. See *Note 11 – Federal debt securities held by the public and accrued interest* for further information related to the investments in federal debt securities.

Depicted below is a description of the major funds from dedicated collections shown in the above tables, which also identifies the federal government agencies that administer each particular fund. For detailed information regarding these funds from dedicated collections, please refer to the financial statements of the corresponding administering agencies. For information on the benefits due and payable liability associated with certain funds from dedicated collections, see *Note 14 – Benefits due and payable*.

Federal Old-Age and Survivors Insurance Trust Fund

The Federal Old-Age and Survivors Insurance (OASI) Trust Fund, administered by the SSA, provides retirement and survivors benefits to qualified workers and their families.

Payroll and self-employment taxes primarily fund the OASI Trust Fund. Interest earnings on Treasury securities, federal agencies' payments for the Social Security benefits earned by military and federal civilian employees, and Treasury payments for a portion of income taxes collected on Social Security benefits provide the fund with additional income. The law establishing the OASI Trust Fund and authorizing the depositing of amounts to the credit of the fund is set forth in 42 U.S.C. § 401.

Federal Hospital Insurance Trust Fund (Medicare Part A)

The Federal Hospital Insurance Trust Fund, administered by HHS, finances the Hospital Insurance Program (Medicare Part A). This program funds the cost of inpatient hospital and related care for individuals age 65 or older who meet certain insured status requirements, and eligible disabled people.

The Federal Hospital Insurance Trust Fund is financed primarily by payroll taxes, including those paid by federal agencies. It also receives income from interest earnings on Treasury securities and a portion of income taxes collected on Social Security benefits. Section 1817 of the Social Security Act established the Medicare Hospital Trust Fund.

Federal Disability Insurance Trust Fund

The Federal Disability Insurance (DI) Trust Fund provides financial assistance and protection against the loss of earnings due to a wage earner's disability. The SSA administers this fund.

Like the OASI Trust Fund, payroll taxes primarily fund the DI Trust Fund. The fund also receives income from interest earnings on Treasury securities, federal agencies' payments for the Social Security benefits earned by military and federal civilian employees, and a portion of income taxes collected on Social Security benefits. The law establishing the DI Trust Fund and authorizing the depositing of amounts to the credit of the fund is set forth in 42 U.S.C. § 401.

Federal Supplementary Medical Insurance Trust Fund (Medicare Parts B and D)

The Federal Supplementary Medical Insurance Trust Fund, administered by HHS, finances the Supplementary Medical Insurance Program (Medicare Part B) and the Medicare Prescription Drug Benefit Program (Medicare Part D). These programs provide supplementary medical insurance for enrolled eligible participants to cover physician and outpatient services not covered by Medicare Part A and to obtain qualified prescription drug coverage, respectively. Medicare Part B financing is not based on payroll taxes; it is primarily based on monthly premiums, income from the General Fund of the Treasury, and interest earnings on Treasury securities. Medicare Supplementary Medical Insurance Trust Fund was established by Section 1841 of the Social Security Act.

Medicare Part D was created by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Public Law No. 108-173). Medicare Part D financing is similar to Part B; it is primarily based on monthly premiums and income from the General Fund of the Treasury, not on payroll taxes. The fund also receives transfers from states. The law creating the Medicare prescription drug account within the Federal Supplementary Medical Insurance Trust Fund and authorizing the depositing of amounts to the credit of the fund is set forth in 42 U.S.C. § 1395w-116.

All other funds from dedicated collections

The federal government is responsible for the management of numerous funds from dedicated collections that serve a wide variety of purposes. The funds from dedicated collections presented on an individual basis in the above tables represent the majority of the federal government's net position attributable to funds from dedicated collections. All other activity attributable to funds from dedicated collections is aggregated in accordance with SFFAS No. 27, as amended by SFFAS No. 43. For the years ending September 30, 2014, and 2013, there were approximately 641 and 648 funds from dedicated collections, respectively. The funds from dedicated collections within the "all other" aggregate, along with the agencies that administer them, include the following:

- Exchange Stabilization Fund – administered by Treasury.
- Land and Water Conservation Fund, Reclamation Fund, and Water and Related Resources Fund – administered by DOI.
- Railroad Retirement Trust Fund – administered by RRB.
- National Flood Insurance Program – administered by DHS.
- Highway Trust Fund and Airport and Airway Trust Fund – administered by DOT.
- Government National Mortgage Association – administered by HUD.
- Decommissioning and Decontamination Fund – administered by DOE.
- Crime Victims Fund – administered by DOJ.
- Harbor Maintenance Trust Fund – administered by DOD.
- Unemployment Trust Fund (UTF) and Black Lung Disability Trust Fund (BLDTF) – administered by DOL.

In accordance with SFFAS No. 43, any funds established to account for pension, other retirement, or other postemployment benefits to civilian or military personnel are excluded from the reporting requirements related to funds from dedicated collections.

Unemployment and excise taxes

Unemployment taxes

The Unemployment Trust Fund (UTF), within the "all other" aggregate, represents all the unemployment tax revenues attributable to funds from dedicated collections shown on the consolidated Statement of Operations and Changes in Net Position in the *Financial Report*.

UTF provides temporary assistance to workers who lose their jobs. The program is administered through a unique system of federal and state partnerships, established in federal law, but executed through conforming state laws by state officials. DOL administers the federal operations of the program.

Employer taxes provide the primary funding source for the UTF and constitute all the unemployment tax revenues attributable to funds from dedicated collections as shown on the consolidated Statement of Operations and Changes in Net Position in the *Financial Report*. However, interest earnings on Treasury securities also provide income to the fund. For the years ending

September 30, 2014, and 2013, UTF unemployment tax revenues were $52.6 billion and $54.0 billion, respectively. Appropriations have supplemented the fund's income during periods of high and extended unemployment. UTF was established under the authority of Section 904 of the Social Security Act of 1935.

Excise taxes

There are 11 funds from dedicated collections within the "all other" aggregate that represent all of the dedicated excise tax revenue attributable to funds from dedicated collections shown on the consolidated Statement of Operations and Changes in Net Position. The Highway Trust Fund and the Airport and Airway Trust Fund, combined, represent more than 90 percent of all dedicated excise tax revenues. Both of these funds are administered by the DOT. For more information, please refer to DOT's financial statements

The Highway Trust Fund was established to promote domestic interstate transportation and to move people and goods. The fund provides federal grants to states for highway construction, certain transit programs, and related transportation purposes. The Highway Trust Fund was created by the Highway Revenue Act of 1956. Funding sources include designated excise taxes on gasoline and other fuels, certain tires, the initial sale of heavy trucks, and highway use by commercial motor vehicles. For the years ending September 30, 2014, and 2013, Highway Trust Fund excise tax revenues were $39 billion and $37 billion, respectively. As funds are needed for payments, the Highway Trust Fund corpus investments are liquidated and funds are transferred to the Federal Highway Administration, the Federal Transit Administration, or other DOT entities, for payment of obligations.

The Airport and Airway Trust Fund provides for airport improvement and airport facilities maintenance. It also funds airport equipment, research, and a portion of the Federal Aviation Administration's administrative operational support. The Airport and Airway Trust Fund was authorized by the Airport and Airway Revenue Act of 1970. Funding sources include:

- taxes received from transportation of persons and property in the air, as well as fuel used in commercial and general aviation;
- international departure taxes; and
- interest earnings on Treasury securities.

For the years ending 2014, and 2013, Airport and Airway Trust Fund excise tax revenues were $14 billion and $13 billion, respectively.

Miscellaneous earned revenues

Miscellaneous earned revenues due to activity attributable to funds from dedicated collections primarily relate to royalties retained by various funds within DOI.

State and local government

The Federal Reserve does not provide amounts for funds from dedicated collections. We do not know if states have these activities, and if they do, we are not aware of another aggregated source for this data.

Note 20 – Fiduciary activities

(In billions)	2014	2013
Federal	$427	$379
State and local	—	—
Total fiduciary activities	$427	$379

Federal government

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment, and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government and accordingly are not recognized on the consolidated Balance Sheet. Examples of the federal government's fiduciary activities include the Thrift Savings Plan (the Plan), which is administered by the Federal Retirement Thrift Investment Board, and the Indian Tribal and individual Indian Trust Funds, which are administered by the DOI.

(In billions)	2014	2013
FRTIB-Thrift Savings Plan	$416	$374
All other	11	5
Total fiduciary net assets	$427	$379

In accordance with the requirements of SFFAS No. 31, Accounting for Fiduciary Activities, fiduciary investments in Treasury securities and fund balance with Treasury held by fiduciary funds are to be recognized on the Balance Sheet as debt held by the public and a liability for fiduciary fund balance with Treasury, respectively. Refer to *Note 11 – Debt securities held by the public and accrued interest* for more information on Treasury securities.

As of September 30, 2014, total fiduciary investments in Treasury securities and in non-Treasury securities are $187 billion and $242 billion, respectively. As of September 30, 2013, total fiduciary investments in Treasury securities and in non-Treasury securities were $177 billion and $206 billion, respectively. As of both September 30, 2014, and 2013, the total fiduciary fund balance with Treasury is $1 billion. A liability for this fiduciary fund balance with Treasury is reflected as other miscellaneous liabilities in *Note 16 – Other liabilities*.

As of September 30, 2014, and 2013, collectively, the fiduciary investments in Treasury securities and fiduciary fund balance with Treasury held by all federal government entities represent $3 billion and $4 billion, respectively, of unrestricted cash included within cash held by Treasury for federal government-wide Operations shown in *Note 2 – Cash and other monetary assets*.

Federal retirement thrift investment board (FRTIB)-thrift savings plan

The TSP is administered by an independent federal government agency, the FRTIB, which is charged with operating the TSP prudently and solely in the interest of the participants and their beneficiaries. Assets of the TSP are maintained in the Thrift Savings Fund.

The TSP is a retirement savings and investment plan for federal employees and members of the uniformed services. It was authorized by the US Congress in the Federal Employees' Retirement System Act of 1986. The Plan provides federal employees and members of the uniformed services with a savings and tax benefit similar to what many private sector employers offer their employees. The Plan was primarily designed to be a key part of the retirement package (along with a basic annuity benefit and Social Security) for employees who are covered by FERS.

Federal employees, who are participants of FERS, the CSRS, or equivalent retirement systems, as provided by statute, and members of the uniformed services, are eligible to join the Plan immediately upon being hired. Generally, FERS employees are those employees hired on or after January 1, 1984, while CSRS employees are employees hired before January 1, 1984, who have not elected to convert to FERS. Each group has different rules that govern contribution rates. As of December 31, 2013, and 2012, there were approximately 4.6 million participants in the TSP, with approximately 2.9 million contributing their own money. For further information about FRTIB and the TSP, please refer to the FRTIB website at https://www.frtib.gov.

As of September 30, 2014, and 2013, the TSP held $416 billion and $374 billion, respectively, in net assets, which included $184 billion and $53 billion, respectively, of US Government Securities (amounts are unaudited). The most recent audited financial statements for the TSP are as of December 31, 2013, and 2012. As of December 31, 2013, and 2012, the TSP held $395 billion and $335 billion, respectively, in net assets, which included $173 billion and $159 billion, respectively, of US Government Securities. These unaudited amounts above are included to enhance comparability of the TSP net assets with the remainder of the federal government's fiduciary net assets as of September 30, 2014, and 2013. The increase from fiscal year 2013 to fiscal year 2014 was due to debt suspension in fiscal year 2013 as discussed in the Intragovernmental Section of *Note 11 – Debt securities held by the public and accrued interest*.

DOI – Indian trust funds

As stated above, DOI has responsibility for the assets held in trust on behalf of American Indian tribes and individuals, and these account for all of DOI's fiduciary net assets. DOI maintains accounts for Tribal and Other Trust Funds (including the Alaska Native

Escrow Fund and Individual Indian Money Trust Funds) in accordance with the American Indian Trust Fund Management Reform Act of 1994. The fiduciary balances that have accumulated in these funds have resulted from land use agreements, royalties on natural resource depletion, other proceeds derived directly from trust resources, judgment awards, settlements of claims, and investment income. These funds are maintained for the benefit of individual Native Americans as well as for designated Indian tribes. DOI maintains separate financial statements for these trust funds which were prepared using the cash or modified cash basis of accounting, a comprehensive basis of accounting other than GAAP. The independent auditors' reports were qualified as it was not practical to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances. For further information related to these assets, see the financial statements of the DOI.

All other entities with fiduciary activities

The federal government is responsible for the management of other fiduciary net assets on behalf of various non-federal entities. The component entities presented individually in the table on the previous page represent the vast majority of the federal government's fiduciary net assets. All other component entities with fiduciary net assets are aggregated in accordance with SFFAS No. 31. As of September 30, 2014, and 2013, including FRTIB and DOI, there are a total of 15 and 20 federal entities, respectively, with fiduciary activities at a grand total of 50 and 66 fiduciary funds, respectively. SBA and LOC are the significant agencies relating to the fiduciary activities of the remaining component entities within the "all other" aggregate balance. As of September 30, 2014, "all other" fiduciary net assets were $0.8 billion, compared to $(0.4) billion as of September 30, 2013.

State and local government

The Federal Reserve does not provide amounts for fiduciary activities. We do not know if states have these activities, and if they do, we are not aware of another aggregated source for this data.

Note 21 – Stewardship land and heritage assets

Federal government

Stewardship land is federally-owned land that is set aside for the use and enjoyment of present and future generations, and land on which military bases are located. Except for military bases, this land is not used or held for use in general government operations. Stewardship land is land that the federal government does not expect to use to meet its obligations, unlike the assets listed in the Balance Sheets. Stewardship land is measured in non-financial units such as acres of land and lakes, and a number of National Parks and National Marine Sanctuaries. Examples of stewardship land include national parks, national forests, wilderness areas, and land used to enhance ecosystems to encourage animal and plant species, and to conserve nature. This category excludes lands administered by the Bureau of Indian Affairs and held in trust.

The majority of public lands that are under the management of DOI were acquired by the federal government during the first century of the Nation's existence between 1781 and 1867.

Stewardship land is used and managed in accordance with the statutes authorizing acquisition or directing use and management. Additional detailed information concerning stewardship land, such as agency stewardship policies, physical units by major categories, and the condition of stewardship land, can be obtained from the financial statements of DOI, DOD, DOE, HHS, TVA, and USDA.

Heritage assets are government-owned assets that have one or more of the following characteristics:

- Historical or natural significance;
- Cultural, educational, or artistic importance; and/or
- Significant architectural characteristics

The cost of heritage assets often is not determinable or relevant to their significance. Like stewardship land, the federal government does not expect to use these assets to meet its obligations. The most relevant information about heritage assets is non-financial. The public entrusts the federal government with these assets and holds it accountable for their preservation. Examples of heritage assets include the Mount Rushmore National Memorial and Yosemite National Park. Other examples of heritage assets include the Declaration of Independence, the US Constitution, and the Bill of Rights preserved by the National Archives. Also included are national monuments/structures such as the Vietnam Veterans Memorial, the Jefferson Memorial, and the Washington Monument, as well as the Library of Congress. Many other sites such as battlefields, historic structures, and national historic landmarks are placed in this category, as well.

Many laws and regulations govern the preservation and management of heritage assets. Established policies by individual federal agencies for heritage assets ensure the proper care and handling of the assets under their control and preserve these assets for the benefit of the American public.

Some heritage assets are used both to remind us of our heritage and for day-to-day operations. These assets are referred to as multi-use heritage assets. One typical example is the White House. The cost of acquisition, betterment, or reconstruction of all multi-use heritage assets is capitalized as general Property, Plant, and Equipment (PP&E) and is depreciated.

The federal government classifies heritage assets into two broad categories: collection type and non-collection type. Collection type heritage assets include objects gathered and maintained for museum and library collections. Non-collection type heritage assets include national wilderness areas, wild and scenic rivers, natural landmarks, forests, grasslands, historic places and structures, memorials and monuments, buildings, national cemeteries, and archeological sites.

This discussion of the federal government's heritage assets is not exhaustive. Rather, it highlights significant heritage assets reported by federal agencies. Please refer to the individual financial statements of the DOC, VA, DOT, State, DOD, as well as websites for the Library of Congress (https://www.loc.gov/), the Smithsonian Institution (https://www.si.edu/), and the Architect of the Capitol (https://www.aoc.gov/) for additional information on multi-use heritage assets, agency stewardship policies, and physical units by major categories and conditions.

Supplemental data – reported revenue from resource extraction on federal lands [1]

The following data is not from the *Financial Report*. We are providing this information as even though the federal government reports that it does not expect to use stewardship land to meet its obligations, the land is used to generate revenues for the federal government. The following are revenues generated from federal lands, including those that are stewardship lands, and are included as offsets to expenditures in our combined income statements.

(In billions)	2009	2013	2014
Royalties	$ 8	$11	$11
Bonus	2	3	2
Total reported revenue	$10	$14	$13

1 *Derived from monthly revenue reports that payors (i.e. companies) submit to the Office of National Resources Revenue to explain their revenue payments. See the data at https://statistics.onrr.gov/ReportTool.aspx. Includes American Indian, federal offshore, and federal onshore resources.*

State and local government

The Federal Reserve does not provide amounts for stewardship land and heritage assets at the state and local government level. We do not know if states have these assets, and if they do, we are not aware of another aggregated source for this data.

Note 22 – Intergovernmental transfers

We eliminated certain intergovernmental transfers between agencies, departments, or funds within and between the federal government and state and local governments when we prepared the combined financial statements. Material intergovernmental activity is shown below.

Federal grant and non-grant assistance to territories and state and local governments

(In billions)	2014	2013
Medicaid and CHIP	$311	$275
Other non-cash programs for aid to the disadvantaged	70	70
Transportation	62	61
Elementary and secondary education	37	38
Other grants	97	103
Grants per the federal government	577	547
Federal non-grant assistance to territories and state and local governments	4	4
Difference between federal and state and local reporting of transfers	18	29
Total federal grant and non-grant assistance per state and local government	$599	$580

Federal debt securities held as investments by government accounts

Federal accounts

(In billions)	Balance 2013	Net Change during Fiscal Year 2014	Balance 2014
Social Security Administration, Federal Old-Age and Survivors Insurance Trust Fund	$2,656	$ 57	$2,713
Office of Personnel Management, Civil Service Retirement and Disability Fund	719	138	857
Department of Defense, Military Retirement Fund	421	62	483
All other programs and funds	966	21	987
Subtotal	4,762	278	5,040
Total net unamortized premiums/(discounts) for intragovernmental	69	(2)	67
Total intragovernmental debt holdings, net	$4,831	$276	$5,107

Intragovernmental debt holdings represent the portion of the gross federal debt held as investments by federal government entities such as trust funds, revolving funds, and special funds. As noted in *Note 11 – Debt securities held by the public and accrued interest*, the delay in raising the debt limit still existed as of September 30, 2013. On October 17, 2013, the Continuing Appropriations Act, 2014 (Public Law No. 113-46) was enacted which temporarily suspended the statutory debt limit through February 7, 2014. Treasury subsequently restored uninvested principal and related interest, resulting in an increase to the Civil Service Retirement and Disability Fund from 2013 to 2014.

Federal government entities that held investments in Treasury securities include trust funds that have funds from dedicated collections. For more information on funds from dedicated collections, see *Note 19 – Funds from dedicated collections*. These intergovernmental debt holdings are eliminated in the consolidation of the federal financial statements.

State accounts

(In billions)	2014	2013
Treasury securities – non-pension	$605	$609
Treasury securities – pension	189	179
Loans from the federal government	(16)	(16)
Net federal assets held by state and local governments	$778	$772

Federal assets and liabilities held by state and local governments were included in our Federal Reserve source data for state and local governments. In preparing combined balance sheets for our Government, we eliminated these intergovernmental holdings, both in the combined balance sheets and in the accompanying footnotes.

Note 23 – Offsetting amounts

Within our income statements, we have offset certain amounts and reported them as either net revenues or expenditures rather than showing the gross revenues and expenditures. Key offsetting amounts are shown in the table below.

	2014			2013		
(In billions)	Revenues	Expenditures	Net	Revenues	Expenditures	Net
Higher education	$105	$ 269	$164	$102	$ 261	$159
Employee retirement and disability	63	156	93	65	149	84
Transit systems	16	67	51	15	63	48
Public hospitals	133	146	13	128	139	11
Sewerage and waste management	69	75	6	66	75	9
Tennessee Valley Authority	48	46	(2)	65	66	1
Water utilities	59	58	(1)	57	56	(1)
US Postal Service	73	71	(2)	73	71	(2)
Federal Deposit Insurance Corporation	15	12	(3)	7	23	16
Gas and electric utilities	85	79	(6)	82	77	(5)
Lotteries	24	3	(21)	24	3	(21)
Other key offsetting amounts	77	81	4	87	85	(2)
Total inventories and related property, net	$767	$1,063	$296	$771	$1,068	$297

See descriptions of the government-run business that are presented above at Exhibit 99.04.

Item 9A. Controls and Procedures

We have begun documenting the processes and related controls we use to obtain, store, and present our Government's revenue, expenditures, and metrics data. Once the documentation is complete, we intend to engage a public accounting firm to opine on our assertion that the processes and controls are suitably designed and operate effectively to completely and accurately obtain and publish our data set.

Part III

Item 10. Executive Officers and Governance

Executive officers

A list of key executive officers and biographical information appears in *Part I, Item 1. Purpose and Function of Our Government* within this annual report.

Governance

Federal government

All federal government employees are required to act in accordance with the general Code of Ethics for Government Service, codified as Public Law 96-303.

Legislative

The ethical conduct of the elected members of Congress is prescribed by either the House Ethics Manual or the Senate Ethics Manual, as applicable.

Executive

The Executive Order on Ethics Commitments by Executive Branch Personnel lays out rules on how executive branch appointees are to conduct themselves and requires every appointee in every executive agency to sign an ethics pledge. The Executive Order allows for a waiver when the literal application of the Pledge does not make sense or is not in the public interest. Granted waivers are posted online.

Judicial

Federal judges must abide by the Code of Conduct for United States Judges, a set of ethical principles and guidelines adopted by the Judicial Conference of the United States. The Code of Conduct provides guidance for judges on issues of judicial integrity and independence, judicial diligence and impartiality, permissible extra-judicial activities, and the avoidance of impropriety or even its appearance.

Judges may not hear cases in which they have either personal knowledge of the disputed facts, a personal bias concerning a party to the case, earlier involvement in the case as a lawyer, or a financial interest in any party or subject matter of the case.

Employees of the federal Judiciary are expected to comply with the Code of Conduct for Judicial Employees, including observing high standards of conduct so that the integrity and independence of the Judiciary are preserved and the judicial employee's office reflects a devotion to serving the public.

State and local government

State and local governments have their own codes of ethics for employees to follow, which are too numerous to outline here.

Item 11. Executive Officer Compensation

The total 2016 compensation for the individuals listed in the Officers section of this document (within *Part I, Item 1. Purpose and Function of Our Government*) was $9.3 million.

Federal

For 2016, the key federal officers were paid the following annual salaries:

Barack Obama – President	$ 400,000
John Roberts – Chief Justice	260,700
Joe Biden – Vice President	237,700
Paul Ryan – Speaker of the House	223,500
Kevin McCarthy – House Majority leader	193,400
Nancy Pelosi – House Minority Leader	193,400
Mitch McConnell – Senate Majority Leader	193,400
Harry Reid – Senate Minority Leader	193,400
Total key federal officer salary	$1,895,500

Information on the highest paid federal officers is not readily available.

State

Compensation for governors varies widely, as shown in the table below:

Governors' Annual Salaries	2016	% of National Average	% Change from 2015
50-state average	**$137,353**	**na**	**1.9%**
Alabama [1]	$ 120,395	88%	—%
Alaska	$ 145,000	106%	—%
Arizona	$ 95,000	69%	—%
Arkansas	$ 141,000	103%	60.7%
California	$ 182,789	133%	3.0%
Colorado	$ 90,000	66%	—%
Connecticut	$ 150,000	109%	—%
Delaware	$ 171,000	124%	—%
Florida	$ 130,273	95%	—%
Georgia	$ 139,339	101%	—%
Hawaii	$ 149,556	109%	2.0%
Idaho	$ 122,597	89%	0.5%
Illinois	$ 177,412	129%	—%
Indiana	$ 111,688	81%	—%
Iowa	$ 130,000	95%	—%
Kansas	$ 99,636	73%	—%
Kentucky	$ 140,070	102%	0.7%
Louisiana	$ 130,000	95%	—%
Maine	$ 70,000	51%	—%
Maryland	$ 170,000	124%	13.3%
Massachusetts	$ 151,800	111%	—%
Michigan [2]	$ 159,300	116%	—%
Minnesota	$ 127,150	93%	3.0%
Mississippi	$ 122,160	89%	—%
Missouri	$ 133,821	97%	—%
Montana	$ 111,569	81%	3.1%
Nebraska	$ 105,000	76%	—%
Nevada	$ 149,573	109%	(0.1)%
New Hampshire	$ 127,443	93%	15.4%
New Jersey	$ 175,000	127%	—%
New Mexico	$ 110,000	80%	—%
New York [3]	$ 179,000	130%	—%
North Carolina	$ 142,265	104%	—%
North Dakota	$ 129,096	94%	3.0%
Ohio	$ 148,304	108%	(0.4)%
Oklahoma	$ 147,000	107%	—%
Oregon	$ 98,600	72%	—%
Pennsylvania	$ 190,823	139%	—%
Rhode Island	$ 132,710	97%	2.7%
South Carolina	$ 106,078	77%	—%
South Dakota	$ 109,264	80%	2.0%
Tennessee [4]	$ 187,500	137%	1.6%
Texas	$ 153,750	112%	2.5%
Utah	$ 109,900	80%	0.4%
Vermont	$ 145,538	106%	—%
Virginia	$ 175,000	127%	—%
Washington	$ 171,898	127%	3.0%
West Virginia	$ 150,000	109%	—%
Wisconsin	$ 147,328	107%	—%
Wyoming	$ 105,000	76%	—%

* *Source: Council of State Governments, Book of the States 2016, Chapter 4: State Executive Branch, Table 4.3.*

1 *Alabama - Gov. Robert Bentley is not accepting his salary, $120,395, until the unemployment rate in Alabama drops.*

2 *Michigan - Gov. Rick Snyder returned all but $1.00 of his salary.*

3 *New York - Gov. Andrew Cuomo voluntarily reduced his salary by 5 percent.*

4 *Tennessee - Gov. Haslam returns his salary to the state.*

Item 13. Certain Relationships and Related Transactions, and Director Independence

Following are reported contributions to political candidates:

(In millions)	2008	2010	2012	2014
Total Contributions	$2,631	$1,577	$2,610	$1,476
From individuals	2,190	1,109	2,105	992
From parties	4	5	4	3
From committees	400	414	433	440
From candidates	37	47	68	42
To Presidential Candidates	$1,398	na	$1,008	na
Democrat	972	na	550	na
Republican	420	na	453	na
Other	6	na	4	na
To House Candidates	877	990	1,017	924
Democrat	487	472	440	417
Republican	377	501	559	499
Other	13	16	18	8
To Senate Candidates	356	587	585	552
Democrat	168	268	288	247
Republican	166	305	288	282
Other	21	14	10	24

* *Source: Federal Election Commission (FEC). These data came from Stanford Institute for Economic Policy Research (SIEPR), which is in the process of expanding to more fields and prior years. Note: These data only show contributions that candidates and their committees must report to the FEC. The data do not, therefore, include contributions to SuperPACs or 501(c)(4) groups that are not directly to the candidate.*

Part IV

Item 15. Exhibits

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference: Form	Period Ended	Exhibit	Publish Date
99.01	Government sources	X				
99.02	Reserved					
99.03	Cash and accrual bases of accounting	X				
99.04	Government-run businesses	X				
99.05	Composition of segment expenditures	X				
99.06	Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency	X				
99.07	The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency	X				
99.08	Cohort table creation	X				
99.09	Other similar projects	X				
99.10	Excluded Form 10-K content	X				
99.11	Data reliability considerations	X				
99.12	Data comparability considerations	X				
99.13	Modification of data	X				

Exhibit 99.01

Data sourced from our website

The majority of the data included in this report can be found on our website with accompanying citations. The original sources for that data as of the time of the publishing of this report are:

Agency for International Development

Consumer Financial Protection Bureau

Consumer Product Safety Commission
National Electronic Injury Surveillance System

Department of Agriculture
Animal and Plant Health Inspection Service
Food and Nutrition Service
Food Safety and Inspection Service

Department of Commerce
Bureau of Economic Analysis
Census Bureau
United States Patent and Trademark Office

Department of Defense
Defense Manpower Data Center

Department of Education
National Center for Education Statistics

Department of Energy
Energy Information Administration

Department of Health and Human Services
Administration for Children and Families
Center for Disease Control and Prevention
Center for Medicare and Medicaid Services
Food and Drug Administration

Department of Homeland Security
Customs and Border Protection
Federal Emergency Management Agency
Transportation Security Administration

Department of Housing and Urban Development
Office of Community Planning and Development
Office of Fair Housing and Equal Opportunity
Office of Policy Development and Research

Department of the Interior
Bureau of Land Management
Fish and Wildlife Service
National Park Service

Department of Justice
Bureau of Alcohol, Tobacco, Firearms, and Explosives
Bureau of Justice Statistics
Drug Enforcement Administration
Federal Bureau of Investigation

Department of Labor
Bureau of Labor Statistics
Employee Benefits Security Administration
Mine Safety and Health Administration
Occupational Safety and Health Administration
Wage and Hour Division

Department of State

Department of Transportation
Bureau of Transportation Statistics
Federal Highway Administration
National Highway Traffic Safety Administration

Department of the Treasury
Internal Revenue Service

Department of Veterans Affairs

Environmental Protection Agency
Equal Employment Opportunity Commission
Federal Deposit Insurance Corporation
Federal Election Commission
Federal Reserve and member banks
Federal Trade Commission
Freddie Mac
Medicaid and CHIP Payment and Access Commission

National Archives and Records Administration
Federal Register

National Interagency Fire Center
National Labor Relations Board

National Science Foundation
National Center for Science and Engineering Statistics

Nuclear Regulatory Commission
Securities and Exchange Commission
Small Business Administration
Social Security Administration
United States Congress
United States Courts
The World Bank

White House
Office of Management and Budget
Office of Personnel Management

Additional data from:
Chetty, Raj, et al. “Where is the land of opportunity? The geography of intergenerational mobility in the United States.” The Quarterly Journal of Economics 129.4 (2014): 1553-1623.

Stock indices from Yahoo Finance

Gold price from World Gold Council

Other data sourced for this Form 10-K

Certain data were sourced only for preparation of this report and have not been added to our website. These data sources include:

Central Intelligence Agency
Congressional Budget Office
The Council of State Governments

Department of Education
Office of Federal Student Aid

Department of the Interior
Bureau of Indian Affairs

Department of Labor
Employment and Training Administration

Fannie Mae
The Farm Credit Council
Federal Home Loan Banks
Federal Housing Finance Agency
General Services Administration
Government Accountability Office
Government of the District of Columbia
National Association of State Budget Officers
National Conference of State Legislatures

National Governors Association
Oregon Department of Revenue
Pension Benefit Guaranty Corporation

Department of the Treasury
Bureau of the Fiscal Service

United States Congress
The Library of Congress

Department of Veterans Affairs
Veteran Benefits Administration

Additional data from:

US credit rating – Bloomberg

Stock indices from Google Finance

Exhibit 99.03

The US Government Accountability Office provides a description of the difference between cash basis accounting and accrual basis accounting. We have reproduced it here. You can find the original text at http://www.gao.gov/assets/80/77222.pdf.

Cash basis of accounting

"Because it is similar to keeping a checkbook, the cash basis of accounting (used to account for and report budget results) is perhaps the easier of the two bases of accounting to understand. The cash basis focus is on cash receipts, cash disbursements, and the difference between the two amounts. With relatively few exceptions, receipts are recorded when cash is received, and outlays are recorded when cash is disbursed. The difference between cash receipts and cash outlays at the end of the fiscal year is reported as the annual budget surplus or budget deficit."

Accrual basis of accounting

"The accrual basis of accounting recognizes revenue when it is earned and recognizes expenses in the period incurred, without regard to when cash is received or disbursed. The federal government, which receives most of its revenue from taxes, nevertheless, recognizes tax revenue when it is collected, under an accepted modified cash basis of accounting.

Expenses are recognized during the period in which they are incurred. Accrual accounting, for example, recognizes that while the employee is working, the employee earns not only a salary but also health, pension, and other benefits that will be paid in the future during the employee's retirement. Accordingly, each year, on the basis of actuarial calculations of benefits earned, the federal government records as an expense (operating cost) an estimated amount for these earned benefits and increases the related liability – Federal Employee and Veteran Benefits Payable – for the amount owed to its employees, both civilian and military."

"Also under accrual accounting, the federal government reports physical assets when they are acquired and records related expenses when the federal government benefits from their use or consumption or when they are sold. Physical assets consist of inventories of goods held for sale or for future consumption and long-lived or "fixed" assets such as land, buildings, and equipment. In the case of assets such as buildings and equipment, the annual cost attributed to their use is recorded as depreciation expense."

Exhibit 99.04

Government-run businesses

United States Postal Service (USPS): The USPS is an independent, self-financing agency that delivers mail to some 155 million US locations and provides services through 31,600 retail outlets. With more than half a million workers, it is one of the country's largest employers.

Tennessee Valley Authority (TVA): The Tennessee Valley Authority is the nation's largest government-owned power utility. It sells electricity to businesses and power distributors serving 9 million customers in parts of seven Southeastern states.

The Federal Deposit Insurance Corporation (FDIC): The FDIC insures deposits of up to $250,000, supervises state-chartered banks that aren't part of the Federal Reserve System, and acts as receiver for failed institutions.

Pension Benefit Guaranty Corporation: The PBGC insures almost 26,000 defined-benefit pension plans with some 44 million members.

Amtrak: Also known as National Railroad Passenger Corporation, Amtrak is a rail carrier that operates a 21,300-mile rail network serving 46 US states, the District of Columbia and two Canadian provinces. It carries about 30 million passengers per year.

Overseas Private Investment Corporation: The corporation supports US foreign-policy goals by providing financing and political-risk insurance for American companies that invest in developing nations.

Export-Import Bank: The bank provides services including export-credit insurance, working capital guarantees and loan guarantees to US exporters. It also offers trade finance to foreign buyers of US products.

St. Lawrence Seaway Development Corporation: The corporation, created in 1954, operates and maintains the portion of the St. Lawrence Seaway that runs through US territory between the Port of Montreal and Lake Erie.

Valles Caldera Trust: The trust operated the 89,000-acre Valles Caldera National Preserve in New Mexico's Jimenez Mountains until 2015, when the wilderness was handed over to the National Park Service.

Commodity Credit Corporation: The CCC was created in 1933, during the Great Depression, to support farm income and prices. Its operations include providing loans to farmers, as well as export credits, disaster insurance and conservation programs. It also authorizes the sale of agricultural commodities to other government agencies and foreign governments and donations of food to relief agencies.

Presidio Trust of San Francisco: In partnership with the National Park Service, the Presidio Trust operates the Presidio, a 1,491-acre national park that encompasses a former US Army post, museums and archeological sites.

Federal Crop Insurance: The Federal Crop Insurance Corporation, through its Risk Management Agency, reinsures crop-insurance policies purchased by farmers from private firms and also provides subsidies for premiums.

Federal Financing Bank: The FFB was created in 1973 to centralize and reduce the cost of borrowing by federal government agencies. The bank borrows from the Treasury and lends to agencies and agency-guaranteed borrowers.

Ginnie Mae: Also known as the Government National Mortgage Association, Ginnie Mae provides financing to the housing market by guaranteeing payment of interest and principal on mortgage-backed securities insured by federal agencies, including the Federal Housing Administration.

Federal Prison Industries: The corporation provides vocational training to federal prisoners and uses their labor to produce goods and services that are sold to federal agencies.

Air Transportation: Federal aid for construction, operation, and support of public airports; and other distributions from the Federal Airport and Airway Trust Fund.

Toll Highways: Fees from turnpikes, toll roads, bridges, ferries, and tunnels; rents and other revenue from concessions (service stations, restaurants, etc.); and other charges for use of toll facilities.

Parking Facilities: Provision, construction, maintenance, and operation of public parking facilities operated on a commercial basis.

Sea and Inland Port Facilities: Canal tolls, rents from leases, concession rents, and other charges for use of commercial or industrial water transport and port terminal facilities and related services.

Mass Transit: Operation, maintenance, and construction of public mass transit systems, including subways, surface rails, and buses.

Water Utilities: Revenue from operations of public water supply systems, such as sale of water to residential, industrial, and commercial customers (including bulk water for resale by other private or public water utilities); connection and "tap" fees; sprinkler fees; meter inspection fees; late payment penalties; and other operations revenues.

Gas and Electric Utilities: Revenue from operations of public electric power-supply systems, such as sale of electricity to residential, commercial, and industrial customers (including electricity for resale by other private or public electric utilities); and other operations revenues. Revenue from operations of public gas supply systems, such as sale of natural gas to residential, commercial, and industrial customers (including natural gas for resale by other private or public gas supply utilities); connection fees; and other operations revenues.

Sewerage and Waste Management: Charges for sewage collection and disposal, including sewer connection fees. Fees for garbage collection and disposal; operation of landfills; sale of recyclable materials; cleanup of hazardous wastes; and sale of electricity, gas, steam, or other by-products of waste resource recovery or cogeneration facilities.

Liquor Stores: Operation and maintenance of government operated retail or wholesale liquor monopolies.

Lotteries: Proceeds from the operation of government-sponsored lotteries after deducting the cost of prizes

Exhibit 99.05

Composition of segment expenditures

Justice and Domestic Tranquility

Crime and disaster expenditures include expenditures for:

- *disaster relief*, including federal assistance and the national flood insurance program;
- *the justice system*, including courts;
- *law enforcement and corrections*, including police protection, investigation, and correctional facilities; and
- fire protection.

Child safety and miscellaneous social services expenditures include expenditures for:

- *children services*, such as child welfare programs, foster care, adoption, day care, nonresidential shelters, and the like; and
- *social services*, such as general social services programs, social services to the physically disabled, such as transportation, and temporary shelters and other services for the homeless.

Safeguarding consumers and employees expenditures include expenditures for:

- regulation and inspection of food and drugs and related establishments;
- inspection of plans, permits, construction, or installations related to buildings and related systems, electric power plant sites, nuclear facilities, and weights and measures;
- regulation of financial institutions, taxicabs, public service corporations, insurance companies, private utilities, and other corporations;
- licensing, examination, and regulation of professional occupations, including health-related ones like doctors, nurses, barbers, and beauticians;
- inspection and regulation of working conditions and occupational hazards;
- patents and copyrights;
- motor vehicle inspection and weighing; and
- regulation and enforcement of liquor laws and sale of alcoholic beverages.

Common Defense

National defense and veterans' affairs expenditures include expenditures for:

- *national defense*, including military operations and maintenance; personnel; procurement, including ships, aircraft, and weapons; and research, development, test, and evaluation; and
- *support for veterans*, including benefits for housing, medical care, readjustment, and pension and disability, among others.

Immigration and border security expenditures include expenditures for immigration, visa, and citizenship services; customs; and border protection.

Foreign affairs and foreign aid expenditures include expenditures for:

- *international development and humanitarian assistance*, including global health programs, migration and refugee assistance, international development assistance, international disaster assistance, and foreign agricultural assistance;
- *international security assistance*, including foreign economic and military support; and
- *other foreign affairs*, including diplomatic and consular programs, embassies, contributions to international peacekeeping and other organizations, offset in part by income from sales of articles and services to foreign countries and international organizations.

General Welfare

Economy and infrastructure expenditures include expenditures for:

- *transportation*, including air, water, highway, and railroad;
- space exploration;
- general science and basic research;
- *general commerce*, including liquor stores, lotteries, hospitals, and other government-run businesses; and
- *banking and finance*, including deposit insurance and the Troubled Asset Relief Program (TARP).

Standard of living and aid to the disadvantaged expenditures include expenditures for:

- *refundable tax credits*, including the Child Tax Credit, Earned Income Tax Credit, and Premium tax credit;
- *other cash and non-cash programs to aid the disadvantaged*, including Medicaid, the Supplemental Nutrition Assistance Program, Supplemental Security Income, Unemployment Insurance, Pell grants, housing and community development programs, and health services for American Indians.

Health (excluding Medicaid and Medicare) expenditures include expenditures for:

- public health, health resources and services for people geographically isolated or economically or medically vulnerable, and disease control and prevention, as well as expenditures for shared Medicare and Medicaid that our Government has not allocated to one program or the other.

Blessings of Liberty

Education expenditures include expenditures for elementary, secondary, and higher education inside the classroom and education outside the classroom, such as museums and libraries, offset in part by fees paid by students and visitors.

Wealth and savings expenditures include expenditures for:

- *retirement programs*, including Social Security and military, civil service, and railroad retirement and health benefits plans;
- *saving for healthcare in old age*, including Medicare;
- interest on government debt; and
- *general housing support*, including TARP for housing.

Sustainability and self-sufficiency expenditures include expenditures for:

- *environment and natural resources*, including civil works projects by the Corps of Engineers, forest management, fire management planning, weather and climate monitoring and associated warning systems, fisheries management and game programs, coastal restoration, supporting marine commerce, cleanup of hazardous materials, and general management of land owned or leased and managed by our Government, including parks, offset in part by revenues from mineral and other resource leases and sales;
- *agriculture*, including farm services, federal crop insurance, and agriculture disaster relief;
- *energy programs*, including delivery and reliability, efficiency and renewables, and reimbursements of applicants for certain purchases of energy related property; and
- *other utilities*, including sewerage, waste management, and water supply.

General government support and other

General government support and other expenditures include expenditures for central staff services, financial administration, the Internal Revenue Service, and general public buildings.

Exhibit 99.06

Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency

The following projections and accompanying text are excerpts from the 2016 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees' Report). You can find the Trustees' Report at https://www.ssa.gov/OACT/TR/2016/tr2016.pdf.

Background

The Trustees have traditionally shown estimates using the low-cost and high-cost sets of specified assumptions to illustrate the presence of uncertainty. These alternative estimates provide a range of possible outcomes for the projections. However, they do not provide an indication of the probability that actual future experience will be inside or outside this range. [Appendix E of the Trustees' Report] presents the results of a model, based on stochastic modeling techniques, that estimates a probability distribution of future outcomes of the financial status of the theoretical combined OASI and DI Trust Funds. This model, which was first included in the 2003 report, is subject to further development.

Stochastic methodology

Other sections of [the Trustees' Report] provide estimates of the financial status of the combined OASI and DI Trust Funds using a scenario-based model. For the scenario-based model, the Trustees use three alternative scenarios (low-cost, intermediate, and high-cost) that make assumptions about levels of fertility, changes in mortality, legal and other immigration levels, legal and other emigration levels, changes in the Consumer Price Index, changes in average real wages, unemployment rates, trust fund real yield rates, and disability incidence and recovery rates. In general, the Trustees assume that each of these variables will reach an ultimate value at a specific point during the long-range period, and will maintain that value throughout the remainder of the period. The three alternative scenarios assume separate, specified values for each of these variables. Chapter V [of the Trustees' Report] contains more details about each of these assumptions.

[Appendix E of the Trustees' Report] presents estimates of the probability that key measures of OASDI solvency will fall in certain ranges, based on 5,000 independent stochastic simulations. Each simulation allows the above variables to vary throughout the long-range period. The fluctuation of each variable over time is simulated using historical data and standard time-series techniques. Generally, each variable is modeled using an equation that: (a) captures a relationship between current and prior years' values of the variable; and (b) introduces year-by-year random variation as observed in the historical period. For some variables, the equations also reflect relationships with other variables. The equations contain parameters that are estimated using historical data for periods of at least 5 years and at most 110 years, depending on the nature and quality of the available data. Each time-series equation is designed so that, in the absence of random variation over time, the value of the variable for each year equals its value under the intermediate assumptions. [45]

For each simulation, the stochastic method develops year-by-year random variation for each variable using Monte Carlo techniques. Each simulation produces an estimate of the financial status of the theoretical combined OASI and DI Trust Funds. [Appendix E of the Trustees' Report] shows the distribution of results from 5,000 simulations of the model.

Readers should interpret the results from this model with caution and with an understanding of the model's limitations. Results are very sensitive to equation specifications, degrees of interdependence among variables, and the historical periods used for the estimates. For some variables, recent historical variation may not provide a realistic representation of the potential variation for the future. Also, results would differ if additional variables (such as labor force participation rates, retirement rates, marriage rates, and divorce rates) were also allowed to vary randomly. Furthermore, more variability would result if statistical approaches were used to model uncertainty in the central tendencies of the variables. Time-series modeling reflects only what occurred in the historical period. Future uncertainty exists not only for the underlying central tendency but also for the frequency and size of occasional longer-term shifts in the central tendency. The future will bring with it the likelihood of substantial shifts, as predicted by many experts and as seen in prior centuries, that are not fully reflected in the current model. As a result, readers should understand that the true range of uncertainty is larger than indicated in [Appendix E of the Trustees' Report].

Table VI.E1

Table VI.E1 displays long-range actuarial estimates for the combined OASDI program using the two methods of illustrating uncertainty: (1) alternative scenarios and (2) stochastic simulations. The table shows stochastic estimates for the median (50th

45 *More detail on this model, and stochastic modeling in general, is available at* https://www.ssa.gov/OACT/stochastic/index.html.

percentile) and for the 95-percent and 80-percent confidence intervals. For comparison, the table shows scenario-based estimates for the intermediate, low-cost, and high-cost assumptions. Each individual stochastic estimate in the table is the level at that percentile from the distribution of the 5,000 simulations. For each given percentile, the values in the table for each long-range actuarial measure are generally from different stochastic simulations.

The median stochastic estimates displayed in table VI.E1 are, in general, slightly more pessimistic than the intermediate scenario-based estimates. The median estimate of the long-range actuarial balance is -2.75 percent of taxable payroll, about 0.07 percentage point lower than projected under the intermediate assumptions. The median first projected year that cost exceeds non-interest income (as it did in 2010 through 2014), and remains in excess of non-interest income throughout the remainder of the long-range period, is 2015. This is the same year as projected under the intermediate assumptions. The median year that asset reserves first become depleted is 2034, also the same as projected under the intermediate assumptions. The median estimates of the annual cost rate for the 75th year of the projection period are 18.36 percent of taxable payroll and 6.32 percent of gross domestic product (GDP). The comparable estimates under the intermediate assumptions are 17.97 percent of payroll and 6.19 percent of GDP.

For four measures in table VI.E1 (the actuarial balance, the first year cost exceeds non-interest income and remains in excess through 2089, the first projected year asset reserves become depleted, and annual cost in the 75th year as a percent of taxable payroll), the 95-percent stochastic confidence interval is narrower than the range defined by the low-cost and high-cost alternatives. In other words, for these measures, the range defined by the low-cost and high-cost alternatives contains the 95-percent confidence interval of the stochastic modeling projections. For the remaining two measures (the open group unfunded obligation, and the annual cost in the 75th year as a percent of GDP), one or both of the bounds of the 95-percent stochastic confidence interval fall outside the range defined by the low-cost and high-cost alternatives.

Table VI.E1. – Long-Range Estimates Relating to the Actuarial Status of the Combined OASDI Program
[Comparison of scenario-based and stochastic results]

	Traditional scenario-based model			Stochastic model				
					80-percent confidence interval		95-percent confidence interval	
	Intermediate	Low-cost	High-cost	Median 50th percentile	10th percentile	90th percentile	2.5th percentile	97.5th percentile
Actuarial balance	(2.66)	0.22	(6.30)	(2.67)	(4.08)	(1.52)	(4.95)	(0.93)
Open group unfunded obligation (in trillions)	$ 11.4	$ (1.9)	$ 23.3	$ 11.4	$ 5.4	$ 21.2	$ 3.2	$ 30.0
First projected year cost exceeds non-interest income and remains in excess through 2090 [1]	2016	[2]	2016	2016	2016	2042	2016	2088
First year asset reserves become depleted [3]	2034	[4]	2029	2034	2031	2040	2029	2045
Annual cost in 75th year (percent of taxable payroll)	17.68	12.84	24.89	18.01	14.84	22.39	13.30	25.11
Annual cost in 75th year (percent of GDP)	6.14	4.85	7.96	6.26	5.19	7.71	4.67	8.62

1 *Cost also exceeded non-interest income in 2010 through 2015.*
2 *The annual balance is projected to be negative for a temporary period, returning to positive levels before the end of the projection period.*
3 *For some stochastic simulations, the first year in which trust fund reserves become depleted does not indicate a permanent depletion of reserves.*
4 *Trust fund reserves are not estimated to be depleted within the projection period.*

Exhibit 99.07

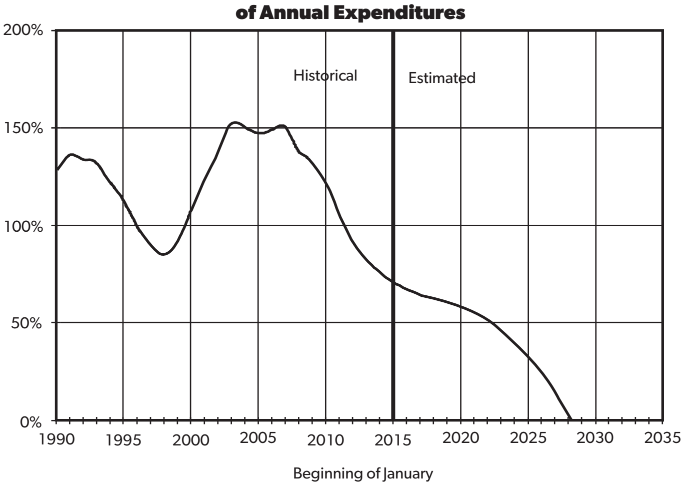
The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency

The following projections and accompanying text are excerpts from the 2016 Annual Report of the Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds. You can find this report at https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/ReportsTrustFunds/Downloads/TR2016.pdf.

HI trust fund

Under the intermediate assumptions, the assets of the HI trust fund would continue decreasing as a percentage of annual expenditures throughout the short-range projection period, as illustrated in figure II.E1. After 2020, the ratio starts to decline quickly until the fund is depleted in 2028, 2 years earlier than the date projected last year. If assets were depleted, Medicare could pay health plans and providers of Part A services only to the extent allowed by ongoing tax revenues – and these revenues would be inadequate to fully cover costs. Beneficiary access to health care services would rapidly be curtailed. To date, Congress has never allowed the HI trust fund to become depleted.

Figure II.E1.—HI Trust Fund Balance at Beginning of Year as a Percentage of Annual Expenditures



There is substantial uncertainty in the economic, demographic, and health care projection factors for HI trust fund expenditures and revenues. Accordingly, the date of HI trust fund depletion could differ substantially in either direction from the 2028 intermediate estimate. Under the low-cost assumptions, trust fund assets would increase throughout the entire projection period. Under the high-cost assumptions, however, asset depletion would occur in 2022.

SMI trust fund

SMI differs fundamentally from HI in regard to the nature of its financing and the method by which its financial status is evaluated. SMI comprises two parts, Part B and Part D, each with its own separate account within the SMI trust fund. The Trustees must determine the financial status of the SMI trust fund by evaluating the financial status of each account separately, since there is no provision in the law for transferring assets or income between the Part B and Part D accounts. The nature of the financing for both parts of SMI is similar in that the law establishes a mechanism by which income from the Part B premium and the Part D premium, and the corresponding transfers from general revenues for each part, are sufficient to cover the following year's estimated expenditures. Accordingly, each account within SMI is automatically in financial balance under current law. This result contrasts with OASDI and HI, for which financing established many years earlier may prove significantly higher or lower than subsequent actual costs. Moreover, Part B and Part D are voluntary (whereas OASDI and HI are generally compulsory), and payroll taxes are not the source of income for these programs. The financial assessment described in this section differs in important ways from that for OASDI or HI.

Financing for the SMI trust fund is adequate because beneficiary premiums and general revenue contributions, for both Part B and Part D, are established annually to cover the expected costs for the upcoming year. Should actual costs exceed those anticipated when the financing is determined, future financing rates can include adjustments to recover the shortfall. Likewise, should actual costs be less than those anticipated, the savings would result in lower future financing rates. As long as the future financing rates continue to cover the following year's estimated costs, both parts of the SMI trust fund will remain financially solvent.

Exhibit 99.08

Cohort table creation

The families and individuals tables presented by USAFacts show how key economic and demographic statistics vary according to three key variables: market income, family type, and elderly/non-elderly status. These groupings are not available consistently, and therefore we produced estimates using only government data.

The numbers in the families and individuals tables are estimates based on data collected from a variety of government sources, the two most important being microdata from the Current Population Survey (March Supplement) issued by the Census Bureau of the Public Use File issued by the Internal Revenue Service's Statistics of Income Division (IRS-SOI). The CPS is a sample of households representing the U.S. civilian noninstitutionalized population. It contains information on topics such as housing, health insurance, labor status, family arrangement, etc. Unfortunately, the CPS does not contain everything we want, so we supplement that file with data from elsewhere via statistical processes. In the case of income data, we statistically match the IRS Public Use File with the CPS. The IRS data is superior to the CPS income data. In other cases, we impute variables in the CPS from other sources such as the American Community Survey using regression techniques for variables that are common to both files.

There are two types of economic units: families and individuals. We use the Census Bureau's definition for each. If there are two or more related individuals living together, they are a family economic unit. If a person is living alone or in a household with no other related persons, that person is considered an individual economic unit. Therefore, some economic units have only one person, while other economic units have multiple persons.

We rank these economic units, which we call FIUs (family and individual units) by market income to place each in a percentile that shows the unit relative to other units in the population. (There are approximately 147 million family and individual units). After determining each unit's market income percentile relative to all other units, we then place each unit into one of five categories:

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

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

See this page http://www.usafacts.org/methodology on our website for additional information on how we created our cohort tables.

Exhibit 99.09

Other similar projects

Financial Report of the United States Government and similar state government reports

The US Department of the Treasury (the Treasury) publishes timely (the current version at the time of this report is as of September 30, 2016) an annual Financial Report of the United States Government (the *Financial Report*), which can be found at https://www.fiscal.treasury.gov/fsreports/rpt/finrep/fr/fr_index.htm. Following are key differences between that report and this one:

- The *Financial Report* is not in the format of a Form 10-K and is missing certain elements thereof;
- The *Financial Report* includes only federal government information, while this report includes federal, state, and local government information;
- The financial statements in the *Financial Report* are prepared by the Treasury on an accrual basis, while our financial statements are a mix of cash and accrual basis data obtained from multiple sources (see *Part I, About This Report, Sources of data* within this annual report for further discussion);
- The *Financial Report* organizes its financial analysis by government department (e.g. the US Department of Justice), while this report's analysis is organized by segments based on the Constitution (see more about this at *Part I, Item 1. Purpose and Function of Our Government, Reporting segments* within this annual report);
- The *Financial Report* does not systematically discuss key metrics, which measure progress towards our nation's constitutional objectives, while this report does (see *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment* within this annual report for more information).

States also produce reports like the *Financial Report*. For example, this one from Colorado https://www.colorado.gov/pacific/sites/default/files/CAFR14Complete_1.pdf. We have not drawn data directly from these state reports in the production of this document.

There also exist other privately produced financial reports for our Government, including two that are similar in concept to this one but differ in important ways. We discuss these two immediately below.

USA 10-K

In 2012, a group of individuals published an article through The Wharton School of the University of Pennsylvania arguing "why America needs an annual report." The article argued for a report that was similar in structure to this one. The authors said:

> "America's 10-K should borrow liberally from the template of reports issued by public companies large and small. It should include a letter to voters followed by the information that is essential to the country's stakeholders – such as relevant history, recent performance and prospects, a summary of financial condition, management discussion and analysis, future objectives, anticipated risks, related party-transactions, internal controls (including weaknesses and deficiencies), pension and off-balance-sheet liabilities, litigation exposures, and the compensation, benefits and insider purchases and sales of senior officials. It should describe the ability to make accurate forecasts and projections, contain an auditor's report and all necessary qualifications, and conclude with certifications as to accuracy by the top officials."

The article provided a link to a seven-page sample 10-K summary, which you can find at http://d1c25a6gwz7q5e.cloudfront.net/papers/download/07032012_US10-K-sample.pdf. You can find the introductory article at http://knowledge.wharton.upenn.edu/article/usa-10-k-why-america-needs-an-annual-report/.

USA Inc.

USA Inc. is a concept reflected in a report created and compiled by Mary Meeker. Per the foreword of the report:

> "This report looks at the federal government as if it were a business, with the goal of informing the debate about our nation's financial situation and outlook. In it, we examine USA Inc.'s income statement and balance sheet. We aim to interpret the underlying data and facts and illustrate patterns and trends in easy-to-understand ways. We analyze the drivers of federal revenue and the history of expense growth, and we examine basic scenarios for how America might move toward positive cash flow."

The objective of the USA Inc. report is like ours in that we seek to inform debate about our nation's financial situation and outlook. However, our approaches differ in the following important ways:

- The USA Inc. report includes only federal government information, while this report includes federal, state, and local government information;

- The USA Inc. report provides significant independent analysis, including projections, judgments, and proposed solutions to potential problems, while we attempt to limit our report to the level of information required of a public company by securities laws and to exclude projections, judgments, or proposed solutions; and
- The USA Inc. report does not systematically discuss key metrics, which measure progress towards our nation's constitutional objectives, while this report does.

You can find the full USA Inc. 2011 report at http://www.kpcb.com/blog/2011-usa-inc-full-report.

Exhibit 99.10

Excluded Form 10-K content

Excluded sections

In applying the concepts of the Form 10-K to a government environment, we have excluded certain sections of the form that are not obviously applicable to our Government. The sections we excluded are:

- *Item 1B. Unresolved Staff Comments* – not applicable as our Government is not an SEC registrant and is not holistically regulated by any other entity that might give them comments;
- *Item 4. Mine Safety Disclosures* – not applicable as our Government does not operate any mines that we are aware of and therefore we don't have any government data to report on this topic;
- *Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities* – not applicable as our Government does not issue equity securities, only debt;
- *Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure* – our Government has various accountant relationships (e.g. the federal government is audited by the GAO, certain government-run businesses, like the post office, are audited by public accounting firms), however, aggregated information is not readily available, and therefore we have not presented it;
- *Item 9B. Other Information* – this is a catch-all category for companies to report timely to shareholders, information that is not otherwise required by the report, which is not applicable as this report is not focused on reporting the most recent government data but rather providing the most comprehensive analysis practicable;
- *Item 12. Security Ownership of Beneficial Owners and Management and Related Stockholder Matters* – not applicable for the same reasons that Item 5 is not applicable, only debt; and
- *Item 14. Principal Accounting Fees and Services* – not applicable for the same reasons that Item 9 is not applicable.

Excluded financial statements

Within a public company's Form 10-K, you would find the following financial statements and notes thereto:

- income statements, prepared on an accrual basis of accounting;
- statements of comprehensive income, prepared on an accrual basis of accounting;
- balance sheets, prepared on an accrual basis of accounting;
- cash flow statements; and
- statements of stockholders' equity.

We have diverged a bit in this report from these traditional financial statements. Foremost, we have provided two income statements – functional income statements organized by type of revenue and expenditure and segment income statements organized by reporting segment, both on a hybrid basis of accounting. We have used data with a hybrid basis of accounting primarily because of a lack of accessible, aggregated, detailed state and local data created on a consistent accounting basis, and we have favored cash basis federal data because of our desire to focus the financial portion of our document on a concept central to government analysis and debate – "the deficit." By "the deficit," we mean the excess of combined US government (federal, state, and local) annual cash outflows over annual cash inflows.

We have also:

- not provided statements of comprehensive income due to a lack of readily available other comprehensive income data for our Government;
- not provided cash flow statements, as our income statements are as close to cash basis as we are able to report at this time and therefore cash flow statements would be mostly duplicative; and
- not provided statements of stockholders' equity, as our Government does not issue equity.

Please see Part I, About This Report, Structure and content, Sources of data, Financial statement and related data within this Form 10-K for more information on the content and preparation of the income statements and balance sheets included in this report.

Exhibit 99.11

Data reliability considerations

Audits

Certain departments of the federal government have received modified audit opinions on their audit reports, meaning the auditors deemed information within the audit as not complete or the accounting methods used as not following accounting principles generally accepted in the US. Each year, the Government Accountability Office (GAO) report within the Financial Report of the United States Government, lists the federal government departments that have received modified audit opinions for that year. The Department of Defense has received a modified audit opinion every year since the federal government began preparing the federal government's consolidated financial statements 18 years ago. In addition, the GAO report notes that the federal government has material weaknesses resulting in ineffective internal controls of financial reporting for each of the fiscal years included in our financial statements. We are not able to correct for these issues in this report.

Restatements

In addition to being qualified by modified audit opinions, the data in government reports is sometimes restated, particularly the two most recent years and often the Census data, which is subject to sampling and data collection error. See more about the Census process at https://www.census.gov/govs/classification/index.html and under *Census data* below.

When a company discovers that it needs to restate material information in its annual report, it is required to issue a statement of non-reliance telling the public to not rely on the information until it is restated. Government entities that do not file with the Securities and Exchange Commission do not do this, and we will not do that for this report. Rather, we will update this report annually, and we will restate information contained herein that our Government has updated in the interim in the next annual report. We may update certain data used in this report on our website as it becomes available, sometimes more frequently than annually (see *Part I, Item 1. Purpose and Function of Our Government, Available information*).

Census data

The Census warns us not to use their data in the way that we are using it. However, there is no alternative source of aggregated state and local government income statement data, and it was not reasonable for us to create this data set in this first phase of our project. Here is the warning from the Census:

> "Although the original sources for finance statistics are accounting records of governments, the data derived from them are purely statistical in nature. Consequently, the Census Bureau statistics on government finance cannot be used as financial statements, or to measure a government's fiscal condition. For instance, the difference between a government's total revenue and total expenditure cannot be construed to be a 'surplus' or 'deficit.'"

There are several reasons why these survey data are not suitable for measuring the financial condition of a government, any of its sectors, or any of its dependent agencies:

- The Census Bureau intentionally excludes several important accounting measures from its statistics. One example involves public employee retirement systems, which exclude measures of future liability, future revenue streams, and all related measures of future solvency (such as the potential amount of unfunded liabilities). These cannot be calculated from Census Bureau statistics.
- The Census Bureau program develops these data to measure the economic activity of state and local governments in general. The definitions used in Census Bureau statistics about governments can vary considerably from definitions applied in standard accounting reports.
- Definitional differences can include those of coverage (what constitutes a government entity), functional activity, financial transaction (revenue, expenditure, indebtedness, and asset), or measurement (cash versus accrual accounting, or asset valuation procedures).
- Census Bureau data include the operations of dependent agencies whose finances are reported outside those of the parent government.

Exhibit 99.12

Data comparability considerations

Financial statement data

Reporting periods

The financial statement and related data in this report, unless otherwise noted, is on a fiscal year basis. This means it represents, for:

- *Income statements* – data for the annual period from October 1 to September 30, for federal government and from July 1 to June 30, generally, for state and local governments; and
- *Balance sheets* – data as of September 30 for the federal government and June 30 for state and local governments.

When we combined federal and state and local data, we added the figures together, without adjusting for differences in fiscal years. This is consistent with what a corporation may do for subsidiaries that it consolidates which have different fiscal year ends than each other or the parent company. This is allowed by accounting rules when the fiscal periods of the entities being combined end within 90 days of each other, as they do for the US federal and state and local governments in nearly every case.

New York is the only exception, as its fiscal year end is March 31, which is not within 90 days of the latest fiscal year end within the combined group (September 30); New York's fiscal year end is off by an additional 90 days. This is only a potential concern for our income statements, as we used New York's (and all other states') June 30 information for our balance sheets. New York's revenue represents approximately 5% of our Government's revenue, and a reasonable approximation of 90 days of its average revenue is roughly $60-70 billion. In combining the income statements, we include 12 months of data for each entity, but we include different 12-month periods depending on the respective entity's fiscal year (i.e. October 1 to September 30 for the federal government and April 1 to March 31 for New York). Therefore, incomparability that could arise from using data from different fiscal year periods would not be due to missing data but rather seasonality of the data. A reasonable estimate of the seasonality variability of 90 days of New York's revenue or expenses is immaterial. As the Census has already aggregated the state and local government data; modifying that data to extract, recalculate, and reintroduce adjusted New York data introduces complexity and risk; and the estimated impact of not modifying is not material to our Government's overall financial statements, we have not made any modifications for New York and have simply added the aggregated state and local data to the federal data to form the combined group.

Intergovernmental transfers

In combining the federal and state and local data, we eliminated known intergovernmental transfers, in the same way that a company eliminates intercompany transfers among subsidiaries and the parent company. For example, the federal government reports grants to states as expenditures, and the states in turn also report the subsequent uses of those funds as expenditures. To eliminate double counting, we count the expenditure (or revenue) only once, in either the federal or state or local government, whichever is the ultimate spender (in the case of expenditures) or recipient (in the case of revenues) of the funds. Similarly, we eliminate intergovernmental assets and liabilities. For example, state and local governments own Treasury securities, and the federal government has a corresponding liability for the securities. We eliminated these intergovernmental assets and liabilities in creating our combined financial statements. For more information on transfers eliminated, see *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 22 – Intergovernmental transfers* within this annual report.

Management's discussion and analysis (MD&A) data

An MD&A is intended to provide the reader with an analysis of the financial statements for the periods presented, essentially a "drill down" from the financial statements, including an analysis of the changes in the income statements from period to period. Our income statements are presented on a fiscal year basis, as discussed above. On the other hand, a large portion of the detailed government financial information and related figures (e.g. numbers of people) is available only on a calendar year basis. This makes analyzing the income statement data difficult, as it is not possible to "drill down" to lower levels of detail from the fiscal year data. Therefore, to prepare the MD&A within this report, we were required to convert much of our source data from calendar year to fiscal year.

In cases where monthly or quarterly data was available, we created fiscal year data by reassembling data from the more detailed periods. Where only annual data was available, we used one simple formula to create fiscal year data – 25% of the prior calendar year figure plus 75% of the current calendar year figure. Of course, the latter formula does not produce the true fiscal year figures. However, no alternative method of calculation would be accurate, and the method we have chosen, when consistently applied, forms a reasonable basis for our analysis. All the figures (in the MD&A and elsewhere in this report) that were converted from calendar year to fiscal year in this manner are indicated by * (an asterisk).

Other data

Other data within this report comes from many sources and may have similar challenges to those discussed above.

Exhibit 99.13

Modification of data

We have sourced the data included in this report directly from the sources listed in Exhibit 99.01 and where possible, have not revised it. In certain cases, where necessary to make the data comparable or comprehensible, we have modified the data. Specifically, we modified the following data:

- All data throughout that document that is accompanied by an asterisk (*) was converted from a calendar year basis to a fiscal year basis using the formula described within this report at Exhibit 99.12 and at *Part II, Item 7. Management's Discussion and Analysis, Overview, Other factors affecting this discussion, Modification of data*. This modification was required because data is not provided by our Government on a consistent basis, and to do a full analysis, one must have data on a consistent basis;
- The cohort tables within this report at Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population and Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment, were created by us using data collected from a variety of government sources, the two most important being two microdata sets: the Current Population Survey (March Supplement) issued by the Census Bureau and the Public Use File issued by the IRS Statistics of Income Division (see more on our methodology in Exhibit 99.08);
- For the combined functional income statements, to provide compensation for personnel past and present, we combined Department of the Treasury (Treasury), Office of Management and Budget (OMB), and Census data with compensation data from the US Bureau of Economic Analysis (current payments for wages and salaries and health benefits). See this page on our website – www.usafacts.org/methodology – for detailed information on the composition of our combined functional income statements;
- For the combined segment income statements, we have regrouped Treasury, OMB, and Census data into our financial statement and reporting segment categories for presentation purposes. See this page on our website – www.usafacts.org/methodology – for detailed information on the composition of our combined segment income statements; and
- We calculated the breakout of year over year tax revenue changes between tax base changes (generally taxable income) and tax rate changes by holding one variable constant while changing the other, as follows:

  Hold year 1 average tax rate constant and assume it also applies to year 2. That is, multiply the year 1 rate by the year 2 base. Then compare this figure to the actual revenue in year 1. The difference is how much was attributable to the base change. The residual is the amount of revenue change that is attributable to the rate change.

  For example, assume the rate in 2013 is 20%. Assume the base in 2013 is $1,000. This implies revenue of $200. Now suppose the base in 2014 is $1,200 and the revenue is $300. The amount attributable to the base increase would be calculated by assuming the 20% rate applied to the new base of $1,200. This would imply a revenue of $240 if the rate was held constant. Therefore, $40 of the revenue increase is attributable to the base increase. The remainder ($60 = $300 – $240) is attributable to the rate change.

Required Notices