10-K REPORT

PUBLISHED 2018

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2015

UNITED STATES GOVERNMENTS

PREPARED BY

USAFACTS

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As of September 30, 2015, 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 $15.4 trillion.

DOCUMENTS INCORPORATED BY REFERENCE

USAFacts 2018 Annual Report

United States Governments

10-K Report

For the Fiscal Year Ended September 30, 2015

Index

Part I

About This Report

Purpose

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

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

Structure and content

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

Overall structure and content

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

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

In this report, you will find:

- *Part I* – an overview of our Government's structure and operations;
- *Part II* – information regarding financial and other key metrics of our Governments' operations, including:
  - Management's Discussion and Analysis (MD&A), which provides analysis of financial information, including 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.

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, 2015, which marks the end of the latest fiscal year for which aggregated state and local income statement data is available. More recent federal data is available, but to provide a consolidated picture of our Government as a whole, we generally limit the financial data we present to the latest period for which both state and local and federal data is available. We acknowledge that this information is not timely. We do, however, believe that there is value in looking at a longer time series of data, as we have presented in this report and on our website, and that the longer-term trends noted in our analyses likely did not change materially between fiscal years 2015 and 2017. 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 non-governmental data only for market prices and on governmental data obtained indirectly from a non-governmental source for just one data set – the economic mobility data in *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment, Blessings of Liberty, American Dream*.

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 a state or local government or another source, cited herein.

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

Reliability of data

Some of the data we have sourced may not be reliable for a number of reasons, including disclaimed audit opinions, restatements of data, and issues specific to Census data. 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* using 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, school districts, and special district governments. At 3.8 million square miles and with over 321 million people, the US is the world's third-largest country by total area and the third most populous.

Our vision and mission

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

Our strategy

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

Raising and spending money

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

Exercising authority

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

See more at *Government operations* below.

Government structure

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

Federal government structure

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

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

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

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

Legislative

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

Executive

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

Judicial

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

THE UNITED STATES GOVERNMENT

THE CONSTITUTION

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

SIGNIFICANT REPORTING ENTITIES (15)

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

OTHER SIGNIFICANT REPORTING ENTITIES

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

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

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

IN CONSERVATORSHIP

Fannie Mae   Freddie Mac

SIGNIFICANT RELATED ENTITIES

The Federal Reserve
Federal Home Loan Banks
The Farm Credit System

For a discussion of each of the federal government departments and offices, please see *The United States Government Manual* at https://www.gpo.gov/fdsys/browse/collection.action?collectionCode=GOVMAN&browsePath=2016+Edition+%28 December%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.

Legislative

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

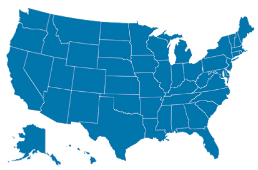
Every state except one has a bicameral legislature made up of two chambers: a smaller upper house and a larger lower house. Together the two chambers make state laws and fulfill other governing responsibilities. The smaller upper chamber is always called the Senate, and its members generally serve longer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

Executive

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

Judicial

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



STATE GOVERNMENTS (50)

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

Local government structure[2]

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

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

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

LOCAL GOVERNMENTS (90,056)

GENERAL PURPOSE GOVERNMENTS (38,910)	SPECIAL DISTRICT GOVERNMENTS (51,146)
County (3,031) **Municipality (19,519)** **Township (16,360)**	**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); and
- *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 continue to operate as established unless Congress chooses to change the law. Some changes to tax laws can occur in a given year because Congress previously enacted a timeline for the law to change at some specified point in time. For example, Congress often enacts sunset provisions on certain tax breaks or new programs to take effect at some date in the future. That is, they are scheduled to change unless Congress acts again.

Federal individual income tax

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

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

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

Federal corporate income tax

The federal corporate income tax is levied on the net incomes of C-corporations (corporations recognized as separate taxpaying entities). C-corporations are allowed deductions for normal business expenditures that are typical of accounting for net income as well as some special provisions inserted by Congress. The federal statutory corporate income tax rate in the US 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.

Effective January 1, 2018, H.R. 1 reduces the federal statutory income tax rate from 35% to 21%. H.R. 1 also requires foreign income of US businesses to be taxed at 21% but provides one-time reduced tax rates for foreign profits accumulated in the form liquid assets (15.5% tax rate) and illiquid assets (8% tax rate) if the assets are brought to the US.

Federal payroll taxes

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

Social Security tax revenues

Social Security tax revenues are earmarked for the Social Security Trust Fund, which funds both Old-Age Survivors Insurance (OASI) and Disability Insurance (DI). See discussion of OASI and DI in *Major Government Programs, Social Security* below. Individuals and employers each pay a 6.2% tax (5.3% for OASI and 0.9% for DI) on payrolls (wages and salaries and self-employment income) up to the payroll tax cap, for a total of 12.4%. Beyond the payroll tax cap, there is no Social Security tax. In tax year 2017, the payroll tax cap was $127,200. 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.

Other taxes

The federal government levies other taxes including:

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

Non-tax revenue

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

Federal Reserve earnings

The residual earnings of each of the 12 Federal Reserve member banks are distributed to the Treasury after providing for the costs of operations, payment of dividends, and transfers to surplus (the amount necessary to equate surplus with capital paid-in, limited to $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 24 – Offsetting amounts* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report. Certain amounts have already been offset in the federal financial data before we sourced it and therefore the related gross amounts are not available to us for disclosure in *Note 24 – Offsetting amounts*.

Federal government authority to spend money

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

Mandatory spending

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

For mandatory spending programs, unlike discretionary programs which are discussed next, it is important to note that the amount to be spent is unknown at the beginning of the year. For example, the amount that is spent on SNAP (food stamps) or unemployment insurance in a given year depends on the number of people who qualify based upon the program's rules and then decide to make claims for benefits. This will vary depending on conditions such as inflation, economic growth, and shifting demographics, among other factors. There is no upper limit in the law on how much can be spent on these mandatory programs, and in fiscal year 2015, they accounted for approximately 69% 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 continue to run as established until changes are approved, generally either through committee review followed by approval by the governor or a vote by the citizens. Certain states have constitutional restrictions on their authority to tax. For example, seven states have no individual income tax, while other states have caps on the taxes that can be levied, such as Proposition 13 in California, which limits real property taxes in California. Some changes to tax laws can occur in a given year because a state government previously enacted a timeline for the law to change at some specified point in time.

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

State and local individual income tax

Individual income taxes are levied by most states with the tax base generally defined by federal income tax regulations (with some exceptions). State income tax rates are generally lower and less progressive than the federal income tax. Seven states do not have an individual income tax, while the other states differ in terms of their individual income tax rate levels and the degree of progressivity. The Wisconsin Legislative Fiscal Bureau published an informational paper in 2017, which reports that for tax year 2015: "The highest marginal tax rate used by a state was 12.3% in California. Hawaii had the greatest number of tax brackets at 12. Nine states imposed a single (flat) tax rate on all taxable income, while one state (Massachusetts) had two flat tax rates, each of which applied to different types of income."[5] You can see more detail by state at the source provided.

With respect to the impact of combined state and local government taxation of individual income, the government of the District of Columbia performs a nationwide study of the tax burdens of 51 US cities. In 2016, it found: "In twenty-two of the cities that 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). Notably, Burlington, Vermont residents would receive a refundable income tax credit of $4,004, marking the lowest income tax burden on a family earning $25,000 per year. The highest income tax burden is at 7% in Philadelphia, Pennsylvania, and next at 5% in Louisville, Kentucky. At the $150,000 income level, the burden ranges from a low of 1% of income in Fargo, North Dakota, to 7% 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 lower than federal income taxes. State corporate 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.

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

Other taxes

State governments levy other taxes including:

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

Non-tax revenue

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

State and local government authority to spend money[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.

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

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

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

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

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

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

Federal Reserve balance sheets

(In billions)

December 31,	2014	2015	2016
Assets			
Treasury securities	$ 2,461	$ 2,462	$ 2,464
Agency- and GSE-backed securities	1,776	1,780	1,757
Debt securities	4,237	4,242	4,221
Other assets	318	300	289
Total assets	$ 4,555	$ 4,542	$ 4,510
Liabilities and net worth			
Depository institution reserves	$ 2,378	$ 1,977	$ 1,760
Deposits and currency	1,592	1,789	1,939
Security repurchase agreements	510	712	725
Other liabilities	47	54	76
Total liabilities	4,527	4,532	4,500
Net worth	28	10	10
Total liabilities and net worth	$ 4,555	$ 4,542	$ 4,510

Government-sponsored enterprises

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

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

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

Federal Home Loan Banks[8]

The 11 Federal Home Loan Banks (FHLBanks) are federally-chartered but privately capitalized and independently managed. The FHLBanks serve the public by providing a readily available, low-cost source of funds to FHLBank member banks through advances, which in turn loan money to local institutions that lend directly to borrowers. These funds may be used for residential mortgages, community investments, and other services for housing and community development. In addition, some of the banks provide member banks with a means of enhancing liquidity by purchasing home mortgages through mortgage programs developed for their member banks. Member banks can also borrow from an FHLBank to fund low-income housing. As of December 31, 2015, the FHLBanks had $634 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.

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 $332 million, $269 million, and $293 million for the years ended December 31, 2015, 2014, and 2013, respectively.

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.

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) is a nationwide network of 73 independent customer-owned lending institutions, providing more than $259 billion in loans, leases, and related services to nearly 500,000 customers. Farm Credit helps rural communities and agriculture grow and thrive by providing reliable, consistent credit and financial services, including loans, leases, and financial services to farmers, ranchers, and rural businesses across the US and in Puerto Rico.

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

Farmer Mac[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.

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, 2017, its total outstanding business volume was $19 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

	1980	1990	2000	2010	2014	2015	2016	2017
Old Age and Survivors Insurance								
Total benefits paid (in millions)	$ 105,074	$ 222,993	$ 352,706	$ 577,448	$ 706,821	$ 742,939	$ 768,633	na
Number of recipients	30,843,914	35,558,711	38,741,343	43,846,211	48,076,066	49,156,959	50,297,237	51,492,108
Average benefit per recipient	$ 305	$ 554	$ 788	$ 1,110	$ 1,260	$ 1,273	$ 1,292	$ 1,334
Disability Insurance								
Total benefits paid (in millions)	$ 15,437	$ 24,803	54,938	$ 124,191	$ 141,622	$ 143,282	$ 142,703	na
Number of recipients	4,682,172	4,265,981	6,673,362	10,185,886	10,931,092	10,806,466	10,610,070	10,411,252
Average benefit per recipient	$ 269	$ 462	$ 649	$ 922	$ 1,017	$ 1,022	$ 1,032	$ 1,060
Total Social Security								
Total benefits paid (in millions)	$ 120,511	$ 247,796	$ 407,644	$ 701,639	$ 848,443	$ 886,221	$ 911,336	na
Number of recipients	35,526,086	39,824,692	45,414,705	54,032,097	59,007,158	59,963,425	60,907,307	61,903,360
Average benefit per recipient	$ 301	$ 545	$ 767	$ 1,074	$ 1,215	$ 1,228	$ 1,246	$ 1,288

na *An "na" reference in the table means the data is not available.*
† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*

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 2015, Social Security payments were $888 billion or 16% of our Government's aggregate expenditures. Partially offsetting Social Security expenditures (but shown separately as revenue in our income statement), is $786 billion of Social Security tax receipts, which comprised 15% 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 are subject to federal income taxes using a two-tiered scheme if the recipient's income exceeds certain thresholds. According to the Wisconsin Fiscal Legislative Bureau, in 2015: "A total of 30 states…exempted social security income from taxation. Fourteen states taxed social security benefits in 2015: seven states followed current federal practice and taxed up to 85% of benefits; and seven states provided their own taxation scheme."[15]

Disability

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

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

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

There are special rules for people who are blind.

Retirement

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

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

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

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

Survivor benefits

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

Children's benefits

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

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

The child must also be any of the following:

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

Enrollment

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

Funding and financial condition of the program[16]

Funding

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

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

1980	$ 25,900	**1990**	$ 51,300	**2000**	$ 76,200	**2005**	$ 90,000
2010	$106,800	**2014**	$117,000	**2015**	$118,500	**2016**	$118,500
2017	$127,200						

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

Financial condition

Social Security funds are deposited in trust funds. The table below shows that at the end of 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**	**2010**	**2014**	**2015**	**2016**	**2017**
Total cash income [1]	**$117,439**	**$ 307,921**	**$ 561,321**	**$ 788,061**	**$ 877,496**	**$ 913,352**	**$ 950,223**	**$ 992,091**
Social insurance and retirement receipts (payroll taxes)	113,209	281,656	480,584	631,687	735,565	770,372	810,180	850,618
Intergovernmental receipts:	4,230	26,265	80,685	156,281	141,808	142,898	139,971	141,396
Government employer share for government employee retirement	1,204	5,567	7,637	14,936	15,737	16,008	16,936	17,499
Interest	2,340	15,991	59,796	118,502	100,266	95,968	90,575	86,512
Other	686	4,707	13,252	22,843	25,805	30,922	32,460	37,385
Other cash income	—	—	52	93	123	82	72	77
Total cash outgo [1]	**$118,559**	**$ 249,705**	**$ 409,473**	**$ 706,351**	**$ 850,568**	**$ 887,767**	**$ 916,073**	**$ 944,904**
Benefit payments	115,514	243,263	402,104	695,459	839,526	876,559	905,084	933,897
Payments to the railroad retirement account	1,442	3,049	3,697	4,392	4,701	4,677	4,663	4,523
Interest payments	—	1,082	—	—	—	—	—	—
Administrative expenses	1,494	2,273	3,606	6,390	6,210	6,387	6,198	6,246
Military service credit adjustment	—	—	—	—	—	—	—	—
Beneficiary services and other	109	38	66	110	131	144	128	238
Surplus (deficit)	**$ (1,120)**	**$ 58,216**	**$ 151,848**	**$ 81,710**	**$ 26,928**	**$ 25,585**	**$ 34,150**	**$ 47,187**
Adjustment to balances	—	—	—	3	(1)	—	—	(2)
Fund balance, end of year:	**$ 32,259**	**$ 214,900**	**$1,006,852**	**$2,585,484**	**$2,782,625**	**$2,808,210**	**$2,842,360**	**$2,889,545**
Invested balance	31,251	215,222	1,007,226	2,586,333	2,782,918	2,808,287	2,842,592	2,889,869
Uninvested balance	1,008	(322)	(374)	(849)	(293)	(77)	(232)	(324)

† *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[17]

(In thousands)	**1980**	**1990**	**2000**	**2010**	**2014**	**2015**	**2016**
Total enrollment by part: [1]	**28,433**	**34,251**	**39,688**	**47,720**	**54,115**	**55,542**	**56,800**
Part A (Hospital Insurance)	28,002	33,747	39,257	47,365	53,777	55,205	56,463
Part B (Medical Insurance)	27,278	32,567	37,335	43,882	49,413	50,744	52,088
Part C (Private Insurer-Provided Medicare)	na	2,017	6,856	11,692	16,243	17,492	18,391
Part D (Outpatient Prescription Drug Insurance)	na	na	na	34,772	40,499	41,804	43,191

† *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.*
na *An "na" reference in the table means the data is not available.*
1 *Starting in 1983, includes amounts from Postal Service.*

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

In 2016, Medicare provided benefits to 57 million Americans, approximately 84% (48 million) of whom were age 65 and older and 16% (9 million) of whom were disabled.

In 2015, Medicare payments (net of premiums of $84 billion) were $546 billion or 10% of our Government's aggregate expenditures. Partially offsetting these expenditures (but shown separately as a payroll tax revenue in our income statement) were $238 billion of Medicare tax receipts, which comprised 5% of our Government's aggregate revenue.

Programs

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

- the Hospital Insurance (HI) program, also known as Medicare Part A:
  - Part A covers in-patient hospital treatment along with some other medical services, with 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 65th 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:

- $232 per month (as of 2018) for those with 30 – 39 quarters of Medicare-covered employment, or
- $422 per month (as of 2018) 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 2018 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 $160,000 or married couples earning more than $320,000.

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

Funding and financial condition of the program

Funding

Each 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 C is funded by the Medicare Trust Funds at a fixed amount per month, plus any additional premiums paid by Part C plan members.
- Part D is financed primarily by revenue from the federal government general fund with small amounts coming from enrollee premiums and transfers from states. In 2006, a surtax was added to Part B premiums for higher-income seniors to partially fund Part D.

Financial condition

Each of the three parts of Medicare has its own account managed by trustees (a trust fund account).

Medicare trust funds financials

At the end of fiscal year 2015, the HI (Part A) trust fund had a balance of $196 billion and the SMI (Parts B and D) trust fund had a balance of $69 billion, for a combined balance of $265 billion.

(In millions)	1980	1990	2000	2010	2014	2015	2016	2017
Total cash income	**$35,690**	**$ 125,170**	**$248,921**	**$ 505,217**	**$603,720**	**$ 631,944**	**$ 688,714**	**$ 718,533**
Social insurance and retirement receipts (payroll taxes)	23,217	68,029	135,529	180,068	224,107	234,189	246,812	255,930
Excise taxes (SMI)	—	—	—	—	3,209	2,991	2,853	4,147
Intergovernmental receipts:	9,529	45,531	91,333	250,528	281,110	300,019	334,121	347,119
Government employer share for government employee retirement [1]	249	2,153	2,630	4,042	4,052	4,073	4,285	4,416
Interest	1,477	9,370	13,630	17,602	11,420	11,106	10,063	9,769
Federal payment (OASDI taxes)	—	—	8,787	13,760	18,066	20,208	23,022	24,206
Federal contributions and other	7,803	34,008	66,286	215,124	247,572	264,632	296,751	308,728
Premium income	2,944	11,607	21,907	65,307	81,002	83,687	90,752	100,029
Other cash income [2]	—	3	152	9,314	14,292	11,058	14,176	11,308
Total cash outgo	**$35,034**	**$109,709**	**$219,022**	**$525,640**	**$ 606,161**	**$640,446**	**$ 698,610**	**$708,298**
Benefit payments	33,937	107,172	214,867	518,832	597,820	631,847	690,118	699,784
Administrative expenses [3]	1,080	2,298	3,042	5,279	6,329	6,269	6,023	5,527
Payments to the Patient-Centered Outcomes Research Trust Fund	—	—	—	—	107	117	123	131
Other	17	239	1,113	1,529	1,905	2,213	2,346	2,856
Surplus (deficit)	**$ 656**	**$ 15,461**	**$ 29,899**	**$(20,423)**	**$ (2,441)**	**$ (8,502)**	**$ (9,896)**	**$ 10,235**
Fund balance, end of year	**$ 19,029**	**$ 110,158**	**$213,968**	**$350,842**	**$273,690**	**$ 265,186**	**$255,292**	**$265,528**
Invested balance	19,214	110,535	213,934	349,203	270,598	261,586	255,545	268,424
Uninvested balance	(185)	(377)	34	1,639	3,092	3,600	(253)	(2,896)

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

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

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

Federal fiscal year	1980	1990	2000	2010	2014	2015	2016
Medicaid							
Spending (in billions) [1]	$ 25.2	$ 72.2	$ 206.2	$ 401.5	$ 494.7	$ 552.3	$ 575.9
Average monthly enrollment (in millions) [1]	19.6	22.9	34.5	54.5	65.1	70.0	72.2
Spending per enrollee [1]	$1,285	$ 3,147	$ 5,972	$ 7,361	$ 7,597	$ 7,887	$ 7,973
Total beneficiaries (in thousands of people) [2]	21,605	25,255	41,212	63,730	na	na	na
Children	9,333	11,220	18,528	30,024	na	na	na
Adults	4,877	6,010	8,538	15,368	na	na	na
Disabled	2,911	3,718	6,688	9,341	na	na	na
Aged	3,440	3,202	3,640	4,289	na	na	na
Unknown	1,044	1,105	3,817	4,709	na	na	na
Total enrollees (in thousands of people, rounded to the nearest 100,000) [3]	19,600	22,900	34,500	54,500	65,100	70,000	72,200
Children	na	na	16,400	26,000	27,500	28,100	28,100
Adults	na	na	6,900	12,700	15,000	15,200	15,300
Newly eligible adults	na	na	—	—	4,300	9,100	11,200
Disabled	na	na	6,700	9,200	10,200	10,500	10,600
Aged	na	na	3,600	4,700	5,400	5,600	5,700
Territories	na	na	900	1,000	1,500	1,500	1,400
State fiscal year	**1980**	**1990**	**2000**	**2010**	**2014**	**2015**	**2016**
Medicaid as share of state budgets (including all federal and state funds) [4]	na	12.5%	19.1%	22.2%	26.5%	28.2%	na
Medicaid as share of state budgets (including state general funds only; no federal funds) [4]	na	9.5%	15.0%	14.8%	20.0%	19.7%	na
Medicaid as share of state budgets (including all state funds; no federal funds) [4]	na	6.9%	11.0%	11.6%	15.8%	15.8%	na
Children's Health Insurance Program (CHIP) [5]							
Average monthly enrollment (in millions)	na	na	2.0	5.4	6.0	5.9	na

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

†† *Source: Centers for Medicare and Medicaid Services.*

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

1 *All numbers exclude CHIP-financed coverage. The amounts shown in this table may differ from those published elsewhere due to slight differences in the timing of data and the treatment of certain adjustments. The amounts may also differ from prior versions of MACStats due to changes in methodology by the 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 – 2015 are projected; those for FYs 1999 – 2015 include estimates for Puerto Rico and the Virgin Islands.*

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 *The Centers for Medicare and Medicaid Services stopped reporting numbers of beneficiaries in 2013.Accordingly, we have switched to reporting enrollees. Details may not add up to the total. Total enrollees and enrollees by type were taken from two separate data sources.*

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

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

Medicaid is a joint federal and state program that, together with the Children's Health Insurance Program (CHIP), provides health coverage to more than 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 2015, Medicaid and CHIP payments were $512 billion or 9% 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.

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

CHIP:

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

The FPL for 2018 ranges from $12,140 for individuals to $42,380 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**	**2010**	**2014**	**2015**	**2016**	**2017**
Total benefits (in millions)	$ 8,721	$ 14,143	$14,983	$64,702	$69,999	$69,645	$66,539	$63,708
Average monthly recipients (in thousands)	21,082	20,049	17,194	40,302	46,664	45,767	44,219	42,203
Average monthly benefits per person	$ 34	$ 59	$ 73	$ 134	$ 125	$ 127	$ 125	$ 126

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

The Supplemental Nutrition Assistance Program (SNAP) offers nutrition assistance to millions of eligible, low-income individuals and families and provides economic benefits to communities when recipients spend money on food locally. SNAP is the largest program in the domestic hunger safety net. The maximum monthly benefit for the first person in a household is $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 2015, SNAP payments were $71 billion or 1% of our Government's aggregate expenditures.

Eligibility and enrollment[20]

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.

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

Income

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

Employment

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

Immigrants

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

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

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

Funding and financial condition of the program

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

Unemployment Insurance[21]

	1980	1990	2000	2010	2014	2015	2016
Regular Benefits							
Total # weeks claimed (in thousands)	148,952	116,000	96,007	203,149	115,130	100,675	94,793
Average weekly benefit (non-partial)	$ 100	$ 162	$ 221	$ 299	$ 315	$ 329	$ 344
Aggregate benefits paid (in millions)	$ 14,191	$ 17,956	$ 20,479	$ 57,891	$ 34,570	$ 31,622	$ 31,230
Extended Benefits							
Total # weeks claimed (in thousands)	17,940	247	28	31,786	7	2	—
Average weekly benefit (non-partial)	$ 98	$ 105	$ 182	$ 295	$ 362	$ 148	$ 506
Aggregate benefits paid (in millions)	$ 1,704	$ 30	$ 4	$ 8,919	$ (15)	$ (32)	$ 45
Emergency Benefits							
Total # weeks claimed (in thousands)	—	—	—	237,279	—	—	—
Average weekly benefit (non-partial)	$ —	$ —	$ —	$ 296	$ —	$ —	$ —
Aggregate benefits paid (in millions)	$ —	$ —	$ —	$ 70,213	$ —	$ —	$ —
Total Benefits (All Types)							
Aggregate UI benefits paid (in millions)	$ 15,896	$ 17,986	$ 20,483	$ 137,023	$ 34,555	$ 31,590	$ 31,274

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

†† *Source: Department of Labor.*

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

The Department of Labor's Unemployment Insurance (UI) programs provide benefits to eligible workers who become unemployed through no fault of their own and meet certain other eligibility requirements. Unemployment insurance payments (benefits) are intended to provide temporary financial assistance to unemployed workers who meet the requirements of state law. Each state administers a separate UI program within guidelines established by federal law. In general, UI benefits are based on a percentage of an individual's earnings over a recent 52-week period, up to a state maximum amount. Benefits can be paid for a maximum of 26 weeks in most states. Additional weeks of benefits may be available during times of high unemployment (extended and emergency benefits). The basic extended benefits program provides up to 13 additional weeks of benefits. Some states have also enacted a voluntary program to pay up to 7 additional weeks (20 weeks maximum) of extended benefits during periods of extremely high unemployment. Some states provide additional benefits for specific purposes. In 2015, UI payments were $38 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 2017, however, employers can receive a credit of up to 5.4% against this FUTA tax if they pay state unemployment tax during the calendar year.[22] Three states require minimal employee contributions. Funds received by the federal government are distributed to state trust funds held by the Treasury, which are used to finance the programs.

As of December 31, 2017, the aggregate state UI trust fund balance was $55 billion. Because of the Great Recession, 36 states depleted their UI funds and took advances totaling $152 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 end of 2017, two state and insular-area UI programs still had a total of $1 billion in outstanding federal loans, with nearly all of the balance, or $1 billion, held by California. Three states had an additional $4 billion in outstanding private borrowings, with Michigan and Pennsylvania holding the largest balances at roughly $2 billion each. During 2017, the states earned a total of $1 billion on their UI trust fund investments and incurred a total of $51 million of interest expense owed to the federal government for their Title XII loans.[23]

Earned Income Tax Credit (EITC)[24]

Calendar year	1980	1990	2000	2010	2014	2015
Total EITC claims (in millions)	na	$ 7,512	$ 32,296	$ 59,562	$ 68,339	$ 68,525
Total EITC claims for returns with children (in millions)	na	na	$ 31,953	$ 57,809	$ 66,218	$ 66,387
Number of EITC returns (in thousands)	6,954	12,555	19,277	27,368	28,538	28,082
Number of EITC Returns with children (in thousands)	na	na	15,872	20,720	21,154	20,815
Average amount of EITC	$ 286	$ 598	$ 1,675	$ 2,176	$ 2,395	$ 2,440
Average amount of EITC for returns with children	na	na	$ 1,990	$ 2,790	$ 3,130	$ 3,189

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

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

The maximum credit amounts for the latest tax year, 2017, are:

- $6,318 with three or more qualifying children;
- $5,616 with two qualifying children;
- $3,400 with one qualifying child; and
- $510 with no qualifying children.

Eligibility and enrollment

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

Financial qualifications

To be eligible for the EITC, one may not earn more than $3,450 in investment income for the year (as of 2017). In addition, earned income and adjusted gross income (AGI) for 2017 must each be less than:

	Qualifying Children Claimed			
If filing	**Zero**	**One**	**Two**	**Three or more**
Single, Head of Household or Widowed	$ 15,010	$ 39,617	$ 45,007	$ 48,340
Married Filing Jointly	$ 20,600	$ 45,207	$ 50,597	$ 53,930

Non-financial qualifications

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

Funding and financial condition of the program

Refundable federal EITCs are primarily funded by mandatory expenditures in the annual federal budget. Congress could act to modify or remove the program's funding, but otherwise, it will continue as scheduled. Twenty-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.

Premium Tax Credit (PTC)[25]

Calendar year	2014	2015
Total PTC claims (in millions)	$ 1,011	$ 1,544
Number of PTC returns (in thousands)	1,499	2,343
Average amount of PTC	$ 674	$ 659

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

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

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

The maximum credit amounts for the latest tax year, 2017, are:

- $6,318 with three or more qualifying children;
- $5,616 with two qualifying children;
- $3,400 with one qualifying child; and
- $510 with no qualifying children.

Eligibility and enrollment

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

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

Income limits

In general, individuals and families may be eligible for the premium tax credit if their household income for the year is at least 100% but no more than 400% of the federal poverty line for their family size. For residents of one of the 48 contiguous states or Washington, D.C., the following illustrates when household income would be at least 100% but no more than 400% of the federal poverty line in computing your premium tax credit for 2017:

- $12,060 (100%) up to $48,240 (400%) for one individual;
- $16,240 (100%) up to $64,960 (400%) for a family of two; and
- $24,600 (100%) up to $98,400 (400%) for a family of four

Funding and financial condition of the program

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

Supplemental Security Income (SSI)[26]

Calendar year	1980	1990	2000	2010	2014	2015	2016
Total payments (in millions):	**$ 7,771**	**$ 16,182**	**$ 32,159**	**$ 51,356**	**$ 57,271**	**$ 57,458**	**$ 57,250**
Blind or disabled	5,142	12,624	27,438	45,618	51,381	51,551	51,302
Aged	2,629	3,557	4,722	5,739	5,891	5,907	5,948
SSI federal payments [1]	$ 5,923	$ 12,943	$ 28,778	$ 47,767	$ 54,153	$ 54,827	$ 54,634
SSI federally administered state supplementation payments	$ 1,848	$ 3,239	$ 3,381	$ 3,589	$ 3,118	$ 2,631	$ 2,616
SSI recipients (in thousands): [2]	4,142	4,817	6,602	7,912	8,336	8,309	8,251
Blind or disabled	2,334	3,363	5,312	6,728	7,184	7,152	7,087
Aged	1,808	1,454	1,289	1,184	1,152	1,157	1,165
SSI payments per recipient: [2]	**$ 1,876**	**$ 3,359**	**$ 4,871**	**$ 6,491**	**$ 6,870**	**$ 6,915**	**$ 6,248**
Blind or disabled	2,203	3,754	5,165	6,780	7,152	7,208	7,274
Aged	1,454	2,446	3,663	4,847	5,114	5,105	5,106

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis. Details may not add to the total due to rounding.*
†† *Source: Social Security Administration.*
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 2018 are $750 for an eligible individual, $1,125 for an eligible individual with an eligible spouse, and $376 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 2015, SSI payments were $56 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	2014	2015	2016	2017
All HUD programs							
Subsidized units available (in thousands) [1]	4,881	5,092	5,095	5,032	5,039	5,016	5,019
Number of households reporting (in thousands)	3,904	4,032	4,429	4,647	4,682	4,677	4,651
Average household size (persons)	2.2	2.2	2.1	2.1	2.1	2.1	2.1
Total number of people (in thousands)	8,494	8,809	9,859	9,835	9,853	9,785	9,653
Average monthly household rent contribution [2]	$ 212	$ 258	$ 288	$ 321	$ 328	$ 332	$ 337
Average monthly federal spending per unit [3]	$ 421	$ 503	$ 631	$ 666	$ 680	$ 687	$ 725
Average household income	$10,300	$11,500	$12,364	$13,190	$13,499	$13,726	$13,958
% extremely low income (<30% median) [4]	70%	77%	76%	73%	73%	73%	73%
% household headed by female	79%	79%	78%	77%	76%	76%	76%
% minority households	58%	59%	63%	64%	65%	65%	64%
Average months on waiting list [5]	22	18	18	26	26	26	27
Average months since moved in [6]	75	74	84	104	105	106	107

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis.*
†† *Source: Department of Housing and Urban Development.*
††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*
1 *Number of units under contract for federal subsidy and available for occupancy.*
2 *Average household contribution towards rent per month (includes utilities).*
3 *Average federal spending per unit per month. For public housing, the operating subsidy is divided by the total number of occupied units. For tenant-based Section 8 the housing assistance payment is divided by the total number of reported households. Average total household income per year (shown in thousands of dollars per year). (Numerator includes zero income but excludes missing income; denominator includes all households.)*
4 *% of households with income below 30% of local area median family income, adjusted for household size.*
5 *Average months on waiting list among new admissions. Excludes programs that do not report waiting list dates. (Excludes zero and missing values.)*
6 *Average number of months since moved in. (Excludes zero and missing values.)*

According to the US Department of Housing and Urban Development (HUD), families that pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care. An estimated 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 2015, government housing support generated net revenue of $36 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 2015) was net revenue generation of $45 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 $71 billion in revenue (between 2008 and 2015).

Eligibility and enrollment

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

Funding and financial condition of the program

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

Student financial aid[27]

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

(in millions, unless noted)	1980	1990	2000	2010	2014	2015	2016
Federal grants							
Pell Grant expenditures by type of institution:	**$ 2,357**	**$ 4,778**	**$ 7,209**	**$ 29,361**	**$ 31,477**	**$ 30,626**	**$ 28,559**
Public [1]	na	na	na	$ 18,145	$ 20,777	$ 20,430	$ 19,271
Private [1]	na	na	na	$ 3,884	$ 4,494	$ 4,744	$ 4,568
Proprietary [1]	na	na	na	$ 7,332	$ 6,206	$ 5,453	$ 4,720
Number of valid Pell Grant applicants (in thousands):	**3,868**	**6,165**	**8,527**	**16,542**	**17,957**	**17,357**	**16,431**
Eligible applicants	3,030	4,348	4,903	10,969	12,876	12,338	11,444
Ineligible applicants	839	1,818	3,624	5,574	5,082	5,018	4,988
Federal Pell Grant recipients (in thousands)	**2,538**	**3,322**	**3,764**	**8,094**	**8,663**	**8,316**	**7,660**
Average Pell Grant (actuals):	**$ 929**	**$ 1,438**	**$ 1,915**	**$ 3,706**	**$ 3,634**	**$ 3,683**	**$ 3,728**
Minimum grant	$ 200	$ 200	$ 400	$ 976	$ 582	$ 587	$ 581
Maximum grant	$ 1,800	$ 2,300	$ 3,125	$ 5,350	$ 5,645	$ 5,730	$ 5,775
Federal Supplemental Educational Opportunity Grants	$ 338	$ 437	$ 619	$ 736	$ 733	$ 733	$ 733
Veterans and military	na	na	$ 1,629	$ 8,260	$ 13,681	$ 13,408	$ 13,838
Federal Work-Study	$ 547	$ 609	$ 850	$ 972	$ 981	$ 981	$ 981
Federal loans							
Perkins Loan disbursements	**$ 651**	**$ 903**	**$ 1,101**	**$ 818**	**$ 1,172**	**$ 1,160**	**$ 1,045**
Direct loan disbursements by type of institution:	na	na	**$ 10,141**	**$ 42,582**	**$ 100,159**	**$ 96,458**	**$ 94,478**
Public [1]	na	na	$ 2,554	$ 9,933	$ 35,207	$ 34,557	$ 34,983
Private nonprofit [1]	na	na	$ 6,930	$ 22,430	$ 46,299	$ 44,946	$ 44,034
Proprietary [1]	na	na	$ 657	$ 10,209	$ 17,502	$ 15,756	$ 14,172
Foreign [1]	na	na	$ —	$ 10	$ 1,151	$ 1,199	$ 1,289

† *Dollar amounts in this table may not agree to amounts for the same program in our financial statements or narrative discussion as 1) the data in this table may be on a different year (e.g. fiscal vs. calendar) basis and 2) the data in this table may be drawn from a source that prepares the data on an accrual rather than a cash basis. Details may not add to the total due to rounding.*
†† *Source: Department of Education.*
††† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*
na *An "na" reference in the table means the data is not available.*
1 *May not add to total. Total expenditures and expenditures by institution type were taken from two separate data sources. In addition, numbers have been rounded.*

Federal

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

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

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

Eligibility and enrollment

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

- demonstrate financial need (for most programs);
- be a US citizen or an eligible noncitizen;
- have a valid Social Security number (with the exception of students from the Republic of the Marshall Islands, Federated States of Micronesia, or the Republic of Palau);

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

Funding and financial condition of the program

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

As of September 30, 2017, 42.6 million unduplicated recipients of federal student loans owed a total of $1.4 trillion or approximately $32,000 per borrower. Direct loans constituted the largest portion of the total, with $1.1 trillion owed by 33.0 million unduplicated recipients or approximately $32,000 per borrower. Of these direct loans, $547 billion or approximately $32,000 per borrower were in repayment status, of which $468 billion or approximately $34,000 per borrower was current and $10 billion, or 2% or approximately $22,000 per borrower, was in technical default (271 days plus delinquent) or transferring to a collection agency, with the remaining balance in various stages of delinquency.

State and local

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

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

Fiscal year	1980	1990	2000	2010	2014	2015	2016	2017
TANF expenditures (in millions) [1]	na	na $	24,781 $	33,255 $	29,351 $	29,296 $	28,321	na
TANF/AFDC average monthly total recipients (in thousands) [2]	10,597	11,460	5,943	4,371	3,505	3,088	2,764	2,486
TANF/AFDC average monthly total child recipients (in thousands) [2]	7,322	7,755	4,370	3,289	2,681	2,353	2,124	1,916
TANF/AFDC average monthly total number of families (in thousands) [2]	3,642	3,974	2,265	1,848	1,521	1,334	1,207	1,101
TANF SSP average monthly total recipients [3]	na	na	380,522	221,868	597,002	1,092,338	1,123,354	1,085,284
TANF SSP average monthly child recipients [3]	na	na	227,615	146,265	390,396	656,535	687,479	674,744
TANF SSP average monthly total number of families [3]	na	na	90,811	69,459	132,102	302,382	316,810	307,321

† *Source: Department of Health and Human Services.*
†† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*
na *An "na" reference in the table means the data is not available.*
1 *Includes State Separate Programs expenditures*
2 *In 1996, Aid to Families with Dependent Children (AFDC) was replaced by TANF.*
3 *State Separate Programs (SSP) are assistance programs that are administered by TANF agencies but are paid for wholly from state funds. When SSPs are conducted in a manner consistent with federal regulations, the money states spend on SSPs counts toward federal maintenance-of-effort (MOE) requirements, under which states must sustain a certain level of contribution to the costs of TANF and approved related activities.*

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

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

In 2015, 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.

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	2010	2014	2015	2016	2017
Federal R&D Outlays by Agency[1]								
All Agencies	**$29,830**	**$66,151**	**$76,898**	**$131,388**	**$128,383**	**$127,882**	**$136,001**	**$141,359**
Department of Defense	na	34,918	38,519	67,615	63,509	62,100	66,530	68,072
Department of Health and Human Services	na	10,218	18,187	34,928	30,404	29,497	30,358	32,336
NASA	na	8,023	6,424	7,316	11,128	12,150	13,104	13,732
Department of Energy	na	5,975	6,068	8,986	10,364	11,303	12,382	13,112
All Other	na	7,017	7,700	12,543	12,978	12,832	13,627	14,107
Higher Education R&D Expenditures (including Federal)[4]								
Total Higher Education	**$6,063**	**$16,290**	**$30,084**	**$61,287**	**$67,349**	**$68,709**	**$71,972**	**na**
Federal government[5]	4,098	9,640	17,548	37,478	38,031	37,911	38,861	na
State and local government	491	1,324	2,200	3,887	3,915	3,864	4,034	na
Institution funds	835	3,006	5,925	11,943	15,781	16,654	18,015	na
Business	236	1,127	2,156	3,202	3,733	4,008	4,216	na
All other	403	1,191	2,255	4,777	5,888	6,272	6,847	na

† *Source: National Science Foundation. Details may not add to totals due to rounding.*
†† *We limited the data in this table to the years presented to provide the most recent data but to also fit the table to the page. Additional years of data and more detail may be found on our website. Click "More detail" to access it.*
na *An "na" reference in the table means the data is not available.*
1 *Represents pure R&D, excludes facilities and fixed equipment.*
2 *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. Healthcare funded under government programs such as Medicare and Medicaid may be delivered by private health-care practitioners, hospitals, and clinics, in addition to public hospitals. Lottery tickets are sold through retailers such as convenience stores and gasoline stations.

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

Reporting segments

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

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

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

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 2015 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 2015, 7% or $406 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 ($309 billion in spending in 2015)

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

Safeguarding consumers and employees ($21 billion in spending in 2015)

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

Child safety and miscellaneous social services ($76 billion in spending in 2015)

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

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

A little more than 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 (based on 2014 data, the latest available).

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 2015, 14% or $811 billion of our Government's expenditures were made by this segment.

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

National defense and support for veterans ($590 billion in spending in 2015)

- *Key initiatives* – operate a military, including raise an army, navy, and air force, employ troops, provide benefits to veterans, and invest in defense technology and equipment
- *Key departments* – Department of Defense, Department of Veterans Affairs (primarily the Veterans Health Administration), Department of Energy (primarily the National Nuclear Security Administration and Environmental and Other Defense Activities), and Department of Justice (primarily the Federal Bureau of Investigation) at the federal level and veterans' services offices at the state level
- *Key metrics (see Item 7. Management's Discussion and Analysis, Key metrics by segment)* – the number of conflicts in which the US participates, 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 2015)

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

Foreign affairs and foreign aid ($49 billion in spending in 2015)

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

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

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 $106 billion in 2015.

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 2015, 23% or $1,323 billion of our Government's expenditures were made by this segment, with a third spent by the federal government and the remainder by state and local governments.

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

Economy and infrastructure ($238 billion in spending in 2015)

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

Standard of living and aid to the disadvantaged ($938 billion in spending in 2015)

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

Health (excluding Medicaid and Medicare) ($147 billion in spending in 2015)

- *Key initiatives* – promote good health as the foundation of a good living and manage the structure of the healthcare industry as well as public health and health regulation

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

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

Blessings of Liberty

This segment works to secure the blessings of liberty to the US population, which it does through investing in the future. Our Government invests in the future by providing educational opportunities and standards, promoting retirement savings and homeownership, and mandating savings through Social Security and Medicare. In order to prevent future conflict and destabilization, our Government manages its debt to limit the burden on future generations, protects the environment and manages natural resources, works to maintain a healthy democracy, and supports opportunity for economic mobility for each individual. In 2015, 53% or $2,978 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 ($849 billion in spending in 2015)

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

Wealth and savings ($2,024 billion in spending in 2015)

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

Sustainability and self-sufficiency ($105 billion in spending in 2015)

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

American Dream ($2 billion in spending in 2015)

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

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

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

Customers

Our Government's customers are the individuals living in the US and US citizens living overseas, including members of the armed forces. As of December 31, 2015, the population of the US, excluding US territories, was approximately 321 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, 2015 and December 31, 2014, 14% in the 15 years following December 31, 2000, and 42% in the 35 years following December 31, 1980.

Demographics of our population

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

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

Population demographics

	1980	1990	2000	2005	2010	2014	2015	2016	2017
Total population (in thousands) [1,4]	**226,546**	**248,710**	**281,422**	**295,517**	**308,746**	**318,623**	**321,040**	**323,406**	**325,719**
Population change [2]	2,920	3,417	3,625	2,813	2,886	2,417	2,366	2,313	na
Natural	2,021	2,514	2,057	1,759	1,850	1,292	1,234	1,202	na
Births	4,492	5,171	5,036	4,178	4,961	3,992	3,963	3,946	na
Deaths	2,471	2,657	2,979	2,419	3,111	2,700	2,729	2,744	na
Net migration	na	876	1,486	980	1,036	1,125	1,132	1,111	na
Residual [3]	899	27	82	74	—	—	—	—	—
Age and sex [1,4,6]									
Male	48.6%	48.7%	49.1%	49.1%	49.2%	49.2%	49.2%	49.2%	na
Female	51.4%	51.3%	50.9%	50.9%	50.8%	50.8%	50.8%	50.7%	na
<5 years of age	7.2%	7.3%	6.8%	6.7%	6.5%	6.2%	6.2%	6.2%	na
5 to 14 years	15.4%	14.2%	14.6%	13.7%	13.3%	12.9%	12.8%	12.7%	na
15 to 24 years	18.8%	14.6%	13.9%	14.4%	14.1%	13.8%	13.6%	13.5%	na
25 to 34 years	16.4%	17.5%	14.2%	13.3%	13.3%	13.6%	13.7%	13.8%	na
35 to 44 years	11.3%	15.1%	16.0%	14.7%	13.3%	12.7%	12.6%	12.5%	na
45 to 54 years	10.1%	10.2%	13.4%	14.4%	14.6%	13.6%	13.4%	13.2%	na
55 to 64 years	9.6%	8.5%	8.6%	10.4%	11.8%	12.6%	12.7%	12.8%	na
65+ years	11.3%	12.5%	12.4%	12.4%	13.0%	14.5%	14.9%	15.2%	na
18+ years	71.9%	74.4%	74.3%	75.1%	76.0%	76.9%	77.0%	71.1%	na
Median age (years)	30.0	33.0	35.3	36.3	37.2	37.7	37.8	37.9	na
Race and ethnicity [1,4,5]									
White	85.9%	80.3%	75.1%	79.7%	78.4%	77.4%	77.1%	76.8%	na
Black / African American	11.8%	12.0%	12.3%	12.8%	13.0%	13.2%	13.3%	13.3%	na
Asian	1.6%	2.9%	3.8%	4.6%	4.9%	5.4%	5.5%	5.7%	na
American Indian / Alaska Native	0.6%	0.8%	0.9%	1.1%	1.4%	1.5%	1.5%	1.5%	na
Other / Mixed Race	na	3.9%	7.9%	1.8%	2.3%	2.5%	2.6%	2.6%	na
Hispanic	6.4%	8.8%	12.5%	14.6%	16.3%	17.3%	17.5%	17.8%	na
Non-Hispanic, White only	na	75.8%	69.1%	66.5%	63.9%	62.1%	61.7%	61.2%	na
Regional [1,4]									
Northeast	21.7%	20.4%	19.0%	18.4%	17.9%	17.5%	17.4%	17.4%	17.2%
Midwest	26.0%	24.0%	22.9%	22.2%	21.7%	21.1%	21.0%	20.9%	20.8%
South	33.3%	34.4%	35.6%	36.4%	37.1%	36.8%	36.9%	37.0%	37.2%
West	19.1%	21.2%	22.5%	23.0%	23.3%	23.1%	23.1%	23.2%	23.3%
Educational attainment [7]									
Population 25 years and over (in thousands)	na	158,868	182,212	189,367	199,928	209,287	212,132	215,015	na
Less than high school graduate	na	24.8%	19.6%	14.8%	12.9%	11.7%	11.6%	10.9%	na
High school graduate	na	30.0%	28.6%	32.2%	31.2%	29.7%	29.5%	28.8%	na
Some college or associate's degree	na	24.9%	27.4%	25.4%	26.0%	26.6%	26.4%	26.8%	na
Bachelor's degree	na	13.1%	15.5%	18.1%	19.4%	20.2%	20.5%	20.8%	na
Graduate or professional degree	na	7.2%	8.9%	9.6%	10.5%	11.8%	12.0%	12.6%	na
Households and families [7, 8, 10, 11]									
Total households (in thousands)	80,776	93,347	104,705	113,343	117,538	123,229	124,587	125,819	126,224
Total family households (in thousands)	59,550	66,090	72,025	76,858	78,833	81,353	81,716	82,184	82,827
% total households married no kids	29.9%	29.8%	28.7%	28.3%	28.8%	29.0%	28.9%	29.0%	29.4%
% total households married parents	30.9%	26.3%	24.1%	22.9%	20.9%	19.4%	19.3%	18.9%	18.7%
% total households single fathers	0.8%	1.2%	1.7%	1.8%	1.9%	2.0%	1.9%	2.0%	1.9%
% total households single mothers	6,7%	7.1%	7.2%	7.3%	7.2%	6.9%	6.9%	6.8%	6.5%
% total households other family	5.4%	6.5%	7.0%	7.6%	8.3%	8.7%	8.6%	8.7%	9.0%
Total non-family households (in thousands)	21,226	27,257	32,680	36,485	38,705	41,876	42,871	43,635	43,397
% total households single person	22.7%	24.6%	25.5%	26.6%	26.7%	27.7%	28.0%	28.1%	27.9%
% total households multiple people non-family	3.6%	4.6%	5.7%	5.6%	6.2%	6.2%	6.4%	6.6%	6.5%
Young adults (25-34 years) living at home (in thousands)	3,194	4,987	3,989	4,257	5,520	6,233	6,509	7,020	7,108
Rate of young adults living at home	8.6%	11.5%	10.0%	10.8%	13.4%	14.3%	14.8%	15.7%	na
Average household size	2.76	2.63	2.62	2.57	2.59	2.54	2.54	2.53	2.54
Average family size	3.29	3.17	3.17	3.13	3.16	3.13	3.14	3.14	3.14
Marital status (age 15 years+) [7, 9]									
Currently married	**61.0%**	**58.7%**	**56.2%**	**55.2%**	**53.6%**	**52.6%**	**52.4%**	**52.1%**	**na**
All men	63.2%	60.7%	57.9%	56.7%	54.8%	53.8%	53.7%	53.4%	na
All women	58.9%	56.9%	54.7%	53.8%	52.4%	51.4%	51.2%	50.8%	na
Net divorce rate [12]	**7.8%**	**10.7%**	**12.9%**	**13.6%**	**14.1%**	**14.7%**	**14.8%**	**14.6%**	**na**
All men	6.8%	9.7%	12.1%	12.3%	12.9%	13.5%	13.6%	13.2%	na
All women	8.6%	11.5%	13.6%	14.8%	15.2%	15.8%	15.9%	15.8%	na

† *Source: US Census Bureau.*

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

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

6 *1980 population by age comes from revised 1980 numbers as found in intercensal estimate documents from 1990.*
7 *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.*
8 *1980 data was 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.*
9 *Marital status includes householders whose race was reported as only one race (rather than in combination with one or more other races) after 2003.*
10 *A household is an occupied housing unit.*
11 *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.*
12 *Net divorce rate is calculated as currently divorced as a percentage of ever married.*

From 1980 through 2015, our population has remained 49% male and 51% female but has shifted in the ways discussed below.

We're getting older – the median age of our population has increased by nearly 8 years or 25%, from 30.0 years old in 1980 to 37.8 years old in 2015.

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 2015. Foreign-born individuals:
  - have a higher labor participation rate (66% in 2015) than native-born individuals (63% in 2015);
  - work in more manual jobs (e.g. service, natural resources, construction, maintenance, moving); and
  - have lower annual earnings (37% earned $50,000 or more in 2015) than native-born individuals (46% earned $50,000 or more in 2015).

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

We're becoming more educated – the rate of individuals with less than a high school diploma has decreased 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 2015.

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

- the size of the average household (a person or people residing together in a housing unit) has decreased 0.2 people or 8% since 1980 to 2.5 people per household in 2015;
- the size of the average family (two or more people related by birth, marriage, or adoption and residing together) has decreased 0.2 people or 5% since 1980 to 3.1 people per family in 2015;
- the share of households that comprise married families has decreased 13 percentage points since 1980 to 48% in 2015, while the share of households that comprise unmarried individuals or families have increased 13 percentage points to 52% in 2015;
- the share of our population that is currently married has decreased 10 percentage points for men and 8 percentage points for women since 1980 to 54% and 51%, respectively, in 2015, while the rate of individuals currently divorced has increased 7 percentage points for men and 7 percentage points for women to 14% and 16%, respectively, in 2015; and
- the number of young adults (25 – 34 years old) living at home has increased 104% since 1980 to 6.5 million or 15% of all young adults in 2015.

Demographics by race and ethnicity

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

	1980	1990	2000	2005	2010	2014	2015	2016
Total population (in thousands)	**226,546**	**248,710**	**281,422**	**295,517**	**308,746**	**318,623**	**321,040**	**323,406**
White	194,713	199,827	211,461	235,492	241,937	246,512	247,543	248,503
Black / African American	26,683	29,931	34,658	37,962	40,251	42,131	42,574	43,001
Asian	3,729	7,227	10,642	13,576	15,160	17,238	17,785	18,319
Hispanic	14,609	21,900	35,306	43,024	50,478	55,190	56,339	57,470
Poverty rate of all persons	**13.0%**	**13.5%**	**11.3%**	**12.6%**	**15.1%**	**14.8%**	**13.5%**	**12.7%**
White population [1]	10.2%	10.7%	9.5%	10.6%	13.0%	12.7%	11.6%	11.0%
Black [1]	32.5%	31.9%	22.5%	24.9%	27.4%	26.2%	24.1%	22.0%
Asian [1]	na	12.2%	9.9%	11.1%	12.2%	12.0%	11.4%	10.1%
Hispanic	25.7%	28.1%	21.5%	21.8%	26.5%	23.6%	21.4%	19.4%
Crime								
Total arrests (in thousands) [6]	**10,458**	**14,217**	**13,986**	**14,098**	**13,122**	**11,207**	**10,798**	**10,663**
White	74.0%	69.8%	68.9%	70.0%	69.5%	69.3%	69.7%	na
Black / African American	24.2%	28.3%	28.8%	27.5%	27.9%	27.8%	26.6%	na
American Indian / Alaska Native	1.2%	1.1%	1.3%	1.3%	1.4%	1.6%	2.1%	na
Asian / Pacific Islander	0.6%	0.8%	1.1%	1.1%	1.2%	1.3%	1.2%	na
Total sentenced prisoners (in thousands) [7]	**na**	**na**	**1,334**	**1,463**	**1,553**	**1,508**	**1,484**	**na**
White (non-Hispanic) [8]	na	na	35.6%	34.6%	32.2%	33.6%	30.6%	na
Black (non-Hispanic) [8]	na	na	46.2%	39.5%	37.9%	35.8%	33.6%	na
Hispanic	na	na	16.4%	20.2%	22.3%	21.7%	22.9%	na
High school dropout rate [2]	**14.1%**	**12.1%**	**10.9%**	**9.4%**	**7.4%**	**6.5%**	**5.9%**	**na**
White	11.4%	9.0%	6.9%	6.0%	5.1%	5.2%	4.6%	na
Black	19.1%	13.2%	13.1%	10.4%	8.0%	7.4%	6.5%	na
Hispanic	35.2%	32.4%	27.8%	22.4%	15.1%	10.6%	9.2%	na
College graduation rate (at 4 year institutions, within 6 years after start) [3]								
White	na	na	na	59.7%	61.6%	63.2%	63.3%	na
Black	na	na	na	40.9%	39.6%	40.9%	39.5%	na
Hispanic	na	na	na	48.5%	50.2%	53.5%	53.6%	na
Civil rights violations								
Equal employment charges	na	na	79,896	75,428	99,922	88,778	89,385	91,503
By race	na	na	28,945	26,740	35,890	31,073	31,027	32,309
By ethnicity/national origin	na	na	7,792	8,035	11,304	9,579	9,438	9,840
By color	na	na	1,290	1,069	2,780	2,756	2,833	3,102
Hate crimes – by race/ethnicity /national origin [4]	na	na	5,248	4,863	3,982	3,216	3,310	3,489
Employment (as % of working-age population) [5]								
White	na	75.7%	76.7%	75.0%	71.0%	72.2%	72.8%	73.7%
Black	na	63.1%	65.1%	60.2%	54.0%	57.3%	59.2%	60.4%
Asian	na	na	72.8%	61.5%	56.2%	61.7%	62.7%	65.3%
Hispanic	na	68.7%	69.3%	67.8%	61.1%	65.7%	66.8%	68.1%
% of births to mothers under 18 (by race of mother)								
White	na	3.6%	3.5%	2.9%	2.5%	na	na	na
Black / African American	na	10.1%	7.8%	6.2%	4.9%	na	na	na
Asian / Pacific Islander	na	2.1%	1.5%	1.0%	0.7%	na	na	na
Hispanic / Latina (of any race)	na	6.6%	6.3%	5.3%	4.7%	na	na	na
Life expectancy at birth	**73.7**	**75.4**	**76.8**	**77.6**	**78.7**	**78.8**	**78.8**	**na**
White	74.4	76.1	77.3	78.0	78.9	79.0	79.0	na
Black	68.1	69.1	71.8	73.0	75.1	75.6	75.5	na
Hispanic	na	na	na	na	81.2	81.8	82.0	na
Mortality rate (per 100,000 persons)	**878.0**	**863.1**	**854.0**	**828.4**	**799.5**	**823.7**	**844.0**	**na**
White	892.3	887.3	900.2	880.9	861.7	892.9	915.9	na
Black / African American	874.4	869.6	781.1	745.4	682.2	697.3	713.4	na
Asian / Pacific Islander	na	na	296.6	298.0	301.1	317.4	331.7	na
American Indian / Alaska Native	na	na	380.8	391.6	365.1	398.5	415.4	na
Hispanic	na	na	303.8	304.9	286.2	305.8	317.1	na
Non-Hispanic	na	na	929.6	915.7	897.6	929.3	952.4	na
Infant (under 1 year old) mortality (per 1,000 births)	**na**	**8.9**	**6.9**	**6.9**	**6.1**	**5.8**	**5.9**	**na**
White	na	7.3	5.7	5.7	5.2	4.9	4.9	na
Black / African American	na	16.9	13.5	13.3	11.2	10.7	11.3	na
Asian / Pacific Islander	na	6.6	4.9	4.9	4.3	3.9	4.2	na
Hispanic / Latina (of any race)	na	7.5	5.6	5.6	5.3	5.0	5.0	na

	1980	1990	2000	2005	2010	2014	2015	2016
Number of children in foster care on September 30	**na**	**na**	**552,000**	**511,000**	**404,878**	**414,435**	**427,444**	**437,465**
White	na	na	38%	41%	41%	42%	45%	44%
Black	na	na	39%	32%	29%	24%	23%	23%
Hispanic	na	na	15%	18%	21%	22%	20%	21%
Asian	na	na	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.*
na *An "na" reference in the table means the data is not available.*
1 *Includes mixed races prior to 2002.*
2 *16-24 years old who are not enrolled in school and who have not completed a high school program, regardless of when they left school.*
3 *Data are for 4-year degree-granting postsecondary institutions participating in Title IV federal financial aid programs. Graduation rates refer to students receiving bachelor's degrees from their initial institutions of attendance only. Graduation rate is for cohort starting six years earlier. Totals include data for persons whose race/ethnicity was not reported. Race categories exclude persons of Hispanic ethnicity.*
4 *A hate crime is a traditional offense like murder, arson, or vandalism with an added element of bias. For the purposes of collecting statistics, the FBI has defined a hate crime as a "criminal offense against a person or property motivated in whole or in part by an offender's bias against a race, religion, disability, sexual orientation, ethnicity, gender, or gender identity." Hate itself is not a crime – and the FBI is mindful of protecting freedom of speech and other civil liberties.*
5 *Total employment is from the current employment statistics (CES) survey and represents average annual national non-farm employment. All self-employed workers, both incorporated and unincorporated, are excluded from these earnings estimates.*
6 *Arrests include each separate instance in which a person is arrested, cited, or summoned for an offense. A single arrest may be for a single criminal incident or for many incidents that occurred over a long time period. Because a person may be arrested multiple times during a year, arrest figures do not reflect the number of individuals who have been arrested. Rather, the arrest data show the number of times that persons are arrested, as reported by law enforcement agencies. Data reflect the hierarchy of offenses, meaning that the most serious offense in a multiple-offense arrest instance is used to characterize the arrest.*
7 *Sentenced prisoners are prisoners with sentences of more than 1 year under the jurisdiction of state or federal correctional officials.*
8 *Data source used to estimate race and Hispanic origin changed in 2010. Use caution when comparing to prior years.*

African-American population

	1980	1990	2000	2005	2010	2014	2015	2016
African-American population (in thousands)	**26,683**	**29,931**	**34,658**	**37,962**	**40,251**	**42,131**	**42,574**	**43,001**
% of total population	11.8%	12.0%	12.3%	12.8%	13.0%	13.2%	13.3%	13.3%
Age and sex								
Male	47.3%	47.2%	47.5%	46.5%	47.7%	47.8%	47.9%	47.9%
Female	52.7%	52.8%	52.5%	53.5%	52.3%	52.2%	52.1%	52.1%
<5 years of age	9.2%	9.2%	8.1%	8.4%	7.6%	7.2%	7.1%	7.1%
5 to 14 years	19.5%	17.7%	18.3%	17.2%	15.3%	14.7%	14.5%	14.3%
15 to 24 years	21.6%	17.1%	16.0%	16.4%	16.9%	16.4%	16.1%	15.7%
25 to 34 years	15.9%	18.1%	14.9%	14.0%	14.0%	14.7%	14.9%	15.2%
35 to 44 years	10.2%	14.0%	15.9%	14.7%	13.6%	13.0%	13.0%	12.9%
45 to 54 years	8.6%	8.9%	11.8%	13.3%	14.0%	13.3%	13.1%	12.9%
55 to 64 years	7.2%	6.7%	6.8%	8.0%	9.8%	11.0%	11.3%	11.4%
65+ years	7.8%	8.4%	8.1%	8.1%	8.7%	9.8%	10.2%	10.6%
18+ years	64.5%	68.0%	68.6%	70.6%	71.9%	73.7%	74.0%	74.1%
Median age (years)	24.9	28.3	30.2	na	32.0	33.0	33.2	33.4
Regional								
Northeast	18.3%	18.7%	17.6%	17.0%	16.8%	16.5%	16.4%	16.3%
Midwest	20.1%	19.0%	18.8%	18.4%	17.9%	17.4%	17.3%	17.2%
South	53.0%	52.8%	54.8%	55.9%	56.5%	57.5%	57.6%	57.8%
West	8.5%	9.4%	8.9%	8.7%	8.8%	8.6%	8.7%	8.7%
Educational attainment								
Population 25 years and over (in thousands)	na	15,761	19,858	21,203	22,969	24,864	25,063	25,976
Less than high school graduate	na	32.9%	27.7%	18.9%	18.4%	17.6%	15.1%	16.1%
High school graduate	na	29.7%	29.8%	37.2%	32.6%	30.0%	31.5%	30.3%
Some college or associate's degree	na	25.3%	28.2%	26.4%	29.2%	30.1%	33.2%	30.3%
Bachelor's degree	na	8.0%	9.5%	12.4%	13.3%	14.6%	14.3%	14.8%
Graduate or professional degree	na	4.1%	4.8%	5.1%	6.5%	7.6%	8.2%	8.5%
Income								
Number of households (in thousands)	8,847	10,671	13,174	14,002	15,265	16,437	16,539	16,733
Earning <$15,000 annually	27.0%	26.7%	19.0%	21.6%	23.9%	22.4%	21.7%	20.6%
$15,000 to $24,999	17.2%	14.5%	12.9%	14.7%	14.0%	14.4%	14.2%	13.2%
$25,000 to $34,999	13.0%	10.9%	12.7%	11.2%	12.4%	12.7%	11.9%	11.6%
$35,000 to $49,999	14.6%	14.4%	14.6%	15.0%	14.3%	14.4%	13.6%	14.2%
$50,000 to $74,999	15.6%	16.5%	17.7%	15.9%	15.0%	15.1%	15.9%	16.1%
$75,000 or more	12.7%	16.9%	23.0%	21.6%	20.4%	21.0%	22.8%	24.4%
Employment								
Population 16 years and over (in thousands)	25,361	27,828	28,367	28,810	29,475	31,139	31,505	31,798
In labor force	65.7%	62.8%	64.3%	63.2%	62.2%	62.1%	62.0%	62.3%
Civilian labor force	65.3%	62.3%	63.6%	62.5%	61.7%	61.7%	61.6%	61.9%
Employed	56.7%	54.8%	56.2%	52.4%	50.6%	53.5%	54.6%	55.6%
Unemployed	8.7%	7.5%	7.4%	10.1%	11.1%	8.2%	7.0%	6.3%
Armed Forces	0.4%	0.5%	0.7%	0.7%	0.5%	0.4%	0.5%	0.5%
Not in labor force	34.3%	37.2%	35.7%	36.8%	37.8%	37.9%	38.0%	37.7%

† *Source: US Census Bureau.*
na *An "na" reference in the table means the data is not available.*

Hispanic population

	1980	1990	2000	2005	2010	2014	2015	2016
Hispanic population (in thousands)	**14,609**	**21,900**	**35,306**	**43,024**	**50,478**	**55,190**	**56,339**	**57,470**
% of total population	6.4%	8.8%	12.5%	14.6%	16.3%	17.3%	17.6%	17.8%
Age and sex								
Male	49.8%	50.8%	51.4%	51.3%	50.8%	50.6%	50.5%	50.5%
Female	50.2%	49.2%	48.6%	48.7%	49.2%	49.4%	49.5%	49.5%
<5 years of age	11.4%	10.6%	10.5%	10.7%	10.1%	9.3%	9.1%	9.0%
5 to 14 years	20.6%	19.0%	19.2%	18.6%	18.5%	18.1%	18.0%	17.9%
15 to 24 years	21.9%	19.1%	18.6%	16.9%	17.5%	17.0%	16.8%	16.7%
25 to 34 years	17.1%	20.0%	18.4%	18.3%	16.7%	16.0%	15.9%	15.8%
35 to 44 years	10.7%	13.3%	14.5%	14.9%	14.5%	14.4%	14.4%	14.4%
45 to 54 years	8.1%	7.8%	8.9%	9.9%	10.8%	11.4%	11.6%	11.6%
55 to 64 years	5.3%	5.3%	4.8%	5.5%	6.4%	7.3%	7.6%	7.8%
65+ years	4.9%	4.8%	4.9%	5.2%	5.5%	6.4%	6.7%	6.9%
18+ years	61.5%	65.1%	65.0%	65.8%	66.1%	67.6%	67.9%	68.1%
Median age (years)	23.2	25.6	25.8	na	27.3	28.5	28.8	29.0
Regional								
Northeast	17.8%	16.6%	14.9%	13.9%	13.9%	14.0%	14.0%	14.0%
Midwest	8.7%	7.6%	8.8%	9.0%	9.2%	9.2%	9.2%	9.1%
South	30.6%	30.4%	32.8%	34.2%	36.1%	36.7%	36.9%	37.2%
West	42.8%	45.4%	43.5%	42.8%	40.8%	40.2%	39.9%	39.7%
Educational attainment								
Population 25 years and over (in thousands)	na	11,227	18,270	22,551	26,375	29,919	31,020	32,019
Less than high school graduate	na	50.2%	47.6%	41.5%	39.4%	36.7%	36.5%	34.8%
High school graduate	na	21.6%	22.1%	27.6%	27.4%	26.7%	26.7%	27.3%
Some college or associate's degree	na	19.1%	19.9%	18.9%	19.3%	21.4%	21.3%	21.5%
Bachelor's degree	na	5.9%	6.7%	8.4%	10.1%	10.6%	10.8%	11.1%
Graduate or professional degree	na	3.3%	3.8%	3.5%	3.8%	4.6%	4.7%	5.3%
Income								
Number of households (in thousands)	3,906	6,220	10,034	12,519	14,435	16,239	16,667	16,915
Earning <$15,000 annually	17.5%	17.3%	12.3%	13.9%	15.8%	14.6%	13.6%	12.6%
$15,000 to $24,999	15.6%	15.5%	13.4%	13.7%	13.9%	14.1%	13.0%	11.7%
$25,000 to $34,999	13.6%	12.0%	12.1%	12.1%	14.1%	12.4%	12.7%	11.2%
$35,000 to $49,999	17.8%	16.9%	16.7%	17.3%	14.8%	15.6%	15.1%	16.2%
$50,000 to $74,999	18.8%	19.0%	19.5%	18.7%	17.6%	18.0%	18.1%	17.9%
$75,000 or more	16.6%	19.4%	25.8%	24.2%	23.8%	25.4%	27.4%	30.4%
Employment								
Population 16 years and over (in thousands)	28,858	31,561	32,402	33,252	35,347	39,196	40,267	41,019
In labor force	68.3%	67.8%	69.4%	68.9%	67.8%	67.1%	67.0%	67.3%
Civilian labor force	68.0%	67.4%	69.0%	68.4%	67.4%	66.8%	66.6%	66.9%
Employed	62.2%	62.5%	63.8%	60.3%	58.7%	61.1%	61.7%	62.4%
Unemployed	5.9%	4.9%	5.2%	8.1%	8.7%	5.6%	4.9%	4.5%
Armed Forces	0.2%	0.3%	0.5%	0.4%	0.4%	0.4%	0.4%	0.4%
Not in labor force	31.7%	32.2%	30.6%	31.1%	32.2%	32.9%	33.0%	32.7%

† *Source: US Census Bureau.*
na *An "na" reference in the table means the data is not available.*

Demographics of native-born and foreign-born population

Native-born population

	2000	2005	2010	2011	2012	2013	2014	2015	2016
Total population (in thousands)[1]	**281,422**	**288,378**	**309,350**	**311,592**	**313,914**	**316,129**	**318,857**	**321,419**	**323,128**
Native-born	250,314	252,688	269,394	271,214	273,089	274,781	276,465	278,128	279,388
Foreign-born	31,108	35,690	39,956	40,378	40,825	41,348	42,392	43,290	43,739
Foreign-born; naturalized	12,543	14,968	17,476	18,140	18,686	19,295	19,985	20,697	21,238
Foreign-born; not a US citizen	18,565	20,722	22,480	22,238	22,138	22,053	22,407	22,593	22,501
Native-born demographics (in thousands) [1]	**250,314**	**252,688**	**269,394**	**271,214**	**273,089**	**274,781**	**276,465**	**278,128**	**279,388**
White	na	78.6%	78.0%	77.9%	77.8%	77.6%	77.3%	77.2%	76.8%
Black / African American	na	12.8%	13.2%	13.2%	13.2%	13.2%	13.3%	13.2%	13.2%
Asian	na	1.6%	1.8%	1.8%	1.9%	2.0%	2.0%	2.1%	2.1%
Hispanic	na	9.9%	11.9%	12.2%	12.5%	12.7%	13.0%	13.3%	13.5%
Non-Hispanic, White only	na	73.3%	70.3%	69.9%	69.4%	69.0%	68.6%	68.2%	67.9%
Median age (years)	na	35.7	35.9	35.9	35.9	35.9	35.9	36.0	36.1
Educational attainment									
Population 25 years and over (in thousands)	na	159,699	170,663	172,088	173,677	175,210	176,980	178,726	180,299
Less than high school graduate	na	12.7%	11.0%	10.6%	10.2%	10.0%	9.6%	9.4%	9.1%
High school graduate	na	30.8%	29.7%	29.6%	29.2%	28.9%	28.8%	28.6%	28.2%
Some college or associate's degree	na	29.2%	30.9%	31.0%	31.3%	31.2%	31.2%	31.1%	31.2%
Bachelor's degree	na	17.5%	18.1%	18.3%	18.6%	18.9%	19.1%	19.4%	19.8%
Graduate or professional degree	na	9.8%	10.3%	10.5%	10.8%	11.1%	11.3%	11.4%	11.8%
Employment									
Population 16 years and over (in thousands)	na	na	206,115	207,871	209,777	211,438	213,149	214,802	216,181
In labor force	na	na	63.8%	63.4%	63.3%	63.0%	62.7%	62.6%	62.6%
Civilian labor force	na	na	63.3%	62.9%	62.8%	62.6%	62.3%	62.1%	62.1%
Employed	na	na	56.3%	56.4%	56.8%	57.2%	57.7%	58.1%	58.5%
Unemployed	na	na	6.9%	6.6%	6.0%	5.4%	4.6%	4.0%	3.7%
Armed Forces	na	na	0.5%	0.5%	0.5%	0.4%	0.4%	0.4%	0.4%
Not in labor force	na	na	36.2%	36.6%	36.7%	37.0%	37.3%	37.4%	37.4%
Total civilian employed (in thousands)	na	115,788	116,126	117,137	119,223	120,899	122,971	124,810	126,379
Management and professional	na	35.3%	37.4%	37.4%	37.4%	37.7%	38.2%	38.4%	38.8%
Service occupations	na	15.2%	16.6%	16.9%	17.0%	17.0%	16.9%	16.7%	16.8%
Sales and office	na	27.3%	26.4%	25.9%	25.9%	25.6%	25.1%	25.0%	24.7%
Natural resources, construction, maintenance	na	9.9%	8.4%	8.3%	8.3%	8.1%	8.1%	8.2%	8.0%
Production, transportation and moving	na	12.4%	11.2%	11.4%	11.5%	11.6%	11.7%	11.8%	11.6%
Annual earnings									
Population 16+ years with earnings (in thousands)	na	77,501	80,425	81,282	83,181	84,239	85,945	87,849	89,331
Earning <$15,000 annually	na	6.9%	5.9%	5.8%	5.7%	5.5%	5.3%	5.1%	3.1%
$15,000 to $24,999	na	16.4%	13.9%	13.7%	13.4%	13.2%	13.0%	12.8%	12.1%
$25,000 to $34,999	na	19.3%	17.0%	16.6%	16.5%	16.3%	16.1%	15.8%	15.5%
$35,000 to $49,999	na	22.2%	21.6%	21.2%	21.0%	20.9%	20.7%	20.6%	20.4%
$50,000 to $74,999	na	19.6%	21.8%	22.0%	22.0%	22.0%	22.0%	22.3%	22.6%
$75,000 or more	na	15.6%	19.8%	20.7%	21.4%	22.1%	22.8%	23.5%	24.5%

† *Source: US Census Bureau.*
na *An "na" reference in the table means the data is not available.*
1 *2005-2014520145 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	2015	2016
Total population (in thousands) [1]	**281,422**	**288,378**	**309,350**	**311,592**	**313,914**	**316,129**	**318,857**	**321,419**	**323,128**
Native-born	250,314	252,688	269,394	271,214	273,089	274,781	276,465	278,128	279,388
Foreign-born	31,108	35,690	39,956	40,378	40,825	41,348	42,392	43,290	43,739
Foreign-born; naturalized	12,543	14,968	17,476	18,140	18,686	19,295	19,985	20,697	21,238
Foreign-born; not a US citizen	18,565	20,722	22,480	22,238	22,138	22,053	22,407	22,593	22,501
Foreign-born demographics (in thousands) [1]	**31,108**	**35,690**	**39,956**	**40,378**	**40,825**	**41,348**	**42,392**	**43,290**	**43,739**
White	na	46.7%	47.9%	48.3%	48.2%	48.0%	47.5%	47.0%	46.1%
Black / African American	na	7.6%	8.3%	8.4%	8.5%	8.6%	8.7%	8.9%	9.0%
Asian	na	23.5%	24.5%	24.8%	25.3%	25.6%	26.2%	26.6%	26.6%
Hispanic	na	47.0%	47.1%	46.6%	46.2%	45.9%	45.7%	45.0%	44.9%
Non-Hispanic, White only	na	20.9%	18.8%	18.8%	18.7%	18.6%	18.1%	18.1%	18.1%
Median age (years)	na	39.3	41.4	42.1	42.6	43.1	43.5	43.9	44.4
Educational attainment									
Population 25 years and over (in thousands)	na	29,252	33,626	34,383	35,054	35,701	36,746	37,721	38,176
Less than high school graduate	na	32.4%	31.7%	31.5%	30.8%	30.3%	29.9%	29.3%	28.8%
High school graduate	na	22.8%	22.5%	22.5%	22.2%	22.4%	22.7%	22.5%	22.4%
Some college or associate's degree	na	18.1%	18.8%	18.8%	19.1%	19.0%	18.9%	18.7%	18.7%
Bachelor's degree	na	15.7%	15.9%	16.0%	16.4%	16.4%	16.5%	17.0%	17.2%
Graduate or professional degree	na	11.0%	11.1%	11.3%	11.6%	11.8%	12.0%	12.4%	12.8%
Employment									
Population 16 years and over (in thousands)	na	na	37,718	38,323	38,824	39,398	40,440	41,366	41,770
In labor force	na	na	67.7%	67.2%	66.9%	66.7%	66.3%	66.0%	66.2%
Civilian labor force	na	na	67.6%	67.1%	66.7%	66.5%	66.1%	65.8%	66.0%
Employed	na	na	60.7%	60.7%	61.0%	61.5%	61.9%	62.2%	62.7%
Unemployed	na	na	6.9%	6.4%	5.7%	5.0%	4.2%	3.6%	3.3%
Armed forces	na	na	0.1%	0.1%	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%	34.0%	33.8%
Total civilian employed (in thousands)	na	20,671	22,908	23,263	23,699	24,230	25,049	25,724	26,192
Management and professional	na	27.2%	28.6%	28.8%	29.5%	29.8%	30.3%	31.0%	31.6%
Service occupations	na	22.2%	25.1%	25.5%	25.1%	25.1%	24.6%	24.0%	24.1%
Sales and office	na	18.3%	17.8%	17.5%	17.3%	17.1%	17.0%	16.9%	16.6%
Farming, fishing, and forestry	na	15.3%	13.0%	12.8%	12.5%	12.9%	12.9%	13.1%	12.9%
Production, transportation, and moving	na	16.9%	15.5%	15.4%	15.5%	15.2%	15.2%	15.0%	14.9%
Annual earnings									
Population 16+ years with earnings (in thousands)	na	14,266	16,023	16,273	16,807	17,174	17,833	18,499	18,881
Earning <$15,000 annually	na	13.4%	10.4%	9.8%	9.3%	8.8%	8.5%	7.5%	4.8%
$15,000 to $24,999	na	25.6%	23.4%	23.2%	22.5%	22.3%	21.4%	20.8%	19.6%
$25,000 to $34,999	na	18.4%	17.7%	17.7%	17.5%	17.5%	17.8%	17.7%	18.1%
$35,000 to $49,999	na	16.6%	17.1%	16.6%	16.8%	16.8%	17.0%	17.3%	17.4%
$50,000 to $74,999	na	13.5%	14.7%	15.2%	15.4%	15.4%	15.7%	15.8%	16.4%
$75,000 or more	na	12.6%	16.7%	17.4%	18.4%	19.3%	19.7%	20.9%	21.9%

† *Source: US Census Bureau.*
na *An "na" reference in the table means the data is not available.*
1 *2005-2014520145 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. In the tables throughout this report which have these groupings, there are two types of economic units: families and individuals. We use the Census Bureau's definition for each. If there are two or more related individuals living together, they are a family economic unit. If a person is living alone or in a household with no other related persons, that person is considered an individual economic unit. Therefore, some economic units have only one person, while other economic units have multiple persons.

We rank these economic units, which we call FIUs (family and individual units) by market income to place each in a percentile that shows the unit relative to other units in the population. (There are approximately 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 of household under 65 with no children under 18
- Married couple with head of household under 65 with children under 18
- Head of household aged 65 or over

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

We use these FIU groupings to present certain information because:

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

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

Family structure and income cohorts (2015)

		Average Per Unit			Top Earner by Sex		Race, Ethnicity of Unit Head											
Family and Individual Unit Sub Group / Income %	# of Units (in K)	Persons	Children (Under 18)	Age of Unit Head	% Male	% Female	% White (all ethnicities)	% Black (all ethnicities)	% Asian (all ethnicities)	% Other Race (all ethnicities)	% Hispanic (all races)	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All family and individual units	***146,713***	***2.2***	***0.5***	***49.6***	***56%***	***44%***	***79%***	***13%***	***5%***	***2%***	***15%***	***84%***	***82%***	***18%***	***18%***	***21%***	***38%***	***23%***
Bottom 5% ($0)	4,993	1.5	0.3	47.8	38%	62%	68%	21%	7%	4%	20%	82%	80%	20%	17%	18%	43%	22%
Bottom 5%-20% ($0-$9k)	22,007	1.6	0.3	51.2	43%	57%	73%	19%	5%	3%	16%	84%	78%	22%	17%	20%	41%	23%
Second 20% ($9-$32k)	29,342	1.8	0.4	52.1	47%	53%	78%	16%	4%	2%	17%	85%	79%	21%	16%	22%	39%	23%
Middle 20% ($32-$62k)	29,343	2.1	0.5	48.9	55%	45%	79%	15%	4%	2%	17%	84%	82%	18%	17%	22%	38%	23%
Fourth 20% ($62-$114k)	29,342	2.5	0.6	47.9	64%	36%	82%	11%	6%	2%	14%	85%	83%	17%	18%	23%	36%	24%
Top 2%-20% ($114k-$694k)	27,876	2.9	0.7	48.8	70%	30%	83%	8%	8%	1%	9%	85%	87%	13%	20%	22%	34%	24%
Top 1% ($694k+)	1,467	2.8	0.6	52.8	73%	27%	84%	5%	10%	1%	7%	83%	91%	9%	21%	19%	34%	26%
Married no kids	***23,910***	***2.4***	***—***	***51.0***	***71%***	***29%***	***84%***	***8%***	***6%***	***1%***	***11%***	***84%***	***81%***	***19%***	***17%***	***22%***	***38%***	***23%***
Bottom 5%	196	2.1	—	53.6	48%	52%	72%	17%	7%	4%	21%	81%	78%	22%	9%	15%	52%	25%
Bottom 5%-20%	1,172	2.2	—	53.3	66%	34%	77%	11%	9%	3%	20%	73%	79%	21%	15%	14%	43%	28%
Second 20%	1,667	2.3	—	53.1	74%	26%	83%	9%	7%	2%	18%	78%	76%	24%	14%	18%	41%	27%
Middle 20%	3,109	2.3	—	51.9	69%	31%	82%	10%	6%	2%	17%	80%	76%	24%	13%	20%	43%	23%
Fourth 20%	6,833	2.4	—	50.2	70%	30%	85%	8%	6%	2%	12%	84%	79%	21%	17%	25%	37%	22%
Top 2%-20%	10,627	2.5	—	50.6	72%	28%	85%	7%	7%	1%	8%	87%	85%	15%	20%	22%	35%	22%
Top 1%	567	2.5	—	54.2	73%	27%	85%	5%	9%	1%	6%	85%	92%	8%	23%	18%	37%	22%
Married parents	***24,777***	***4.2***	***1.9***	***40.3***	***77%***	***23%***	***81%***	***8%***	***9%***	***2%***	***20%***	***76%***	***83%***	***17%***	***17%***	***21%***	***37%***	***25%***
Bottom 5%	61	4.2	2.1	40.9	67%	33%	83%	5%	6%	6%	50%	47%	90%	10%	15%	10%	45%	30%
Bottom 5%-20%	749	4.2	2.0	38.6	72%	28%	77%	11%	10%	2%	34%	60%	77%	23%	13%	13%	44%	30%
Second 20%	1,750	4.3	2.1	38.8	80%	20%	80%	9%	8%	3%	38%	58%	80%	20%	15%	13%	41%	30%
Middle 20%	3,943	4.4	2.1	38.4	80%	20%	82%	9%	6%	3%	35%	64%	80%	20%	13%	19%	40%	28%
Fourth 20%	7,751	4.2	1.9	39.7	77%	23%	82%	9%	7%	2%	20%	79%	80%	20%	15%	22%	38%	24%
Top 2%-20%	9,929	4.1	1.8	41.9	75%	25%	82%	7%	10%	1%	11%	82%	88%	12%	20%	22%	34%	24%
Top 1%	454	4.2	1.9	43.7	75%	25%	79%	5%	16%	0%	8%	75%	93%	7%	21%	19%	34%	27%
Single no kids	***50,957***	***1.2***	***—***	***40.7***	***52%***	***48%***	***76%***	***17%***	***5%***	***2%***	***15%***	***86%***	***84%***	***16%***	***18%***	***21%***	***37%***	***24%***
Bottom 5%	2,630	1.1	—	41.8	43%	57%	67%	21%	8%	3%	18%	82%	83%	17%	18%	19%	40%	22%
Bottom 5%-20%	9,855	1.1	—	38.9	49%	51%	72%	20%	6%	3%	15%	86%	81%	19%	17%	21%	39%	24%
Second 20%	12,543	1.2	—	40.2	50%	50%	75%	18%	4%	3%	18%	85%	82%	18%	15%	22%	39%	23%
Middle 20%	12,542	1.2	—	40.2	53%	47%	77%	17%	4%	2%	15%	87%	85%	15%	18%	22%	37%	23%
Fourth 20%	8,659	1.3	—	42.1	57%	43%	79%	14%	6%	2%	12%	87%	89%	11%	20%	21%	33%	26%
Top 2%-20%	3,738	1.4	—	43.6	61%	39%	79%	12%	8%	1%	10%	85%	92%	8%	22%	17%	33%	27%
Top 1%	136	1.1	—	42.1	67%	33%	83%	10%	6%	2%	13%	86%	90%	10%	23%	16%	29%	32%
Single parents	***14,902***	***2.8***	***1.7***	***35.2***	***23%***	***77%***	***67%***	***27%***	***3%***	***4%***	***25%***	***84%***	***81%***	***19%***	***16%***	***21%***	***42%***	***21%***
Bottom 5%	981	2.4	1.6	26.9	25%	75%	66%	24%	3%	7%	28%	86%	76%	24%	16%	18%	46%	20%
Bottom 5%-20%	3,336	2.7	1.7	31.3	19%	81%	64%	28%	3%	5%	25%	85%	78%	22%	15%	19%	44%	22%
Second 20%	4,251	2.9	1.7	34.7	17%	83%	65%	29%	2%	3%	26%	83%	80%	20%	16%	22%	42%	21%
Middle 20%	3,677	2.9	1.7	37.4	25%	75%	67%	27%	3%	3%	26%	83%	81%	19%	16%	21%	43%	21%
Fourth 20%	1,855	3.0	1.6	40.3	36%	64%	73%	22%	3%	3%	20%	87%	87%	13%	19%	22%	36%	23%
Top 2%-20%	548	3.0	1.5	42.7	38%	62%	72%	19%	5%	4%	17%	83%	93%	7%	18%	20%	37%	25%
Top 1%	23	3.1	1.4	43.0	56%	44%	81%	18%	0%	1%	21%	85%	90%	10%	19%	24%	32%	25%
Elderly (age 65+)	***32,168***	***1.7***	***—***	***72.7***	***50%***	***50%***	***85%***	***10%***	***4%***	***1%***	***7%***	***89%***	***78%***	***22%***	***19%***	***22%***	***37%***	***22%***
Bottom 5%	1,125	1.3	—	73.5	36%	64%	71%	20%	7%	2%	15%	79%	77%	23%	18%	17%	43%	22%
Bottom 5%-20%	6,896	1.4	—	74.5	38%	62%	80%	14%	4%	2%	11%	86%	74%	26%	18%	20%	41%	20%
Second 20%	9,132	1.5	—	74.0	46%	54%	87%	9%	2%	1%	6%	91%	77%	23%	19%	23%	38%	21%
Middle 20%	6,072	1.8	—	72.7	55%	45%	87%	9%	3%	1%	6%	91%	79%	21%	19%	24%	35%	22%
Fourth 20%	4,245	1.9	—	71.0	60%	40%	88%	7%	4%	1%	5%	90%	81%	19%	20%	23%	34%	23%
Top 2%-20%	3,600	2.1	0.1	69.5	65%	35%	88%	6%	5%	1%	4%	88%	84%	16%	21%	23%	32%	24%
Top 1%	288	2.1	0.1	69.3	74%	26%	92%	3%	5%	—%	5%	88%	84%	16%	16%	21%	33%	30%

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

Marital status and age

In the US, among the non-elderly, marriage tends to be correlated with higher family incomes. In 2015:

- Among married couples with children, the largest fraction (42%) is in the top 20% by income, meaning they earn at least $114,000 per year.
- Among married couples without children, the figure is similar – 47% are in the top 20% income group.
- By contrast, among single parents, a plurality, or 29%, is in the income group that is second from the bottom, where incomes range from $9,000 to $32,000 a year.
- Single people without children do slightly better, where the three bottom income cohorts each comprise 25% of the overall group.

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

Among the elderly, a plurality, or 28%, is in the income cohort second from the bottom, where incomes range from $9,000 to $32,000. For reference, in 2015, the federal poverty level was $11,770 for an individual and $4,160 for each additional person.

Race and ethnicity

White people make up 79% of all family and individual units (FIUs) but just 67% of single-parent FIUs. The proportions for Asian people are similar - 5% of all FIUs and 3% of single-parent FIUs. However, black people represent 13% of all FIUs and 27% of single-parent FIUs. For people of Hispanic ethnicity: they make up 15% of all FIUs and 25% of single-parent FIUs.

Black people, who make up 13% of all FIUs, account for 19% of the lowest income quintile (earning less than $9,000 a year). At higher income levels, black representation diminishes. The opposite is true among white people: they make up 79% of all FIUs but 72% of the poorest FIUs and 84% of the wealthiest 1%. People of Hispanic ethnicity, who account for 15% of all FIUs, are fairly evenly divided among income groups, with the heaviest representation in the middle quintile (earning $32,000 to $62,000 a year).

Sex

Women make up 44% of the main earners in all FIUs but 58% of those in the lowest income group. Women are the main earners in just 30% of Units in the top 20% by income, who earn over $114,000 a year.

Geography

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

Officers

Federal

The federal government's key officers as of March 1, 2018 were as follows:

Name	Age	Position with our Government
Donald Trump	71	President
Mike Pence	58	Vice President
Paul Ryan	48	Speaker of the House
Kevin McCarthy	53	House Majority Leader
Nancy Pelosi	77	House Minority Leader
Mitch McConnell	76	Senate Majority Leader
Charles Schumer	67	Senate Minority Leader
John Roberts	63	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 2018, *Forbes* listed Mr. Trump as the 766th wealthiest person in the world (260th in the US), with a net worth of $3.1 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

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

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 115th 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.

Chief Justice

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

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

State and local[29]

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

Our state governors as of March 1, 2018 were as follows:

Name	Age	State Represented	Party *	Name	Age	State Represented	Party *
Kay Ivey	73	Alabama	R	Stephen Bullock	51	Montana	D
William Walker	66	Alaska	I	John (Pete) Ricketts	53	Nebraska	R
Douglas Ducey	53	Arizona	R	Brian Sandoval	54	Nevada	R
Asa Hutchinson	67	Arkansas	R	Chris Sununu	43	New Hampshire	R
Edmund (Jerry) Brown, Jr.	79	California	D	Phil Murphy	60	New Jersey	D
John Hickenlooper	66	Colorado	D	Susana Martinez	58	New Mexico	R
Dannel Malloy	62	Connecticut	D	Andrew Cuomo	60	New York	D
John Carney	57	Delaware	D	Roy Cooper	60	North Carolina	D
Richard Scott	65	Florida	R	Doug Burgum	61	North Dakota	R
John (Nathan) Deal	75	Georgia	R	John Richard Kasich	65	Ohio	R
David Ige	61	Hawaii	D	Mary Fallin	63	Oklahoma	R
Clement Otter	75	Idaho	R	Kate Brown	57	Oregon	D
Bruce Rauner	61	Illinois	R	Thomas Wolf	69	Pennsylvania	D
Eric Holcomb	49	Indiana	R	Gina Raimondo	46	Rhode Island	D
Kim Reynolds	58	Iowa	R	Henry McMaster	70	South Carolina	R
Jeff Coyler	57	Kansas	R	Dennis Daugaard	64	South Dakota	R
Matt Bevin	51	Kentucky	R	William Haslam	59	Tennessee	R
John Bel Edwards	51	Louisiana	D	Gregory Abbott	60	Texas	R
Paul LePage	69	Maine	R	Gary Herbert	70	Utah	R
Larry Hogan	61	Maryland	R	Phil Scott	59	Vermont	R
Charles Baker, Jr.	61	Massachusetts	R	Ralph Northam	58	Virginia	D
Richard Snyder	59	Michigan	R	Jay Inslee	67	Washington	D
Mark Dayton	71	Minnesota	D	Jim Justice	66	West Virginia	D
Dewey (Phil) Bryant	63	Mississippi	R	Scott Walker	50	Wisconsin	R
Eric Greitens	43	Missouri	R	Matthew Mead	56	Wyoming	R

Our other territory leaders as of March 1, 2018 were as follows:

Name	Age	Area Represented	Party *
Lolo Moliga	69	American Samoa	D
Muriel Bowser	45	District of Columbia	D
Eddie Calvo	56	Guam	R
Ralph Torres	38	Northern Mariana Islands	R
Ricardo Rossello	38	Puerto Rico	PNP
Kenneth Mapp	62	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, the latest data available, 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.

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
All government employees (part-time and full-time)	**23,268,273**	**19,229,318**	**4,038,955**
Establish Justice and Ensure Domestic Tranquility	**2,829,345**	**2,544,106**	**285,239**
Police protection	1,152,051	966,421	185,630
Fire protection	431,792	431,792	—
Corrections	749,868	710,857	39,011
Judicial and legal	495,634	435,036	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	**4,664,069**	**3,597,642**	**1,066,427**
Highways	513,941	511,058	2,883
Transit	243,760	243,760	—
Air transportation	94,744	49,681	45,063
Water transport and terminals	18,241	13,748	4,493
Space research and technology	17,736	—	17,736
Public welfare	538,859	529,172	9,687
Housing and community development	124,484	112,257	12,227
Health	631,761	462,631	169,130
Hospitals	1,295,307	1,068,592	226,715
Social insurance administration (state and local) [3]	78,155	78,155	—
Solid waste management	113,571	113,571	—
Sewerage	131,624	131,624	—
Water supply	181,667	181,667	—
Electric power	78,458	78,458	—
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	**12,028,590**	**11,757,087**	**271,503**
Education	10,981,492	10,972,118	9,374
Libraries	188,463	185,083	3,380
Parks and Recreation	434,561	410,207	24,354
Social Insurance Administration (federal) [3]	62,708	—	62,708
Natural Resources	361,366	189,679	171,687
General Government and Other	**1,663,969**	**1,330,483**	**333,486**
Financial administration	545,394	428,243	117,151
Other government administration	435,625	411,490	24,135
All other and unallocable	682,950	490,750	192,200

† *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."*

For 2017, approximately 38% of government employees were represented by unions, including approximately 31% of federal government employees, 33% of state government employees, and 44% of local government employees.[30]

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

Available information

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

In addition to our website, we use social media to communicate with the public. You can follow us on Twitter at @usafacts and Facebook 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 make progress towards our Constitutional objectives; however, citizens are responsible for making their own choices as to employment, healthcare, education, and the like. They may choose wisely or poorly, and they may or may not take advantage of the opportunities open to them. For example:

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

Government personnel security clearance processing challenges put us at risk.[31]

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

- *Timeliness* - For fiscal year 2016, the government-wide average for the fastest 90% of initial secret clearance investigations ranged from 92 days to 135 days, while investigations for the fastest 90% of initial top-secret clearances ranged from 168 days to 208 days. In both areas, these timeframes significantly exceed established timeliness objectives. As of September 2017, there was a backlog of more than 700,000 background investigations.
- *Investigation quality* – The executive branch has not established measures for the quality of background investigations. Establishing performance measures is one element of a framework for effectively managing program performance to achieve desired outcomes.
- *Resolution of previously identified issues* - Several critical areas of previously identified areas for reform - such as the implementation of continuous evaluation, and the issuance of a reciprocity policy - remain incomplete. Over the last nine years, the GAO made 43 recommendations to executive branch agencies to improve the personnel security clearance process; however, only 12 of them had been fully implemented as of January 2018.

Increasing cyber security threats challenge our safety, prosperity, and well-being.[31]

Our Government and our nation's critical infrastructures—such as energy, transportation systems, communications, and financial services—are dependent on computerized (cyber) information systems and electronic data to carry out operations and to process, maintain, and report essential information. Ineffectively protecting cyber assets can facilitate security incidents and cyberattacks that disrupt critical operations; lead to inappropriate access to and disclosure, modification, or destruction of sensitive information; and threaten national security, economic well-being, and public health and safety. We are seeing steady advances in the sophistication of cyber-attack technology and the emergence of new and more destructive attacks. Over the last several years, the US Government Accountability Office (GAO) has made about 2,500 recommendations to agencies aimed at improving the security of federal systems and information. However, many agencies continue to be challenged in safeguarding their information systems and information, and as of October 2016, about 1,000 of the GAO's information security–related recommendations had not been implemented.

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

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

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

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

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

Policy errors

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

Other potential causes

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

- *External shocks* – economic downturns or crises in overseas markets could reduce demand for US exports of goods and services, potentially slowing domestic economic growth.
- *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 89% of GDP in 2027 from 77% in 2017, according to the Congressional Budget Office. In 30 years, the Congressional Budget Office projects the debt will rise to 150% 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.

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

On December 22, 2017, H.R.1, also known as the Tax Cuts and Jobs Act, became law. Effective January 1, 2018, H.R. 1 reduces the top individual income tax rate from 39.6% to 37%, changes the income tax brackets associated with each tax rate, increases the child tax credit, and provides for a 20% deduction of qualified business income and certain dividends for individuals, among other provisions. The Joint Committee on Taxation, a nonpartisan committee of the US Congress, estimates that H.R.1 will reduce federal income tax revenue by $1.5 trillion between 2018 and 2027, including $1.1 trillion between 2018 and 2022. The estimated impacts on annual tax revenues range from a gain of $33 billion in 2027 to a loss of $280 billion of revenue in 2019. This works out to an average estimated annual revenue loss of $146 billion, or about 3% of our Government's annual revenue.

Enforcement of tax laws helps fund our Government. Internal Revenue Service (IRS) enforcement collects revenue from noncompliant taxpayers and, perhaps more importantly, promotes voluntary compliance by giving taxpayers confidence that others are paying their fair share. The IRS's capacity to implement new initiatives, carry out ongoing enforcement and taxpayer service programs, and combat identity theft (IDT) refund fraud under an uncertain budgetary environment remains a challenge. In 2016, the IRS estimated that the average annual gross tax gap—the difference between taxes owed and taxes paid on time—was $458 billion for tax years 2008-2010, of which it estimates it may collect only $52 billion (11%). In addition, the IRS estimates that at least $14.5 billion in IDT tax refund fraud was attempted in tax year 2015, of which it prevented at least $12.3 billion (85%).

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

Gross federal debt, or the sum of the debt held by the public and debt held by government entities (such as the Social Security trust fund) is subject to a statutory ceiling set by Congress. The ceiling, known as the debt limit, has been suspended (there is no limit) until March 1, 2019. 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 February 9, 2018. 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.[31]

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.[31]

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

The federal government is also financially liable for cleaning up areas where federal activities have contaminated the environment. Various federal laws, agreements with states, and court decisions require the federal government to clean up environmental hazards at federal sites and facilities—such as nuclear weapons production facilities and military installations. Such sites are contaminated by many types of waste. The GAO reports that the federal government's environmental liability has been growing for the past 20 years and is likely to continue to increase. For fiscal year 2016, the federal government's estimated environmental liability was $447 billion—up from $212 billion for fiscal year 1997. However, this estimate does not reflect all of the future cleanup responsibilities federal agencies may face. The GAO has found that federal agencies cannot always address their environmental liabilities in ways that maximize the reduction of health and safety risks to the public and the environment in a cost-effective manner, and that some agencies do not take a holistic, risk-informed approach to environmental cleanup that aligns limited funds with the greatest risks to human health and the environment.

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

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

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

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 economic mobility declining;
- Nuclear disasters, caused by an accident or sabotage;
- Terrorist attacks, either homegrown or originating abroad;
- Individuals or groups that seek to harm others, including by committing homicides, and the inability of our Government to control all individuals despite incentives and laws; and
- War with a powerful adversary.

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.[31]

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 2021, 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 pension benefits of nearly 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 $76 billion as of September 30, 2017. 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.[31]

First, the Medicare Hospital Insurance Trust Fund is forecast to be depleted as early as 2023, reflecting rising health-care costs and a relative decline in the number of workers paying payroll taxes. See Exhibit 99.07 for more information. Second, epidemics, such as those caused by the Ebola or Zika viruses, 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.[31]

The nation's highways, mass transit, and rail systems are under growing strain, reflecting increasing congestion and freight demand, and traditional funding sources are eroding. For example, federal taxes on gasoline haven't been raised since 1993. Inflation-adjusted revenue from motor fuel taxes that support the Highway Trust Fund, a major source of federal surface transportation funding, is declining, according to the Government Accountability Office, and our Government has been using general revenues to maintain spending levels. This trend is forecast to continue as consumers turn to vehicles that are more fuel efficient or that use alternative energy sources. The Congressional Budget Office estimates that $107 billion in additional funding would be needed between 2021 and 2026 to maintain inflation adjusted spending on current levels.

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

Land

Federal government owned land

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

(Acres in thousands)	1990	2000	2010	2015
Agency				
Bureau of Land Management	272,029	264,398	247,859	248,346
Forest Service	191,367	192,355	192,881	192,893
Fish and Wildlife Service	86,822	88,226	88,949	89,093
National Park Service	76,134	77,931	79,691	79,774
Department of Defense	20,501	24,052	19,422	11,368
Total federally-owned land	646,853	646,962	628,802	621,474
Total land in US	2,271,343	2,271,343	2,271,343	2,271,343
Percentage of land in US federally-owned	28%	28%	28%	27%

INTERACTIVE ANALYSIS

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

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

	2014	2015	2016
Land acres [1]	39,784,271	49,601,819	42,343,516
Owned and otherwise managed acres	38,829,324	47,909,576	41,015,497
Total annual operating costs (in thousands) [2,3]	$ 140,751	$ 122,890	$ 125,059
Leased acres	954,947	1,692,243	1,328,020
Total annual lease costs (in thousands) [2,4]	$ 48,561	$ 49,568	$ 50,728

† *Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set*

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

2 *It is difficult to compare owned and 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.*

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

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

Owned, otherwise managed, and leased non-public domain land by agency as of 2016 was as follows:

(In thousands)	Acres		
Agency	**Owned**	**Leased**	**Total**
Army Department	11,986	965	12,951
Air Force Department	8,000	103	8,103
Navy Department	4,299	43	4,342
General Services Administration	4	—	4
Department of Veterans Affairs	38	—	38
Department of Energy	2,200	9	2,209
Department of Interior	6,275	2	6,277
Other department or agency	8,214	206	8,420
Total	41,016	1,328	42,344

State and local government owned and leased land

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

Buildings and other structures

Below is detail of federal and state-owned buildings and structures.

	2014	2015	2016
Buildings [4]	275,195	273,125	267,127
Owned [1]	254,083	253,481	247,723
Total square feet (in thousands)	2,505,805	2,520,991	2,490,265
Total annual operating costs (in thousands) [3,6]	$ 14,448,129	$ 11,644,642	$ 12,022,269
Leased	21,112	19,644	19,404
Total square feet (in thousands)	294,163	283,125	280,103
Total annual lease costs (in thousands) [3,7]	$ 7,071,773	$ 7,103,442	$ 7,284,160
Structures [7]	481,398	496,022	496,174
Owned [1]	477,634	492,263	492,725
Total annual operating costs (in thousands) [3,6]	$ 7,784,400	$ 8,787,913	$ 6,326,949
Leased	3,764	3,759	3,449
Total annual lease costs (in thousands) [3,7]	$ 64,972	$ 58,053	$ 59,135
Buildings real property use [8]			
Utilized	103,902	96,718	89,359
Underutilized	1,611	3,598	7,859
Unutilized	3,360	3,414	3,120
Repair needs [1,2]			
Owned building repair needs costs (in thousands)			$ 115,672,218
Owned structure repair needs costs (in thousands)[5]			$ 92,098,256

† Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set
1 Includes federal government owned, foreign government owned, museum trust, and state government owned.
2 Repair needs are only a required data element for owned assets. Repair needs is the objective amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. This should exclude any consideration of the likelihood that the repair will actually be performed at any time before the asset's disposition.
3 It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.
4 Buildings (examples): office, laboratories, hospital, warehouse
5 Structures (examples): airfield pavements, flood control and navigation, utility systems, navigation and traffic aids
6 Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).
7 Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).
8 The reporting of utilization is only required for offices, laboratories, hospitals, warehouses, family housing, dormitories, and barracks.

Buildings detail (2016)

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 280 million square feet are leased. Information by use and by government agency as of 2016 are shown in the tables below:

Buildings Real Property Use (in thousands, except per sq ft)	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	**2,490,265**	**$12,022,269**	**$ 4.83**	**280,103**	**$7,284,160**	**$26.00**
Office	505,382	$ 2,552,070	$ 5.05	180,116	$ 5,300,900	$ 29.43
Service	386,874	$ 1,463,963	$ 3.78	7,000	$ 95,941	$ 13.71
Dormitories/Barracks	226,547	$ 933,140	$ 4.12	1,950	$ 38,116	$ 19.54
All other [3]	222,601	$ 525,436	$ 2.36	8,204	$ 159,639	$ 19.46
School	249,416	$ 1,239,604	$ 4.97	4,610	$ 35,593	$ 7.72
Laboratories	172,973	$ 1,468,266	$ 8.49	4,634	$ 170,269	$ 36.74
Other institutional uses	173,663	$ 843,802	$ 4.86	1,780	$ 18,229	$ 10.24
Hospital	126,892	$ 699,584	$ 5.51	363	$ 10,932	$ 30.10
Warehouses	127,428	$ 367,699	$ 2.89	23,878	$ 232,126	$ 9.72
Industrial	111,131	$ 769,749	$ 6.93	933	$ 9,962	$ 10.68
Family housing	52,132	$ 189,875	$ 3.64	2,565	$ 18,306	$ 7.14
Prisons and detention centers	43,900	$ 353,236	$ 8.05	—	$ —	$ —
Communications systems	18,089	$ 84,555	$ 4.67	313	$ 5,480	$ 17.53
Outpatient healthcare facility	14,490	$ 89,686	$ 6.19	12,154	$ 331,373	$ 27.26
Navigation and traffic aids	12,561	$ 175,920	$ 14.01	702	$ 12,972	$ 18.48
Facility security	10,972	$ 54,246	$ 4.94	141	$ 646	$ 4.58
Child care center	9,140	$ 26,014	$ 2.85	26	$ 436	$ 16.81
Museum	7,091	$ 21,930	$ 3.09	60	$ 42	$ 0.70
Data Centers	4,835	$ 67,039	$13.87	593	$ 13,815	$ 23.29
Land Port of Entry	4,731	$ 29,369	$ 6.21	833	$ 16,832	$ 20.22
Comfort Stations/Restrooms	3,984	$ 31,135	$ 7.82	4	$ 7	$ 1.71
Border/Inspection Station	2,656	$ 24,638	$ 9.28	6,799	$ 104,322	$ 15.34
Public Facing Facility	1,518	$ 5,468	$ 3.60	19,027	$ 555,837	$ 29.21
Post office	996	$ 4,006	$ 4.02	—	$ —	$ —
Aviation security related	263	$ 1,839	$ 6.98	3,418	$ 152,385	$ 44.58

† *Data source is the General Services Administration FY 2016 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		
Agency	**Owned**	**Leased**	**Total**
Army Department	699,921	16,589	716,510
Air Force Department	444,482	5,614	450,096
Navy Department	432,822	2,848	435,670
General Services Administration	230,139	190,624	420,763
Department of Veterans Affairs	155,081	18,521	173,602
Department of Energy	115,581	596	116,177
Department of Interior	100,576	3,056	103,632
Other department or agency	311,663	42,255	353,918
Total	2,490,265	280,103	2,770,368

† *Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set.*

The US Government Accountability Office (GAO) reports that federal agencies continue to face long-standing challenges in several areas of real property management, including: (1) disposing of excess and underutilized property effectively, (2) relying too heavily on leasing, (3) collecting reliable real property data to support decision making, and (4) protecting federal facilities from potential attacks, including ensuring that guards are adequately trained. Issues with the reliability of the Federal Real Property Profile (FRPP) data—particularly the utilization variable—make it difficult to quantify the overall number of vacant and underutilized federal buildings.[31]

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 18 – Contingencies* for a discussion of these items.

Part II

Item 6. Selected Financial Data

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

(In billions)

Year Ended September 30,	**2015**	**2014**	**2010**	**2005**	**2000**	**1990**	**1980**
As reported							
Revenue	$ 5,176	$ 5,224	$ 3,935	$ 3,643	$ 3,216	$ 1,639	$ 770
Expenditures	$ 5,660	$ 5,385	$ 5,134	$ 3,830	$ 2,806	$ 1,860	$ 843
Surplus (deficit)	$ (484)	$ (161)	$ (1,199)	$ (187)	$ 410	$ (221)	$ (73)
Cash, cash equivalents, and short-term investments [1]	$ 1,153	$ 1,089	$ 1,081	$ 573	$ 520	$ 298	$ 128
Total assets [1]	$ 21,083	$ 20,594	$ 17,365	$ 13,125	$ 10,243	$ 5,567	$ 2,848
Total liabilities [1]	$ 25,726	$ 24,793	$ 19,591	$ 12,644	$ 8,417	$ 5,067	$ 1,947
Net worth [1]	$ (4,643)	$ (4,198)	$ (2,226)	$ 481	$ 1,826	$ 500	$ 902
Adjusted for inflation [2]							
Revenue	$ 5,176	$ 5,240	$ 4,286	$ 4,457	$ 4,458	$ 3,015	$ 2,279
Expenditures	$ 5,660	$ 5,402	$ 5,592	$ 4,686	$ 3,889	$ 3,421	$ 2,495
Surplus (deficit)	$ (484)	$ (162)	$ (1,306)	$ (229)	$ 568	$ (407)	$ (216)
Cash, cash equivalents, and short-term investments [1]	$ 1,153	$ 1,092	$ 1,177	$ 701	$ 721	$ 548	$ 379
Total assets [1]	$ 21,083	$ 20,658	$ 18,913	$ 16,058	$ 14,198	$ 10,240	$ 8,428
Total liabilities [1]	$ 25,726	$ 24,870	$ 21,337	$ 15,470	$ 11,667	$ 9,321	$ 5,762
Net worth [1]	$ (4,643)	$ (4,212)	$ (2,424)	$ 588	$ 2,531	$ 920	$ 2,666

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 2015.*

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 over 47% 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, 2015, the most recent period for which a nearly complete set of federal and state and local financial data is available. A public company is generally required to analyze its immediately prior three fiscal years. While decisions can be made and implemented quickly within companies, and the impact of those decisions may be seen shortly thereafter, this is not generally the case within government. Therefore, we have provided a longer-term view within this MD&A than we would for a company.

Trends

During the one-year, five-year, and 10-year periods ending in 2015, 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 (though not on pace with inflation long-term), minimum wage, and household financial assets while decreasing bankruptcy filings;
- ***reducing overall crime and physical harm***, including reducing rates of: reported crime and arrests; workplace violations, injuries and fatalities; and transportation fatalities, and numbers of most types of fires and deaths therefrom, child victims, hate crimes, health discrimination investigations, 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 (though not on pace with income growth); and
- ***tending to our environment***, including reducing overall emissions, numbers of poor air quality days, and net energy consumption, while increasing energy consumption from nuclear and renewable sources.

Retreat –

- ***fiscal unsustainability of our Government***, as our Government's debt grows as a percentage of GDP;
- ***reduced participation in our democracy***, including reduced rates of voting in all elections but particularly midterm elections;

- ***increasing specific crime and physical harm***, including numbers and deaths from non-home structure fires, disaster declarations for most types of natural disasters, acres burned in forest fires, consumer complaints, equal employment charges, housing discrimination complaints, intellectual property seizures, and airport firearm discoveries;
- ***increasing challenges to the health of our population***, including increased rates of diabetes and obesity, rates of death from accidents, mental disorders, and drug poisonings, and increased total personal healthcare expenditures;
- ***insufficiently protecting our children***, including increasing numbers of child fatalities as a result of maltreatment, children living in poverty, and homeless children; and
- ***increasing challenges to homeownership***, including reduced new home sales, the percentage of families that are homeowners, and the value of real estate assets (though this has reversed lately), and increased numbers of people in subsidized housing.

Our Government's operations are financially unsustainable. It continues to spend more than it takes in each year, accumulating an overall deficit that reached $10.8 trillion at September 30, 2015. Expenditures increased 48% between 2005 and 2015, when they reached a record high of $5.7 trillion annually. Our Government has, however, reduced its annual deficit by nearly 80% from its peak of $2.3 trillion in 2009 to $484 billion in 2015 through increased revenue. Increases in revenue have been driven by both overall economic prosperity (primarily increased taxable income and income on invested Government assets) and tax policy changes. See *Part I, Item 1A, Risk Factors*, *Newly enacted legislation and tax avoidance put downward pressure on tax revenues, reducing Government resources*, for discussion of recent significant tax policy changes that could impact these trends.

Macro economy and related government actions

Key economic indicators

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

	2015	2014	2010	2005
Interest rates				
10-year Treasury Rate	2.14%	2.54%	3.22%	4.29%
US Federal Funds Rate	0.13%	0.09%	0.18%	3.22%
US Bank Prime Loan Rate	3.26%	3.25%	3.25%	6.19%
Economic indicators				
Average annual US inflation rate (calendar year)	0.1%	1.6%	1.6%	3.4%
Average annual US inflation rate (fiscal year)	0.3%	1.6%	1.7%	3.3%
Change in average annual US inflation from the respective year to 2015	*—ppt*	*(1.3)ppt*	*(1.4)ppt*	*(3.0)ppt*
Stock indices				
Standard and Poor's 500 (S&P 500) average daily closing price:				
Federal fiscal year – October 1 to September 30	2,050	1,870	1,111	1,190
Change from the respective year to 2015	*—%*	*10%*	*85%*	*72%*
State and local fiscal year – July 1 to June 30	*2,037*	*1,794*	*1,085*	*1,160*
Change from the respective year to 2015	*—%*	*14%*	*88%*	*76%*
Differences between beginning and ending closing prices of stock indices, July 1 compared to June 30:				
S&P 500	*103*	*354*	*111*	*50*
Change from the respective year to 2015	*—%*	*(71)%*	*(8)%*	*104%*
Deutsche Boerse AG German Stock Index, Performance (DAX)	1,112	1,874	1,157	534
Change from the respective year to 2015	*—%*	*(41)%*	*(4)%*	*108%*
Nikkei 225: N225 (NIKKEI)	5,074	1,485	(576)	(275)
Change from the respective year to 2015	*—%*	*242%*	*(981)%*	*(1,946)%*
Financial Times Stock Exchange 100 Index: UKX (FTSE)	(223)	528	668	649
Change from the respective year to 2015	*—%*	*(142)%*	*(133)%*	*(134)%*
Chicago Board Options Exchange Volatility Index (VIX) at June 30	18	12	35	12
Asset and service prices				
Gold price	$1,060.00	$1,206.00	$1,405.50	$ 513.00
West Texas Intermediate (WTI) crude oil spot price	$ 48.66	$ 93.17	$ 79.48	$ 56.64
Consumer Price Index (average monthly for the fiscal year):				
Consumer price index	236.7	236.0	217.4	193.5
Growth from the respective year to 2015	*—%*	*0.3%*	*8.9%*	*22.3%*
Food price index	246.5	240.8	218.8	189.7
Growth from the respective year to 2015	*—%*	*2.4%*	*12.6%*	*30.0%*
Medical care price index	443.6	432.6	385.3	319.9
Growth from the respective year to 2015	*—%*	*2.6%*	*15.1%*	*38.7%*
Medical care commodities price index	352.7	340.5	312.6	273.8
Growth from the respective year to 2015	*—%*	*3.6%*	*12.8%*	*28.8%*
Medical care services price index	472.7	462.2	407.7	332.9
Growth from the respective year to 2015	*—%*	*2.3%*	*15.9%*	*42.0%*
Hospital and related services price index	753.7	726.3	597.6	434.3
Growth from the respective year to 2015	*—%*	*3.8%*	*26.1%*	*73.6%*
Housing				
US 30-year mortgage interest rate	3.85%	4.17%	4.69%	5.87%
Median new home sales price (in thousands) [1]	$ 299	$ 302	$ 241	$ 239
Median home values (in thousands) [2]	$ 180	$ na	$ na	$ 165
Existing home sales (in thousands of housing units) [3]	62,800	59,080	na	na
New home sales (in thousands of housing units)	501	437	323	1,283

† *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.*

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

1 *December of each year*

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

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

The first five years discussed in this MD&A

The 10-year period from fiscal year 2005 to fiscal year 2015 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 2005 and 2010, nominal GDP increased by 14%, with the following sectors experiencing the largest increases: government; finance, insurance, real estate, rental, and leasing; educational services, health care and social assistance; and professional and business services. Early in 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 (97% of which has since been returned, along with a surplus on certain investments that totals more than $7.9 billion).

After President Obama took office in January 2009, he and the Democratic-controlled Congress enacted the American Recovery and Reinvestment Act (ARRA), which was a stimulus package of temporary tax cuts and spending increases with the aim of boosting the 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.

The following five years

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 associated government revenue increases taking effect on January 1, 2013.

Overall, between fiscal years 2010 and 2015, nominal GDP grew by 21%, with the following sectors experiencing the largest increases: finance, insurance, real estate, rental, and leasing; professional and business services; government; and educational services, health care, and social assistance. 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 as states (except Vermont) are not allowed to spend more than they receive. The ARRA provided some fiscal relief to the states.

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

Comparability of data

See discussion of the comparability of data within this MD&A in *Part I, About This Report, Comparability of data* and Exhibit 99.12 *Data comparability considerations*.

The impact of inflation and changes in US population

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

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

- 2014 to 2015 – 2.4 million people or 1%;
- 2010 to 2015 – 12.3 million people or 4%; and
- 2005 to 2015 – 25.5 million people or 9%.

Our population aged 65 years and older grew by:

- 2014 to 2015 – 1.5 million people or 3%;
- 2010 to 2015 – 7.5 million people or 19%; and
- 2005 to 2015 – 11.1 million people or 30%.

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 are the largest dollar changes that when added together comprise at least 75% of the total change being explained. These key changes are highlighted in gray in the tables and then are discussed in the sections following each table. Note that only key changes are discussed, though all changes in major categories are shown in the tables for your information.

Summary results of operations

	2015			2014			Changes					
(In billions, except percentages)	**Total**	**Federal**	**State and Local**	**Total**	**Federal**	**State and Local**	**Total**	**Federal**	**State and Local**	**Total**	**Federal**	**State and Local**
Revenues	**$ 5,176**	$ 3,301	$ 1,875	**$ 5,224**	$ 3,048	$ 2,176	**$ (48)**	$ 253	$ (301)	**(1)%**	8%	(14)%
Expenditures	**5,660**	3,086	2,574	**5,385**	2,934	2,451	**275**	152	123	**5%**	5%	5%
Intergovernmental (expenditures) revenues[1]	**—**	(624)	624	**—**	(577)	577	**—**	(47)	47	**—%**	(8)%	8%
Net surplus (deficit)	**$ (484)**	$ (409)	$ (75)	**$ (161)**	$ (463)	$ 302	**$ (323)**	$ 54	$ (377)	**(201)%**	12%	(125)%
Estimated impact of inflation on net surplus (deficit)							**$ (1)**	$ (1)	$ 1	**—%**	—%	—%
Estimated impact of population growth on net surplus (deficit)							**—**	—	—	**—%**	—%	—%

	2015			2010			Changes					
(In billions, except percentages)	**Total**	**Federal**	**State and Local**	**Total**	**Federal**	**State and Local**	**Total**	**Federal**	**State and Local**	**Total**	**Federal**	**State and Local**
Revenues	**$ 5,176**	$ 3,301	$ 1,875	**$ 3,935**	$ 2,183	$ 1,752	**$ 1,241**	$ 1,118	$ 123	**32%**	51%	7%
Expenditures	**5,660**	3,086	2,574	**5,134**	2,863	2,271	**526**	223	303	**10%**	8%	13%
Intergovernmental (expenditures) revenues[1]	**—**	(624)	624	**—**	(608)	608	**—**	(16)	16	**—%**	(3)%	3%
Net surplus (deficit)	**$ (484)**	$ (409)	$ (75)	**$ (1,199)**	$ (1,288)	$ 89	**$ 715**	$ 879	$ (164)	**60%**	68%	(184)%
Estimated impact of inflation on net surplus (deficit)							**$ (107)**	$ (115)	$ 8	**9%**	9%	9%
Estimated impact of population growth on net surplus (deficit)							**(39)**	(42)	3	**3%**	3%	3%

INTERACTIVE ANALYSIS

(In billions, except percentages)	2015 Total	2015 Federal	2015 State and Local	2005 Total	2005 Federal	2005 State and Local	Changes Total	Changes Federal	Changes State and Local	Changes Total	Changes Federal	Changes State and Local
Revenues	**$ 5,176**	$ 3,301	$ 1,875	**$ 3,643**	$ 2,172	$ 1,471	**$ 1,533**	$ 1,129	$ 404	**42%**	52%	27%
Expenditures	**5,660**	3,086	2,574	**3,830**	2,055	1,775	**1,830**	1,031	799	**48%**	50%	45%
Intergovernmental expenditures (revenues)[1]	**—**	(624)	624	**—**	(428)	428	**—**	(196)	196	**—%**	(46)%	46%
Net surplus (deficit)	**$ (484)**	$ (409)	$ (75)	**$ (187)**	$ (311)	$ 124	**$ (297)**	$ (98)	$ (199)	**(159)%**	(32)%	(160)%
Estimated impact of inflation on net surplus (deficit)							**$ (42)**	$ (70)	$ 28	**22%**	22%	22%
Estimated impact of population growth on net surplus (deficit)							**(15)**	(25)	10	**8%**	8%	8%

1 *See separate schedule and discussion of intergovernmental transfers at Note 23 – 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 (2005, 2010, 2014, and 2015), as well as in all intervening years (2005 to 2015) 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 2015 compared with fiscal year 2014

(In billions, except percentages)	2015 Total	2015 Federal	2015 State and Local[1]	2014 Total	2014 Federal	2014 State and Local[1]	Changes[2] Total	Changes[2] Federal	Changes[2] State and Local[1]	Changes[2] Total	Changes[2] Federal	Changes[2] State and Local[1]
Individual income taxes	**$ 1,909**	$ 1,541	$ 368	**$ 1,736**	$ 1,395	$ 341	**$ 173**	$ 146	$ 27	**10%**	10%	8%
Payroll taxes	**1,082**	1,082	—	**1,041**	1,041	—	**41**	41	—	**4%**	4%	—%
Sales and excise taxes	**643**	98	545	**615**	93	522	**28**	5	23	**5%**	5%	4%
Property taxes	**488**	—	488	**468**	—	468	**20**	—	20	**4%**	—%	4%
Corporate income taxes	**401**	344	57	**376**	321	55	**25**	23	2	**7%**	7%	4%
Other taxes	**181**	63	118	**182**	63	119	**(1)**	—	(1)	**(1)%**	—%	(1)%
Tax revenues	**$ 4,704**	$ 3,128	$ 1,576	**$ 4,418**	$ 2,913	$ 1,505	**$ 286**	$ 215	$ 71	**6%**	7%	5%
Earnings on investments	**$ 159**	$ —	$ 159	**$ 538**	$ —	$ 538	**$ (379)**	$ —	$ (379)	**(70)%**	—%	(70)%
Federal Reserve earnings	**97**	97	—	**100**	100	—	**(3)**	(3)	—	**(3)%**	(3)%	—%
Sales of government resources	**53**	35	18	**29**	9	20	**24**	26	(2)	**83%**	289%	(10)%
Other non-tax revenues	**163**	41	122	**139**	26	113	**24**	15	9	**17%**	58%	8%
Total non-tax revenues	**$ 472**	$ 173	$ 299	**$ 806**	$ 135	$ 671	**$ (334)**	$ 38	$ (372)	**(41)%**	28%	(55)%
Total revenues	**$ 5,176**	$ 3,301	$ 1,875	**$ 5,224**	$ 3,048	$ 2,176	**$ (48)**	$ 253	$ (301)	**(1)%**	8%	(14)%
Estimated impact of inflation on total revenues							**$ 17**	$ 9	$ 7	**—%**	—%	—%
Estimated Impact of population growth on total revenues							**—**	—	—	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

2014 to 2015 | Federal individual income tax revenue

The $146 billion federal individual income tax revenue increase can be attributed $74 billion* to changes in average tax rates and $72 billion* to higher taxable income.

Tax rate changes

There were no significant statutory tax rate changes during this period. The change, therefore, is attributed primarily to more income in higher tax rate brackets.

Income changes

The increase in individual taxable income reflected an approximately $498 billion* or 5%* increase in Adjusted Gross Income (AGI). Following are the income components of AGI shown by AGI cohort.

	2015					2014					Changes									
(In billions, except percentages)	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other[1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other[1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other[1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other[1]**	**Total AGI**
Less than $1	$ 19	$ 15	$ (42)	$ (195)	**$ (203)**	$ 21	$ 14	$ (39)	$ (193)	**$ (197)**	$ (2)	$ 1	$ (3)	$ (2)	**$ (6)**	(10)%	7%	(8)%	(1)%	**(3)%**
$1-$50,000	1,586	11	7	362	**1,966**	1,570	11	7	368	**1,956**	16	—	—	(6)	**10**	1%	—%	—%	(2)%	**1%**
$50,001-$75,000	943	11	10	255	**1,219**	916	11	9	254	**1,190**	27	—	1	1	**29**	3%	—%	11%	—%	**2%**
$75,001-$100,000	837	14	13	247	**1,111**	836	14	13	243	**1,106**	1	—	—	4	**5**	—%	—%	—%	2%	**—%**
$100,001-$200,000	1,847	52	59	512	**2,470**	1,736	50	58	480	**2,324**	111	2	1	32	**146**	6%	4%	2%	7%	**6%**
$200,001-$500,000	1,031	82	129	273	**1,515**	935	80	120	249	**1,384**	96	2	9	24	**131**	10%	3%	8%	10%	**9%**
$500,001-$1 million	331	61	112	85	**589**	301	59	103	81	**544**	30	2	9	4	**45**	10%	3%	9%	5%	**8%**
Over $1 million	436	447	330	220	**1,433**	393	397	300	205	**1,295**	43	50	30	15	**138**	11%	13%	10%	7%	**11%**
Total	$7,030	$693	$ 618	$1,759	**$10,100**	$6,708	$636	$ 571	$1,687	**$9,602**	$322	$ 57	$ 47	$ 72	**$498**	5%	9%	8%	4%	**5%**

[1] *All Other includes interest, dividends, state income tax refunds, alimony received, business or profession net income (loss), net gain (loss) on sales of capital assets and other property, taxable retirement distributions, rent and royalty income (loss), farm net income (loss), estate and trust net income (loss), unemployment compensation, taxable social security benefits, net operating losses, cancellation of debt, taxable health savings account distributions, foreign earned income exclusions, gambling earnings, other income (losses), less: educator expenses, health savings account deductions, moving expenses, deductible self-employment taxes, self-employed SEP, SIMPLE, and qualified plan deductions, self-employed health insurance deductions, penalties on early withdrawals of savings, alimony paid, retirement account deductions, student loan interest deductions, tuition and fees, and domestic production activities deductions.*

AGI by cohort

AGI increased for all cohorts with AGI above $1, most significantly for cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $460 billion* or 8%* in 2015. The cohort with the largest dollar increase in AGI is the one with AGI between $100,001 and $200,000, at an increase of $146 billion* or 6%* in aggregate, driven primarily by higher wages and salaries. The cohort with the largest percentage increase in AGI is the one with AGI over $1 million, at an increase of 11%* or $138 billion* in aggregate, spread across all income types. These increases in AGI were offset in part by a $6 billion* or 3%* decrease in AGI for the cohort where AGI is less than $1.

AGI by income type

Nearly 65%* of the $498 billion* increase in AGI was driven by higher wages and salaries, which increased $322 billion* or 5%*. All cohorts with AGI above $1 saw wage and salary growth. The largest dollar amount of growth, at an aggregate increase of $111 billion* or 6%*, was for the cohort with AGI between $100,001 and $200,000. The highest rate of growth, at 11%* or $43 billion* in aggregate, was for the cohort with AGI over $1 million.

Net capital gains income increased $57 billion* or 9%*, comprising 11%* of the $498 billion* increase in AGI. Most of the AGI cohorts saw at least some increase in net capital gains income. By far, the largest dollar amount and rate of growth in net capital gains income, at an aggregate increase of $50 billion* or 13%*, was for the cohort with AGI over $1 million. The average daily closing price of the S&P 500 during the respective federal fiscal year (October 1 to September 30) increased 10%, which may have contributed to increases in capital gains.

2014 to 2015 | State and local individual income tax revenues

The $27 billion state and local individual income tax revenue increase can be attributed $18 billion** to higher taxable income and $9 billion** to changes in average tax rates.

Income changes

The $18 billion** increase attributable to higher individual taxable income reflected an approximately $426 billion** or 6%** increase in AGI in all states that tax individual income. Following are the income components of AGI shown by AGI cohort.

	2015					2014					Changes									
(In billions, except percentages)	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other**	**Total AGI**
Less than $1	$ 11	$ 11	$ (48)	$ (121)	**$ (147)**	$ 11	$ 10	$ (28)	$ (138)	**$ (145)**	$ —	$ 1	$ (20)	$ 17	**$ (2)**	—%	10%	71%	(12)%	**1%**
$1-$50,000	1,205	10	6	314	**1,535**	1,194	9	6	323	**1,532**	11	1	—	(9)	**3**	1%	11%	—%	(3)%	**—%**
$50,001-$75K	747	10	8	196	**961**	736	9	8	192	**945**	11	1	—	4	**16**	1%	11%	—%	2%	**2%**
$75,001-$100K	669	12	10	200	**891**	658	11	10	207	**886**	11	1	—	(7)	**5**	2%	9%	—%	(3)%	**1%**
$100,001-$200K	1,453	44	45	417	**1,959**	1,377	41	43	380	**1,841**	76	3	2	37	**118**	6%	7%	5%	10%	**6%**
$200,001-$500K	808	67	104	204	**1,183**	738	60	95	182	**1,075**	70	7	9	22	**108**	9%	12%	9%	12%	**10%**
$500,001-$1 million	248	46	89	75	**458**	224	40	78	72	**414**	24	6	11	3	**44**	11%	15%	14%	4%	**11%**
Over $1 million	330	319	258	156	**1,063**	293	264	224	148	**929**	37	55	34	8	**134**	13%	21%	15%	5%	**14%**
Total	$ 5,471	$ 519	$ 472	$ 1,441	**$ 7,903**	$ 5,231	$ 444	$ 436	$ 1,366	**$ 7,477**	$ 240	$ 75	$ 36	$ 75	**$ 426**	5%	17%	8%	5%	**6%**

† *This table is not entirely consistent with the federal AGI table above and is simply used to analyze growth rates in income for those states with an income tax.*

AGI by cohort

For states that tax individual income, AGI increased for all cohorts with AGI above $1, most significantly for cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $404 billion** or 9%**. The cohort with the largest dollar and rate increase in AGI was the one with AGI over $1 million, at an increase of $134 billion** or 14%** in aggregate, spread across all income types. These increases in AGI were offset in part by an aggregate $2 billion** or 1%** decrease in AGI for the cohort where AGI is less than $1.

AGI by income type

More than 55%** of the $426 billion** increase in AGI in states that tax individual income was driven by higher wages and salaries, which increased $240 billion** or 5%**. All cohorts with AGI of $1 or more saw wage and salary growth. The largest dollar amount, at an aggregate increase of $76 billion** or 6%**, was for the cohort between $100,001 and $200,000. The highest rate of wage and salary growth, at an aggregate increase of 13%** or $37 billion**, was for the cohort with AGI greater than $1 million.

Net capital gains income increased $75 billion** or 17%**, comprising more than 18%** of the overall increase in AGI in states that tax individual income. All AGI cohorts saw increases in net capital gains income. The largest dollar amount and rate of growth, at an aggregate increase of $55 billion** or 21%**, was for the cohort with AGI greater than $1 million. The average daily closing price of the S&P 500 during the state and local fiscal year (July 1 to June 30) increased 14%, which may have contributed to increases in capital gains.

Partnership and S Corporation income increased $36 billion** or 8%**, comprising a little over 8%** of the overall increase in AGI in states that tax individual income. The largest dollar amount and rate of growth, at an aggregate increase of $34 billion** or 15%**, was for the cohort with AGI greater than $1 million.

Tax rate changes

There were no significant statutory tax rate changes at the state level during this period. Only one state increased its income tax rates – Ohio increased the rate on its lowest income bracket by 0.5%. Seven states decreased the rates on their highest or lowest income brackets, ranging from decreases of 0.1% (multiple states) to 2.2% (Delaware, on its lowest income bracket). The change in state and local individual income tax revenue attributable to tax rate changes, therefore, is primarily due to more income in higher tax rate brackets.

2014 to 2015 | Payroll tax revenue

The $41 billion increase in payroll tax revenue primarily reflected a $35 billion or 5% increase in Social Security taxes, driven by a $230 billion* or 4%* increase in earnings subject to the taxes.

2014 to 2015 | State and local earnings on investments[34]

State and local earnings on investments (primarily funds held by retirement, workers' compensation, and other trusts) decreased $379 billion or 70% due to decreases in stock market performance, offset in part by a 3% increase in investment balances. Using state and local fiscal year (July 1 to June 30) starting and ending stock prices, there were 71%, 41%, and 142% decreases in the S&P 500, DAX, and FTSE, respectively, and a 242% increase in the NIKKEI. The largest investment balance increases were in other nongovernmental securities, corporate stocks, and corporate bonds, partially offset by decreases in investments in governmental securities.

Fiscal year 2015 compared with fiscal year 2010

	2015			2010			Changes[2]					
(In billions, except percentages)	**Total**	**Federal**	**State and Local[1]**	**Total**	**Federal**	**State and Local[1]**	**Total**	**Federal**	**State and Local[1]**	**Total**	**Federal**	**State and Local[1]**
Individual income taxes	**$ 1,909**	$ 1,541	$ 368	**$ 1,160**	$ 898	$ 262	**$ 749**	$ 643	$ 106	**65%**	72%	40%
Payroll taxes	**1,082**	1,082	—	**881**	881	—	**201**	201	—	**23%**	23%	—%
Sales and excise taxes	**643**	98	545	**503**	67	436	**140**	31	109	**28%**	46%	25%
Property taxes	**488**	—	488	**444**	—	444	**44**	—	44	**10%**	—%	10%
Corporate income taxes	**401**	344	57	**235**	191	44	**166**	153	13	**71%**	80%	30%
Other taxes	**181**	63	118	**153**	53	100	**28**	10	18	**18%**	19%	18%
Tax revenues	**$ 4,704**	$ 3,128	$ 1,576	**$ 3,376**	$ 2,090	$ 1,286	**$ 1,328**	$ 1,038	$ 290	**39%**	50%	23%
Earnings on investments	**$ 159**	$ —	$ 159	**$ 352**	$ —	$ 352	**$ (193)**	—	(193)	**(55)%**	—%	(55)%
Federal Reserve earnings	**97**	97	—	**76**	76	—	**21**	21	—	**28%**	28%	—%
Sales of government resources	**53**	35	18	**21**	5	16	**32**	30	2	**152%**	600%	13%
Other non-tax revenues	**163**	41	122	**110**	12	98	**53**	29	24	**48%**	242%	24%
Total non-tax revenues	**$ 472**	$ 173	$ 299	**$ 559**	$ 93	$ 466	**$ (87)**	$ 80	$ (167)	**(16)%**	86%	(36)%
Total revenues	**$ 5,176**	$ 3,301	$ 1,875	**$ 3,935**	$ 2,183	$ 1,752	**$ 1,241**	$ 1,118	$ 123	**32%**	51%	7%
Estimated impact of inflation on total revenues							**$ 350**	$ 194	$ 156	**9%**	9%	9%
Estimated impact of population growth on total revenues							**130**	72	58	**3%**	3%	3%

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

2010 to 2015 | Federal individual income tax revenue

The federal individual income tax revenue increase of $643 billion can be attributed $403 billion* to changes in average tax rates and $240 billion* to higher taxable income.

Tax rate changes

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

Income changes

The $240 billion* increase in individual taxable income reflected an approximately $2,127 billion* or 27%* increase in aggregate AGI. Following are the income components of AGI shown by AGI cohort.

	2015					2010					Changes									
(In billions, except percentages)	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**	**Wages and Salaries**	**Capital Gains**	**Partnership and S-Corp**	**All Other [1]**	**Total AGI**
Less than $1	$ 19	$ 15	$ (42)	$ (195)	**$ (203)**	$ 23	$ 11	$ (67)	$ (159)	**$ (192)**	$ (4)	$ 4	$ 25	$ (36)	**$ (11)**	(17)%	36%	37%	(23)%	**(6)%**
$1-$50,000	1,586	11	7	362	**1,966**	1,521	—	3	424	**1,948**	65	11	4	(62)	**18**	4%	100%	133%	15%	**1%**
$50,001-$75K	943	11	10	255	**1,219**	895	3	8	245	**1,151**	48	8	2	10	**68**	5%	267%	25%	4%	**6%**
$75,001-$100K	837	14	13	247	**1,111**	783	6	12	212	**1,013**	54	8	1	35	**98**	7%	133%	8%	17%	**10%**
$100,001-$200K	1,847	52	59	512	**2,470**	1,440	20	44	349	**1,853**	407	32	15	163	**617**	28%	160%	34%	47%	**33%**
$200,001-$500K	1,031	82	129	273	**1,515**	667	35	92	171	**965**	364	47	37	102	**550**	55%	134%	40%	60%	**57%**
$500,001-$1 million	331	61	112	85	**589**	202	27	73	57	**359**	129	34	39	28	**230**	64%	126%	53%	49%	**64%**
Over $1 million	436	447	330	220	**1,433**	274	229	217	156	**876**	162	218	113	64	**557**	59%	95%	52%	41%	**64%**
Total	$ 7,030	$ 693	$ 618	$ 1,759	**$ 10,100**	$ 5,805	$ 331	$ 382	$ 1,455	**$ 7,973**	$ 1,225	$ 362	$ 236	$ 304	**$ 2,127**	21%	109%	62%	21%	**27%**

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

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above $100,000, a group which saw its aggregate AGI increase over $1,954 billion* or 48%*. The cohort with the largest dollar increase in AGI is the one with AGI between $100,001 and $200,000, at an increase of $617 billion* or 33%* in aggregate, driven primarily by higher wages and salaries. The cohort with the largest percentage increase in AGI is the one with AGI between $500,001 and $1 million, at an increase of 64%* or $230 billion* in aggregate, driven primarily by higher wages and salaries. These increases in AGI were offset in part by an $11 billion* or 6%* decrease in AGI for the cohort where AGI is less than $1.

AGI by income type

More than half* of the overall $2,127 billion* increase in AGI was driven by higher wages and salaries, which increased $1,225 billion* or 21%*. All cohorts with AGI greater than $1 saw wage and salary growth. The largest dollar amount of growth, at an aggregate increase of $407 billion* or 28%*, was for the cohort with AGI between $100,001 and $200,000. The highest rate of wage and salary growth, at 64%* or $129 billion* in aggregate, was for the cohort with AGI between $500,001 and $1 million.

Net capital gains income increased $362 billion* or 109%*, comprising more than 15%* 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 $218 billion* or 95%*, was for the cohort with AGI over $1 million. The highest rate of growth, at 267%* or $8 billion* in aggregate, was for the cohort with AGI between $50,001 and $75,000. The average daily closing price of the S&P 500 during the federal fiscal year (October 1 to September 30) increased 85%, which may have contributed to increases in capital gains.

Partnership and S Corporation income increased $236 billion* or 62%*, comprising a little over 10%* of the overall increase in AGI. Most of the increase was for the cohorts with AGI between $200,001 and $1 million, where Partnership and S Corporation income increased an aggregate of $189 billion* or 49%*. The highest rate of growth, at 133%* or $4 billion* in aggregate, was for the cohort with AGI between $1 and $50,000.

2010 to 2015 | Payroll tax revenue

The $201 billion increase in payroll tax revenue primarily reflected a $140 billion or 22% increase in Social Security tax revenues, as well as a $54 billion or 29% increase in Medicare tax revenues.

Social Security payroll tax revenues

The increase in Social Security taxes primarily reflects a $147 billion* increase attributable to higher taxable income, driven by a $1,043 billion* or 20%* increase in earnings subject to Social Security taxes.

Medicare payroll tax revenues

The $54 billion increase in Medicare tax revenues primarily reflects a $42 billion* increase attributable to higher taxable income, driven by a $1,495 billion* or 23%* increase in earnings subject to Medicare taxes.

2010 to 2015 | Federal corporate income tax revenue

Federal corporate income tax revenues increased $153 billion or 80%. There were no significant statutory tax rate changes during this period. Therefore, changes in federal corporate income tax revenues are primarily attributable to changes in corporate income and behavior. The IRS has not yet published 2015 C Corporation tax data by sector.

2010 to 2015 | State and local earnings on investments[34]

State and local earnings on investments decreased $193 billion or 55% due to decreases in stock market performance, offset in part by a 43% increase in investment balances. Using state and local fiscal year (July 1 to June 30) starting and ending stock prices, there were 8%, 4%, 133%, and 981% decreases in the S&P 500, DAX, FTSE, and NIKKEI, respectively. The largest investment balance increases were in foreign and international securities, corporate stocks, and governmental securities.

Fiscal year 2015 compared with fiscal year 2005

	2015			2005			Changes[2]					
(In billions, except percentages)	Total	Federal	State and Local[1]	Total	Federal	State and Local[1]	Total	Federal	State and Local[1]	Total	Federal	State and Local[1]
Individual income taxes	$ 1,909	$ 1,541	$ 368	$ 1,169	$ 927	$ 242	$ 740	$ 614	$ 126	63%	66%	52%
Payroll taxes	1,082	1,082	—	805	805	—	277	277	—	34%	34%	—%
Sales and excise taxes	643	98	545	457	73	384	186	25	161	41%	34%	42%
Property taxes	488	—	488	336	—	336	152	—	152	45%	—%	45%
Corporate income taxes	401	344	57	321	278	43	80	66	14	25%	24%	33%
Other taxes	181	63	118	156	57	99	25	6	19	16%	11%	19%
Tax revenues	$ 4,704	$ 3,128	$ 1,576	$ 3,244	$ 2,140	$ 1,104	$ 1,460	$ 988	$ 472	45%	46%	43%
Earnings on investments	$ 159	$ —	$ 159	$ 268	$ —	$ 268	$ (109)	—	(109)	(41)%	—%	(41)%
Federal Reserve earnings	97	97	—	19	19	—	78	78	—	411%	411%	—%
Sales of government resources	53	35	18	19	6	13	34	29	5	179%	483%	38%
Other non-tax revenues	163	41	122	93	7	86	70	34	36	75%	486%	42%
Total non-tax revenues	$ 472	$ 173	$ 299	$ 399	$ 32	$ 367	$ 73	$ 141	$ (68)	18%	441%	(19)%
Total revenues	$ 5,176	$ 3,301	$ 1,875	$ 3,643	$ 2,172	$ 1,471	$ 1,533	$ 1,129	$ 404	42%	52%	27%
Estimated impact of inflation on total revenues							$ 814	$ 485	$ 329	22%	22%	22%
Estimated impact of population growth on total revenues							288	172	116	8%	8%	8%

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

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

2005 to 2015 | Federal individual income tax revenue

The $614 billion federal individual income tax revenue increase included $362 billion* attributable to higher individual taxable income and $252 billion* attributable to changes in average tax rates.

Income changes

The increase in taxable income reflected an approximately $2,836 billion* or 39%* increase in aggregate AGI. Following are the income components of AGI shown by AGI cohort.

	2015					2005					Changes									
(In billions, except percentages)	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other[1]	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other[1]	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other[1]	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other[1]	Total AGI
Less than $1	$ 19	$ 15	$ (42)	$ (195)	$ (203)	$ 18	$ 8	$ (29)	$ (82)	$ (85)	$ 1	$ 7	$ (13)	$ (113)	$ (118)	6%	88%	(45)%	(138)%	(139)%
$1-$50K	1,586	11	7	362	1,966	1,520	10	5	342	1,877	66	1	2	20	89	4%	10%	40%	6%	5%
$50,001-$75K	943	11	10	255	1,219	901	12	9	201	1,123	42	(1)	1	54	96	5%	(8)%	11%	27%	9%
$75,001-$100K	837	14	13	247	1,111	714	16	11	152	893	123	(2)	2	95	218	17%	(13)%	18%	63%	24%
$100,001-$200K	1,847	52	59	512	2,470	1,057	56	42	240	1,395	790	(4)	17	272	1,075	75%	(7)%	40%	113%	77%
$200,001-$500K	1,031	82	129	273	1,515	460	88	82	131	761	571	(6)	47	142	754	124%	(7)%	57%	108%	99%
$500,001-$1 million	331	61	112	85	589	163	64	63	50	340	168	(3)	49	35	249	103%	(5)%	78%	70%	73%
Over $1 million	436	447	330	220	1,433	264	361	198	137	960	172	86	132	83	473	65%	24%	67%	61%	49%
Total	$ 7,030	$ 693	$ 618	$ 1,759	$ 10,100	$ 5,097	$ 615	$ 381	$ 1,171	$ 7,264	$ 1,933	$ 78	$ 237	$ 588	$ 2,836	38%	13%	62%	50%	39%

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

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 $2,551 billion* or 74%*. The cohort with the largest dollar increase in AGI is the one with AGI between

$100,001 and $200,000, at an increase of $1.1 trillion* or 77%* in aggregate, driven primarily by higher wages and salaries. The cohort with the largest percentage increase in AGI is the one with AGI between $200,001 and $500,000, at an increase of 99%* or $754 billion* in aggregate, driven primarily by higher wages and salaries. These increases in AGI were offset in part by a $118 billion* or 139%* decrease in AGI for the cohort where AGI is less than $1.

AGI by income type

Over 65%* of the $2,836 billion* increase in AGI was driven by higher wages and salaries, which increased $1,933 billion* or 38%*. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an aggregate increase of $790 billion* or 75%*, was for the cohort with AGI between $100,001 and $200,000. The highest rate of growth, at 124%* or $571 billion* in aggregate, was for the cohort with AGI between $200,001 and $500,000.

Partnership and S Corporation income increased $237 billion* or 62%*, comprising just over 8%* 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 $181 billion* or 69%*. The highest rate of growth, at 78%* or $49 billion* in aggregate, was for the cohort with AGI between $500,001 and $1 million.

Net capital gains income increased $78 billion* or 13%*, comprising less than 5%* of the overall increase in AGI. Most AGI cohorts saw modest decreases in net capital gains income. The largest dollar amount of growth, at $86 billion* or 24%*, was for the cohort with AGI over $1 million. The highest rate of growth, at 88%* or $7 billion* in aggregate, was for the cohort with AGI less than $1. The average daily closing price of the S&P 500 during the federal fiscal year (October 1 to September 30) increased 72%.

Tax rate changes

Key changes in statutory federal individual income tax rates were the same as those discussed above under *Fiscal year 2015 compared with fiscal year 2010*.

2005 to 2015 | Payroll tax revenue

The $277 billion increase in payroll tax revenue primarily reflected a $198 billion or 34% increase in Social Security tax revenues, as well as a $69 billion or 41% increase in Medicare tax revenues.

Social Security payroll tax revenues

The $198 billion increase in Social Security tax revenues primarily reflects a $203 billion* increase attributable to higher taxable income, driven by a $1,628 billion* or 35%* increase in earnings subject to Social Security taxes.

Medicare payroll tax revenues

The $69 billion increase in Medicare tax revenue primarily reflects a $63 billion* increase attributable to higher taxable income, driven by a $2,185 billion* or 37%* increase in earnings subject to Medicare taxes.

2005 to 2015 | State and local sales and excise taxes

The $161 billion growth in revenue from sales and excise taxes reflects a $106 billion or 40% increase in general sales tax revenues and a $55 billion or 46% increase in selective sales tax revenues.

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 a decrease to a lesser degree in one state.[35] Many local governments also raised general sales tax rates. Consumption of most categories of taxable goods and services increased during the period, led by recreation and entertainment, food and beverages away from home, and household supplies, jewelry, and personal care.

Selective sales tax revenues

Selective sales taxes increased across every category, led by increases in insurance premiums, public utilities, motor fuels, alcohol, tobacco, and amusement taxes due to increases in both selective sales tax rates and consumption of taxable goods and services. We are not aware of an aggregated source of data for state and local government tobacco, insurance premium, public utility, or amusement tax rates. The unweighted average of gas tax rates across all states increased approximately 10% during this period.[35] Consumption of goods and services subject to selective sales taxes increased across nearly every category, led by communications, household utilities and fuels, and alcohol.

2005 to 2015 | Property taxes

The $152 billion growth in revenue from property taxes reflects an approximately 7% increase in the value of real estate held by households and businesses. In addition, property tax rates increased, including growth of 16% in the aggregate unweighted average of the nominal residential property tax rate for the largest city in each state.[35]

2005 to 2015 | State and local earnings on investments[34]

State and local earnings on investments decreased $109 billion or 41%, driven by decreases in stock market performance, offset in part by a 42% increase in investment balances. Using state and local fiscal year (July 1 to June 30) starting and ending stock prices, there were 134% and 1,946%, decreases in the FTSE and NIKKEI, respectively, and 104% and 108% increases in the S&P 500 and DAX, respectively. The largest investment balance increases were in corporate stocks and foreign and international securities.

Expenditures by function[36]

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

Fiscal year 2015 compared with fiscal year 2014

	2015			2014			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Transfer payments to individuals and subsidies	**$ 2,696**	$ 2,034	$ 662	**$ 2,536**	$ 1,943	$ 593	**$ 160**	$ 91	$ 69	**6%**	5%	12%
Personnel and compensation	**1,513**	550	963	**1,461**	540	921	**52**	10	42	**4%**	2%	5%
Payments to others for goods and services	**701**	160	541	**630**	89	541	**71**	71	—	**11%**	80%	—%
Capital expenditures	**483**	149	334	**477**	155	322	**6**	(6)	12	**1%**	(4)%	4%
Net interest paid	**297**	223	74	**303**	229	74	**(6)**	(6)	—	**(2)%**	(3)%	—%
Other	**(30)**	(30)	—	**(22)**	(22)	—	**(8)**	(8)	—	**(36)%**	(36)%	—%
Total expenditures	**$ 5,660**	$ 3,086	$ 2,574	**$ 5,385**	$ 2,934	$ 2,451	**$ 275**	$ 152	$ 123	**5%**	5%	5%
Estimated impact of inflation on total expenditures							**$ 17**	$ 9	$ 8	**—%**	—%	—%
Estimated impact of population growth on total expenditures							**1**	1	0	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

2014 to 2015 | Federal transfer payments to individuals and subsidies

The $91 billion increase in federal transfer payments to individuals and subsidies reflects increases across all categories except unemployment insurance. The most significant changes are discussed below.

Social Security (Old Age, Survivor, and Disability Insurance, or OASDI)

Social Security payments increased $37 billion or 4%, driven by:

- a 1.0 million person or 2% increase in the number of OASDI recipients, including an increase of 2% for Old Age and Survivor Insurance (OASI), offset in part by a decrease of 1% for Disability Insurance (DI); and
- a 2% increase in the average monthly benefit payment, including increases of $34 or 3% for OASI and $22 or 2% for DI. OASDI benefit payments are indexed for inflation.

The average OASI recipient age remained 71 during these periods.

Medicare

Medicare payments (net of premiums received) increased $37 billion or 6%, reflecting a 1.3 million* person or 2%* increase in Medicare enrollees, and a 2%* increase in average costs per beneficiary (net of premiums received). Medicare premiums received increased $3 billion or 4% during this period.

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 3%, with prices of medical commodities and medical services inflating 4% and 2%, respectively.

2014 to 2015 | State and local transfer payments to individuals and subsidies

The $69 billion increase in state and local transfer payments to individuals and subsidies was driven by a $65 billion or 14% increase in Medicaid and CHIP payments. This increase reflects:

- a 6.1 million or 10% growth in person-year equivalent enrollment, driven by 4.8 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a $290 or 4% increase in annual per enrollee spending, driven by an $829 or 4% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by a $303 or 2% decrease in per enrollee spending for the aged, the second 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.

2014 to 2015 | Federal payments to others for goods and services

The $71 billion increase in federal payments to others for goods and services was driven in large part by a $52 billion or 72% decrease in proceeds from Fannie Mae and Freddie Mac investments.

Fiscal year 2015 compared with fiscal year 2010

	2015			2010			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Transfer payments to individuals and subsidies	**$ 2,696**	$ 2,034	$ 662	**$ 2,270**	$ 1,775	$ 495	**$ 426**	$ 259	$ 167	**19%**	15%	34%
Personnel and compensation	**1,513**	550	963	**1,348**	521	827	**165**	29	136	**12%**	6%	16%
Payments to others for goods and services	**701**	160	541	**716**	182	534	**(15)**	(22)	7	**(2)%**	(12)%	1%
Capital expenditures	**483**	149	334	**550**	195	355	**(67)**	(46)	(21)	**(12)%**	(24)%	(6)%
Net interest paid	**297**	223	74	**256**	196	60	**41**	27	14	**16%**	14%	23%
Other	**(30)**	(30)	—	**(6)**	(6)	—	**(24)**	(24)	—	**(400)%**	(400)%	—%
Total expenditures	**$ 5,660**	$ 3,086	$ 2,574	**$ 5,134**	$ 2,863	$ 2,271	**$ 526**	$ 223	$ 303	**10%**	8%	13%
Estimated impact of inflation on total expenditures							**$ 457**	$ 255	$ 202	**9%**	9%	9%
Estimated impact of population growth on total expenditures							**169**	94	75	**3%**	3%	3%

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

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

2010 to 2015 | Federal transfer payments to individuals and subsidies

The $259 billion increase in federal 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 $181 billion or 26%, driven by:

- a 6.1 million person or 11% increase in the number of OASDI recipients, including increases of 5.3 million recipients or 12% for OASI and 0.8 million recipients or 8% for DI; and
- a 13% increase in the average monthly benefit payment, including increases of $163 or 15% for OASI and $100 or 11% for DI.

The average OASI recipient age remained 71 during these periods.

Medicare

Medicare payments (net of premiums received) increased $112 billion or 22%, driven by a 7.5 million* person or 16%* increase in Medicare enrollees and a 7%* increase in average costs per beneficiary (net of premiums received). Medicare premiums received increased $14 billion or 23% during this period.

Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 19% during this period. General medical care cost inflation was 15%, with prices of medical commodities inflating 13% and medical services inflating 16%.

Veterans benefits

Veterans benefits payments increased $46 billion or 44%, despite a 4% decline in the number of veterans. The increase in payments reflects a $26 billion or 60% increase in veterans service-connected compensation payments, a $14 billion or 30% increase in payments for hospital and medical care for veterans, and a $5 billion or 55% increase in veteran readjustment benefit expenditures.

The 60% increase in service-connected compensation payments was driven primarily by a 27% increase in the number of disability compensation and pension benefits recipients and a 27% 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 early in this period.

The 30% 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, pharmaceuticals, and medical services infrastructure costs. There was a 12% increase in the number of patients who received care at a Veterans Health Administration facility.

The 55% increase in veteran readjustment benefit expenditures was driven by a 27% 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.

Unemployment insurance

The increases in the categories above were offset in part by a decrease in unemployment insurance payments of $126 billion or 79%, driven by an approximately 78%* decrease in the total number of weeks of unemployment claimed, as the economy recovered from the Great Recession.

2010 to 2015 | State and local transfer payments to individuals and subsidies

The $167 billion increase in state and local transfer payments to individuals and subsidies was driven by a $156 billion or 44% increase in Medicaid and CHIP payments. This increase reflects:

- 16.3 million or 30% growth in person-year equivalent enrollment, driven by 2.5 million adults (20% growth), 2.1 million children (8% growth), 1.3 million disabled enrollees (14% growth), and 9.1 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a $1,112 or 16% increase in annual per enrollee spending, driven by a $2,515 or 15% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by a $1,172 or 8% decrease in per enrollee spending for the aged, the second 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.

Fiscal year 2015 compared with fiscal year 2005

	2015			2005			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Transfer payments to individuals and subsidies	**$ 2,696**	$ 2,034	$ 662	**$ 1,507**	$ 1,127	$ 380	**$ 1,189**	$ 907	$ 282	**79%**	80%	74%
Personnel and compensation	**1,513**	550	963	**1,091**	412	679	**422**	138	284	**39%**	33%	42%
Payments to others for goods and services	**701**	160	541	**627**	221	406	**74**	(61)	135	**12%**	(28)%	33%
Capital expenditures	**483**	149	334	**395**	117	278	**88**	32	56	**22%**	27%	20%
Net interest paid	**297**	223	74	**216**	184	32	**81**	39	42	**38%**	21%	131%
Other	**(30)**	(30)	—	**(6)**	(6)	—	**(24)**	(24)	—	**(400)%**	(400)%	—%
Total expenditures	**$ 5,660**	$ 3,086	$ 2,574	**$ 3,830**	$ 2,055	$ 1,775	**$ 1,830**	$ 1,031	$ 799	**48%**	50%	45%
Estimated impact of inflation on total expenditures							**$ 856**	$ 458	$ 397	**22%**	22%	22%
Estimated impact of population growth on total expenditures							**303**	163	140	**8%**	8%	8%

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

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

2005 to 2015 | Federal transfer payments to individuals and subsidies

The $907 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 $363 billion or 70%, driven by:

- an 11.5 million person or 24% increase in the number of OASDI recipients, including increases of 8.9 million recipients or 22% for OASI and 2.6 million recipients or 31% for DI; and
- a 38% increase in the average monthly benefit payment, including increases of $368 or 41% for OASI and $259 or 34% for DI.

The average OASI recipient age remained 71 during these periods.

Medicare

Medicare payments (net of premiums received) increased $291 billion or 88%, reflecting a 12.5 million* person or 30%* increase in Medicare enrollees combined with a 56%* increase in average cost per beneficiary (net of premiums received). Medicare premiums received increased $37 billion or 96% during this period.

Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 30% during this period. General medical care cost inflation was 39%, with prices of medical commodities inflating 29% and medical services inflating 42%.

Veterans benefits

Veterans benefits payments increased $82 billion or 119%, despite an 11% decline in the number of veterans. The increase in payments reflects a $39 billion or 126% increase in veterans service-connected compensation payments, a $32 billion or 105% increase in payments for hospital and medical care for veterans, and a $10 billion or 318% increase in veteran readjustment benefit expenditures.

The 126% increase in service-connected compensation payments was driven primarily by a 50% increase in the number of disability compensation and pension benefits recipients and a 62% 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 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, pharmaceuticals, and medical services infrastructure costs. The number of patients who received care at a Veterans Health Administration Facility is not available for 2005. However, as a proxy for change in the past decade, there was a 19% increase in the number of patients who received care at a Veterans Health Administration facility when comparing 2015 to 2004.

The 318% increase in veteran readjustment benefit expenditures was driven by a 104% 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.

2005 to 2015 | State and local transfer payments to individuals and subsidies

The $282 billion increase in state and local transfer payments to individuals and subsidies was driven by a $226 billion or 79% increase in Medicaid and CHIP payments. This increase reflects:

- 23.7 million or 51% growth in person-year equivalent enrollment, driven by 5.8 million children (26% growth), 4.8 million adults (46% growth), and 9.1 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a $1,264 or 19% increase in per enrollee spending per year, driven by a $3,766 or 24% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by an $851 or 6% decrease in per enrollee spending for the aged, the second 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.

2005 to 2015 | State and local personnel and compensation

The $284 billion increase in state and local personnel and compensation payments comprised growth of $159 billion or 30% in compensation for current employees and $125 billion or 75% in compensation for former employees.

Current employees

The 30% increase in compensation for current employees was driven by a 20%** of $6.58** per hour increase in compensation (excluding pension), including 17%** growth in wages and salaries and 42%** 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, including a 3%** increase in full-time equivalent non-education employees.

Former employees

The 75% increase in compensation for former employees was driven by a 29% increase in the number of retirees receiving periodic benefits and a 45% 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 30% during this period.

Expenditures by segment[36]

	2015			2014			Changes					
(In billions, except percentages)	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local
Justice and Domestic Tranquility	**$ 406**	$ 45	$ 361	**$ 396**	$ 44	$ 352	**$ 10**	$ 1	$ 9	**3%**	2%	3%
Common Defense	**811**	810	1	**813**	812	1	**(2)**	(2)	—	**—%**	—%	—%
General Welfare	**1,323**	441	882	**1,232**	420	812	**91**	21	70	**7%**	5%	9%
Blessings of Liberty	**2,978**	1,803	1,175	**2,789**	1,657	1,132	**189**	146	43	**7%**	9%	4%
General government support and other	**142**	(13)	155	**155**	1	154	**(13)**	(14)	1	**(8)%**	(1400)%	1%
Total expenditures	**$ 5,660**	$ 3,086	$ 2,574	**$ 5,385**	$ 2,934	$ 2,451	**$ 275**	$ 152	$ 123	**5%**	5%	5%
Estimated impact of inflation on total expenditures							**$ 17**	$ 9	$ 8	**—%**	—%	—%
Estimated impact of population growth on total expenditures							**1**	1	0	**—%**	—%	—%

	2015			2010			Changes					
(In billions, except percentages)	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local
Justice and Domestic Tranquility	**$ 406**	$ 45	$ 361	**$ 382**	$ 44	$ 338	**$ 24**	$ 1	$ 23	**6%**	2%	7%
Common Defense	**811**	810	1	**861**	860	1	**(50)**	(50)	—	**(6)%**	(6)%	—%
General Welfare	**1,323**	441	882	**1,147**	425	722	**176**	16	160	**15%**	4%	22%
Blessings of Liberty	**2,978**	1,803	1,175	**2,573**	1,521	1,052	**405**	282	123	**16%**	19%	12%
General government support and other	**142**	(13)	155	**171**	13	158	**(29)**	(26)	(3)	**(17)%**	(200)%	(2)%
Total expenditures	**$ 5,660**	$ 3,086	$ 2,574	**$ 5,134**	$ 2,863	$ 2,271	**$ 526**	$ 223	$ 303	**10%**	8%	13%
Estimated impact of inflation on total expenditures							**$ 457**	$ 255	$ 202	**9%**	9%	9%
Estimated impact of population growth on total expenditures							**169**	95	75	**3%**	3%	3%

	2015			2005			Changes					
(In billions, except percentages)	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local	Total	Federal[1]	State and Local
Justice and Domestic Tranquility	**$ 406**	$ 45	$ 361	**$ 311**	$ 35	$ 276	**$ 95**	$ 10	$ 85	**31%**	29%	31%
Common Defense	**811**	810	1	**608**	607	1	**203**	203	—	**33%**	33%	—%
General Welfare	**1,323**	441	882	**837**	269	568	**486**	172	314	**58%**	64%	55%
Blessings of Liberty	**2,978**	1,803	1,175	**1,943**	1,136	807	**1,035**	667	368	**53%**	59%	46%
General government support and other	**142**	(13)	155	**131**	8	123	**11**	(21)	32	**8%**	(263)%	26%
Total expenditures	**$ 5,660**	$ 3,086	$ 2,574	**$ 3,830**	$ 2,055	$ 1,775	**$ 1,830**	$ 1,031	$ 799	**48%**	50%	45%
Estimated impact of inflation on total expenditures							**$ 856**	$ 458	$ 397	**22%**	22%	22%
Estimated impact of population growth on total expenditures							**303**	163	140	**8%**	8%	8%

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

INTERACTIVE ANALYSIS

Justice and Domestic Tranquility (JDT)

This segment's expenditures comprise a small portion (7%) of the overall Government budget. The majority (more than 75%) 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 2015 compared with fiscal year 2014

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2014 Total	2014 Federal [1]	2014 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Crime and disaster	**$ 309**	$ 38	$ 271	**$ 303**	$ 38	$ 265	**$ 6**	$ —	$ 6	**2%**	—%	2%
Child safety and miscellaneous social services	**76**	—	76	**73**	—	73	**3**	—	3	**4%**	—%	4%
Safeguarding consumers and employees	**21**	7	14	**20**	6	14	**1**	1	—	**5%**	17%	—%
Total Justice and Domestic Tranquility	**$ 406**	$ 45	$ 361	**$ 396**	$ 44	$ 352	**$ 10**	$ 1	$ 9	**3%**	2%	3%
As a percentage of total expenditures	**7%**	1%	14%	**7%**	1%	14%						
Estimated impact of inflation on segment expenditures							**$ 1**	$ —	$ —	**—%**	—%	—%
Estimated impact of population growth on segment expenditures							**—**	—	—	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

Crime and disaster

The $6 billion increase in state and local crime and disaster expenditures was driven primarily by a $5 billion or 3% increase in law enforcement and corrections and a $2 billion or 4% increase in fire protection costs.

The $5 billion increase in law enforcement ($3 billion) and corrections ($2 billion) expenditures reflects an increase of $3 billion or 3% in annualized gross payroll costs for state and local police and corrections officers, and an increase in the number of officers of less than 1%. Comparing these years, there was a 2% decrease in both the number of people incarcerated in local jails and state prisons.

The $2 billion increase in fire protection costs reflects a $590 million or 2% increase in annualized gross payroll costs for state and local firefighters, while the change in the number of state and local firefighters was negligible.

Child safety and miscellaneous social services

The $3 billion increase in state and local child safety and miscellaneous social services expenditures was due to a $3 billion or 4% increase in the costs of public welfare operations. Costs included in this category are for welfare activities not included elsewhere, including administration of medical and cash assistance and regulation of private welfare activities.

Fiscal year 2015 compared with fiscal year 2010

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2010 Total	2010 Federal [1]	2010 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Crime and disaster	**$ 309**	$ 38	$ 271	**$ 290**	$ 37	$ 253	**$ 19**	$ 1	$ 18	**7%**	3%	7%
Child safety and miscellaneous social services	**76**	—	76	**71**	—	71	**5**	—	5	**7%**	—%	7%
Safeguarding consumers and employees	**21**	7	14	**21**	7	14	**—**	—	—	**—%**	—%	—%
Total Justice and Domestic Tranquility	**$ 406**	$ 45	$ 361	**$ 382**	$ 44	$ 338	**$ 24**	$ 1	$ 23	**6%**	2%	7%
As a percentage of total expenditures	**7%**	1%	14%	**7%**	2%	15%						
Estimated impact of inflation on segment expenditures							**$ 34**	$ 4	$ 30	**9%**	9%	9%
Estimated impact of population growth on segment expenditures							**13**	1	12	**3%**	3%	3%

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

The $18 billion increase in state and local crime and disaster expenditures was driven primarily by a $13 billion or 10% increase in law enforcement and corrections costs, and a $4 billion or 11% increase in fire protection costs.

The $13 billion increase in law enforcement ($9 billion) and corrections ($4 billion) expenditures reflects an increase of $6 billion or 6% in annualized gross payroll costs for state and local police and corrections officers, despite a 4% decrease in the number of officers. Comparing these years, there was a 3% and 5% decrease in the number of people incarcerated in local jails and state prisons, respectively.

The $4 billion increase in fire protection costs reflects an increase of $2 billion or 10% in annualized gross payroll costs for state and local firefighters, in part due to a 5% increase in the number of state and local firefighters.

Fiscal year 2015 compared with fiscal year 2005

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2005 Total	2005 Federal [1]	2005 State and Local	Changes [2] Total	Changes Federal [1]	Changes State and Local	Changes Total	Changes Federal [1]	Changes State and Local
Crime and disaster	**$ 309**	$ 38	$ 271	**$ 231**	$ 32	$ 199	**$ 78**	$ 6	$ 72	**34%**	19%	36%
Child safety and miscellaneous social services	**76**	—	76	**64**	—	64	**12**	—	12	**19%**	—%	19%
Safeguarding consumers and employees	**21**	7	14	**16**	3	13	**5**	4	1	**31%**	133%	8%
Total Justice and Domestic Tranquility	**$ 406**	$ 45	$ 361	**$ 311**	$ 35	$ 276	**$ 95**	$ 10	$ 85	**31%**	29%	31%
As a percentage of total expenditures	**7%**	1%	14%	**8%**	2%	16%						
Estimated impact of inflation on segment expenditures							**$ 70**	$ 8	$ 62	**22%**	22%	22%
Estimated impact of population growth on segment expenditures							**25**	3	22	**8%**	8%	8%

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

The $72 billion increase in state and local crime and disaster expenditures was driven mainly by a $49 billion or 37% increase in costs of law enforcement and corrections, reflecting a $31 billion or 42% increase in law enforcement expenditures and an $18 billion or 30% increase in corrections expenditures.

The $31 billion increase in law enforcement expenditures was driven mainly by a $30 billion or 43% increase in police protection operations costs. Annualized gross payroll costs for state and local police officers grew $15 billion or 32% during this period, while the change in the number of state and local police officers was negligible.

The $18 billion increase in corrections expenditures comprised mainly a $17 billion or 38% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections officers grew $8 billion or 28% during this period, while the number of correctional officers decreased by 1%. Comparing these years, there was a 3% and 1% decrease 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 (14%) of the overall Government budget. Slightly less than 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 2015 compared with fiscal year 2014

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2014 Total	2014 Federal [1]	2014 State and Local	Changes [2] Total	Changes Federal [1]	Changes State and Local	Changes Total	Changes Federal [1]	Changes State and Local
National defense	**$ 590**	$ 590	$ —	**$ 604**	$ 604	$ —	**$ (14)**	$ (14)	$ —	**(2)%**	(2)%	—%
Support for veterans	**159**	158	1	**149**	148	1	**10**	10	—	**7%**	7%	—%
Foreign affairs and foreign aid	**49**	49	—	**47**	47	—	**2**	2	—	**4%**	4%	—%
Immigration and border security	**13**	13	—	**13**	13	—	**—**	—	—	**—%**	—%	—%
Total Common Defense	**$ 811**	$ 810	$ 1	**$ 813**	$ 812	$ 1	**$ (2)**	$ (2)	—	**—%**	—%	—%
As a percentage of total expenditures	**14%**	14%	—%	**14%**	14%	—%						
Estimated impact of inflation on segment expenditures							**$ 3**	$ 3	—	**—%**	—%	—%
Estimated impact of population growth on segment expenditures							**—**	—	—	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

National defense

The $14 billion decrease in national defense expenditures reflected:

- a $5 billion or 8% decline in Army operation and maintenance expenditures, which fund the recruiting, organizing, sustaining, equipping, and training of the Army for land combat operations, as well as programs supporting soldiers, their families, and Army civilians in the day-to-day operation of installations worldwide;
- a $4 billion or 487% decline in the working capital fund, which provides logistical, maintenance, munitions, and information services in support of military readiness, across all military branches; and
- a $4 billion or 4% decline in military personnel expenditures of the Army, Air Force, and Marine Corps. Military personnel expenditures increased $1 billion or 3% for the Navy.

Comparing 2015 to 2014, there was a 2% decrease in the number of active duty military personnel and a 1% increase in the number of civilian military personnel.

Support for veterans

The $10 billion increase in support for veterans expenditures was driven primarily by a $5 billion* or 8%* increase in pension and benefits expenditures and a $5 billion* or 9%* increase in veterans medical care costs.

The 8%* increase in pension and benefits expenditures was driven primarily by a 210 thousand or 5% increase in both the number of disability compensation and pension benefits recipients and a $712 or 5% increase in the average annual disability compensation payment.

The 9%* increase in veterans medical care costs was driven by increased employee compensation and benefits for medical personnel ($2 billion), contract services mainly for non-VA medical care provided to veterans ($1 billion), and materials and supplies expense primarily for pharmaceuticals ($2 billion).

Fiscal year 2015 compared with fiscal year 2010

	2015			2010			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
National defense	**$ 590**	$ 590	$ —	**$ 693**	$ 693	$ —	**$ (103)**	$ (103)	$ —	**(15)%**	(15)%	—%
Support for veterans	**159**	158	1	**109**	108	1	**50**	50	—	**46%**	46%	—%
Foreign affairs and foreign aid	**49**	49	—	**45**	45	—	**4**	4	—	**9%**	9%	—%
Immigration and border security	**13**	13	—	**14**	14	—	**(1)**	(1)	—	**(7)%**	(7)%	—%
Total Common Defense	**$ 811**	$ 810	$ 1	**$ 861**	$ 860	$ 1	**$ (50)**	$ (50)	$ —	**(6)%**	(6)%	—%
As a percentage of total expenditures	**14%**	14%	—%	**15%**	15%	—%						
Estimated impact of inflation on segment expenditures							**$ 77**	$ 77	$ —	**9%**	9%	9%
Estimated impact of population growth on segment expenditures							**28**	28	—	**3%**	3%	3%

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

National defense

The $103 billion decrease in national defense expenditures reflected:

- a $34 billion or 40% decline in Army operation and maintenance expenditures;
- a $31 billion or 59% 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; and
- a $13 billion or 17% decline in research, development, test, and evaluation expenditures across all military branches.

Comparing these years, there were decreases of 8% and 5% in the number of active duty military personnel and civilian military personnel, respectively.

Support for veterans

The $50 billion increase in support for veterans expenditures is driven primarily by a $46 billion increase in benefits payments, as discussed above under *Expenditures by function, 2010 to 2015 / Federal transfer payments to individuals and subsidies, Veterans benefits*.

Fiscal year 2015 compared with fiscal year 2005

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2005 Total	2005 Federal [1]	2005 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total %	Changes [2] Federal [1] %	Changes [2] State and Local %
National defense	**$ 590**	$ 590	$ —	**$ 495**	$ 495	$ —	**$ 95**	$ 95	$ —	**19%**	19%	—%
Support for veterans	**159**	158	1	**71**	70	1	**88**	88	—	**124%**	126%	—%
Foreign affairs and foreign aid	**49**	49	—	**35**	35	—	**14**	14	—	**40%**	40%	—%
Immigration and border security	**13**	13	—	**7**	7	—	**6**	6	—	**86%**	86%	—%
Total Common Defense	**$ 811**	$ 810	$ 1	**$ 608**	$ 607	$ 1	**$ 203**	$ 203	$ —	**33%**	33%	—%
As a percentage of total expenditures	**14%**	14%	—%	**11%**	11%	—%						
Estimated impact of inflation on segment expenditures							**$ 136**	$ 136	$ —	**22%**	22%	22%
Estimated impact of population growth on segment expenditures							**48**	48	—	**8%**	8%	8%

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

National defense

The $95 billion increase in national defense expenditures reflects:

- a $43 billion or 44% increase in operation and maintenance expenditures across nearly all military branches, offset in part by a $8 billion or 14% decrease in operation and maintenance expenditures for the Army;
- a $15 billion or 50% increase in military procurement expenditures across all military branches, with the largest increases at $9 billion for the Navy and $3 billion for the Air Force, primarily for aircraft procurement and other procurement; and
- a $14 billion or 79% increase in costs of the Defense Health Program, which provides medical and dental services to active forces and other eligible beneficiaries worldwide, across all military branches.

Comparing these years, there was a 5% decrease in the number of active duty military personnel and a 9% increase in the number of civilian military personnel.

Support for veterans

The $88 billion increase in support for veterans expenditures is primarily driven by an $82 billion increase in benefits payments, as discussed above under *Expenditures by function, 2005 to 2015 / 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 71% 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 2015 compared with fiscal year 2014

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2014 Total	2014 Federal [1]	2014 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total %	Changes [2] Federal [1] %	Changes [2] State and Local %
Economy and infrastructure	**$ 238**	$ 57	$ 181	**$ 221**	$ 48	$ 173	**$ 17**	$ 9	$ 8	**8%**	19%	5%
Standard of living and aid to the disadvantaged	**938**	337	601	**862**	325	537	**76**	12	64	**9%**	4%	12%
Health (excluding Medicaid and Medicare)	**147**	47	100	**149**	47	102	**(2)**	—	(2)	**(1)%**	—%	(2)%
Total General Welfare	**$1,323**	$ 441	$ 882	**$1,232**	$ 420	$ 812	**$ 91**	$ 21	$ 70	**7%**	5%	9%
As a percentage of total expenditures	**23%**	8%	16%	**22%**	7%	14%						
Estimated impact of inflation on segment expenditures							**$ 4**	$ 1	$ 3	**—%**	—%	—%
Estimated impact of population growth on segment expenditures							**—**	—	—	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

Federal standard of living and aid to the disadvantaged expenditures

The $12 billion increase in federal standard of living and aid to the disadvantaged expenditures primarily reflected a $22 billion or 16% increase in refundable tax credits paid to families and individuals to assist them in purchasing health insurance (the Premium Tax Credit). This increase was offset in part by a $10 billion or 22% decrease in unemployment insurance payments driven primarily by a 25%* decrease in the total number of weeks of unemployment claimed, as the economy continued to recover from the Great Recession.

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 $64 billion due mainly to a $65 billion or 14% increase in Medicaid and CHIP benefits payments, as discussed within *Expenditures by function, 2014 to 2015 / State and local transfer payments to individuals and subsidies* above.

Fiscal year 2015 compared with fiscal year 2010

	2015			**2010**			**Changes [2]**					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Economy and infrastructure	**$ 238**	$ 57	$ 181	**$ 122**	$ (52)	$ 174	**$ 116**	$ 109	$ 7	**95%**	210%	4%
Standard of living and aid to the disadvantaged	**938**	337	601	**881**	428	453	**57**	(91)	148	**6%**	(21)%	33%
Health (excluding Medicaid and Medicare)	**147**	47	100	**144**	49	95	**3**	(2)	5	**2%**	(4)%	5%
Total General Welfare	**$1,323**	$ 441	$ 882	**$1,147**	$ 425	$ 722	**$176**	$ 16	$ 160	**15%**	4%	22%
As a percentage of total expenditures	**23%**	8%	16%	**20%**	8%	13%						
Estimated impact of inflation on segment expenditures							**$102**	$ 38	$ 64	**9%**	9%	9%
Estimated impact of population growth on segment expenditures							**38**	14	24	**3%**	3%	3%

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

Federal economy and infrastructure expenditures

The $109 billion increase in federal economy and infrastructure expenditures was driven by a $128 billion or 90% increase in banking and financing expenditures, primarily due to $117 billion in revisions of estimated TARP payments made in 2010 that did not recur to a similar degree in 2015.

Federal standard of living and aid to the disadvantaged expenditures

The $91 billion decrease in federal standard of living and aid to the disadvantaged expenditures was driven by a $126 billion or 79% decrease in unemployment insurance payments, as discussed above under *Expenditures by function, 2010 to 2015 / Federal transfer payments to individuals and subsidies, Unemployment Insurance*. This decrease was offset in part by $27 billion of newly available refundable tax credits paid to families and individuals to assist them in purchasing health insurance (the Premium Tax Credit).

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

The $148 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $156 billion or 44% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, 2010 to 2015 / State and local transfer payments to individuals and subsidies* above.

Fiscal year 2015 compared with fiscal year 2005

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2005 Total	2005 Federal [1]	2005 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Economy and infrastructure	**$ 238**	$ 57	$ 181	**$ 198**	$ 58	$ 140	**$ 40**	$ (1)	$ 41	**20%**	(2)%	29%
Standard of living and aid to the disadvantaged	**938**	337	601	**534**	177	357	**404**	160	244	**76%**	90%	68%
Health (excluding Medicaid and Medicare)	**147**	47	100	**105**	34	71	**42**	13	29	**40%**	38%	41%
Total General Welfare	**$ 1,323**	$ 441	$ 882	**$ 837**	$ 269	$ 568	**$ 486**	$ 172	$ 314	**58%**	64%	55%
As a percentage of total expenditures	**23%**	8%	16%	**15%**	5%	10%						
Estimated impact of inflation on segment expenditures							**$ 187**	$ 60	$ 127	**22%**	22%	22%
Estimated impact of population growth on segment expenditures							**66**	21	45	**8%**	8%	8%

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

Federal standard of living and aid to the disadvantaged expenditures

The $160 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 $43 billion or 149% increase in food and nutritional assistance payments;
- $27 billion of newly available refundable tax credits paid to families and individuals to assist them in purchasing health insurance (the Premium Tax Credit);
- a $26 billion or 74% increase in refundable earned income tax credits, reflecting a 23% increase in the number of tax returns with qualifying tax credits claimed and a $576 or 31% increase in the average amount of each tax credit, driven primarily by the ARRA;
- an $18 billion or 48% increase in Supplemental Security Income (SSI), reflecting an 18% increase in the number of recipients and a $1,493 or 35% increase in the average annual payment per recipient; and
- a $17 billion or 133% increase in Pell grants, reflecting a 57% increase in the number of Pell grant recipients and a 49% or $1,206 increase in the average grant per recipient, driven primarily by the ARRA.

The increase in food and nutritional assistance payments reflects a 79% increase in the average monthly number of participants and a 37% increase in the average monthly benefit per person. The 79% increase in average number of monthly participants was likely due to the Great Recession, as well as due to the impact of the ARRA, which eased eligibility requirements, and new program tools that made it easier for people to apply for, and continue receiving, benefits. The 37% increase in the average monthly benefit per person reflects a 30% increase in maximum allotments, which are adjusted annually for changes in cost of living, and which during this period reflected the impact of the ARRA, which increased the maximum allotments for participants by 14% (effective April 1, 2009 to October 31, 2013). Inflation of the cost of food for this period was 30%.

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

The $244 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a $226 billion or 79% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, 2005 to 2015 / 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 2015 compared with fiscal year 2014

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2014 Total	2014 Federal [1]	2014 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Education	**$ 849**	$ 24	$ 825	**$ 786**	$ (9)	$ 795	**$ 63**	$ 33	$ 30	**8%**	367%	4%
Wealth and savings	**2,024**	1,726	298	**1,894**	1,608	286	**130**	118	12	**7%**	7%	4%
Sustainability and self-sufficiency	**105**	53	52	**109**	58	51	**(4)**	(5)	1	**(4)%**	(9)%	2%
Total Blessings of Liberty	**$ 2,978**	$ 1,803	$ 1,175	**$ 2,789**	$ 1,657	$ 1,132	**$ 189**	$ 146	$ 43	**7%**	9%	4%
As a percentage of total expenditures	**53%**	32%	21%	**49%**	29%	20%						
Estimated impact of inflation on segment expenditures							**$ 9**	$ 4	$ 4	**—%**	—%	—%
Estimated impact of population growth on segment expenditures							**—**	—	—	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

Federal education expenditures

The $33 billion increase in federal education expenditures was driven primarily by a $31 billion increase in Federal Direct Student Loans (FDSL) expenditures, $23 billion of which relates to revisions of estimated FDSL payments made in 2014 that did not recur to a similar degree in 2015. There was a 1 million person or 2% increase in the number of student loan borrowers and a 3% increase in the average undergraduate tuition and required fees during the period.

Federal wealth and savings expenditures

The $118 billion increase in federal wealth and savings expenditures was driven by:

- a $48 billion or 57% increase in costs of housing support;
- a $37 billion or 4% increase in costs of Social Security; and
- a $35 billion or 7% increase in costs of Medicare.

The increase in costs of housing support were driven by a $52 billion or 72% decrease in payments for Fannie Mae and Freddie Mac assistance, reflecting higher returns on Fannie Mae and Freddie Mac investments in 2015 as compared to 2014. The increases in Social Security and Medicare costs were driven by benefits payments, as discussed within *Expenditures by function, 2014 to 2015 / Federal transfer payments to individuals and subsidies* above.

Fiscal year 2015 compared with fiscal year 2010

(In billions, except percentages)	2015 Total	2015 Federal [1]	2015 State and Local	2010 Total	2010 Federal [1]	2010 State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local	Changes [2] Total	Changes [2] Federal [1]	Changes [2] State and Local
Education	**$ 849**	$ 24	$ 825	**$ 741**	$ (9)	$ 750	**$ 108**	$ 33	$ 75	**15%**	367%	10%
Wealth and savings	**2,024**	1,726	298	**1,692**	1,466	226	**332**	260	72	**20%**	18%	32%
Sustainability and self-sufficiency	**105**	53	52	**140**	64	76	**(35)**	(11)	(24)	**(25)%**	(17)%	(32)%
Total Blessings of Liberty	**$ 2,978**	$ 1,803	$ 1,175	**$ 2,573**	$ 1,521	$ 1,052	**$ 405**	$ 282	$ 123	**16%**	19%	12%
As a percentage of total expenditures	**53%**	32%	21%	**45%**	27%	19%						
Estimated impact of inflation on segment expenditures							**$ 229**	$ 135	$ 94	**9%**	9%	9%
Estimated impact of population growth on segment expenditures							**85**	50	35	**3%**	3%	3%

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

State and local education expenditures

The $75 billion increase in state and local education expenditures was driven by a $44 billion or 9% increase in costs of elementary and secondary education and a $28 billion or 15% increase in costs of higher education. State and local education expenditures grew primarily due to a $59 billion or 9% increase in state and local government education employee compensation, reflecting a 9% increase in payroll costs and a negligible change in the number of full-time equivalent employees.

Federal wealth and savings expenditures

The $260 billion increase in federal costs of wealth and savings was driven by a $181 billion or 26% increase in Social Security expenditures and a $94 billion or 21% increase in Medicare expenditures. These increases reflect increased benefits payments, as discussed within *Expenditures by function, 2010 to 2015 / Federal transfer payments to individuals and subsidies* above. Offsetting these increases, in part, was a $53 billion or 100% decrease in payments for Fannie Mae and Freddie Mac assistance, reflecting returns on Fannie Mae and Freddie Mac investments.

Fiscal year 2015 compared with fiscal year 2005

	2015			2005			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Education	**$ 849**	$ 24	$ 825	**$ 628**	$ 20	$ 608	**$ 221**	$ 4	$ 217	**35%**	20%	36%
Wealth and savings	**2,024**	1,726	298	**1,209**	1,068	141	**815**	658	157	**67%**	62%	111%
Sustainability and self-sufficiency	**105**	53	52	**106**	48	58	**(1)**	5	(6)	**(1)%**	10%	(10)%
Total Blessings of Liberty	**$ 2,978**	$ 1,803	$ 1,175	**$ 1,943**	$ 1,136	$ 807	**$ 1,035**	$ 667	$ 368	**53%**	59%	46%
As a percentage of total expenditures	**53%**	32%	21%	**34%**	20%	14%						
Estimated impact of inflation on segment expenditures							**$ 434**	$ 255	$ 180	**22%**	22%	22%
Estimated impact of population growth on segment expenditures							**154**	90	64	**8%**	8%	8%

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

State and local education expenditures

The $217 billion increase in state and local education expenditures was driven primarily by a $151 billion or 31% increase in costs of elementary and secondary education, and a $61 billion or 58% increase in costs of higher education. State and local education expenditures grew primarily due to a $173 billion or 34% increase in state and local government education compensation, reflecting a 30% increase in payroll costs and a 2% increase in the number of full-time equivalent employees.

Federal wealth and savings expenditures

The $658 billion increase in federal costs of wealth and savings was driven by a $364 billion or 70% increase in Social Security expenditures and a $247 billion or 83% increase in Medicare expenditures. These increases primarily reflect increased benefits payments, as discussed within *Expenditures by function, 2005 to 2015 / Federal transfer payments to individuals and subsidies* above.

General government support and other

The costs of central government functions, including general property and records management and general claims against our Government that are not allocable to one agency, are not allocated to our segments and are considered general government support.

Other expenditures include non-grant assistance from the federal government to territories and state and local governments (e.g. direct borrowing subsidies through the Build America Bonds program) and the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments (we assumed the federal government source was accurate).

Fiscal year 2015 compared with fiscal year 2014

	2015			2014			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Costs of central government functions	**$ 169**	$ 14	$ 155	**$ 173**	$ 19	$ 154	**$ (4)**	$ (5)	$ 1	**(2)%**	(26)%	1%
Other	**(27)**	(27)	—	**(18)**	(18)	—	**(9)**	(9)	—	**(50)%**	(50)%	—%
Total general government support and other	**$ 142**	$ (13)	$ 155	**$ 155**	$ 1	$ 154	**$ (13)**	$ (14)	$ 1			
As a percentage of total expenditures	**3%**	—%	3%	**3%**	—%	3%						
Estimated impact of inflation on segment expenditures							**$ 1**	$ —	$ —	**—%**	—%	—%
Estimated impact of population growth on segment expenditures							**—**	—	—	**—%**	—%	—%

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

INTERACTIVE ANALYSIS

There were no material changes in costs of central government functions or other expenditures in comparing these years.

Fiscal year 2015 compared with fiscal year 2010

	2015			2010			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Costs of central government functions	**$ 169**	$ 14	$ 155	**$ 176**	$ 18	$ 158	**$ (7)**	$ (4)	$ (3)	**(4)%**	(22)%	(2)%
Other	**(27)**	(27)	—	**(5)**	(5)	—	**(22)**	(22)	—	**(440)%**	(440)%	—%
Total general government support and other	**$ 142**	$ (13)	$ 155	**$ 171**	$ 13	$ 158	**$ (29)**	$ (26)	$ (3)			
As a percentage of total expenditures	**3%**	–%	3%	**3%**	—%	3%						
Estimated impact of inflation on segment expenditures							**$ 16**	$ 2	$ 14	**9%**	9%	9%
Estimated impact of population growth on segment expenditures							**6**	1	5	**3%**	3%	3%

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

Other federal expenditures decreased $22 billion due to annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Fiscal year 2015 compared with fiscal year 2005

	2015			2005			Changes [2]					
(In billions, except percentages)	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**	**Total**	**Federal [1]**	**State and Local**
Costs of central government functions	**$ 169**	$ 14	$ 155	**$ 136**	$ 13	$ 123	**$ 33**	$ 1	$ 32	**24%**	8%	26%
Other	**(27)**	(27)	—	**(5)**	(5)	—	**(22)**	(22)	—	**(440)%**	(440)%	—%
Total general government support and other	**$ 142**	$ (13)	$ 155	**$ 131**	$ 8	$ 123	**$ 11**	$ (21)	$ 32			
As a percentage of total expenditures	**3%**	—%	3%	**2%**	—%	2%						
Estimated impact of inflation on segment expenditures							**$ 30**	$ 3	$ 27	**22%**	22%	22%
Estimated impact of population growth on segment expenditures							**11**	1	10	**8%**	8%	8%

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

State and local central government functions expenditures increased $32 billion primarily due to a $31 billion or 38% 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 our constitutional objectives of justice and domestic tranquility, common defense, general welfare, and security of the blessings of liberty to ourselves and our posterity. We chose metrics for which government data was available and that seemed representative of the status of these objectives. There are more metrics on our website at usafacts.org, which you can access by selecting the "More detail" links next to the tables below.

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

Justice and Domestic Tranquility (JDT)

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

- ***made meaningful progress*** on reducing: overall numbers of crimes reported, related arrests, and the number of people incarcerated for drug crimes; most types of fire incidents and deaths therefrom; transportation fatalities; workplace injuries and fatalities; the number of children in foster care; and the number of children that are victims of maltreatment;
- ***saw no meaningful movement*** in the overall numbers of incarcerated people, highway crashes, children living in single parent households, and foster children adopted or reunited with family; and
- ***regressed notably*** in the numbers of other structure fires and associated deaths, the average cost of each natural disaster, child fatalities as a result of maltreatment, children in poverty (though this appears to be reversing recently), and all types of consumer complaints.

In recent years, we've regressed notably in incidents of murder/non-negligent manslaughter and improved notably in consumer fraud complaints.

Crime and disaster

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

Crime

(In thousands, except rates and percentages or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Crimes reported[1]:							
Property crimes [2]	8,024	8,209	9,113	10,175	(2)%	(12)%	(21)%
Property crimes per 100,000 people	*2,501*	*2,574*	*2,946*	*3,432*	*(3)%*	*(15)%*	*(27)%*
Violent crimes [3]	1,199	1,153	1,251	1,391	4%	(4)%	(14)%
Violent crimes per 100,000 people	*373*	*362*	*405*	*469*	*3%*	*(8)%*	*(20)%*
Murder / non-negligent manslaughter (MNM)	16	14	15	17	14%	7%	(6)%
MNMs per 100,000 people	*5*	*4*	*5*	*6*	*25%*	*—%*	*(17)%*
Arrests by crime:	10,798	11,207	13,122	14,098	(4)%	(18)%	(23)%
Drug abuse violations	1,489	1,561	1,639	1,846	(5)%	(9)%	(19)%
Drug abuse violations arrests per 100,000 people	*464*	*490*	*531*	*625*	*(5)%*	*(13)%*	*(26)%*
Sale / manufacturing	na	na	302	344	na	na	na
Possession	na	na	1,337	1,503	na	na	na
Property crimes [2]	1,463	1,554	1,644	1,609	(6)%	(11)%	(9)%
Property crimes arrests rate (of property crimes reported)	*18%*	*19%*	*18%*	*16%*	*(1)ppt*	*—ppt*	*2ppt*
Driving under the influence	1,081	1,118	1,412	1,372	(3)%	(23)%	(21)%
Violent crimes [3]	506	499	552	604	1%	(8)%	(16)%
Violent crimes arrests rate (of violent crimes reported)	*42%*	*43%*	*44%*	*43%*	*(1)ppt*	*(2)ppt*	*(1)ppt*
Other	6,259	6,475	7,875	8,667	(3)%	(21)%	(28)%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*
na *An "na" reference in the table means the data is not available.*
1 *Crimes reported by local law enforcement to the Federal Bureau of Investigation*
2 *Property crimes are offenses of burglary, larceny-theft, motor vehicle theft, and arson.*
3 *Violent crimes are offenses of murder and nonnegligent manslaughter, rape, robbery, and aggravated assault.*

Property crimes and violent crimes reported generally declined at accelerating rates during the periods discussed in this report, and at even higher rates if you adjust for population growth. Declines were seen across most crime sub-categories and every major region (Northeast, Midwest, South, West) of the US. Arrests for these crimes and for all other major crime categories also declined.

In 2015, however, violent crimes reported increased, with increases across all sub-categories and in every major region except the Northeast. By state/territory, the change in violent crimes from 2014 to 2015 ranged from a decrease of 9% in Puerto Rico to an increase of 18% in South Dakota. Aggravated assaults accounted for 64% percent of violent crimes reported to law enforcement in 2015, up 5% from 2014, while robbery offenses accounted for 27% (up 2%), rape accounted for 8% (up 8%), and murder accounted for 1% (up 12%).

Underlying these overall crime trends, there are demographical points to note:

- Youth (under age 18) are more often arrested for property crimes than violent crimes and are comprising a disproportionately smaller percentage of all arrests over time (a nearly 7-percentage point decline overall between 2005 and 2015 – compared to a 2-percentage point decline in the percentage of the total population they represent); and
- Black people have been arrested at a rate (27% of total arrests in 2015) that is significantly higher than the rate they comprise of the US population (13% in 2015) throughout the periods discussed in this report. In 2015, black people accounted for more than 50% of the arrested population for murder and nonnegligent manslaughter, robbery, and gambling offenses.

Incarceration

(In thousands, except percentages)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Incarcerated population [1]:	2,174	2,225	2,279	2,200	(2)%	(5)%	(1)%
Persons in jail[2]	727	745	749	748	(2)%	(3)%	(3)%
Persons in prison (federal and state) [3]	1,527	1,562	1,614	1,526	(2)%	(5)%	—%
Sentenced prisoners by crime committed:							
Violent crimes	722	711	739	na	2%	(2)%	na
Property crimes	245	261	260	na	(6)%	(6)%	na
Drug crimes	289	302	335	na	(4)%	(14)%	na
Public order and other [4]	218	221	206	na	(1)%	6%	na

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

1 *Prisoners held in local jails were excluded from the total to prevent double counting.*

2 *Jails are correctional facilities that confine persons before or after adjudication and are usually operated by local law enforcement authorities. Jail sentences are usually for 1 year or less.*

3 *State and federal prisoner populations differ from the jail inmate population in terms of conviction status, offense distribution, and average length of stay. Prison facilities also differ from local jail facilities in average size, treatment and programming resources, and crowding, among other characteristics.*

4 *Public order includes weapons, drunk driving, and court offenses; commercialized vice, morals, and decency offenses; and liquor law violations and other public-order offenses.*

Our incarcerated populations decreased over the past decade. However, there are racial and other dynamics of note:

- Black people are disproportionately jailed and imprisoned, comprising 35% of each those jailed and imprisoned in 2015 as compared to 13% of the US population. However, the percentages of the jailed and imprisoned populations they comprise are decreasing (a decline of 4-percentage points for each between 2005 and 2015) despite remaining 13% of the US population during this period.
- The opposite is true for white people, who represent a disproportionately small percentage of those incarcerated - 48% of those jailed and 34% of those imprisoned in 2015, while comprising 77% of the US population. The percentage of those jailed who are white increased 4 percentage points between 2005 and 2015, while the percentage of those imprisoned who are white decreased 1 percentage point. Meanwhile, white people decreased as a percentage of the US population (a 3-percentage point decrease between 2005 and 2015).
- The offenses for which people are imprisoned has changed, with drug, property, and violent crime offenses decreasing and public order offenses increasing.

Fire (non-natural disaster)

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Fire incidents (in thousands, except rates):	1,346	1,298	1,332	1,602	4%	1%	(16)%
Home structure fires [1]	271	367	370	381	(26)%	(27)%	(29)%
Home structure fires per 100,000 households	218	*298*	*315*	*336*	*(27)%*	*(31)%*	*(35)%*
Other structure fires [2]	231	127	112	130	82%	106%	78%
Highway vehicle fires [3]	174	168	185	259	4%	(6)%	(33)%
Highway vehicle fires per 1 billion miles driven	55	*55*	*62*	*87*	*—%*	*(11)%*	*(37)%*
Other fires [4]	670	636	665	832	5%	1%	(19)%
Civilian deaths from fire incidents:	3,280	3,275	3,120	3,675	—%	5%	(11)%
Home structure fire civilian deaths [1]	2,155	2,745	2,640	3,030	(21)%	(18)%	(29)%
Rate of deaths per home structure fire	*0.8%*	*0.7%*	*0.7%*	*0.8%*	*0.1ppt*	*0.1ppt*	*—ppt*
Other structure fire civilian deaths [2]	530	115	115	75	361%	361%	607%
Rate of deaths per other structure fire	*0.2%*	*0.1%*	*0.1%*	*0.1%*	*0.1ppt*	*0.1ppt*	*0.1ppt*
Highway vehicle fire civilian deaths [3]	445	310	285	500	44%	56%	(11)%
Rate of deaths per highway vehicle fire	*0.3%*	*0.2%*	*0.2%*	*0.2%*	*0.1ppt*	*0.1ppt*	*0.1ppt*
Other fire civilian deaths [4]	150	105	80	70	43%	88%	114%
Rate of deaths per other fire	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*—ppt*	*—ppt*	*—ppt*

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1 *Homes are dwellings, duplexes, manufactured homes (also called mobile homes), apartments, rowhouses, and townhouses.*

2 *Includes other residential properties, such as hotels and motels, dormitories, barracks, rooming and boarding homes, and the like.*

3 *Highway vehicles include any vehicle designed to operate normally on highways, such as automobiles, motorcycles, buses, trucks, and trailers, but not manufactured homes on foundations.*

4 *Other fires include fires in non-highway vehicles (i.e., trains, boats, ships, aircraft, farm, and construction vehicles), outside property fires, outside wilderness fires, and fires in rubbish, among others.*

The number of fire incidents have fluctuated but generally declined over the period discussed in this report, both on an absolute basis and per housing unit and mile driven. The overall decrease was led by a 19% decrease in "other" fires, offset in part by a 78% increase in other structure fires. In 2015, the leading cause of fires was cooking for both residential and non-residential buildings, comprising 42% and 19% of fires, respectively.

Civilian deaths from fire incidents have also fluctuated and decreased overall in the past decade, led by a 29% decrease in deaths from home fire incidents, offset in part by a 607% increase in deaths from other structure fire incidents. As a percentage of fire incidents, deaths for all types of fire incidents shown have remained in the low single digit percentages throughout the past decade.

Disasters

(dollars in millions, others actuals or as noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Disaster preparedness funding	$ 1,808	$ 2,455	$ 3,700	$ 3,825	(26)%	(51)%	(53)%
Disaster declarations	80	84	113	137	(5)%	(29)%	(42)%
Disaster aid	$ 1,731	$ 1,625	$ 2,931	$ 30,327	7%	(41)%	(94)%
Aid per disaster	*$ 22*	*$ 19*	*$ 26*	*$ 221*	*16%*	*(15)%*	*(90)%*
Disaster declarations and aid by type of disaster							
Severe storm	22	26	64	25	(15)%	(66)%	(12)%
Severe storm aid	$ 1,065	$ 668	$ 2,296	$ 809	59%	(54)%	32%
Aid per severe storm	*$ 44*	*$ 29*	*$ 38*	*$ 27*	*52%*	*16%*	*63%*
Severe ice storm	2	9	1	—	(78)%	100%	nm
Severe ice storm aid	$ 55	$ 385	$ 149	$ —	(86)%	(63)%	nm
Aid per severe ice storm	*$ 18*	*$ 43*	*$ 149*	*$ —*	*(58)%*	*(88)%*	*nm*
Flood	11	8	9	2	38%	22%	450%
Flood aid	$ 130	$ 369	$ 99	$ 4	(65)%	31%	3,150%
Aid per flood	*$ 14*	*$ 37*	*$ 11*	*$ 2*	*(62)%*	*27%*	*600%*
Fire	37	35	18	29	6%	106%	28%
Fire aid	$ 365	$ 95	$ 3	$ —	284%	nm	nm
Aid per fire	*$ 122*	*$ 48*	*$ —*	*$ —*	*154%*	*nm*	*nm*
Hurricane	—	—	6	57	—%	(100)%	(100)%
Hurricane aid	$ —	$ —	$ 49	$ 29,383	—%	(100)%	(100)%
Aid per hurricane	*$ —*	*$ —*	*$ 10*	*$ 515*	*nm*	*nm*	*nm*
Other disasters	8	6	15	24	33%	(47)%	(67)%
Other disasters aid	$ 116	$ 108	$ 335	$ 131	7%	(65)%	(11)%
Aid per other disaster	*$ 19*	*$ 15*	*$ 22*	*$ 5*	*27%*	*(14)%*	*280%*
Acres burned in forest fires (thousands)	10,125	3,596	3,423	8,689	182%	196%	17%
Acres burned per forest fire	*149*	*57*	*48*	*131*	*161%*	*210%*	*14%*

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nm *An "nm" reference in the table means the percentage change is not meaningful.*

Disaster preparedness funding has decreased more than 50% over the past decade, including a decrease of 26% in 2015 alone.

The number of disaster declarations has fluctuated, with peaks in 2006, 2008, and 2011 and a decline thereafter until 2016. The most frequent type of disaster is fire, followed by severe storm, while the most expensive per disaster is hurricane, followed by tornado. Acres burned in forest fires (in all forest fires, not just those declared disasters) increased over the past decade, generally at a rate lower than the rate at which the number of fires increased.

Disaster aid decreased more than 90% in the past decade but increased 7% in 2015. Per disaster, aid decreased 90% over the past decade but increased 6% in 2015. Aid, on an absolute and per disaster basis, has increased over the past decade for severe storms, floods, and fire disasters.

Safeguarding consumers and employees

The safeguarding consumers and employees reporting unit seeks to keep people away from harm by regulating, primarily commercial interests.

Safeguarding consumers

Consumer complaints and product safety injuries

(In thousands, except rates and percentages or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Consumer fraud complaints	1,143	1,514	820	438	(25)%	39%	161%
Consumer fraud complaints per 100,000 people	*356*	*475*	*266*	*148*	*(25)%*	*34%*	*141%*
Mean amount paid per fraud complaint	*$ 400*	*$ 499*	*581*	*349*	*(20)%*	*(31)%*	*15%*
Identity theft complaints	490	333	251	256	47%	95%	91%
Identity theft complaints per 100,000 people	*153*	*105*	*81*	*87*	*46%*	*89%*	*76%*
Other consumer complaints [1]	1,402	745	399	216	88%	251%	549%
Other consumer complaints per 100,000 people	*437*	*234*	*129*	*73*	*87%*	*239%*	*499%*
Consumer financial protection (CFP) complaints [2]	169	153	na	na	10%	na	na
CFP complaints per 100,000 people	*53*	*48*	*na*	*na*	*10%*	*na*	*na*
Consumer product safety injuries [3]	14,133	13,861	14,695	12,609	2%	(4)%	12%

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

1 Other consumer complaints are complaints made to the FTC that are other than fraud or identity theft complaints, including: auto-related complaints; banks and lenders; computer equipment and software; credit bureaus, information furnishers, and report users; credit cards; debt collection; education; funeral services; home repair, improvement, and products; and television and electronic media.

2 These complaints were reported by the Consumer Financial Protection Bureau while all other complaints in this table were reported by the Federal Trade Commission.

3 These are calendar year national estimates of the number of persons treated in US hospital emergency departments with consumer product-related injuries and are derived by summing the statistical weights for the appropriate injury cases. The data system allows for reporting of up to two products for each person's injury, so a person's injury may be counted in two product groups.

Consumer complaints have generally grown at increasing rates throughout the period of this report, driven primarily by increased fraud and other consumer complaints, though all categories of complaints have increased. In 2015, however, consumer fraud complaints decreased.

- *Fraud complaints* are made by adults of all ages with no notable concentrations. Victims who report the method of initial contact primarily report that the fraud was initiated via phone, and those who report transferring funds most often report doing so through wire transfer.
- *Identity theft complaints* are also made by adults of all ages and most often comprise tax- or wage-related fraud, followed by credit card fraud, phone or utilities fraud, and bank fraud.
- *Other consumer complaints* made to the Federal Trade Commission have increased due primarily to third-party debt collection complaints.
- *Consumer financial protection complaints* have grown, driven primarily by increases in credit-related complaints, including debt collection and credit reporting. These complaints are made to the Consumer Financial Protection Bureau, which originated in 2010 in response to the financial crisis and resultant Great Recession.

The mean amount paid per fraud complaint increased over the past decade but decreased in recent years. In 2015, more than half (56%) of the complaints resulted in no payment, while the payment group with the largest number of complaints (9% of the complaints) was the group with amounts paid between $101 and $250. Two percent of complaints had amounts paid of $5,000 or more, the top payment group. By type of fraud, the largest median amount paid per fraud in 2017 (the earliest date for which this detail was reported) was for travel, vacation, and timeshare plans.

Consumer product safety injuries have fluctuated from year to year, peaking in 2010 and not decreasing much since. The largest numbers of injuries relate to sports and recreational equipment, home structures and construction materials, and home furnishings and fixtures. Injuries related to sports and recreational equipment in 2015 were 2% higher than in 2007 (the earliest data available), while injuries related to home structures and construction materials decreased 21%, and injuries related to equipment home furnishings and fixtures decreased 26%, over this same period.

Transportation safety

(In thousands, except rates and percentages or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Transportation crashes	6,317	6,091	5,445	6,191	4%	16%	2%
Highway crashes	6,296	6,064	5,419	6,159	4%	16%	2%
Highway crashes per 100 million miles driven	*200*	*199*	*183*	*206*	*1%*	*9%*	*(3)%*
Transportation fatalities (actual people)	37,734	34,643	35,036	45,641	7%	6%	(19)%
Highway fatalities (actual people)	35,485	32,744	32,999	43,510	7%	6%	(19)%
Highway fatalities per 100,000 highway crashes	*557*	*540*	*609*	*706*	*3%*	*(9)%*	*(21)%*

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Transportation crashes are nearly all (over 99%) highway crashes and have increased over the past decade. Per mile driven, highway crashes decreased over the last decade but increased in recent years.

Transportation fatalities dropped 9% in each calendar year 2008 and 2009 and had remained at roughly 35,000 fatalities per year thereafter until 2015, when they jumped to nearly 38,000. The only material source of transportation fatalities is highway fatalities, with a little more than a third of these fatalities alcohol-related (Blood Alcohol Concentration of 0.01 or greater) crashes. Of alcohol-related fatalities, nearly a third involved Blood Alcohol Concentration of 0.08 or greater. Since 2010 (the earliest period shown here for which data is available), distraction-affected fatalities increased 12%, to 3,477 in 2015.

Safeguarding employees

(In thousands, except rates and percentages or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Workplace violations (actual)[1]	64,763	67,680	96,742	85,307	(4)%	(33)%	(24)%
Workplace violations per 100,000 employees	*47*	*48*	*74*	*64*	*(2)%*	*(36)%*	*(27)%*
Non-fatal workplace injuries	*3,659*	*3,676*	*3,884*	*4,214*	*—%*	*(6)%*	*(13)%*
Non-fatal injuries per 100,000 employees	2,653	2,591	2,979	3,144	2%	(11)%	(16)%
Fatal workplace injuries (actual)	*4,836*	*4,821*	*4,690*	*5,734*	*—%*	*3%*	*(16)%*
Rate of fatality of workplace injuries	*0.1%*	*0.1%*	*0.1%*	*0.1%*	*—ppt*	*—ppt*	*—ppt*
Back wages recovered	*$ 246,781*	*$ 240,832*	*$ 176,005*	*$ 166,005*	*2%*	*40%*	*49%*
Back wages recovered per injury	$ 67	$ 65	$ 45	$ 39	3%	49%	72%

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1 *Workplace violations are those reported by the Occupational Safety and Health Administration, including violations relating to fall protection, hazard communication, scaffolding, respiratory protection, control of hazardous energy, ladders, powered industrial trucks, machinery and machine guarding, and electrical wiring methods.*

The work safety outcomes discussed here are nearly all positive; workplace violations, injuries, and fatalities (10-year only) are all down, while back wages recovered, in total and per injury, have increased. Fatal workplace injuries have increased in over the past five years, primarily in construction, truck transportation, and landscaping industries. However, as a rate per workplace injury, fatal injuries have been steady over the past decade.

Fatal workplace injuries disproportionately take the lives of men (92%-93% of the incidents covered by this report). In 2015, 91% of fatal workplace injuries occurred in private industry, with the balance occurring in government. By industry, in 2015, 45% of the incidents occurred in goods-producing industries, nearly half of which were in construction, while the other 55% of the incidents occurred in service-providing industries, of which roughly a third were in transportation and warehousing.

Child safety and miscellaneous social services

The child safety and miscellaneous social services reporting unit works to maintain the welfare and safety of all children.

Child family situation

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Children in single parent households (in thousands)	19,757	20,258	19,855	20,722	(2)%	—%	(5)%
Children in single parent households per 10,000 children	*2,684*	*2,753*	*2,677*	*2,818*	*(3)%*	*—%*	*(5)%*
Children in foster care	427,444	414,435	404,878	511,000	3%	6%	(16)%
Children in foster care per 10,000 children	*58*	*56*	*55*	*70*	*4%*	*5%*	*(17)%*
Percentage of foster children fostered by relatives	*30%*	*29%*	*26%*	*24%*	*1ppt*	*4ppt*	*6ppt*
Children entering foster care	268,720	264,364	256,092	307,000	2%	5%	(12)%
Children exiting foster care	243,043	236,906	257,806	286,000	2%	(6)%	(15)%
Median months in foster care	13	13	14	16	—%	(7)%	(19)%
Percentage of foster children reunited with parents	51%	51%	51%	54%	—ppt	—ppt	(3)ppt
Percentage of foster children discharged to live with other relatives	6%	7%	8%	11%	(1)ppt	(2)ppt	(5)ppt
Children adopted from foster care[1]	53,556	50,671	53,547	51,323	6%	—%	4%
Rate of children adopted from foster care (as a percentage of children in foster homes) [1]	*13%*	*12%*	*13%*	*10%*	*1ppt*	*—ppt*	*3ppt*

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1 *Adoptions are those with Public Child Welfare Agency involvement.*

The numbers of children in single parent households, including the rates thereof, have not changed materially during the periods presented here. In 2015, 78% of the single-family households were headed by single mothers, while 22% were headed by single fathers.

The numbers of children in foster care and their median stay have decreased over the past decade. The ratio of male and female children in foster care has been relatively consistent over the last decade, with 52% male and 48% female in 2015. However, there have been some other demographic shifts over this period including:

- the median age decreased from 11 to 8 years old;
- the percentage of children in foster care who are African-American decreased eight percentage points, with all other races and ethnicities remaining flat or increasing over the same period; and
- the race with the most children in foster care is white, at 43% in 2015, having grown consistently over the past decade.

The percentages of foster children reunited with their parents or other relatives have declined over the past decade, while the numbers and rates of children adopted with welfare agency involvement have increased.

Crimes against children

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Child victims [1] (nearest thousand)	683,000	675,000	698,000	901,000	1%	(2)%	(24)%
Victimization rate by age (per 1,000 children):							
Birth to-3	*16.8*	*17.0*	*14.9*	*16.5*	*(1)%*	*13%*	*2%*
Birth-1	*24.2*	*24.4*	*20.6*	*na*	*(1)%*	*17%*	*na*
1-3	*11.3*	*11.7*	*11.4*	*na*	*(3)%*	*(1)%*	*na*
4-7	*10.2*	*10.7*	*9.7*	*13.5*	*(5)%*	*5%*	*(24)%*
8-11	*7.8*	*8.0*	*8.0*	*10.9*	*(3)%*	*(3)%*	*(28)%*
12-15	*6.8*	*6.9*	*7.3*	*10.2*	*(1)%*	*(7)%*	*(33)%*
16-17	*4.8*	*4.9*	*5.0*	*6.2*	*(2)%*	*(4)%*	*(21)%*
Boys [3]	49%	49%	49%	48%	— ppt	— ppt	1ppt
Girls [3]	51%	51%	51%	52%	— ppt	— ppt	(1)ppt
White (non-Hispanic)	43%	44%	45%	50%	(1)ppt	(2)ppt	(7)ppt
African-American (non-Hispanic)	21%	21%	22%	23%	— ppt	(1)ppt	(2)ppt
Hispanic	24%	23%	21%	17%	1ppt	3ppt	7ppt
Neglect [2]	75%	75%	78%	63%	— ppt	(3)ppt	12ppt
Physical abuse [2]	17%	17%	18%	17%	— ppt	(1)ppt	—ppt
Sexual abuse [2]	8%	8%	9%	9%	— ppt	(1)ppt	(1) ppt
Child fatalities as a result of maltreatment	1,680	1,590	1,560	1,450	6 %	8%	16%
Fatality rate by age (per 100,000 children):							
Birth-1	*20.9*	*18.0*	*17.9*	*15.9*	*16%*	*17%*	*31%*
1-3	*5.0*	*5.0*	*4.3*	*5.1*	*—%*	*16%*	*(2)%*
4-7	*1.2*	*1.2*	*1.1*	*1.3*	*—%*	*9%*	*(8)%*
8-11	*0.5*	*0.5*	*0.4*	*0.4*	*—%*	*25%*	*25%*
12-17	*0.3*	*0.2*	*0.3*	*0.4*	*50%*	*—%*	*(25)%*
Boys [3]	55%	58%	60%	56%	(3)ppt	(5)ppt	(1)ppt
Girls [3]	45%	41%	40%	44%	4ppt	5ppt	1ppt
White (non-Hispanic)	42%	43%	44%	44%	(1)ppt	(2)ppt	(2)ppt
African-American (non-Hispanic)	31%	30%	28%	26%	1ppt	3ppt	5ppt
Hispanic	15%	15%	17%	19%	—ppt	(2)ppt	(4)ppt
Neglect [2]	73%	72%	68%	42%	1ppt	5ppt	31ppt
Physical abuse [2]	44%	41%	45%	24%	3ppt	(1)ppt	20ppt
Sexual abuse [2]	1%	1%	1%	—%	—ppt	—ppt	1ppt

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na *An "na" reference in the table means the data is not available.*
1 *Victims of maltreatment are defined as children who experienced or who were at risk of experiencing abuse or neglect.*
2 *A child may have suffered from more than one type of maltreatment and therefore, the total number of reported maltreatments exceeds the number of fatalities and the total percentage of reported maltreatments exceeds 100%. The percentages are calculated against the number of child fatalities in the reporting states. Prior to 2009, "multiple maltreatment types" was a separate category. In 2009, the current method of reporting each of the multiple maltreatment types began, resulting in increases in each of the maltreatment categories in 2009 and later years when compared to prior years.*
3 *May not add to 100% due to unknown population.*

Child victimization rates decreased over the past decade across most demographics, though victimization rates increased for:

- children ages birth to 3, increasing 2%;
- boys, increasing 1 percentage point; and
- Hispanic children, increasing 7 percentage points.

Child fatalities as a result of maltreatment increased over the past decade. The increase was seen mainly in children less than one year old, those ages 8-11, and for girls, while the percentage of boy child fatalities decreased over this same period. By race and ethnicity, the percentage of child fatalities that were White and Hispanic children decreased while those that were African-American increased.

In 2015, parents represented 92% of the perpetrators of reported child victimization, while 13% were nonparents, and 3% were unknown (figures don't add to 100% due to multiple perpetrator situations).

Child welfare

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Children in poverty (in thousands)	14,509	15,540	16,286	12,896	(7)%	(11)%	13%
Rate of children in poverty	*20%*	*21%*	*22%*	*18%*	*(1)ppt*	*(2)ppt*	*2ppt*
Percentage of children receiving free or reduced lunch at school	73%	72%	65%	59%	1ppt	8ppt	14ppt
Homeless children enrolled in school and known to our Government (in thousands) [1]	1,263	1,301	1,066	907	(3)%	18%	39%
Homeless children enrolled in school and known to our Government per 10,000 children	*174*	*177*	*144*	*124*	*(2)%*	*21%*	*40%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

1 *Years represent the school year ending in the year noted. Includes the District of Columbia and Puerto Rico. Enrolled students include those aged 0 to 2, 3 through 5 not in Kindergarten, enrolled in Kindergarten through grade 12, and ungraded. Grade 13 is included for school year 2014. Data is inconsistently reported year over year by state and local educational agencies. Numbers reflect the number of homeless students known to the Government rather than the total number of homeless students in the country. The 2010-2011 school year and earlier contains duplicate counts.*

Numbers of children in poverty, who represent roughly a third of the overall US population in poverty, have increased over the past decade, as have child poverty rates, though the trend has been reversing lately.

The race and ethnicity with the highest rates of child poverty are the black population, ranging from 33% to 39% of children, and the Hispanic population, ranging from 28% to 35% of children, during the past decade. White and Asian populations have lower rates of child poverty, ranging from 10% to 12% for non-Hispanic white children and 11% to 15% for Asian children, during the periods presented. Child poverty rates for all populations except black children increased overall during the decade presented. Child poverty rates for black children decreased two percentage points between 2005 and 2015.

The percentage of children receiving free or reduced lunch is growing consistently, including in recent years despite reduced numbers of children in poverty in those years. Any child at a participating school may purchase a meal through the National School Lunch Program. Children from families with incomes at or below 130% of the federal poverty level are eligible for free meals. Those with incomes between 130% and 185% of the federal poverty level are eligible for reduced-price meals, for which students can be charged no more than 40 cents.

Homeless children enrolled in school increased over the past decade but decreased in 2015. A portion of this increase could be due to the number of agencies reporting for each period, which also increased but at lower rates. Most (76% in 2015) homeless children are "doubled up," or living with others due to loss of housing, economic hardship, or a similar reason. The next largest source of primary nighttime residence for homeless children, at 14% of the homeless in 2015, was shelters, transitional housing, or awaiting foster care. The fastest growing forms of nighttime residence were doubling up, unsheltered, and hotel/motel, growing 171%, 84%, and 79%, respectively, from 2005 to 2015.

Common Defense (CD)

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

- ***made meaningful progress*** on reducing border apprehensions and numbers of people removed or returned (except those with a prior criminal conviction, though this appears to be reversing recently), bringing home our active duty military personnel who were stationed abroad, and increasing the numbers of visas granted, naturalizations, and passports issued;
- ***saw no meaningful movement*** in lowering the rates of veteran unemployment, poverty, and disability; and
- ***regressed notably*** in the numbers of intellectual property seizures, airport firearm discoveries, and the number of American civilians that die abroad (primarily an increase in suicides).

National defense and support for veterans

The national defense and support for veterans reporting unit provides for our common defense by maintaining and managing the military and providing benefits for veterans, as well as by keeping Americans safe abroad.

National defense

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Total armed forces, excluding reserves (in thousands)	2,040	2,055	2,196	2,057	(1)%	(7)%	(1)%
Number of active duty military stationed in (in thousands):[1]	1,314	1,338	1,431	1,389	(2)%	(8)%	(5)%
US	1,146	1,168	1,134	1,098	(2)%	1%	4%
Abroad	156	159	297	291	(3)%	(48)%	(47)%
Number of conflicts in which the US participated	3	2	3	2	50%	—%	50%
Number of active duty military deaths from:	na	na	1,485	1,929	na	na	na
Hostile/terrorist	11	39	456	739	(72)%	(98)%	(99)%
Accidents	na	na	424	646	na	na	na
Suicide	na	na	289	182	na	na	na
Illness	na	na	238	280	na	na	na
Homicide	na	na	39	54	na	na	na
Undetermined or pending	na	na	39	28	na	na	na
Number of US civilian deaths overseas by cause:	910	812	1,065	838	12%	(15)%	9%
Vehicle accident	256	227	270	282	13%	(5)%	(9)%
Homicide	163	174	220	142	(6)%	(26)%	15%
Suicide	171	141	133	81	21%	29%	111%
Drowning	139	105	113	93	32%	23%	49%
Disaster	—	—	125	3	—%	(100)%	(100)%
Terrorist, hostage, and execution	19	19	21	61	—%	(10)%	(69)%
Other	162	146	183	176	11%	(11)%	(8)%

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na *An "na" reference in the table means the data is not available.*
1 *Details may not add to total. Totals and by location were taken from two separate data sources. In addition, numbers have been rounded.*

Overall numbers of armed forces (excluding reserve forces) remain at roughly the same level they were a decade ago. Over this time period, the US has been bringing its active duty military home, despite participating in more conflicts than we did a decade ago.

We do not have recent data for the numbers of active duty military deaths for most causes. However, active duty military deaths declined during the years for which we do have data, driven by declining deaths from hostile/terrorist actions and accidents. The notable decrease in hostile/terrorist deaths in 2010 was due to the end of the Operation Iraqi Freedom conflict, while the decrease in 2014 was due to a decrease in deaths related to the Operation Enduring Freedom conflict. These decreases were offset by increases in deaths from suicides.

The numbers of deaths of US civilians overseas fluctuates from year to year but increased 9% compared to a decade ago, driven by a 90 person or 111% increase in suicides. The notable increase in 2010 was due primarily to an earthquake in Port-au-Prince, Haiti.

Support for veterans

(In thousands, except percentages or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Number of veterans	21,579	21,894	22,569	24,257	(1)%	(4)%	(11)%
Rates of veteran:							
Unemployment	5%	6%	10%	6%	(1)ppt	(5)ppt	(1)ppt
Poverty	7%	7%	7%	6%	— ppt	— ppt	1ppt
Disability	29%	29%	26%	26%	— ppt	3ppt	3ppt
Number of unique VA patients	5,930	5,829	5,317	na	2%	12%	na

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

The number of veterans has decreased consistently over the past decade, while indicators of veteran well-being were mixed.

The veteran unemployment rate has fluctuated year to year, but generally follows the trend of overall unemployment, which has trended downward since 2011. As of 2015, veteran unemployment and overall unemployment rates were aligned. See discussion of overall unemployment at *General Welfare, Economy and Infrastructure, Employment Profile (2015)* below.

The veteran poverty rate has not changed materially in the last decade, but overall it is trending higher, despite veteran unemployment trending down and veteran compensation and pension payments increasing. In 2015:

- female veterans had higher poverty rates than male veterans, including much higher rates for those in the service industry or self-employed;
- disabled female veterans had higher poverty rates than disabled male veterans;
- post-9/11 and peacetime veterans had higher poverty rates than veterans of earlier conflicts;
- female veterans had lower median household income than male veterans, though the difference is not significant for veterans between 17 to 34 years old and 55 to 64 years old;
- the lowest poverty rates for male and female veterans were in the Northeast; and
- the rate of veterans in poverty by state/territory ranged from 4% in Nebraska to 20% in Puerto Rico. Puerto Rico (20%), Arkansas (14%), and West Virginia (14%) had the highest percentages of veterans in poverty. Puerto Rico's overall unemployment rate was 12.1% in 2015. Arkansas had the 24th lowest overall unemployment rate of states at 5.0%, and West Virginia had the third highest at 6.7%.

The veteran disability rate has fluctuated year to year and increased in the past decade but is currently roughly the same rate it was in 2000. The most prevalent service-connected disabilities are Tinnitus (the perception of noise or ringing in the ears), hearing loss, and post-traumatic stress disorder (PTSD), which comprised 7%, 5%, and 4%, respectively, of the total veteran disabilities in 2015.

While the overall veteran population declines, the number of unique patients being treated at VA medical centers is increasing. According to the GAO, this is due in part to servicemembers returning from the US' military operations in Afghanistan and Iraq and the needs of an aging veteran population. The proportion of living veterans who served in World War II and the Korean War decreased 10 and 4 percentage points, respectively, while the proportion of living veterans who served in Vietnam and the Gulf War increased 3 and 19 percentage points, respectively, over the past decade.

Immigration and border security

The immigration and border security reporting unit manages the US immigration process, including borders and customs responsibilities.

Authorized entry to the US

(In thousands, except percentages or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Naturalizations (citizenship) [1]	730	653	620	604	12%	18%	21%
Naturalizations as a percentage of attempts (total naturalizations and denials)	*91%*	*91%*	*92%*	*85%*	*— ppt*	*(1)ppt*	*6ppt*
Green Cards (permanent residence) granted [2]	1,051	1,017	1,043	1,122	3%	1%	(6)%
Visas granted	10,892	9,932	6,423	5,389	10%	70%	102%

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1 *Naturalization is the process by which US citizenship is granted to a foreign citizen or national after he or she fulfills the requirements established by Congress in the Immigration and Nationality Act.*

2 *Foreign nationals granted lawful permanent residence*

Naturalizations (citizenship)

Naturalization is the way a person not born in the US voluntarily becomes a US citizen. General requirements for naturalization require the applicant to be at least 18 years old at the time of filing, be a permanent resident (have a "Green Card") for at least five years, demonstrate continuous residence in the US for at least five years immediately preceding the date of filing, and be able to read, write, and speak basic English, amongst some of the requirements.

Naturalizations increased in the last decade, as did naturalizations as a percentage of attempted naturalizations. Throughout the periods presented in this report, most people who naturalized were:

- females, including 56% of those who naturalized in 2015;
- 21 years of age or older, including 97% in 2015;
- married, including 63% in 2015; and
- born in Asia or North America, including 36% and 34%, respectively, in 2015.

Green Cards (permanent residence)

A Green Card allows a person to live and work permanently in the United States. There are a few eligibility categories that allow an individual to apply for a Green Card: through family, through employment, as a Special Immigrant, for victims of abuse, through registry, and through other categories. Most people who apply for a Green Card will need to complete two forms – an immigrant petition and a Green card application. Someone else usually must file the petition on behalf of the applicant (e.g. family, spouse, employer).

Green Cards granted followed similar demographic trends as naturalizations. Throughout the periods presented in this report, most people who were granted green cards were:

- females, including 54% of those granted green cards in 2015;
- 21 years of age or older, including 76% in 2015;
- married, including 59% in 2015;
- either immediate family members (44% in 2015) or otherwise related (20% in 2015) to US citizens; and
- born in Asia or North America, including 39% and 36%, respectively, in 2015.

The categories of Green Card recipients with the largest numerical and percentage growth between 2005 and 2015 were parents of US citizens, with growth of 50,848 people or 62% and "employment creators (investors)" at 2,845% growth or 9,842 people. The categories with the largest numerical and percentage declines between 2005 and 2015 were children of US citizens, declining 28,118 people or 30%, and workers (skilled, professional, and unskilled), declining 91,827 people or 71%.

Visas

The numbers of visas granted increased during each of the periods presented. Most visas are granted to temporary visitors for business or pleasure, including 78% of visas granted in 2015. The next largest category of visa recipients are temporary workers and their families, at 7% in 2015, followed closely by students and their families, at 6% in 2015. The categories of visa recipients with the largest numerical and percentage growth between 2005 and 2015 were temporary visitors for business or pleasure, with growth of 4.8 million people or 128%, and students and their families, at growth of 163% or 427 thousand people. Refugee and asylum-seeker visas issued increased 21% during this period and comprised 9% of the total immigrant visas issued in 2015, up from 7% in 2005.

Unauthorized entry to the US

(In thousands, except percentages and rates or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Border apprehensions of illegal aliens	337	487	463	1,189	(31)%	(27)%	(72)%
Rate of apprehensions per attempted crossing (apprehensions plus estimated undocumented population)	*na*	*4%*	*4%*	*10%*	*na*	*na*	*na*
Persons removed or returned [1]	456	569	856	1,343	(20)%	(47)%	(66)%
Rate of those removed or returned per estimated undocumented person in the population	*na*	*na*	*8%*	*13%*	*na*	*na*	*na*
Persons removed or returned with a prior criminal conviction	140	173	170	92	(17)%	(18)%	52%
Rate of those removed or returned that had a prior criminal conviction	*31%*	*30%*	*20%*	*7%*	*1ppt*	*11ppt*	*24ppt*

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† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

1 *Removals are the compulsory and confirmed movement of an inadmissible or deportable alien out of the US based on an order of removal. An alien who is removed has administrative or criminal consequences placed on subsequent reentry owing to the fact of the removal. Returns are the confirmed movement of an inadmissible or deportable alien out of the US not based on an order of removal.*

Border apprehensions have fluctuated but decreased over the past decade. Nearly all (98% in 2015) border apprehensions occur at the southwest border of the US, and roughly half (56% in 2015) of all illegal aliens apprehended are from Mexico. However, over the last decade, illegal aliens apprehended from Mexico have decreased 82%, while illegal aliens apprehended from other locations have decreased 10%.

The number of persons removed or returned decreased 66% over the past decade. Of those removed in 2015: 72% were from Mexico, of whom 45% had a prior criminal conviction and 55% did not; 10% were from Guatemala, of whom 32% had a prior criminal conviction and 68% did not; and 6% were from Honduras, of whom 42% had a prior criminal conviction and 58% did not. Of those returned in 2015, 52% were from North America, including 31% from Mexico and 17% from Canada, and 35% were from Asia, including 16% from the Philippines and 10% from China.

The number of border agents increased 80% nationwide and 77% at the southwest US border over the past decade.

Estimated unauthorized immigrant population in the US

	2000	2005	2010	2010 [1]	2011 [2]	2012 [2]	2013 [2]	2014 [2]
Unauthorized immigrants								
Estimated population (in thousands)	8,460	10,500	10,790	11,600	11,510	11,430	11,900	12,120
Period of entry								
1980 to 1984	na	10.0%	7.9%	na	7.4%	7.8%	na	na
1985 to 1989	na	11.1%	10.8%	na	9.3%	9.7%	na	na
1990 to 1994	na	19.9%	15.5%	na	14.3%	15.0%	na	na
1995 to 1999	na	29.8%	27.1%	na	26.3%	25.5%	na	na
2000 to 2004	na	29.2%	29.6%	na	28.9%	28.4%	na	na
2005 to 2011	na	—%	9.2%	na	13.7%	13.5%	na	na
Age and sex								
Male	na	na	57.0%	na	53.3%	53.4%	na	na
Female	na	na	43.0%	na	46.7%	46.6%	na	na
Under 18 years	na	na	11.4%	na	11.7%	9.8%	na	na
18 to 24 years	na	na	12.0%	na	14.0%	12.3%	na	na
25 to 34 years	na	na	35.1%	na	32.4%	32.0%	na	na
35 to 44 years	na	na	27.7%	na	26.6%	29.0%	na	na
45 to 54 years	na	na	10.2%	na	11.2%	12.2%	na	na
55+years	na	na	3.6%	na	4.1%	4.5%	na	na
Country of birth								
Mexico	55.3%	56.9%	61.5%	58.3%	59.5%	58.8%	na	na
El Salvador	5.1%	4.5%	5.7%	5.7%	5.8%	6.0%	na	na
Guatemala	3.4%	3.5%	4.8%	4.4%	4.5%	4.9%	na	na
Honduras	1.9%	1.7%	3.1%	3.2%	3.3%	3.1%	na	na
Philippines	2.4%	2.0%	2.6%	2.5%	2.4%	2.7%	na	na
India	1.4%	2.7%	1.9%	2.3%	2.1%	2.3%	na	na
Korea	2.1%	2.0%	1.6%	1.9%	2.0%	2.0%	na	na
China	2.2%	2.2%	1.2%	2.6%	2.4%	1.8%	na	na
Other countries	26.1%	24.5%	17.6%	19.0%	17.9%	18.3%	na	na

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†† *The unauthorized resident immigrant population is defined as all foreign-born non-citizens who are not legal residents and calculated as: the legally resident population (includes all persons who were granted lawful permanent residence; granted asylum; admitted as refugees; or admitted as nonimmigrants for a temporary stay in the US and not required to leave by January of the respective year) on January 1 of the respective year less the total foreign-born population living in the US on the same date. Under section 249 of the Immigration and Nationality Act (INA), the registry provision, qualified persons who have resided continuously in the US since prior to January 1, 1972 may apply for legal permanent resident (LPR) status. Additionally, persons who had resided continuously in the US since prior to January 1, 1982 as unauthorized residents were eligible to adjust for LPR status under the Immigration Reform and Control Act (IRCA) of 1986.*

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

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

2 *2011-2014 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.*

Due to a change in methodology, we are not able to compare the estimated undocumented population consistently across all periods presented in this report. However, based on an analysis of the available data, the estimated undocumented population appears to be increasing.

Other border security

(In thousands, except percentages and rates or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Intellectual property seizures [1]	29	23	20	8	26%	45%	263%
Intellectual property seizures per 100 border agents	*143*	*110*	*97*	*71*	*30%*	*47%*	*101%*
Drugs seized at the border coming into the US (kgs)	1,012	1,106	na	na	(8)%	na	na
Airport firearm discoveries (actual)	2,653	2,212	1,123	660	20%	136%	302%

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

1 *Products that are seized because they infringe on US trademarks, copyrights, and patents.*

Intellectual property seizures

Intellectual property seizures have nearly tripled over the last decade, and the average border agent is seizing more goods. There have been changes in the sources and nature of the goods seized:

- *Country of origin* – China and Hong Kong were consistently the top two sources of goods seized during the periods of this report, while many of the other originators have changed; four of the top 10 originators in 2005 were not among the top 10 in 2015. In 2015, most seized goods originated in China or Hong Kong, including 52% and 35%, respectively, of the value of goods seized. In 2005, 69% of the value of goods seized originated in China, while the second highest originator was Hong Kong at 6% of the value seized.
- *Commodities seized* - In 2015, the top (those 10% or more of the value) commodities seized were watches/jewelry (43% of the value), handbags/wallets (15%), wearing apparel/accessories (12%), and consumer electronics/parts (10%). In 2005, the top commodities seized were wearing apparel (17% of the value), handbags/wallets/backpacks (16%), cigarettes (10%), and footwear (10%).

The rate of increase in seizures of these goods has increased nearly tenfold the rate of increase in paid consumption of them. Paid consumption of jewelry and watches; luggage and similar personal items; clothing and footwear; and video, audio, photographic, and information processing equipment and media increased 35%, 78%, 23%, and 37%, respectively, in the past decade.

Drug seizures

We do not have border drug seizures data for periods prior to 2012. However, for the periods where do have data, total kilograms of drugs seized at the border have declined, primarily due to decreased seizures of marijuana, offset in part by increased seizures of methamphetamine. The decline is marijuana seizures began in 2013. Recreational use of marijuana was legalized in Colorado and Washington states in 2012.

Airport firearm discoveries

Firearm discoveries at Transportation Security Administration airport checkpoints have consistently increased each year. In 2015, discoveries were made at 236 airports, with the greatest numbers discovered at Dallas/Fort Worth International Airport and Hartsfield-Jackson Atlanta International Airport, at 153 and 144 discoveries, respectively. Of the overall number of firearms discovered in 2015, 83% were loaded.

Foreign affairs and foreign aid

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

(In thousands, except percentages)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Number of valid passports in circulation	125,907	121,512	101,798	64,773	4%	24%	94%
Foreign aid obligations by type (in millions):							
Governance	$ 20,413	$ 15,013	$ 22,609	$ 15,065	36%	(10)%	35%
Health and population	$ 9,619	$ 9,757	$ 7,971	$ 5,049	(1)%	21%	91%
Humanitarian	$ 6,942	$ 6,226	$ 5,358	$ 3,742	12%	30%	86%
Other	$ 12,216	$ 12,090	$ 12,288	$ 11,414	1%	(1)%	7%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

The number of passports in circulation has increased consistently, outpacing the rate of population growth.

Foreign aid has increased over the past decade in all major categories, with aid in the three largest categories outpacing inflation. According to the Congressional Research Service, "Key foreign assistance trends in the past decade include growth in development aid, particularly global health programs; increased security assistance directed toward U.S. allies in the antiterrorism effort; and high levels of humanitarian assistance to address a range of crises, from the earthquake in Haiti to the violence in Syria. Adjusted for inflation, annual foreign assistance funding over the past decade was the highest it has been since the Marshall Plan in the years immediately following World War II. In FY2015, Afghanistan, Israel, Iraq, Egypt, and Jordan were the top recipients of U.S. aid, reflecting long-standing aid commitments to Israel and Egypt, the strategic significance of Afghanistan and Iraq, and the strategic and humanitarian importance of Jordan as the crisis in neighboring Syria continues to unfold. Africa was the top aid recipient region in FY2015, at 32%, followed by the Near East, at 31%, and South and Central Asia, at 25%. This was a significant shift from a decade prior, when Africa received only 17% of aid and South Central Asia 12%, reflecting significant increases in HIV/AIDS-related programs concentrated in Africa and large increases in aid to Afghanistan and Pakistan between FY2005 and FY2015. The drawdown of U.S. military forces in Iraq and Afghanistan led to reduced military assistance starting in FY2011, but growing concern about the Islamic State in Iraq and elsewhere may stall or reverse this trend."

By Government agency, in 2015, the Department of State and the US Agency for International Development each incurred $13-$14 billion in aid obligations. By country, the recipient of the greatest amount of aid in 2015 was Afghanistan at $8 billion, followed by Israel at $3 billion. Aid to Afghanistan increased significantly (453%) in 2002, generally grew annually from there, peaked at $13 billion in 2011 and has declined annually since, though it increased 12% in 2015 before declining again. Aid to Israel has been relatively steady over the past 30 years, exceeding $2 billion in 1981 and remaining between $2 billion and $4 billion annually since.

According to the Congressional Research Service, "Israel is the largest cumulative recipient of U.S. foreign assistance since World War II. To date, the United States has provided Israel $134.7 billion (current, or non-inflation-adjusted, dollars) in bilateral assistance and missile defense funding. Almost all U.S. bilateral aid to Israel is in the form of military assistance, although in the past Israel also received significant economic assistance. For decades, the United States and Israel have maintained strong bilateral relations based on a number of factors, including robust domestic U.S. support for Israel and its security; shared strategic goals in the Middle East; a mutual commitment to democratic values; and historical ties dating from U.S. support for the creation of Israel in 1948. U.S. foreign aid has been a major component in cementing and reinforcing these ties."

General Welfare (GW)

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

- ***made meaningful progress*** on an overall improved economy measured by an increase in GDP, the S&P 500 index, private investment (other than real estate), the federal minimum wage, and consumption, and a decrease in our net trade deficit and bankruptcy filings;
- ***saw no meaningful movement*** in our overall health, deaths from circulatory diseases and cancer, life expectancy at birth and average age at death, the median annual wage (adjusted for inflation), the overall poverty rate, private real estate investment and home values (adjusted for inflation), and the condition of our infrastructure (except bridges); and
- ***regressed notably*** in: the numbers of new home sales and those living in subsidized housing; the number of people working for minimum wage; and multiple health related factors, including rates of obesity, the cost of healthcare, and deaths from accidents, mental illness, and drugs.

Economy and infrastructure

The economy and infrastructure reporting unit seeks to encourage economic growth and development, and to limit economic volatility. It also works to ensure there are jobs for those who can work and to maintain minimum wages.

Economy

Investment, Gross Domestic Product (GDP), and trade

(In thousands, except percentages and rates or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Investment and GDP							
S&P 500 (end of December) (actual)	2,044	2,059	1,258	1,248	(1)%	62%	64%
S&P 500 adjusted for inflation (base 2015)	*2,044*	*2,069*	*1,384*	*1,607*	*(1)%*	*48%*	*27%*
Private fixed investment (in billions) [1]	$ 2,982	$ 2,838	$ 2,039	$ 2,468	5%	46%	21%
Residential	$ 645	$ 570	$ 381	$ 856	13%	69%	(25)%
Nonresidential	$ 2,336	$ 2,268	$ 1,658	$ 1,612	3%	41%	45%
Private fixed investment per capita	*$ 9,289*	*$ 8,907*	*$ 6,604*	*$ 8,351*	*4%*	*41%*	*11%*
Private fixed investment adjusted for inflation (base 2015)	*$ 2,963*	*$ 2,852*	*$ 2,243*	*$ 3,177*	*4%*	*32%*	*(7)%*
GDP (in billions)	$ 18,121	$ 17,428	$ 14,964	$ 13,094	4%	21%	38%
GDP (in billions) adjusted for inflation (base 2015, using GDP deflator)	*$ 18,121*	*$ 17,482*	*$ 16,298*	*$ 16,020*	*4%*	*11%*	*13%*
GDP per capita	*$ 56,445*	*$ 54,698*	*$ 48,467*	*$ 44,309*	*3%*	*16%*	*27%*
Trade							
Annual goods, services, and income trade surplus (deficit) between the US and other countries (in millions):	*$ (434,598)*	*$ (373,800)*	*$ (430,698)*	$ (745,234)	16%	1%	(42)%
China	$ (362,103)	*$ (342,689)*	*$ (300,245)*	$ (219,796)	(6)%	(21)%	(65)%
Netherlands	$ 80,817	$ 84,006	$ 70,611	$ 29,491	(4)%	14%	174%
Japan	$ (79,813)	$ (82,281)	$ (75,355)	$ (94,081)	3%	(6)%	15%
Germany	$ (77,312)	$ (89,654)	$ (49,635)	$ (57,002)	14%	(66)%	(36)%
Other	$ 3,813	$ 56,818	$ (79,074)	$ (403,846)	(93)%	(105)%	(101)%

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1 *Private fixed investment (PFI) measures spending by private businesses, nonprofit institutions, and households on fixed assets in the US economy. Fixed assets consist of structures, equipment, and software that are used in the production of goods and services. PFI encompasses the creation of new productive assets, the improvement of existing assets, and the replacement of worn out or obsolete assets.*

The S&P500 increased annually during the first years of the decade covered by this report, peaked in 2007, dropped and bottomed out in 2009 in connection with the Great Recession, and began climbing again, surpassing its pre-recession value in 2013, and increasing for the rest of the decade before leveling off in 2015.

Private fixed investment followed the same trend. Over the past decade, private fixed investment increased 43% in nonresidential investments, offset in part by a 24% decrease in residential investment. Within nonresidential, the largest increases were in equipment, which increased $291 billion or 37%, followed by intellectual property, which increased $242 billion, or 51% over the past decade. Within residential, the largest dollar and percentage decreases were in single family residential structures. Adjusted for inflation, private fixed investment decreased 7% in the past decade.

Gross domestic product (GDP) has grown over the past decade, even when adjusted for inflation and per capita. By industry, the largest increases were in: finance, insurance, real estate, rental, and leasing (up $1.0 trillion or 41%); professional and business services (up $739 billion or 51%); government (up $617 billion or 36%); and educational services, health care, and social assistance (up $536 billion or 56%). The lowest growth was in agriculture, forestry, fishing, and hunting (up $56 billion or 44%). There were no declines in major industry categories.

The US has an overall net trade deficit with other countries, comprised largely of a deficit with China. China comprised 77% of our overall net trade deficit in 2015, made up mostly of a deficit in the trading of goods. The country with whom we have the largest trade surplus is the Netherlands. The majority of that surplus comprised a surplus of income, meaning Americans earned more income in the Netherlands than the Dutch earned in the US.

Businesses

(In thousands, except percentages and rates or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Businesses							
Establishments less than one year old	679	653	561	680	4%	21%	—%
Net change in establishments (number of openings less closings)	101	92	(115)	94	10%	188%	7%
Bankruptcy filings:	860	964	1,596	1,783	(11)%	(46)%	(52)%
Business bankruptcy filings	25	28	58	34	(11)%	(57)%	(26)%
Business bankruptcy filings per 10,000 businesses	*42*	*49*	*102*	*57*	*(14)%*	*(59)%*	*(26)%*
Non-business bankruptcy filings	835	935	1,538	1,748	(11)%	(46)%	(52)%
Non-business bankruptcy filings per 100,000 adults	*338*	*382*	*656*	*788*	*(12)%*	*(48)%*	*(57)%*
Bank failures	8	18	157	—	(56)%	(95)%	nm
Bank failures per 100,000 banks	*129*	*290*	*2,050*	—	*(56)%*	*(94)%*	*nm*

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Establishments less than one year old and net changes in establishments vary from year to year and decreased in and around the Great Recession. Bankruptcy filings have decreased over the past decade, both business and non-business. Bank failures increased from 2005 to 2010 when they peaked in frequency and have declined since.

Housing

(In thousands, except percentages and rates or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
New home sales	501	437	323	1,283	15%	55%	(61)%
New home sales per 100,000 adults	*203*	*178*	*138*	*578*	*14%*	*47%*	*(65)%*
Median new home price	$ 294	$ 283	$ 221	$ 234	4%	33%	26%
Median home price adjusted for inflation (base 2015)	*294*	*284*	*243*	*301*	*4%*	*21%*	*(2)%*

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New home sales peaked in 2005, bottomed out in 2011 after a 76% decline from the peak amidst the Great Recession, and have been increasing annually since, yet have not reached pre-recession levels. In the past decade, the largest decline in units of new homes sold was in the South (352 thousand homes), while the largest rates of decline (70%) were in both the Northeast and Midwest. Between 2011 and 2015, the increases in new home sales were the greatest in the South (118 thousand homes) and grew at the fastest rate in the West (81%).

The median price for a new home followed a similar pattern as new home sales, decreasing during the Great Recession and increasing since, surpassing the pre-recession highs in 2012. However, median home prices have not recovered enough to catch up with inflation; inflation adjusted, the median home price is down 2% from a decade ago.

Jobs and wages

(In thousands, except percentages and rates or otherwise noted)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Total employment [1]	141,843	138,958	130,361	134,051	2%	9%	6%
Jobs per person in working age population (ages 16-64) [2]	*0.68*	*0.67*	*0.64*	*0.69*	*1%*	*6%*	*(1)%*
Median annual wage (actual)	$ 36,200	$ 35,540	$ 33,840	$ 29,430	2%	7%	23%
Median annual wage adjusted for inflation (2015 base)	*$ 36,200*	*$ 35,715*	*$ 37,229*	*$ 37,889*	*1%*	*(3)%*	*(4)%*
Workers at or below minimum wage	2,561	2,992	4,361	1,882	(14)%	(41)%	36%
Workers at or below minimum wage per 1,000 hourly employees	*33*	*39*	*60*	*25*	*(15)%*	*(45)%*	*32%*
Federal minimum wage per hour	$ 7.25	$ 7.25	$ 7.25	$ 5.15	—%	—%	41%
Federal minimum wage per hour adjusted for inflation (2015 base)	*$ 7.25*	*$ 7.29*	*$ 7.98*	*$ 6.63*	*(1)%*	*(9)%*	*9%*

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1 *Total employment is from the current employment statistics (CES) survey and represents average annual national non-farm employment.*

2 *Total employment divided by the working age population of the US.*

Jobs

Total employment increased during the periods presented in this report but has not kept pace with growth in the working age population. Over the past decade, total employment increased 6% while the working age population increased 7%, resulting in a decrease of 1% in jobs per person of working age.

Demographically:

- *Sex* - The number of employed women increased more over the past decade (up 6% to 70 million workers) than did the number of employed men (up 4% to 79 million workers).
- *Race and ethnicity* - The number of employed Asian people increased at the greatest rate (up 39% to 9 million workers) followed closely by Hispanic people (up 31% to 24 million workers), while the number of employed white people increased only 1% (to 118 million workers).
- *Type of job* - The number of jobs increased the most in the food preparation and serving related, business and financial operations, healthcare practitioners and technicians, personal care and service, and computer and mathematical fields (all adding more than 1 million jobs each in a decade), while the number of jobs decreased the most in production, which lost more than 1 million jobs. Production jobs include but are not limited to: assemblers and fabricators; food processing workers; metal workers and plastic workers; printing, textile, apparel, and furnishings workers; and woodworkers.

Wages

The median annual wage increased across all job categories over the past decade but did not keep up with inflation. By job:

- The largest unadjusted dollar increase in median annual wages was in management jobs, increasing $20,930 a year or 27% to $98,560.
- Architects and engineers saw the largest percentage increase at 28% or $16,670 to $76,870, while computer and math workers and business and financial operations workers saw an increase of 27% or $17,490 to $81,430.
- Retail salespersons saw the smallest dollar and percentage increase in median annual wage at a $2,640 or 14% increase to $21,780.

The job category with the highest median annual wage is management, at $98,560 in 2015. The job category with the lowest median annual wage is cashier, at $19,310 in 2015.

The number of workers paid at or below minimum wage increased 36% over the past decade, significantly outpacing growth in total employment and the working age population. However, the federal minimum wage per hour increased at a rate greater than that of median annual wages, pre- and post-inflation. The District of Columbia and 29 states have higher minimum wages than the federal minimum wage, up to $10.50 per hour in the District of Columbia. Five states have no state level minimum wage.

Employment Profile (2015)

We also analyze employment by family and individual units (FIUs) and income cohort. See *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* of this report for a discussion of FIUs and income cohorts. An important thing to note when viewing the table below is that the income cohorts are based on average total Market Income, which equals the sum of average: wages and salaries, supplements to wages and salaries, self-employment income, interest income, rental income, S Corporation income, dividend income, capital gains income, net retirement income, and other market income. Therefore, an FIU can be counted as unemployed in the table below but still have income.

Family and Individual Unit Sub Group /Income %	16 + Population (in K)	Employed (in K)	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)	5,805	352	265	6.1%	10.6%	43.0%	—	—	100%	—%	—%
Bottom 5%-20% ($0-$9k)	28,998	7,228	1,512	24.9%	30.1%	17.3%	7.7	8.1	67%	32%	1%
Second 20% ($9k-$32k)	42,964	20,487	1,776	47.7%	51.8%	8.0%	22.1	24.3	35%	61%	4%
Middle 20% ($32k-$62k)	48,675	29,170	1,594	59.9%	63.2%	5.2%	35.0	38.4	18%	71%	11%
Fourth 20% ($62k-$114k)	58,851	41,119	1,560	69.9%	72.5%	3.7%	49.8	55.0	8%	56%	36%
Top 2%-20% ($114k-$694k)	64,483	48,998	1,486	76.0%	78.3%	2.9%	63.8	70.8	4%	34%	61%
Top 1% ($694k+)	3,417	2,488	69	72.8%	74.8%	2.7%	64.8	70.6	4%	37%	59%
Married No Kids	**57,574**	**40,116**	**1,662**	**69.7%**	**72.6%**	**4.0%**	**59.4**	**65.3**	**9%**	**29%**	**63%**
Bottom 5%	410	17	10	4.0%	6.6%	38.6%	—	—	100%	—%	—%
Bottom 5%-20%	2,529	622	91	24.6%	28.2%	12.8%	13.8	14.4	59%	30%	11%
Second 20%	3,817	1,642	123	43.0%	46.2%	7.0%	29.2	31.8	28%	49%	23%
Middle 20%	7,243	4,010	301	55.4%	59.5%	7.0%	44.1	47.5	12%	47%	40%
Fourth 20%	16,290	11,989	422	73.6%	76.2%	3.4%	63.3	68.0	2%	31%	67%
Top 2%-20%	25,216	20,535	663	81.4%	84.1%	3.1%	73.4	82.2	1%	18%	81%
Top 1%	1,388	1,111	34	80.1%	82.5%	2.9%	73.7	81.7	2%	22%	76%
Married Parents	**63,917**	**42,764**	**1,812**	**66.9%**	**69.7%**	**4.1%**	**63.7**	**67.2**	**2%**	**32%**	**66%**
Bottom 5%	152	17	8	11.3%	16.2%	30.7%	—	—	100%	—%	—%
Bottom 5%-20%	1,894	636	106	33.6%	39.2%	14.3%	22.0	22.9	38%	49%	13%
Second 20%	4,462	2,255	239	50.6%	55.9%	9.6%	44.6	46.7	4%	63%	33%
Middle 20%	10,001	5,719	361	57.2%	60.8%	5.9%	52.1	55.0	1%	53%	46%
Fourth 20%	20,034	13,828	520	69.0%	71.6%	3.6%	65.4	69.1	—%	30%	70%
Top 2%-20%	25,791	19,310	534	74.9%	76.9%	2.7%	73.8	77.8	—%	19%	81%
Top 1%	1,222	844	26	69.1%	71.2%	3.0%	73.7	77.2	—%	26%	74%
Single No Kids	**60,490**	**42,403**	**2,765**	**70.1%**	**74.7%**	**6.1%**	**29.0**	**31.9**	**22%**	**78%**	**—%**
Bottom 5%	2,801	253	168	9.1%	15.0%	39.8%	—	—	100%	—%	—%
Bottom 5%-20%	10,768	4,200	750	39.0%	46.0%	15.1%	10.6	10.9	53%	47%	—%
Second 20%	14,521	10,350	753	71.3%	76.5%	6.8%	28.1	30.0	17%	83%	—%
Middle 20%	14,994	12,835	504	85.6%	89.0%	3.8%	38.7	41.8	4%	96%	—%
Fourth 20%	11,101	9,807	373	88.3%	91.7%	3.7%	41.4	47.3	2%	98%	—%
Top 2%-20%	5,118	4,494	156	87.8%	90.8%	3.4%	42.7	51.9	2%	98%	—%
Top 1%	156	138	4	88.3%	90.6%	2.6%	41.9	44.0	2%	98%	—%
Single Parents	**22,235**	**12,286**	**1,390**	**55.3%**	**61.5%**	**10.2%**	**25.9**	**29.3**	**25%**	**75%**	**—%**
Bottom 5%	977	62	77	6.4%	14.2%	55.3%	—	—	100%	—%	—%
Bottom 5%-20%	4,304	1,090	416	25.3%	35.0%	27.6%	6.5	6.9	64%	36%	—%
Second 20%	6,222	3,870	454	62.2%	69.5%	10.5%	29.5	31.6	7%	93%	—%
Middle 20%	5,875	4,008	259	68.2%	72.6%	6.1%	37.7	41.8	3%	97%	—%
Fourth 20%	3,392	2,381	138	70.2%	74.3%	5.5%	40.9	49.6	2%	98%	—%
Top 2%-20%	1,042	768	26	73.7%	76.2%	3.3%	40.8	54.1	3%	97%	—%
Top 1%	48	35	1	73.6%	75.8%	2.9%	40.8	58.0	3%	97%	—%
Elderly (age 65+)	**52,773**	**13,193**	**762**	**25.0%**	**26.4%**	**5.5%**	**10.8**	**13.8**	**71%**	**23%**	**6%**
Bottom 5%	1,465	2	2	0.2%	0.3%	46.4%	—	—	100%	—%	—%
Bottom 5%-20%	9,503	680	148	7.2%	8.7%	17.9%	1.6	2.0	91%	8%	1%
Second 20%	13,943	2,370	207	17.0%	18.5%	8.0%	4.9	7.3	81%	18%	2%
Middle 20%	10,561	2,598	169	24.6%	26.2%	6.1%	9.8	13.7	69%	26%	5%
Fourth 20%	8,035	3,113	108	38.7%	40.1%	3.3%	20.9	26.3	47%	40%	12%
Top 2%-20%	7,315	3,891	107	53.2%	54.7%	2.7%	34.8	41.6	28%	46%	26%
Top 1%	603	360	5	59.7%	60.5%	1.3%	46.1	51.7	15%	50%	34%

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In 2015, of the 257.0 million FIUs age 16 and older:

- 150.8 million FIUs or 58.7% of FIUs had jobs;
- 97.8 million FIUS or 38.1% were not participating in the workforce (neither employed nor actively looking for work); and
- 8.4 million FIUs or 3.3% were unemployed (not employed and had been actively looking for a job for the prior four weeks).

Unemployed (not working, actively looking)

The 3.3% of the age 16 and older population that was unemployed is different than the 5.3% unemployment rate shown in the cohort table above because the 5.3% represents the unemployed divided by the labor force (those employed and unemployed, excluding those not participating) rather than the entire population aged 16 and older.

A third of FIUs who are unemployed (not employed, actively looking) are single without kids, while the elderly comprise the fewest number of FIUs unemployed, at 9% of the unemployed population. The group with the lowest unemployment rate (unemployed divided by the labor force) was those married without kids, at 4.0%, while the highest was single parents, at 10.2%.

Not participating (not working, not looking)

Of the 97.8 million FIUs or 38.1% of those that are not participating in the workforce, a plurality (38.8 FIUs people or 40%) were elderly (age 65 and older). The remaining 60% were, by family type:

- 15.8 million or 16% were married without kids;
- 19.3 million or 20% were married parents;
- 15.3 million or 15% were single without kids; and
- 8.6 million or 9% were single parents.

Employment by income cohort

Generally, the percentage of FIUs employed increase, while the percentages of those either unemployed or not participating in the labor force decrease, as we move up the income cohorts:

- the employment rate climbs from 6.1% in the lowest cohort to 76.0% in the second highest cohort, and then declines to 72.8% for the top 1% cohort;
- the rate of those not participating in the labor force decreases from 89.4% in the lowest income cohort until it reaches to 21.7% in the second highest income cohort, and then increases to 25.2% for the top 1% cohort; and
- the unemployment rate (as defined in the table above) decreases from 43.0% for the lowest income cohort and decreases all the way through the top 1% cohort where it is 2.7%.

By income cohort, of the 97.8 million FIUs or 38.1% not participating in the workforce:

- 5.2 million or 5% were in the bottom 5%;
- 20.3 million or 21% were in the bottom 5-20%;
- 20.7 million or 21% were in the second 20%;
- 17.9 million or 18% were in the middle 20%;
- 16.2 million or 17% were in the fourth 20%;
- 14.0 million or 14% were in the top 2% to 20%; and
- 0.9 million or 1% were in the top 1%.

Workweek

The workweek averaged 39.1 hours for all FIUs. The number rises with incomes, ranging from zero for the bottom 5% income cohort, to 70.6 hours among the top 1% income cohort. There may be multiple people in an FIU who work, so this is not the number of hours worked by each individual.

Infrastructure

(In thousands, except percentages)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Percentage of roads in unsatisfactory condition by type:[1]							
Interstates	3%	3%	na	3%	—ppt	na	—ppt
Other freeways and expressways	8%	8%	na	8%	—ppt	na	—ppt
Other principal arterials	14%	13%	na	13%	1ppt	na	1ppt
Minor arterials	20%	18%	na	14%	2ppt	na	6ppt
Major collectors	22%	20%	na	16%	2ppt	na	6ppt
Collectors	52%	50%	na	50%	2ppt	na	2ppt
Percentage of bridges structurally deficient[2]	10%	10%	12%	13%	—ppt	(2)ppt	(13)ppt
Percentage of bridges functionally obsolete[3]	14%	14%	14%	15%	—ppt	—ppt	(1)ppt
Hours of delay per commuter per year	na	42	40	41	na	na	na
Fuel wasted due to commuter delays (billion gallons)	na	3.1	2.5	2.7	na	na	na
Fuel wasted due to commuter delays, per 100,000 miles (in gallons)	*na*	*102*	*84*	*90*	*na*	*na*	*na*

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

1 Unsatisfactory condition means an International Roughness Index (IRI) value greater than 170, as used by the National Cooperative Highway Research Program (NHCRP).

2 Structurally deficient means a bridge that has a condition rating of 4 or less for the deck, superstructures, substructures, or culvert and retaining walls, or an appraisal rating of 2 or less for the structural condition or waterway adequacy, as defined by the Federal Highway Administration (https://www.fhwa.dot.gov/bridge/0650dsup.cfm).

3 Functionally obsolete means a bridge that has an appraisal rating of 3 or less for deck geometry, underclearances, or approach roadway alignment, or an appraisal rating of 3 for structural condition or waterway adequacy, as defined by the Federal Highway Administration (https://www.fhwa.dot.gov/bridge/0650dsup.cfm).

All types of roads except interstates became more unsatisfactory in condition over the past decade, while bridges improved in condition. As of 2015, the roads in the worst condition, at 52% unsatisfactory, are the collectors. Collectors are, for rural areas, routes that serve intra-county rather than statewide travel, and in urban areas, streets that provide direct access to neighborhoods and arterials[48]. Bridges, as of 2015, were 10% structurally deficient and 14% functionally obsolete.

Commuters are becoming more delayed per mile driven and are wasting more fuel in the process.

Standard of living and aid to the disadvantaged

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

Poverty

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Rate of poverty of all persons - Official Poverty Measure	14%	15%	15%	13%	(1)ppt	(1)ppt	1ppt
Rate of poverty of all persons - Supplemental Poverty Measure	14%	15%	16%	na	(1)ppt	(2)ppt	na

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There are two primary government poverty measures, the Official Poverty Measure (OPM) and the Supplemental Poverty Measure (SPM), which began in 2010. The key differences are that the SPM uses a different definition of income and a different poverty threshold. The OPM income or resource measure is pre-tax cash income, while the SPM income or resource measure is cash income plus in-kind government benefits (such as food stamps and housing subsidies) minus nondiscretionary expenditures (e.g. taxes and work expenses). The OPM poverty thresholds are based on the cost of food multiplied by 3 to allow for expenditures on other goods and services, adjusted for changes in prices, while the SPM thresholds are based on a broad measure of necessary expenditures (food, clothing, shelter, and utilities) and are based on recent, annually updated expenditure data, adjusted for geographic differences in the cost of living. The two measures (OPM and SPM) produce rather different pictures of who is counted as poor.

We discuss and show the details of both poverty measures below. Note that the rates in the table above are per individual, while the tables below are per family and individual unit (FIU), consistent with our other cohort tables.

Poverty profile using Official Poverty Measure (2015)

		Average Per Unit			Top Earner Sex		Race, Ethnicity of Unit Head											
Family and Individual Unit Sub Group / % of Poverty Threshold %	**# of Units** *(in K)*	**Persons**	**Children** *(Under 18)*	**Age of Unit Head**	**% Male**	**% Female**	**% White (all ethnicities)**	**% Black (all ethnicities)**	**% Asian (all ethnicities)**	**% Other Race (all ethnicities)**	**% Hispanic (all races)**	**% US-Born**	**% Urban**	**% Rural**	**% Northeast**	**% Midwest**	**% South**	**% West**
All Families	***146,713***	***2.2***	***0.5***	***49.6***	***56%***	***44%***	***79%***	***13%***	***5%***	***2%***	***15%***	***84%***	***82%***	***18%***	***18%***	***21%***	***38%***	***23%***
<100% of poverty threshold	22,193	1.9	0.7	44.5	40%	60%	69%	23%	6%	3%	21%	80%	79%	21%	17%	19%	41%	22%
100%-200%	27,342	2.1	0.6	50.5	49%	51%	77%	17%	4%	3%	21%	81%	78%	22%	16%	21%	41%	23%
200%-300%	23,738	2.1	0.5	49.6	55%	45%	79%	14%	5%	3%	17%	84%	80%	20%	16%	22%	38%	23%
300%-400%	18,574	2.2	0.5	49.4	58%	42%	81%	12%	5%	2%	13%	86%	82%	18%	17%	23%	38%	22%
400%+	54,867	2.3	0.4	50.8	65%	35%	84%	9%	7%	1%	8%	88%	86%	14%	20%	22%	34%	24%
Single No Kids	***50,957***	***1.2***	***—***	***40.7***	***52%***	***48%***	***76%***	***17%***	***5%***	***2%***	***15%***	***86%***	***84%***	***16%***	***18%***	***21%***	***37%***	***24%***
<100% of poverty threshold	11,002	1.1	—	39.4	45%	55%	68%	23%	6%	3%	16%	85%	81%	19%	17%	21%	40%	22%
100%-200%	9,110	1.2	—	40.9	50%	50%	75%	19%	4%	3%	19%	84%	81%	19%	16%	22%	38%	24%
200%-300%	9,257	1.2	—	39.4	52%	48%	76%	16%	4%	3%	17%	86%	84%	16%	16%	23%	37%	24%
300%-400%	6,575	1.3	—	40.3	50%	50%	76%	17%	5%	2%	14%	87%	85%	15%	17%	22%	38%	23%
400%+	15,013	1.2	—	42.5	59%	41%	80%	12%	6%	1%	10%	88%	90%	10%	21%	20%	34%	26%
Single Parents	***14,902***	***2.8***	***1.7***	***35.2***	***23%***	***77%***	***67%***	***27%***	***3%***	***4%***	***25%***	***84%***	***81%***	***19%***	***16%***	***21%***	***42%***	***21%***
<100% of poverty threshold	4,939	3.1	2.0	33.6	17%	83%	62%	31%	2%	4%	27%	81%	78%	22%	16%	21%	43%	20%
100%-200%	4,237	2.9	1.7	35.1	21%	79%	66%	29%	2%	3%	29%	83%	80%	20%	15%	21%	43%	21%
200%-300%	2,265	2.7	1.5	36.0	27%	73%	67%	25%	3%	5%	21%	85%	81%	19%	15%	22%	42%	22%
300%-400%	1,458	2.6	1.4	36.5	26%	74%	74%	20%	4%	3%	19%	89%	85%	15%	18%	20%	42%	20%
400%+	2,003	2.5	1.3	37.4	36%	64%	76%	19%	3%	2%	17%	90%	88%	12%	19%	19%	38%	24%
Married No Kids	***23,910***	***2.4***	***—***	***51.0***	***71%***	***29%***	***84%***	***8%***	***6%***	***1%***	***11%***	***84%***	***81%***	***19%***	***17%***	***22%***	***38%***	***23%***
<100% of poverty threshold	966	2.2	—	52.2	56%	44%	77%	12%	7%	3%	22%	74%	75%	25%	12%	16%	44%	27%
100%-200%	2,002	2.4	—	51.9	74%	26%	79%	11%	8%	2%	23%	75%	74%	26%	12%	17%	47%	24%
200%-300%	2,450	2.4	—	50.9	69%	31%	81%	10%	6%	3%	20%	76%	76%	24%	14%	20%	41%	25%
300%-400%	2,960	2.5	—	51.2	70%	30%	83%	10%	6%	1%	14%	81%	79%	21%	15%	23%	40%	21%
400%+	15,532	2.4	—	50.8	72%	28%	86%	7%	6%	1%	7%	88%	83%	17%	19%	23%	35%	22%
Married Parents	***24,777***	***4.2***	***1.9***	***40.3***	***77%***	***23%***	***81%***	***8%***	***9%***	***2%***	***20%***	***76%***	***83%***	***17%***	***17%***	***21%***	***37%***	***25%***
<100% of poverty threshold	1,872	4.8	2.5	38.1	78%	22%	80%	9%	9%	2%	45%	51%	80%	20%	14%	13%	42%	30%
100%-200%	3,972	4.6	2.2	38.2	81%	19%	81%	9%	6%	3%	38%	61%	79%	21%	12%	19%	39%	30%
200%-300%	3,908	4.3	2.0	39.1	78%	22%	79%	10%	8%	3%	25%	74%	79%	21%	14%	20%	40%	26%
300%-400%	3,654	4.2	1.9	39.8	76%	24%	82%	9%	8%	2%	16%	82%	82%	18%	16%	24%	37%	24%
400%+	11,371	4.0	1.7	42.1	74%	26%	82%	6%	10%	1%	9%	83%	87%	13%	20%	22%	35%	23%
Elderly (65+)	***32,168***	***1.7***	***—***	***72.7***	***50%***	***50%***	***85%***	***10%***	***4%***	***1%***	***7%***	***89%***	***78%***	***22%***	***19%***	***22%***	***37%***	***22%***
<100% of poverty threshold	3,414	1.4	0.1	74.0	32%	68%	73%	20%	5%	2%	15%	81%	76%	24%	17%	18%	43%	21%
100%-200%	8,021	1.5	—	74.5	40%	60%	82%	13%	3%	2%	9%	88%	74%	26%	18%	20%	42%	19%
200%-300%	5,857	1.7	—	73.8	50%	50%	87%	8%	3%	1%	7%	90%	78%	22%	19%	23%	37%	20%
300%-400%	3,928	1.8	—	72.7	56%	44%	89%	7%	3%	1%	6%	90%	76%	24%	19%	23%	36%	22%
400%+	10,947	1.9	—	70.8	62%	38%	88%	7%	4%	1%	4%	91%	83%	17%	20%	24%	32%	24%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

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

Over the past decade, the average poverty rate of our population increased and then declined in 2015. Demographically, in 2015:

- *Geographic region* – The region with the highest poverty rate remained the South, at 41% of all FIUs in poverty in 2015.
- *Race and ethnicity* -
  - White people accounted for the largest portion of those in poverty, at 69% of heads of FIUs below the poverty line in 2015, while they represented an even greater portion of heads of all FIUs (79%).
  - Black people were disproportionately represented among the poor, comprising 13% of heads of all FIUs, while representing 23% of heads of FIUs below the poverty line in 2015.
  - Hispanic people (included within each applicable race as well) were also disproportionately represented among the poor, comprising 15% of the heads of all FIUs, while representing 21% of the heads of FIUs in poverty in 2015.
- *Sex* - Families where women are the primary earners accounted for 44% of all FIUs in 2015 but 60% of the poor. In particular, women disproportionately supported elderly poor families, where they were head-of-household for 50% of the elderly FIUs but 68% of the elderly poor FIUs. The same was true for families who are married with no kids, where women were head-of-household for 29% of this population but 44% of the subset that was below the poverty line.
- *Family type* – In 2015, by family type, the largest number of people in poverty were single people without kids. Single parents had the highest poverty rate, 33%, which was more than three times their share of all FIUs. All other family types were under-represented among the poor (i.e. they comprised a smaller portion of the poor than they did of all FIUs).

Poverty profile using Supplemental Poverty Measure (2015)

Family and Individual Unit SubGroup / % of Poverty Threshold	# of Units (in K)	Average Per Unit: Persons	Children (Under 18)	Age of Unit Head	Top Earner Sex: % Male	% Female	Race, Ethnicity of Unit Head: % White	% Black	% Asian	% Other Race	% Hispanic	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All Families	146,713	2.2	0.5	49.6	56%	44%	79%	13%	5%	2%	15%	84%	82%	18%	18%	21%	38%	23%
<100% of poverty threshold	23,517	2.0	0.5	47.8	46%	54%	70%	20%	7%	3%	22%	77%	83%	17%	17%	17%	40%	25%
100%-200%	43,557	2.3	0.7	48.3	51%	49%	75%	17%	5%	3%	21%	80%	81%	19%	18%	20%	38%	24%
200%-300%	30,198	2.3	0.5	48.6	58%	42%	81%	12%	5%	2%	12%	88%	81%	19%	18%	23%	37%	22%
300%-400%	18,960	2.1	0.4	50.4	61%	39%	83%	10%	5%	1%	8%	90%	81%	19%	18%	23%	36%	23%
400%+	30,481	2.2	0.3	52.8	65%	35%	87%	7%	6%	1%	6%	90%	83%	17%	18%	24%	37%	21%
Single No Kids	50,957	1.2	—	40.7	52%	48%	76%	17%	5%	2%	15%	86%	84%	16%	18%	21%	37%	24%
<100% of poverty threshold	10,649	1.2	—	39.5	51%	49%	68%	22%	7%	3%	18%	81%	85%	15%	18%	18%	39%	25%
100%-200%	14,395	1.2	—	40.8	49%	51%	73%	20%	4%	3%	20%	83%	83%	17%	17%	21%	37%	24%
200%-300%	10,222	1.2	—	39.9	51%	49%	77%	16%	5%	2%	14%	89%	84%	16%	18%	23%	35%	24%
300%-400%	6,647	1.2	—	40.7	54%	46%	79%	14%	5%	1%	10%	91%	86%	14%	19%	21%	37%	23%
400%+	9,044	1.1	—	42.7	57%	43%	84%	9%	5%	1%	8%	90%	86%	14%	18%	23%	37%	23%
Single Parents	14,902	2.8	1.7	35.2	23%	77%	67%	27%	3%	4%	25%	84%	81%	19%	16%	21%	42%	21%
<100% of poverty threshold	3,916	3.0	1.8	34.0	19%	81%	64%	29%	3%	4%	30%	78%	82%	18%	17%	18%	43%	22%
100%-200%	6,760	2.9	1.7	34.7	21%	79%	63%	30%	3%	4%	27%	83%	81%	19%	17%	20%	41%	21%
200%-300%	2,603	2.7	1.5	36.5	28%	72%	73%	22%	2%	3%	18%	91%	79%	21%	15%	24%	41%	20%
300%-400%	940	2.5	1.4	37.3	32%	68%	80%	16%	2%	2%	13%	92%	78%	22%	14%	23%	43%	21%
400%+	683	2.5	1.4	38.3	36%	64%	79%	15%	2%	4%	13%	92%	84%	16%	16%	22%	41%	21%
Married No Kids	23,910	2.4	—	51.0	71%	29%	84%	8%	6%	1%	11%	84%	81%	19%	17%	22%	38%	23%
<100% of poverty threshold	1,873	2.4	—	52.3	62%	38%	77%	10%	10%	2%	22%	71%	79%	21%	14%	15%	43%	28%
100%-200%	4,033	2.6	—	51.0	71%	29%	79%	11%	7%	3%	23%	72%	81%	19%	17%	18%	37%	28%
200%-300%	4,748	2.6	—	50.7	70%	30%	82%	10%	7%	1%	12%	84%	81%	19%	18%	22%	37%	22%
300%-400%	4,129	2.4	—	50.1	70%	30%	85%	8%	6%	1%	8%	88%	81%	19%	18%	22%	36%	24%
400%+	9,127	2.3	—	51.3	73%	27%	88%	5%	5%	1%	5%	91%	81%	19%	18%	24%	38%	20%
Married Parents	24,777	4.2	1.9	40.3	77%	23%	81%	8%	9%	2%	20%	76%	83%	17%	17%	21%	37%	25%
<100% of poverty threshold	2,252	4.5	2.1	39.5	78%	22%	78%	10%	10%	2%	41%	51%	87%	13%	18%	13%	37%	32%
100%-200%	8,512	4.4	2.1	38.8	78%	22%	79%	10%	8%	3%	30%	68%	83%	17%	16%	19%	36%	29%
200%-300%	6,625	4.1	1.9	40.3	76%	24%	82%	8%	8%	2%	13%	84%	81%	19%	16%	24%	37%	22%
300%-400%	3,146	4.0	1.8	41.5	75%	25%	85%	6%	8%	1%	9%	87%	81%	19%	16%	25%	37%	23%
400%+	4,242	4.0	1.8	43.1	75%	25%	83%	5%	11%	1%	8%	82%	88%	12%	19%	21%	38%	21%
Elderly (65+)	32,168	1.7	—	72.7	50%	50%	85%	10%	4%	1%	7%	89%	78%	22%	19%	22%	37%	22%
<100% of poverty threshold	4,828	1.6	0.1	73.9	37%	63%	75%	17%	6%	2%	13%	81%	81%	19%	17%	18%	41%	24%
100%-200%	9,856	1.6	—	74.0	44%	56%	82%	12%	4%	1%	10%	87%	77%	23%	20%	20%	39%	21%
200%-300%	6,001	1.7	—	72.8	50%	50%	88%	7%	3%	2%	6%	91%	77%	23%	19%	24%	36%	21%
300%-400%	4,098	1.8	—	72.1	57%	43%	88%	8%	3%	1%	4%	92%	76%	24%	19%	25%	33%	23%
400%+	7,385	1.8	—	70.8	64%	36%	91%	5%	3%	1%	3%	93%	80%	20%	19%	26%	34%	21%

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

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

The Supplemental Poverty Measure shows us, in 2015, demographically:

- *Geographic region* – The region with the highest poverty rate remained the South.
- *Race and ethnicity* - White families accounted for the largest portion, 70%, of FIUs in poverty, in 2015 while they represented a greater portion, 79%, of all FIUs. Black and Hispanic people were disproportionately represented among the poor, comprising 13% and 15% of all FIUs, respectively, in 2015, and representing 20% and 22%, respectively, of those below the poverty line.
- *Sex* - Families where women were the primary earners accounted for 44% of all FIUs in 2015 but 54% of the poor. In particular, women were disproportionately supporting elderly poor families, where they were head-of-household for 50% of the elderly population but 63% of the elderly poor families. The same was true for families who are married with no kids, where women were head-of-household for 29% of this population but 38% of the subset that was below the poverty line.
- *Family type* – In 2015, by family type, the largest number of people in poverty were single people without kids. Single parents had the highest poverty rate, 26%, which was more than two times their share of the all FIUs. All other family types were under-represented among the poor (i.e. they comprise a smaller portion of the poor than they do of all FIUs).

Subsidized housing

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
People in subsidized housing (in thousands)	9,853	9,835	9,859	8,809	—%	—%	12%
People in subsidized housing per 100,000 people	*3,069*	*3,087*	*3,193*	*2,981*	(1)%	*(4)%*	*3%*

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The number of people in subsidized housing has generally increased over the past decade, though it has flattened out in recent years and is decreasing on a per capita basis. Demographically:

- *Sex* – Over the past decade, 76% to 79% of HUD subsidized households were headed by a woman, and 35% to 40% were headed by a woman with a child in the household
- *Family type* – Over the past decade, 32% to 37% of HUD subsidized households had only one adult with children, while the number of households with two or more adults with children decreased 8 percentage points to only 4% in 2015.
- *Race* - Households where the head-of-household is black comprised 42% of the subsidized households in 2015, while households headed by a white person followed at 35%. Over the past decade, the black head-of-household percentage increased 3 percentage points from 39%, while the white head-of household percentage decreased 6 percentage points from 41%.
- *Age* - Households where the head-of-household is age 25 to 50 comprised 42% of the subsidized households in 2015, down from 46% in 2005, while households headed by a person over 62 years old followed at 33% in 2015, up from 32% in 2005.

Consumption

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Total household cash expenditures (consumption) (in billions)	$11,394	$11,002	$ 9,686	$ 8,370	4%	18%	36%
Cash expenditures per household	*$91,454*	*$89,281*	*$ 82,407*	*$73,847*	*2%*	*11%*	*24%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website.*

One measure of standard of living may be household consumption. In 2015, our largest household cash expenditures were for healthcare (24% of our expenditures), housing (18%), food (12%), and transportation (10%). The largest dollar increases over the last decade were in healthcare (growth of $1.0 trillion or 59%), housing ($427 billion or 27%), food both in and out of the home ($371 billion or 39%), recreation and entertainment ($185 billion or 34%), and transportation ($99 billion or 9%).

As a comparison, medical inflation was 39%, food inflation was 30%, overall inflation was 22%, population growth was 8%, and the median annual wage grew 23% over the past decade.

Health

The health reporting unit seeks to maintain good public health in America, by incentivizing healthy behavior and managing the public healthcare delivery system.

Health conditions

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Percent of adults with:							
Depression[1]	19%	19%	na	na	— ppt	na	na
Diabetes[2]	10%	10%	9%	7%	— ppt	1ppt	3ppt
Heavy drinkers[3]	6%	6%	5%	5%	— ppt	1ppt	1ppt
Smoker[4]	18%	18%	17%	21%	— ppt	1ppt	(3)ppt
Exercise 1x/mo +[5]	74%	77%	76%	76%	(3)ppt	(2)ppt	(2)ppt
Obese[6]	30%	30%	28%	24%	— ppt	2ppt	6ppt
Overweight[7]	36%	35%	36%	37%	1ppt	— ppt	(1)ppt

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*
na *An "na" reference in the table means the data is not available.*

1 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 Males having 2+ drinks per day, females having 1+ drinks per day.
4 Individuals who smoke cigarettes every day or some days.
5 Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.
6 Individuals with a body mass index (BMI) greater than 29.9.
7 Individuals with a body mass index (BMI) between 25.0 and 29.9.

Americans are experiencing higher rates of obesity, diabetes, and heavy drinking more than they were a decade ago. We look at these factors and others by family and individual unit (FIU) and income cohort in the table below.

Health profile (2015)

	Percent of adults who have health condition						
Family and Individual Unit Sub Group / Income %	**% Depression[1]**	**% Diabetes[2]**	**% Heavy Drinker[3]**	**% Smoker[4]**	**% Exercise 1x / mo +[5]**	**% Obese[6]**	**% Overweight[7]**
All Families	15.9%	9.7%	5.8%	14.6%	75.8%	28.0%	36.0%
Bottom 20% ($0-$9k)	24.1%	15.2%	5.0%	21.1%	67.5%	30.7%	32.2%
Second 20% ($9k-$32k)	19.0%	12.7%	5.3%	18.6%	70.6%	29.8%	34.6%
Middle 20% ($32k-$62k)	15.7%	9.4%	5.7%	15.8%	74.3%	29.4%	35.7%
Fourth 20% ($62k-$114k)	13.3%	7.8%	6.2%	12.5%	78.6%	27.5%	37.4%
Top 20% ($114k+)	11.7%	6.4%	6.2%	9.3%	82.3%	24.7%	37.8%
Married No Kids	14.8%	9.3%	6.4%	12.9%	78.5%	27.8%	37.2%
Bottom 20%	24.6%	17.2%	4.0%	19.6%	69.3%	32.5%	35.7%
Second 20%	18.0%	15.6%	5.1%	17.9%	72.6%	30.7%	38.3%
Middle 20%	16.9%	11.9%	5.5%	16.5%	74.0%	31.2%	37.1%
Fourth 20%	14.5%	8.8%	6.3%	13.2%	77.6%	28.9%	37.1%
Top 20%	12.6%	6.9%	7.3%	10.1%	82.4%	25.0%	37.6%
Married Parents	12.1%	5.0%	4.1%	11.0%	78.8%	27.5%	37.5%
Bottom 20%	18.6%	9.2%	3.5%	19.8%	67.6%	32.3%	31.7%
Second 20%	16.4%	7.6%	3.1%	17.6%	72.0%	32.9%	36.2%
Middle 20%	13.9%	5.8%	3.4%	13.8%	74.2%	30.1%	36.9%
Fourth 20%	11.8%	5.0%	4.4%	11.0%	78.6%	27.7%	38.1%
Top 20%	10.4%	3.9%	4.4%	8.2%	82.8%	24.9%	38.0%
Single No Kids	19.7%	7.3%	8.0%	21.2%	76.0%	28.3%	33.2%
Bottom 20%	27.0%	10.5%	7.2%	26.4%	71.3%	30.2%	30.3%
Second 20%	21.2%	8.0%	7.6%	24.4%	73.0%	29.9%	32.5%
Middle 20%	17.5%	5.9%	8.3%	19.9%	76.5%	28.8%	33.1%
Fourth 20%	14.7%	5.6%	9.1%	15.8%	81.6%	25.6%	36.1%
Top 20%	12.8%	4.8%	9.3%	12.6%	83.8%	23.0%	36.9%
Single Parents	20.8%	5.5%	5.3%	22.9%	73.3%	31.5%	30.7%
Bottom 20%	27.8%	7.0%	4.4%	27.3%	70.2%	32.9%	27.1%
Second 20%	21.7%	5.6%	4.8%	24.9%	70.6%	32.4%	28.5%
Middle 20%	17.1%	4.8%	5.3%	21.6%	73.4%	31.0%	33.4%
Fourth 20%	14.9%	4.0%	7.1%	17.7%	79.9%	29.2%	34.5%
Top 20%	15.5%	5.2%	7.4%	14.1%	82.8%	26.9%	33.7%
Elderly (65+)	15.1%	19.4%	4.3%	9.8%	70.0%	27.4%	38.0%
Bottom 20%	20.0%	24.7%	3.0%	12.7%	61.3%	29.9%	35.7%
Second 20%	16.7%	21.0%	3.9%	10.8%	67.0%	27.5%	37.6%
Middle 20%	13.1%	17.9%	4.2%	8.8%	71.8%	27.8%	38.6%
Fourth 20%	11.6%	16.5%	6.1%	8.0%	76.0%	26.1%	39.1%
Top 20%	11.5%	13.6%	5.3%	7.1%	79.2%	24.0%	39.5%

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 Males having 14+ drinks per week, females having 7+ drinks per week.
4 Individuals who smoke cigarettes every day or some days.
5 Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.
6 Individuals with a body mass index (BMI) greater than 29.9.
7 Individuals with a body mass index (BMI) between 25.0 and 29.9.

By income cohort, the higher the income, the lower the rates of depression, diabetes, smoking, and obesity, and the higher the rates of heavy drinking and being overweight. In 2015, the three conditions where the gap between the lowest and highest income cohorts were greatest (greater than a 10-percentage point delta) were smoking, exercise, and depression:

- Within the top income bracket, 11.7% of people reported being depressed, compared with 24.1% for those in the bottom bracket.
- Smokers accounted for just 9.3% of top earners, compared with 21.1% of those who earn least.
- Those with higher income report exercising more regularly than the poor, at 82.3% of the top income cohort and 67.5% of the bottom income cohort.

There is no family type that is consistently healthier than the others by these measures. The elderly often represent the extremes of these measures in both positive and negative respects; they have the highest rates of diabetes and being overweight and the second lowest rates of heavy drinking and lowest rates of smoking. The two conditions where the gap between family types were greatest in 2015 were smoking and diabetes. The elderly accounted for just 9.8% of smokers, compared with 22.9% of single parents. Married parents comprised 5.0% of those who reported having diabetes, while 19.4% of the elderly reported having this condition.

Overall, in 2015, 64% of Americans were either overweight or obese. The highest rate of obesity was among single parents, while the lowest was among the elderly. The highest rate of those overweight was among the family type elderly, while the lowest was among single parents. The rate of obesity has increased over the last decade, while the rate of those overweight has decreased.

By major racial and ethnic group, there is no group that is consistently healthier than the others by these measures. The race or ethnicity with the highest and lowest rates of these measures are:

- *Depression* – highest – white and black people, both at 13%, lowest – Hispanic people at 8%
- *Diabetes* – highest – black people at 13%, lowest – white and Hispanic people, both at 9%
- *Heavy drinkers* – highest – white people at 7%, lowest – black people at 4%
- *Smoking* – highest - black people at 18%, lowest – Hispanic people at 11%
- *Exercise* – highest – white people at 77%, lowest – black people at 71%
- *Obese* – highest - black people at 36%, lowest – white people at 27%
- *Overweight (but not obese)* – highest – Hispanic people at 39%, lowest – black people at 35%

All these populations generally follow the overall trend that the higher the income, the lower the rates of depression, diabetes, smoking, and obesity, and the higher the rates of heavy drinking (white people only) and being overweight but not obese (excluding Hispanic people).

Longevity and mortality

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Life expectancy at birth (years)	78.8	78.9	78.7	77.6	—%	—%	1%
Average age at death (years)	73.2	73.1	72.9	72.4	—%	—%	1%
Total deaths	2,713	2,626	2,468	2,448	3%	10%	11%
Deaths by leading and other select causes (in thousands):							
Circulatory diseases	837	808	784	861	4%	7%	(3)%
Cancers	612	608	590	573	1%	4%	7%
Respiratory diseases	271	258	237	240	5%	14%	13%
Accidents	147	136	121	118	8%	21%	25%
Mental disorders	137	151	121	71	(9)%	13%	93%
Heroin poisoning	13	11	3	2	18%	333%	550%
Other opioid	13	12	11	6	8%	18%	117%
Other synthetic narcotics	10	6	3	2	67%	233%	400%
Firearm deaths	36	34	32	31	6%	13%	16%

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During the periods presented, both life expectancy at birth and average age at death increased by 1%. Life expectancy for males and females, black and white, all increased, with the largest increase at 3.1 years, for black males. In 2015, male life expectancy at birth was 76.3 years and female was 81.2 years. For black people, life expectancy at birth was 75.5 years, while for white people it was 79.0 years.

The leading causes of death remained the same throughout the periods shown in this report. However, the leading cause of death, circulatory (including heart) disease, has declined over the past decade, while deaths from all other leading causes have increased.

Though they are not leading causes of death, heroin, opioid, and other synthetic narcotic deaths have increased at rates far exceeding those of the leading causes, over the past decade.

Though also not a leading cause of death, deaths from firearms increased 16% over the past decade. In 2015, 61% of the deaths were suicides, 37% were homicides, and the remainder was not classified. Demographically:

- *Geography* – Metropolitan areas housed 81% of the firearm deaths, while 19% occurred in non-metropolitan areas.
- *Age* – a plurality of firearm deaths occurred for those between ages 20 and 34, at 33% of the deaths, while the least number occurred for those under 19, at 8% of the deaths.
- *Race and ethnicity* - White people experienced the most firearm deaths at 73%, while black people experienced 25% of the deaths.

Healthcare affordability

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Total personal healthcare expenditures (in billions)[1]	$ 2,716	$ 2,560	$ 2,196	$ 1,696	6%	24%	60%
Personal healthcare expenditures per capita	*$ 8,459*	*$ 8,035*	*$ 7,113*	*$ 5,738*	*5%*	*19%*	*47%*
Personal healthcare expenditures adjusted for inflation (medical inflation, 2015 base) (in billions)	*$ 2,716*	*$ 2,626*	*$ 2,528*	*$ 2,352*	*3%*	*7%*	*15%*
Out-of-pocket healthcare expenditures (in billions)[2]	$ 339	$ 330	$ 300	$ 264	3%	13%	28%
Percentage of personal healthcare expenditures paid out-of-pocket	*13%*	*13%*	*14%*	*16%*	*—ppt*	*(1)ppt*	*(3)ppt*
Percentage of disposable income spent on healthcare [3]	22%	21%	21%	19%	1ppt	1ppt	3ppt

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1 Personal healthcare consumption expenditures include hospital, physician and clinical, prescription drug, dental services, and other professional and durable products expenditures, as aggregated by the Centers for Medicare and Medicaid Services, Office of the Actuary, and National Health Statistics Group.

2 Out-of-pocket expenses are costs for medical care that aren't reimbursed by insurance, including deductibles, coinsurance, and copayments for covered services plus all costs for services that aren't covered.

3 See the definition of disposable income at the Wealth creation table below.

Total personal healthcare expenditures rose 60% over the last decade, or 47% per capita. These expenditures increased across all categories, with the largest dollar increases in hospital ($425 billion or 70% increase), physician and clinical ($218 billion or 53%), and prescription drug ($119 billion or 58%) expenditures.

Private health insurance, Medicare, Medicaid, and individual "out-of-pocket" expenditures (excluding insurance premiums) made up 36%, 22%, 18%, and 11%, of the total personal healthcare expenditures payment sources in 2015. Personal healthcare expenditures paid "out-of-pocket" grew at the lowest rate (28%), with payments from every other source (e.g. private health insurance funded through individual- and corporate-paid premiums, Medicare, Medicaid) growing at higher rates ranging from 52% to 117%, over the past decade. The largest dollar increases by payment source were for private health insurance followed by Medicare and then Medicaid. As a percentage of personal healthcare expenditures, out-of-pocket payments decreased over the past decade.

In 2015, 22% of disposable income was spent on healthcare. Over the past decade, as a percentage of disposable income, spending in nearly every healthcare category increased, with the largest increases in expenditures for hospitals, at a 1.2 percentage point increase, and for pharmaceutical products, at a 0.9 percentage point increase.

Blessings of Liberty (BL)

This segment works to secure the blessings of liberty to the US population and its posterity. Its reporting units are education, wealth and savings, sustainability and self-sufficiency, and the American Dream.

Overall, during the periods presented, we:

- ***made meaningful progress*** on: net asset accumulation, including total and average household financial assets, the number of participants and total pension assets, and a reduction of average mortgage debt; total giving (though not on pace with income or inflation); the number of associate's degrees granted; reductions in hate crime incidents and health discrimination investigations; and environmental sustainability and self-sufficiency, including reduced emissions and net energy consumption, increased energy consumption from renewable sources and nuclear, and reduced air and water violations (for most water sources);
- ***saw no meaningful movement*** in the percentage of families that are homeowners and pre-kindergarten to 12th grade enrollment and achievement; and
- ***regressed notably*** in the cost of higher education, the value of real estate assets (though this has reversed lately), rates of return on pension assets, the rate of total government debt as a percent of GDP and per capita, equal employment charges, housing discrimination complaints, and the rate of voting.

Education

The education reporting unit seeks to increase educational attainment in the US.

Pre-kindergarten to grade 12

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Head Start[1] funded enrollment (in thousands)	945	927	904	907	2%	5%	4%
Head Start[1] funded enrollment per 10,000 children age birth-5	*474*	*466*	*447*	*455*	*2%*	*6%*	*4%*
Percentage of 3-5 year-olds enrolled in educational programs:							
Full day	41%	40%	37%	37%	1ppt	4ppt	4ppt
Half day	23%	25%	27%	27%	(2)ppt	(4)ppt	(4)ppt
Percentage of 5- to 17-year-olds enrolled in public elementary and secondary school	na	93%	92%	92%	na	na	na
Rate of high school graduates as percentage of freshman cohort	na	na	78%	75%	na	na	na
Percentage of population 25 years and over with a high school diploma or GED (no more or less education)	29%	30%	31%	32%	(1)ppt	(2)ppt	(3)ppt
% students at or above proficient NAEP[2] reading level							
4th grade	36%	na	na	31%	na	na	5ppt
8th grade	34%	na	na	31%	na	na	3ppt
% students at or above proficient NAEP[2] math level							
4th grade	40%	na	na	36%	na	na	4ppt
8th grade	33%	na	na	30%	na	na	3ppt

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

1 Head Start provides programs that promote school readiness of children ages birth to five from low-income families by supporting their development in a comprehensive way. The programs offer a variety of service models, depending on the needs of the local community, including programs based in schools, child care centers, and family child care homes. Some programs offer home-based services that assigned dedicated staff who conduct weekly visits to children in their own home and work with the parent as the child's primary teacher.

2 National Assessment of Educational Progress, the largest nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since NAEP assessments are administered uniformly using the same sets of test booklets across the nation, NAEP results serve as a common metric for all states and selected urban districts. The assessment stays essentially the same from year to year, with only carefully documented changes. This permits NAEP to provide a clear picture of student academic progress over time.

Enrollment and graduation

Head Start funded enrollment increased 4% over the past decade. The percentage of children ages three to five that are enrolled in education programs has remained 64% over the past decade, though those enrolled in full day programs have increased while those enrolled in half day programs have decreased.

As a percentage of the applicable population, enrollment in public elementary and secondary schools was generally consistent over the past decade, though the data is not available for 2015.

The rate of high school graduates as a percentage of those that began high school increased over the decade, though 2014 and 2015 data are not available. The percentage of the population age 25 years and older whose highest schooling is a high school diploma or GED (no more or less education) has decreased over the past decade. In 2015, demographically:

- *Sex* – the rates for males and females were similar at 30% and 29% of each population, respectively;
- *Age* – the rates increased with age, with 25- to 34-year-olds at 25%, 35- to 54-year-olds at 28%, and 55-year-olds and older at 33%; and
- *Race and ethnicity* – Asian people have the lowest rate at 19%, followed by people who are white, non-Hispanic white, and Hispanic of any race each at 30%, and then black people at 34%.

Educational proficiency

The NAEP scores are provided every two years. Between 2005 and 2015, the reading and math proficiency rates increased for both 4th and 8th graders. There are notable demographic variances, in 2015:

- *Race and ethnicity* – Asian children are the most proficient in both reading (57% are proficient at grade 4, 54% at grade 8) and math (65% at grade 4, 61% at grade 8), followed by white children in reading (46% at grade 4, 44% at grade 8) and math (51% at grade 4, 43% at grade 8). Hispanic and black children perform at the lowest end of the range, with black children the least proficient at reading (18% at grade 4, 16% at grade 8) and math (19% at grade 4, 13% at grade 8) and Hispanic children not faring much better at reading (21% at both grades) and math (26% at grade 4, 19% at grade 8).

- *Sex* – boys are more proficient in math, while girls are more proficient in reading. However, by grade 8 girls are nearly as proficient in math as boys. For math, boys were 42% proficient at grade 4 and 34% proficient at grade 8, while girls were 38% proficient and 33% proficient, respectively. For reading, girls were 39% proficient at both grades, while boys were 33% proficient at grade 4 and 29% proficient at grade 8.
- *Residential area* – For both reading and math, students are more proficient when they live in suburbs, followed by rural areas, then cities, then towns.

Higher education

(in thousands, except percentages)	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Average annual cost of undergraduate education, adjusted for inflation [1]	22,278	21,682	19,761	17,460	3%	13%	28%
Rate of college enrollment as percentage of recent high school graduates	69%	68%	68%	69%	1ppt	1ppt	—ppt
Rate of graduation from four-year institutions within six years of start	59%	60%	58%	na	(1)ppt	1ppt	na
Rate of graduation from two-year institutions within three years of start	29%	28%	30%	29%	1ppt	(1)ppt	—ppt
Number of associate's degrees conferred by postsecondary institutions	1,014	1,005	849	697	1%	19%	45%
Percentage of population 25 years and over with a bachelor's degree or higher	33%	32%	30%	28%	1ppt	3ppt	5ppt

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

1 *Cost is the average undergraduate tuition, fees, room, and board rates charged for full-time students in degree-granting postsecondary institutions, both 2-year and 4-year institutions. Adjusted for inflation at the source.*

Average annual cost

The average annual cost of undergraduate education, adjusted for inflation, has increased 28% over the past decade. The cost for 4-year institutions increased more than that for 2-year institutions, at 25% and 16% growth, respectively. Among the components of the cost of education, tuition and fees increased the most, at 31% growth, followed closely by dormitory room costs, which grew 30%.

Enrollment

The rate of college enrollment by recent high school graduates has remained relatively constant over the past decade. From 2005 to 2015, the rate of enrollment in 2-year institutions rose 1.2 percentage points, while enrollment in 4-year institutions dropped 0.6 percentage points. The rate of male enrollment declined 0.7 percentage points, with enrollment in 2-year institutions declining 0.4 percentage points and enrollment in 4-year institutions declining 0.3 percentage points. The rate of female enrollment rose 2.1 percentage points, with enrollment in 2-year institutions increasing 2.8 percentage points and enrollment in 4-year institutions dropping 0.6 percentage points. The rate of college enrollment by students coming from low-, middle-, and high-income families increased by 15.7, decreased by 2.9, and increased by 2.1 percentage points, respectively.

Graduation

The rates of graduation from both 2-year and 4-year institutions have remained relatively constant over the past decade. However, the rates vary by type of institution and the sex and race of the student.

4-year institutions

For 4-year institutions, in most years, the rates of graduation from for-profit institutions are less than half of the rates from each public and nonprofit institutions. In 2015, these rates were 23%, 59%, and 66%, respectively. Males and females both graduated at the highest rates from nonprofit 4-year institutions. By race and ethnicity, Asian people enjoyed the highest rate of graduation, at 73% in 2015, while black people had the lowest rate at 40%.

We do not have data for 4-year institutions in 2005, but we have data for 2006. Over the past nine years, graduation rates from 4-year institutions increased overall and for all types of institutions except for-profit institutions, where graduation rates decreased 9.9 percentage points. By sex, graduation rates from 4-year institutions increased 1.9 percentage points among both males and females over the past nine years.

2-year institutions

For 2-year institutions, in most years, the rates of graduation for both males and females from public institutions are less than half of the rates from each for-profit and nonprofit institutions. In 2015, these rates were 22%, 60%, and 56%, respectively. By race and ethnicity, Asian people enjoyed the highest rate of graduation, at 36% in 2015, while black people had the lowest rate, at 22%.

Over the past decade, graduation rates from 2-year institutions were relatively flat overall and for public institutions. However, the rates increased in nonprofit and for-profit institutions, by 6.6 and 2.6 percentage points, respectively. By sex, graduation rates decreased 0.6 percentage points among males and increased 0.4 percentage points among females.

Degrees

Associate's degree

The number of associate's degrees conferred by postsecondary institutions increased 45% over the last decade. In 2015, demographically:

- *Sex* – 39% of the degrees were conferred to males, while 61% were conferred to females; and
- *Race and ethnicity* – a majority (58%) of the degrees were earned by white non-Hispanic students, with the second and third largest populations, Hispanics and black non-Hispanic students, earning 18% and 14% of the degrees, respectively.

Bachelor's or higher degree

The percentage of the population 25 years and older with a bachelor's degree or higher increased 5 percentage points over the last decade.

In 2015, demographically:

- *Sex* – males and females have similar rates of obtaining bachelor's degrees, 20% and 21%, respectively, while females have higher rates than males of obtaining master's degrees, at 9% and 8%, respectively, and males have a less than one percentage point higher rate of obtaining professional and doctorate degrees (2%) than women (1%);
- *Age* – the rates of bachelor's degrees decreased with age, with 25- to 34-year-olds at 25%, 35- to 54-year-olds at 22%, and 55-year-olds and older at 17%, while rates of master's degrees don't have the same pattern, with the rates at 8% for the lowest and highest age groups and 9% for the middle age group; and
- *Race and ethnicity* – Asian people have the highest rate of both bachelor's and master's degrees at 33% and 14%, respectively, while Hispanic people of any race have the lowest rates at 11% and 4%, respectively.

Education profile (2015)

One way to analyze education outcomes is by family and individual units (FIUs) and income cohorts. As discussed under *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* of this report, although we categorize the families based on presence of children under 18, if a person is aged 18 or older and still living in the family with relatives, she would not be her own economic unit unless she had her own subfamily. Therefore, in the table below, households that are "no kids" may have students currently living in the home, either young adult students still living at home or adults who have gone back to school.

Family and Individual Unit Sub Group / Income %	Educational Attainment of Unit Head: % Some H.S.	% H.S. Diploma	% Some College	% College Graduate	# of Students (in 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%**	**4,920**	**48,759**	**5,629**	**13,971**	**4,829**
Bottom 20% ($0-$9k)	24%	33%	28%	15%	541	5,815	447	3,123	499
Second 20% ($9k-$32k)	14%	35%	31%	19%	704	7,446	571	2,150	788
Middle 20% ($32k-$62k)	10%	30%	31%	29%	941	9,892382	873	2,079	960
Fourth 20% ($62k-$114k)	6%	25%	30%	39%	1,152	12,075	1,356	2,776	1,244
Top 20% ($114k+)	3%	16%	23%	59%	1,545	13,001	2,337	3,690	1,301
Single No Kids	**9%**	**27%**	**31%**	**32%**	**—**	**727**	**71**	**5,509**	**1,488**
Bottom 20%	17%	31%	34%	18%	—	263	28	2,515	242
Second 20%	12%	34%	34%	20%	—	136	22	1,337	371
Middle 20%	6%	27%	32%	35%	—	172	15	754	424
Fourth 20%	3%	19%	28%	50%	—	115	5	521	305
Top 20%	2%	12%	20%	66%	—	38	1	282	132
Single Parents	**19%**	**31%**	**33%**	**17%**	**1,450**	**16,482**	**1,057**	**1,253**	**557**
Bottom 20%	38%	32%	24%	7%	439	4,273	293	345	121
Second 20%	17%	36%	37%	10%	468	4,786	272	333	188
Middle 20%	11%	30%	37%	22%	374	4,341	277	299	138
Fourth 20%	6%	22%	34%	37%	120	2,158	133	186	99
Top 20%	5%	16%	28%	52%	39	624	56	77	24
Married No Kids	**8%**	**28%**	**28%**	**36%**	**—**	**727**	**96**	**3,527**	**1,203**
Bottom 20%	22%	37%	25%	17%	—	18	4	106	41
Second 20%	17%	36%	27%	21%	—	34	5	165	66
Middle 20%	14%	36%	29%	21%	—	98	18	418	119
Fourth 20%	7%	33%	32%	28%	—	211	28	991	349
Top 20%	3%	20%	26%	52%	—	359	42	1,827	619
Married Parents	**9%**	**21%**	**26%**	**43%**	**3,413**	**29,908**	**4,314**	**3,165**	**1,161**
Bottom 20%	27%	31%	24%	18%	100	1,045	99	91	23
Second 20%	25%	32%	26%	17%	223	2,307	256	195	74
Middle 20%	20%	30%	30%	19%	555	5,142	555	505	189
Fourth 20%	8%	25%	32%	35%	1,024	9,470	1,174	983	405
Top 20%	2%	13%	21%	64%	1,489	11,772	2,213	1,374	467
Elderly (age 65+)	**14%**	**32%**	**25%**	**29%**	**56**	**914**	**91**	**517**	**399**
Bottom 20%	28%	36%	22%	14%	3	216	24	66	72
Second 20%	13%	38%	27%	22%	13	183	16	120	89
Middle 20%	8%	33%	28%	31%	12	170	7	103	89
Fourth 20%	7%	25%	28%	40%	9	122	15	96	86
Top 20%	4%	17%	23%	57%	16	208	26	129	59

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In 2015, 32% of all heads-of-households had a college degree, with the percentage climbing with each income cohort, from 15% at the lowest income cohort to 59% at the highest. Another 29% had some college education, and 28% had only a high school diploma. Eleven percent of all heads-of-households had no college degree or high school diploma.

By family type, married parents are most likely to be among the college-educated, at 43% having graduated college. The least likely are single parents, at 17% having graduated college. The highest-educated group are single people without kids in the top 20% by income, with 66% holding college degrees. Those with the least education are single parents in the bottom 20% by income, of whom just 7% are college graduates and 38% have only some high school education.

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, while seeking to maintain a manageable balance between current expenditures and future debt.

Wealth creation

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Rate of savings as a percentage of disposable income[1]	12%	12%	11%	8%	—ppt	1ppt	4ppt
Total household financial assets (primarily at market value) (in billions)	$ 70,574	$ 69,044	$ 52,758	$ 45,439	2%	34%	55%
Average financial assets (per household)	*$ 566,461*	*$ 560,290*	*$ 448,862*	*$ 400,895*	*1%*	*26%*	*41%*
Average financial assets adjusted for inflation (2015 base)	*$ 566,461*	*$ 563,049*	*$ 493,816*	*$ 516,129*	*1%*	*15%*	*10%*
Homeownership rate (as a percentage of households)	64%	65%	67%	69%	(1)ppt	(3)ppt	(5)ppt
Average real estate assets (per household)	$ 197,335	$ 186,951	$ 153,880	$ 214,448	6%	28%	(8)%
Average real estate assets adjusted for inflation (2015 base)	*$ 197,335*	*$ 187,872*	*$ 169,291*	*$ 276,090*	*5%*	*17%*	*(29)%*
Average home mortgage debt (per household)	$ 76,942	$ 76,734	$ 84,954	$ 78,846	—%	(9)%	(2)%
Average home mortgage debt adjusted for inflation (2015 base)	*$ 76,942*	*$ 77,112*	*$ 93,462*	*$ 101,510*	*—%*	*(18)%*	*(24)%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website.*

1 *Disposable income is a USAFacts defined value equal to market income plus government transfers to households (includes Social Security, Medicare, Medicaid, Supplemental Security Income, SNAP, EITC, etc), minus direct taxes (including payroll taxes, personal income taxes, taxes on owner-occupied housing, etc).*

The rate of savings as a percentage of disposable income increased 4 percentage points over the past decade, due to increases in income that outpaced increases in expenditures. Disposable income increased primarily due to increased wages and salaries, as well as government benefits, retirement benefit distributions, sole proprietor/partnership income, and capital gains. See analysis of the taxable components of income in *Revenues*, *Federal individual income tax revenue* above. Expenditures increased primarily in the categories of health (59% increase), food (39% increase), and recreation (34% increase).

Total and average (per household) financial assets (excluding real estate) increased over the past decade, 55% and 41%, respectively. Total household financial assets increased $25.1 trillion, primarily reflecting increases in corporate and non-corporate equities ($7.7 trillion), pension entitlements ($7.6 trillion), mutual fund shares ($3.5 trillion), and time and savings deposits ($3.4 trillion). Average household financial assets increased at a lower rate than total household assets due to a 10% increase in the number of households.

In 2015, 64% of households owned their home. The percentage of families that are homeowners fell 5 percentage points over the last decade, including:

- *By geography*, the largest decrease was at 6.4 percentage points in the West, and the lowest decrease was at 4.3 percentage points in the Northeast;
- *By race and ethnicity*, the largest decrease was among black people at 6.9 percentage points, and the lowest decrease was among non-Hispanic white people at 4.0 percentage points; and
- *By income group*, the rate of decrease was 6.1 percentage points among households with family income greater than or equal to the median family income and 4.1 percentage points among households with family income less than the median.

Average real estate assets (not included in financial assets) per household decreased 8% over the past decade, while average mortgage debt decreased 2%. However, since 2012, real estate asset values have been climbing and mortgage debt has been falling. In 2015, average real estate assets less average mortgage debt per household was $120,393.

Wealth profile (2016, only produced every three years)

	Average Assets (thousands)	Average Debt (thousands)	Average Net Worth (thousands)	Ratio of Debt Payments to Income (Avg.)	% Families Past Due on Debt (60 Days)	% Families that Saved
All families	$ 787	$ 95	$ 692	10.8%	5.8%	55.4%
Bottom 20%	109	20	90	16.2%	8.0%	32.1%
Second 20%	163	34	129	14.6%	7.8%	45.2%
Middle 20%	269	62	207	15.3%	7.7%	57.2%
Fourth 20%	441	110	374	15.7%	3.9%	64.8%
Top 20%	2,912	251	2,661	8.2%	1.6%	77.6%
Under 35	144	68	76	14.1%	8.6%	56.7%
Age 35-44	422	133	289	15.2%	9.1%	56.7%
Age 45-54	862	135	728	11.7%	6.0%	55.1%
Age 55-64	1,276	108	1,168	9.1%	4.4%	55.0%
Age 65-74	1,133	66	1,067	7.9%	3.2%	54.3%
Age 75+	1,104	37	1,067	6.0%	1.4%	53.5%

† *Data from the Survey of Consumer Finances, The Federal Reserve Board. The income classifier used is "usual" income, designed to capture a version of household income with transitory fluctuations smoothed away in order to approximate the economic concept of "permanent" income. Usual income differs from actual income when the respondent reports that the family experienced a negative or positive income "shock" that is unlikely to persist, say from a temporary unemployment spell or an unexpected salary bonus; respondents are given the option to report their usual income if they believe they experienced a temporary deviation. The definition of "family" is a primary economic unit (PEU), distinct from everyone else in the household. The PEU is intended to be the economically dominant single person or couple (whether married or living together as partners) and all other persons in the household who are financially interdependent with that economically dominant person or couple.*

By income cohort, in 2016, families in the top 20% of income had higher average net worth than all other income cohorts, including 611% higher net worth than the next highest income cohort, and 2,857% higher net worth than the lowest income cohort.

Families in all income cohorts held a plurality (24% overall) of their assets in primary residences. By age, average assets in 2016 grew as we moved up each age cohort, peaked at ages 55 to 64 years old, and then decreased again for those age 65 and older. Except for those age 55 to 64, families held the largest portion of their assets in primary residences, followed by other non-financial assets (except for those under age 35, where other financial assets was the second highest category). Those age 55 to 64 held a plurality of their assets, 24%, in other nonfinancial assets.

Families in all income and age cohorts held a majority (67% overall) of their debt in primary residence mortgages. The second highest debt category for all income and age cohorts was education loans, except for the top 20% income cohort and cohorts age 45 and older, where other residential debt was the second highest category. By age, average debt in 2016 grew as we moved up each age cohort, peaked at ages 45 to 54 years old, and then decreased again for those age 55 and older.

The ratio of debt payments to income did not follow a discernable pattern as we moved between income cohorts, with the highest ratio in the fourth income quintile from the bottom and the lowest ratio in the top income quintile. The ratio of debt payments to income, however, peaked at age 35 to 44 and then decreased as we moved up the age cohorts.

The percentage of families that were past due on debt by 60 days or more decreased as we moved up the income cohorts. By age, the rates peaked at age 35 to 44, then decreased as we moved up the age cohorts.

The percentage of families that saved increased as we moved up the income cohorts. By age, the rates of those who saved did not vary greatly, clustering around 50%-55%, with the maximum variance in savings rates between age cohorts at 4.2 percentage points.

Retirement

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Elderly (65+) poverty rate	9%	10%	9%	10%	(1)ppt	—ppt	(1)ppt
Number of active participants in private pension plans (in thousands)[1]	92,535	89,872	90,601	82,665	3%	2%	12%
Active participants in private pension plans as a percentage of the working age population	*45%*	*43%*	*45%*	*43%*	*2ppt*	*—ppt*	*2ppt*
Private retirement plan assets per active participant[1]	$ 88,123	$ 92,436	$ 69,334	$ 61,231	(5)%	27%	44%
Private retirement plan assets per active participant adjusted for inflation (2015 base)	*$ 88,123*	*$ 92,891*	*$ 76,278*	*$ 78,831*	*(5)%*	*16%*	*12%*
Rate of return earned by pension plans with 100 or more participants	0.3%	7.8%	12.4%	7.5%	(7.5)ppt	(12.1)ppt	(7.2)ppt
Number of active participants in 401(k) type private pension plans (in thousands)[1]	65,307	62,651	60,510	54,623	4%	8%	20%
Active participants in 401(k) type private pension plans as a percentage of the working age population	*31%*	*30%*	*30%*	*28%*	*1ppt*	*1ppt*	*3ppt*
401(k) type private retirement plan assets per active participant[1]	$ 67,099	$ 70,229	$ 51,928	$ 43,860	(4)%	29%	53%
401(k) type private retirement plan assets per active participant adjusted for inflation (2015 base)	*$ 67,099*	*$ 70,575*	*$ 57,129*	*$ 56,467*	*(5)%*	*17%*	*19%*
Rate of return earned by 401(k) type plans with 100 or more participants	0.1%	6.7%	12.0%	6.3%	(6.6)ppt	(11.9)ppt	(6.2)ppt

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1 *Since 2005, active participants include any workers currently in employment covered by a plan and who are earning or retaining credited service under a plan. This category includes any nonvested former employees who have not yet incurred a break in service. Active participants also include individuals who are eligible to elect to have the employer make payments to a Code section 401(k) plan. For 2004 and earlier, active participants were adjusted to exclude individuals who were not contributing to the retirement plan and not entitled to receive benefits.*

The rate of the elderly in poverty, 9%, is down slightly from the rate a decade ago. In 2015, by sex, the rate of poverty was higher among female elderly, at 10% of the respective population, than among male elderly, at 7% of the respective population.

The poverty rates of elderly black and Hispanic people are both 18% in 2015, while the poverty rate for elderly non-Hispanic white people is 8%, a decrease of 5, 2, and 1 percentage points, respectively, since 2005.

Private pension plan participation

The number of active participants in private pension plans, including 401(k) type plans, has increased over the past decade, outpacing the increase in the working age population. Underlying the overall increase is a 25% increase in active participation in defined contribution plans, offset in part by a 29% decrease in active participation in defined benefit plans. Defined contribution plans are pension plans where the periodic contribution by the sponsor is known but the ultimate benefit to be provided is unknown. Defined benefit plans are pension plans where the ultimate benefit to be provided by the sponsor is known and the contribution amount may vary to reach that goal.

Private pension plan assets per active participant increased over the past decade, outpacing inflation. However, they decreased when comparing 2015 to 2014. In 2015, average pension plan assets per active participant amounted to $88,123 per active participant in all private pension plans and $67,099 per active participant in 401(k) type plans. Annual rates of return on private pension plan assets were lower in 2015 than a decade ago, at 0.3% for all private pension plans and 0.1% for 401(k) type plans in 2015, compared to 7.5% for all private pension plans and 6.3% for 401(k) type plans in 2005. For comparative purposes, using beginning and ending closing prices, the S&P 500 produced a negative 0.7% return in calendar year 2015 and a 3.0% return in calendar year 2005.

Government obligations

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Total Government debt held by the public as % of GDP	87%	86%	77%	50%	1ppt	10ppt	37ppt
Total Government debt held by the public per person	$ 47,954	$ 47,266	$ 36,992	$ 22,181	1%	30%	116%

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Total Government debt held by the public as a percentage of GDP increased 37 percentage points over the last decade, with Government debt held by the public increasing 137%, while GDP increased 36%. Per person in the US, total Government debt held by the public increased 116%. See additional discussion of our Government's debt at *Financial Condition, Debt* below.

Sustainability and self-sufficiency

The sustainability and self-sufficiency reporting unit works to protect our environment, manage our natural resources responsibly, and increase our self-sufficiency.

Energy and water

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Energy							
Primary energy consumption (quadrillion Btu) [1]	98	98	98	100	—%	—%	(2)%
Energy consumption from renewable sources and nuclear (quadrillion Btu)	18	18	17	14	—%	6%	29%
Net consumption of energy (quadrillion Btu)	9	11	23	31	(18)%	(61)%	(71)%
Spot price of West Texas Intermediate (WTI) crude oil per barrel	$ 48.66	$ 93.17	$ 79.48	$ 56.64	(48)%	(39)%	(14)%
Spot price of Henry Hub natural gas per million Btu	$ 2.63	$ 4.39	$ 4.39	$ 8.81	(40)%	(40)%	(70)%
Coal prices per short ton	na	na	$ 35.61	$ 23.59	na	na	na
Water							
Water use per day (billions of gallons)	355	na	409	na	na	(13)%	na

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

1 *Primary energy is energy in the form found at its original source, which has not been converted or transformed.*

Energy

Primary energy consumption decreased over the past decade, while the portion of our energy consumption that is fueled by renewable sources and nuclear grew. Over the past decade, consumption of fossil fuels decreased 6 quadrillion Btu or 7%, while consumption of nuclear electric power increased 18 trillion Btu or 2% and renewable energy consumption increased 3.4 quadrillion Btu or 55%. By source, over the past decade:

- *Fossil fuels* - Consumption of coal and petroleum decreased (7.2 quadrillion Btu or 32% and 4.7 quadrillion Btu or 12%, respectively) while consumption of natural gas increased (5.6 quadrillion Btu or 25%). The price of a barrel of crude oil dropped 14% in the past decade, while the price of natural gas dropped 70%. Coal prices were not reported for 2015, but they increased 51% between 2005 and 2010 (the earliest and latest reported dates for which we have data).
- *Renewable sources* - Consumption of energy from all renewable energy sources increased except hydroelectric (a decrease of 382 trillion Btu or 14%), with wind increasing the most (1.6 quadrillion Btu or 898%) followed by biofuels (1.6 quadrillion Btu or 274%). Biofuel is biomass converted directly into liquid fuels, of which the two most common types in use today are ethanol and biodiesel.

By sector, primary energy consumption decreased over the past decade across the electric power, transportation, and residential sectors, led by a 1.7 quadrillion Btu or 4% decrease in the electric power sector. On the contrary, primary energy consumption increased in the commercial and industrial sectors, led by growth in the commercial sector of 383 trillion Btu or 9%.

Over the past decade, we have increased our energy self-sufficiency, decreasing our net consumption of energy from 31 quadrillion Btus in 2005 to 9 quadrillion Btus in 2015. Our production of all sources of energy increased and our consumption decreased. In 2015 as compared to 2005, we imported 27% fewer barrels of crude oil.

Water use

Water use data is not available for recent years. However, between 2005 and 2010, water use declined. All major use categories saw declines over this five-year period, except mining and aquaculture, which increased their water use by 39% and 7%, respectively. The largest gallon and percentage decrease was for thermoelectric power, for which water use decreased 40 billion gallons per day or 20% over five years.

Environment quality and violations

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Air							
Emissions (million metric tons of CO2 equivalents)	6,587	6,740	6,925	7,313	(2)%	(5)%	(10)%
Number of days reaching "unhealthy for sensitive groups" level or worse air quality [1]	706	599	1,112	1,990	18%	(37)%	(65)%
Air violations (facilities)	1,280	5,631	6,200	na	(77)%	(79)%	na
Water							
Percentage of assessed waters threatened or impaired [2]:							
Bays and estuaries	82%[3]	48%	64%	na	34ppt[3]	18ppt[3]	na
Wetlands	46%	48%	86%	na	(2)ppt	(40)ppt	na
Lakes, reservoirs, and ponds	71%[3]	59%	69%	na	12ppt[3]	2ppt[3]	na
Rivers and streams	42%[3]	52%	55%	na	(10)ppt[3]	(13)ppt[3]	na
Drinking water violations (facilities)	50,490	54,506	na	na	(7)%	na	na
Other							
Hazardous waste violations (facilities)	10,615	11,714	na	na	(9)%	na	na
Pesticide violations (number of federal violations)	1,199	1,044	1,698	na	15%	(29)%	na

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

1 *Shown are the number of days among 35 major US cities combined in which the Air Quality Index (AQI) for ozone and fine particulate pollution ($PM_{2.5}$) combined was unhealthy for sensitive groups or above. A number of factors influence ozone formation, including emissions from cars, trucks, buses, power plants, and industries, along with weather conditions. Weather is especially favorable for ozone formation when it's hot, dry and sunny, and winds are calm and light. Fine particle pollution can be emitted directly from cars, trucks, buses, power plants and industries, along with wildfires and woodstoves. But it also forms from chemical reactions of other pollutants in the air.*

2 *The Clean Water Act requires states, territories and authorized tribes (States for brevity) to monitor water pollution and report to EPA every two years on the waters they have evaluated. This process is called assessment. Part of this process is deciding which waters do not meet water quality standards because they are too polluted. These degraded waters are called impaired (polluted enough to require action) and are placed on a State list for future actions to reduce pollution. The EPA warns - because of differences in state assessment methods, this information should not be used to determine water quality trends.*

3 *These figures are shown for 2016, as 2015 data is not available due to biennial reporting.*

Air

Emissions (CO2 equivalents) decreased over the past decade. By emission type, carbon dioxide, methane, and nitrous oxide emissions all decreased, by 12%, 4%, and 7%, respectively, while fluorinated gas emissions increased 33%. Overall emissions decreased in every sector (including electricity generation, transportation, industrial, and agricultural) over the last decade except commercial (9% increase) and residential (1% increase).

Below is a brief summary of the various emission types:

- *Carbon dioxide* - enters the atmosphere through burning fossil fuels (coal, natural gas, and oil), solid waste, trees and wood products, and also as a result of certain chemical reactions. Carbon dioxide is removed from the atmosphere (or "sequestered") when it is absorbed by plants as part of the biological carbon cycle.
- *Methane* – emitted during the production and transport of coal, natural gas, and oil. Methane emissions also result from livestock and other agricultural practices and by the decay of organic waste in municipal solid waste landfills.
- *Nitrous oxide* – emitted during agricultural and industrial activities, as well as during combustion of fossil fuels and solid waste.
- *Fluorinated gases* - synthetic gases that are emitted from a variety of industrial processes. Fluorinated gases are sometimes used as substitutes for stratospheric ozone-depleting substances (e.g., chlorofluorocarbons, hydrochlorofluorocarbons, and halons). These gases are typically emitted in smaller quantities, but they are potent.

Within this reporting period, we have limited data on air violations. However, both the number of facilities inspected and the number of violations appear to be decreasing.

The number of unhealthy air days decreased over the past decade but increased in the last year. In 2015, the city with the highest number of unhealthy air days was Los Angeles (134 days, as compared to 135 days in 2005). Four cities had only one unhealthy air day in 2015, three of them in Florida (Miami, Orlando, Tampa) as well as Nashville. Miami had nine unhealthy air days in 2005, Orlando had 21, Tampa had 40, and Nashville had 55.

Water

The percentage of assessed waters found to be threatened or impaired is reported every two years. Comparing 2016 to 2010 (the latest and earliest periods discussed here for which data is available), the percentage of threatened or impaired waters decreased for bays and estuaries but increased for lakes, reservoirs, and ponds and lakes and streams. The most common cause of impairment in 2016 was:

- *bays and estuaries* - Polychlorinated Biphenyls (PCBs) followed by nutrients, turbidity, mercury, metals other than mercury, toxic organics, dioxins, and pesticides (each the cause of more than 5,000 square miles of threat or impairment);
- *wetlands* – organic enrichment/oxygen depletion, mercury, metals other than mercury, salinity/total dissolved solids/chlorides/sulfates, pathogens, and nutrients (each the cause of more than 50,000 acres of threat or impairment);
- *lakes, reservoirs, and ponds* – mercury followed by nutrients, PCBs, turbidity, metals other than mercury, algal growth, organic enrichment/oxygen depletion, and nuisance exotic species (each the cause of more than 300,000 acres of threat or impairment); and
- *rivers and streams* - pathogens followed by metals other than mercury, nutrients, organic enrichment/oxygen depletion, sediment, and habitat alterations (each the cause of more than 20,000 miles of threat or impairment).

Within this reporting period, we have limited data on drinking water violations, which does not provide enough information to identify trends. However, both the number of facilities inspected and the number of violations appear to be decreasing.

Agriculture

(in millions of metric tons, unless otherwise noted)	**2015**	**2014**	**2010**	**2005**	**Change 2015 vs. 2014**	**Change 2015 vs. 2010**	**Change 2015 vs. 2005**
Crops harvested (in millions of acres)	323	325	322	321	(1)%	—%	*1%*
Crops harvested per 1,000 acres of cropland	*958*	*953*	*961*	*955*	*1%*	*—%*	*—%*
Crop failures (in millions of acres)	7	10	5	7	(30)%	40%	—%
Domestic production of grains and soy	470	480	432	400	(2)%	9%	18%
Domestic consumption of grains and soy	378	376	359	310	1%	5%	22%
Excess of grains and soy production over consumption	92	104	73	90	(12)%	26%	2%
Domestic production of meat and poultry	40	41	41	39	(2)%	(2)%	3%
Domestic consumption of meat and poultry	36	36	36	37	—%	—%	(3)%
Excess of meat and poultry production over consumption	4	5	5	2	(20)%	(20)%	100%

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Over the past decade, crops harvested remained relatively flat, consistent with the amount of cropland used for crops, while crop failures fluctuated at a greater rate.

Over the past decade, the US has remained self-sufficient for its major food sources of grains, soy, meat, and poultry by producing more than it consumes.

American Dream

The American Dream reporting unit works to equalize economic mobility opportunity, civil rights, and democratic and community participation in the US.

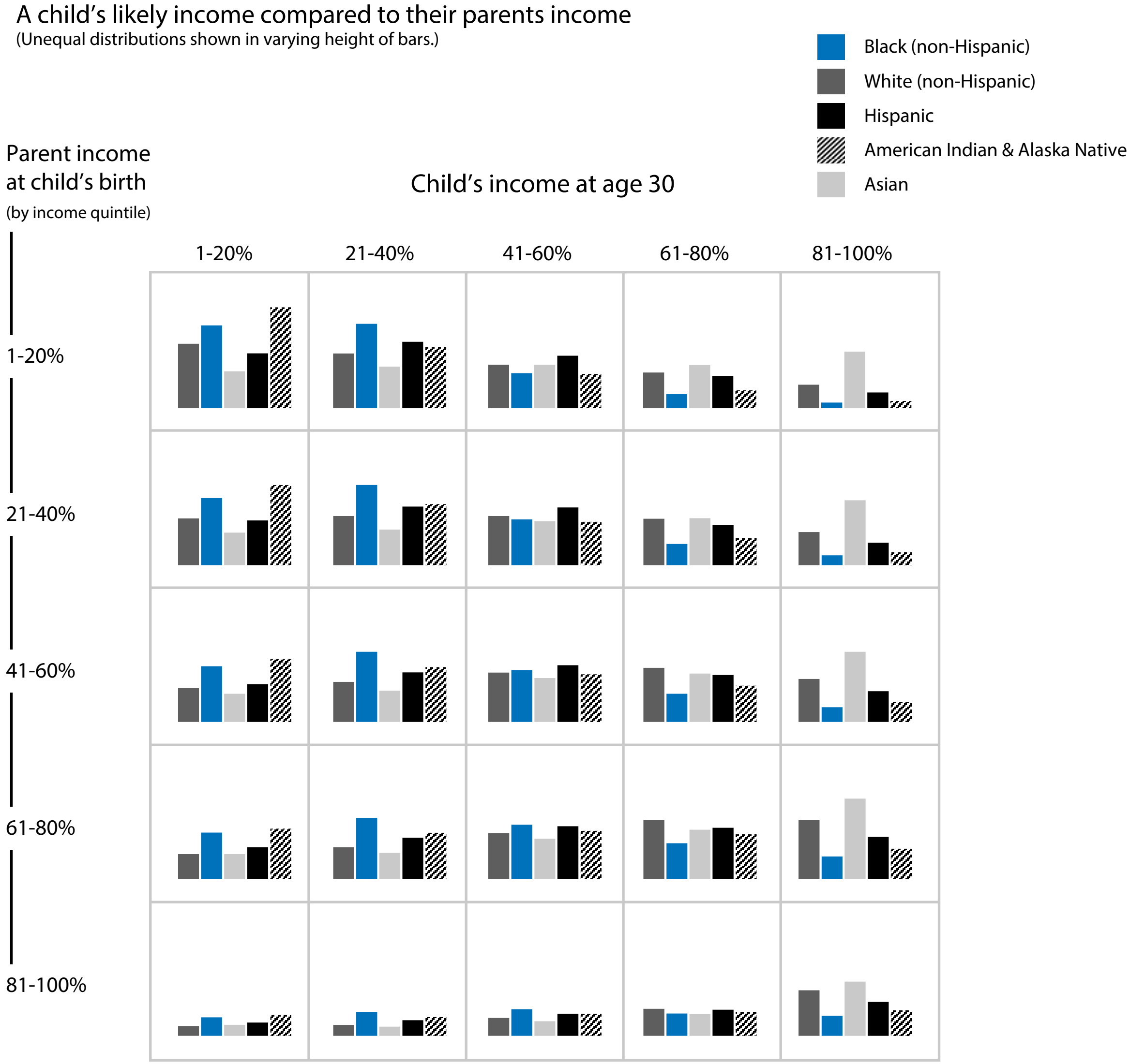
Economic mobility

Our Government seeks to equalize economic mobility opportunity in the US, where each kid has an equal opportunity to move to a higher income group than the one into which he or she is born. By income quintile (shown below), this would mean that every child would have a 20% chance of ending up in any quintile.

The chart below (from a study that linked data from the Census Bureau and the IRS) shows differences in economic mobility by race.[37] Looking at the bottom quintile alone shows how both income and race can impact a child's likelihood of moving up. On average, among kids born into the bottom quintile:

- Asian kids have an 83% chance of moving up;
- Hispanic kids have a 75% chance of moving up;
- White (non-Hispanic) kids have a 71% chance of moving up;
- Black (non-Hispanic) kids have a 63% chance of moving up; and
- American Indian and Alaskan Native kids have a 55% chance of moving up.

What is a person's likely income around age 30 compared his or her parents' income at birth?



Civil rights

Our Government seeks to ensure that minorities are protected and to reduce the number of civil rights crimes in the US.

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Hate crime incidents	5,850	5,479	6,628	7,163	7%	(12)%	(18)%
Hate crime incidents (per 1 million people)	*18*	*17*	*21*	*24*	*6%*	*(14)%*	*(25)%*
Equal employment charges	89,385	88,778	99,922	75,428	1%	(11)%	19%
Equal employment charges (per 1 million employees)	*630*	*639*	*767*	*563*	*(1)%*	*(18)%*	*12%*
Equal employment charges (per 1 million job openings)	*6,965*	*7,228*	*9,918*	*5,454*	*(4)%*	*(30)%*	*28%*
Housing discrimination complaints	8,246	8,489	10,155	9,254	(3)%	(19)%	(11)%
Housing discrimination complaints per housing unit	*66*	*69*	*86*	*82*	*(4)%*	*(23)%*	*(20)%*
Health discrimination investigations	1,089	1,956	4,238	1,804	(44)%	(74)%	(40)%
Health discrimination investigations per 1,000,000 people	*3*	*6*	*14*	*6*	*(50)%*	*(79)%*	*(50)%*

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Civil rights outcomes have been mixed over the past decade.

Overall, reports of hate crime incidents decreased over the past decade. Race, ethnicity, and ancestry crimes reported decreased 32%, while incidents of religion, sexual orientation, disability, and multiple bias crimes increased during this period. Disability hate crimes increased at the highest rate – 40%. Overall reported hate crimes reversed trend in 2015, increasing 7%.

Compared to a decade ago, equal employment charges increased across every category of discrimination. However, in the last five years, equal employment charges overall decreased, with charges based on race, sex, national origin, religion, and age decreasing, and charges based on color, retaliation, and disability increasing.

Housing discrimination complaints and health discrimination investigations can fluctuate significantly but have decreased for the periods discussed in this report.

Democratic participation

Our Government seeks to encourage civic participation, including voting.

	2016	2012	2008	2004	Change 2016 vs. 2012	Change 2016 vs. 2008	Change 2016 vs. 2004
Rate of citizen voting in presidential elections	61%	62%	64%	64%	(1)ppt	(3)ppt	(3)ppt
Rate of voting per registered voter	*87%*	*87%*	*90%*	*88%*	*—ppt*	*(3)ppt*	*(1)ppt*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

The proportion of US citizens of voting age who voted in presidential elections has decreased. The voting-age population was 246 million in 2016, an increase of 4% over 2012. Among people of voting age, 64% were registered to vote in 2016; among citizens, the proportion was 70%. That level has changed little since 1996 but is down from a peak of 75% in 1992.

Voting rates have varied by demographic:

- the voting rate for women has been higher than for men since 1980;
- by age, the lowest voting rate in 2016, 39%, was among 18 to 24-year-olds, while the highest, 68%, was among voters 65 and older;
- among people with less than a ninth-grade education, the voting rate in 2016 was 18%, while among those with a bachelor's degree or more, it was 71%; and
- regionally, the voting rate in 2016 was highest in the Midwest (61%) and lowest in the West (53%).

By race and ethnicity, the voting rate for citizens in 2016 was highest among non-Hispanic white people, at 64%, followed by black people, at 56%. Participation in 2016 was lowest among Asian (34%) and Hispanic (33%) people. The voting rate among black people jumped from 56% in 2004 to 61% in 2008, the year Barack Obama was elected the nation's first black president, and was 62% in 2012 for his second term, before dropping again to 56% in 2016 when Obama left office.

	2014	2010	2006	2002	Change 2014 vs. 2010	Change 2014 vs. 2006	Change 2014 vs. 2002
Rate of citizen voting in midterm elections	42%	46%	48%	46%	(4)ppt	(6)ppt	(4)ppt
Rate of voting per registered voter	*65%*	*70%*	*71%*	*69%*	*(5)ppt*	*(6)ppt*	*(4)ppt*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

Voting rates are even lower in nationwide midterm elections, when citizens choose all members of the US House of Representatives and a third of the Senate but not the president. The midterm-voting rate among citizens fell in all periods discussed in this MD&A.

Since 1986, women have been more likely to vote in midterm elections than men. As in presidential elections, voting frequency in midterms increases with age and educational attainment. By race and ethnicity, the midterm voting rate in 2014 was highest among white, non-Hispanic people at 45% and lowest among Hispanic people at 18%. The Midwest region had the highest midterm voting rate throughout the periods shown above, ranging from a low of 42% in 2014 to a high of 51% in 2006, while the region with the lowest voting rate was the Northeast with 36% in 2014.

Community participation

Our Government seeks to encourage the building of strong communities throughout the US.

	2015	2014	2010	2005	Change 2015 vs. 2014	Change 2015 vs. 2010	Change 2015 vs. 2005
Volunteering rate	25%	25%	26%	29%	—ppt	(1)ppt	(4)ppt
Median volunteer hours per year	52	50	52	50	4%	—%	4%
Total giving (in millions, for tax years)	$221,850	$210,599	$170,236	$183,391	5%	30%	21%
Total giving adjusted for inflation (base 2015)	*$ 221,850*	*$ 211,636*	*$ 187,285*	*$ 236,105*	*5%*	*18%*	*(6)%*
Total giving per $100,000 of Adjusted Gross Income	*$ 217*	*$ 216*	*$ 210*	*247*	*—%*	*3%*	*(12)%*

† *We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2015, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "More detail" to access it.*

Volunteering

The proportion of Americans taking part in volunteer activities declined over the past decade, among males and females and across all age groups and education levels. Volunteering in 2015 was most prevalent among people ages 35 to 49 and least prevalent in the youngest age group tracked, ages 15 to 24. People with higher levels of education (a bachelor's degree or higher) and women were more likely to volunteer than people with less education and men. Though the portion of the population volunteering decreased, the median number of volunteer hours per year increased 4% over the past decade. With respect to median volunteer hours, the most hours were worked by those ages 65 and older, while the least hours were worked by those ages 16 to 24.

Philanthropy

Americans claimed $222 billion in charitable deductions in tax year 2015, an average of $6,058 per tax return with claims. This is compared with $183 billion in charitable deductions, an average of $4,432 per tax return, in 2005. Charitable deductions generally increased as income increased. By income cohort:

- the group with the greatest aggregate dollars claimed and number of associated tax returns in both 2015 and 2005 were those with AGI between $100,001 and $200,000, who claimed an aggregate of $51 billion in charitable deductions in 2015, or an average of $4,188 per tax return, and an aggregate of $37 billion in 2005, or an average of $4,081 per tax return;
- the group with the greatest dollars claimed per tax return were those with AGI of $10 million or more, who claimed an aggregate of $37 billion in charitable deductions in 2015, or an average of $2.2 million per tax return.

Financial condition[38]

Liquidity and capital resources

Cash and other monetary assets

Our Government's cash and other monetary assets increased $76 billion, or 7%, in 2015 to $1,164 billion, including $305 billion of federal funds and $859 billion of state and local funds.

Most of the $40 billion or 15% increase in cash and other monetary assets at the federal level relates to operating cash held by the Treasury, which fluctuates due to Treasury's management of the balance and timing of our Government's cash position, including investment and borrowing decisions.

The majority of the $36 billion or 4% increase in cash and other monetary assets at the state and local government level relates to an increase in non-pension cash and other monetary asset balances of $24 billion or 3%.

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 comprise mainly corporate equities, corporate and foreign bonds, and agency and government-sponsored enterprise (GSE)-backed securities, primarily held at the state and local level. These securities are predominantly US dollar-denominated securities, but also include foreign currency-denominated securities.

Government debt and equity securities increased $52 billion, or 1%, in 2015 to $4,495 billion. Of the total increase, state and local investments increased $63 billion, while federal investments decreased $11 billion. At the state and local level, there was an $82 billion increase in investments of pension assets, which are not considered liquid assets our Government can use for general operations. Offsetting this increase, in part, was a decrease of $17 billion related to non-pension assets, driven by a decrease of $23 billion in agency and GSE-based securities. The $11 billion decrease in debt and equity securities at the federal level was driven primarily by a $7 billion decrease in non-US government investments.

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 22 – Stewardship land and heritage assets* within this annual report for more information.

The primary cash inflows of our Government come from its ability to tax and set monetary policy, for which there are no assets recorded on the balance sheet. Tax revenue comprised approximately 91% and 85% of our Government's total revenues for 2015 and 2014, respectively.

Our Government has certain obligations and rights related to its relationship with GSEs that may not be recorded on the balance sheet. See *Note 8 – Investments in government-sponsored enterprises* in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements* within this annual report for more information.

Our Government also has certain other obligations that are not legal liabilities in our balance sheets. See *Note 18 – Contingencies* and *Note 19 – Commitments* for more information.

Debt

Total Government debt held by the public increased $335 billion, or 2%, in 2015 to $15,395 billion.

Federal government

The unified federal budget surplus or deficit is the difference between total federal spending and receipts (e.g. taxes) in a given year. Our Government borrows from the public (increases federal debt levels) to finance deficits by issuing Treasury bills, bonds, and notes. During a budget surplus (i.e. when receipts exceed spending), our Government typically uses those excess funds to reduce the debt held by the public. Total federal government debt held by the public was $12,361 billion at September 30, 2015.

Foreign governments and other overseas entities top the list of holders of federal debt securities, owning $6,106 billion or 47% of the total federal debt held by the public at September 30, 2015. That proportion has risen gradually from 42% in 2005, even as the total amount of federal debt has grown. The biggest foreign holders of total federal debt in 2015 were China, with $1,258 billion or 10%, and Japan, with $1,177 billion or 9%.

The second-largest category of investors in Treasury securities are American households and businesses, which owned $3,425 billion at September 30, 2015, or about 26% 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 $2,802 billion at September 30, 2015 from $736 billion at September 30, 2005, 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 $3,034 billion at September 30, 2015.

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 $5,102 billion in federal intergovernmental debt outstanding at September 30, 2015, 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 ($2,808 billion) and Medicare ($262 billion) trust funds. Because these amounts are both liabilities of the Treasury and assets of federal government trust funds, they are eliminated as part of the consolidation process for the federal government financial statements. However, when those securities are redeemed, for example, to pay future Social Security benefits, the Treasury will need to obtain the resources necessary to reimburse the trust funds.

There is also intergovernmental debt between the federal and the state and local governments, which generally arises when state and local governments invest in Treasury securities. We eliminated the state and local government holdings of Treasury securities when preparing our combined balance sheets. See *Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 23 – Intergovernmental transfers* for more information.

Contractual obligations

The following table summarizes the payments due by fiscal year for our Government's outstanding contractual obligations as of September 30, 2015:

(In billions)	2016	2017-2018	2019-2020	Thereafter	Total
Long-term debt: 1					
Federal government Treasury securities principal payments	$ 3,097	$ 3,175	$ 2,317	$ 3,722	$ 12,311
Federal government Treasury securities interest payments 2	299	373	281	1,183	2,136
State and local government principal payments 3	*	*	*	*	3,034
Federal government long-term operating leases 4	*	*	*	*	39
Federal undelivered orders 5	*	*	*	*	1,125
Federal other commitments 6	*	*	*	*	405
Total contractual obligations	$ 3,396	$ 3,548	$ 2,598	$ 4,905	$ 19,050

* *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 2015 Monthly Statement of the Public Debt report from the Treasury (found at https://www.treasurydirect.gov/govt/reports/pd/mspd/2015/2015_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, 2015, 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 2015 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, 2015 that require then-future use of financial resources. See Note 19 – Commitments for more information. We are not aware of an aggregated source for state and local government long-term operating lease commitments.*

5 *This amount represents the federal government undelivered orders at September 30, 2015, which represent the value of goods and services ordered that had not yet been received as of that date. See Note 19 – Commitments for more information. We are not aware of an aggregated source for state and local government undelivered orders.*

6 *This amount represents other federal government commitments at September 30, 2015 that may require then-future use of financial resources. See Note 19 – Commitments for more information. We are not aware of an aggregated source for other state and local government commitments.*

Companies are also required to report in the table above within their Form 10-Ks future capital lease obligation payments. We are not aware of a federal or state and local aggregated source for this data and as such, the table above omits this information.

Other expected uses of capital

We expect our Government will continue to invest in major government functions and programs, such as Social Security, Medicare, infrastructure, education, and training, to name a few, in alignment with its overall objectives.

Social insurance

The largest outlays of the federal government are the various social insurance programs (e.g. Social Security and Medicare), and grants to the states for Medicaid. Our Government records liabilities for social insurance programs when payments are due and payable to beneficiaries or service providers. These liabilities do not encompass total expected future expenditures.

The Treasury, in its 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, 2015 show net present values of estimated then-future net expenditures for Social Security, Medicare, and other social insurance programs of $13,440 billion, $27,940 billion, and $108 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. The estimated deferred building and structure maintenance and repairs is $208 billion as of September 30, 2016. 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, 2015, both the Debt Limit and the debt subject to the Debt Limit were $18 trillion. At September 30, 2014, there was no Debt Limit due to Congress' temporary suspension of it. Twice during fiscal year 2014 and once during fiscal year 2015, 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. As of September 30, 2015, and 2014, the federal government had the top two highest possible ratings among the largest credit rating agencies in the US. See *Item 7A. – Quantitative and Qualitative Disclosures about Market Risk, Sovereign credit rating,* for further information.

According to the Treasury, an important item for citizens to understand is the current fiscal policy and the importance and magnitude of policy reforms necessary to make it sustainable, according to 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. Total Government debt (federal and state and local) held by the public (excluding intergovernmental debt) was $15,395 billion at September 30, 2015, or 85% of GDP, down slightly from 86% of GDP at September 30, 2014. Total federal debt (including intergovernmental debt) was 73% of GDP, while federal debt held by the public (excluding intergovernmental debt) was 68% of GDP, at September 30, 2015.

The projections in the *Financial Report* at the end of 2015 indicate that the debt-to-GDP ratio was projected to reach 223% in 2090 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 2015 was estimated by the Treasury to require some combination of spending reductions and revenue increases that amount to 1% of GDP over the projection period, an improvement of 1% over 2014. 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[39]

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.

In 2015, concerns about slowing global growth, supply gluts in commodities markets, and shifts in exchange rate and monetary policies abroad led to significant price swings across a range of financial assets as U.S. interest rates remained low. Although these developments have created challenges for particular firms and sectors, financial regulatory reforms and a strengthening of market discipline since the global financial crisis have made the U.S. financial system more resilient, as vulnerabilities remained moderate.

Sovereign credit rating

A sovereign credit rating is the credit rating of a country. Sovereign credit ratings give investors insight into the level of economic and political risk associated with investing in a country. The sovereign credit rating usually influences a country's access to international funding and interest rates. A poor US credit rating could have significant impact on global financial markets.

The three major credit rating agencies, Standard & Poor's, Moody's, and Fitch, left overall ratings of US sovereign debt unchanged AA+, Aaa, and AAA, respectively, during 2015, and each maintained a stable outlook for Treasury securities at the end of 2015.[40]

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.

Post-crisis reforms by the official sector and market participants have improved the resilience of the London Interbank Offered Rate (LIBOR) by subjecting the rate and its administrator to more direct oversight, eliminating many little-used currency/tenor pairings, and embargoing the submissions of individual banks for a three-month period. However, because the volume of unsecured wholesale lending has declined markedly, it is difficult to firmly root LIBOR submissions in a sufficient number of observable transactions. This development makes LIBOR more reliant on the judgment of submitting banks and poses the risk that it may not be possible to publish the benchmark on an ongoing basis if transactions decline further. Regulators and market participants should continue their efforts to develop alternative rates and implementation plans to achieve a smooth transition to these new rates.

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 dollar has appreciated significantly on a trade-weighted basis since mid-2014, driven by slower foreign growth relative to the U.S. economy, increased concerns about the global outlook, continued monetary accommodation relative to the United States, and a fall in commodity prices. After depreciating rapidly against the dollar from mid-2014 to March 2015, the euro and the Japanese yen were largely stable for the remainder of 2015. Emerging market currencies, particularly the Brazilian real, the Mexican peso, and the South African rand, have continued to face significant pressure, weakening considerably against the dollar over the past year, 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.

Both developed and emerging market equities saw weak performances during 2015. Heightened concerns about global growth, including a slowdown in China and declining commodities prices, influenced U.S. markets. Overall, U.S.-listed companies saw a contraction in revenues over 2015 and a contraction in earnings in the second half of the year. These were the first such extended contractions in revenues and earnings since 2008 and were driven primarily by considerable stress among resource sector companies affected by the global decline in energy and metals prices. The S&P 500 fell 0.8% over 2015 while the index's composite trailing price-to-earnings (P/E) ratio rose just above its 20-year average of 18.0.

US equity market implied volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), averaged 17% during 2015 which is below its historical average. Volatility levels declined through the first half of the year but spiked in August to highs last seen during the European sovereign debt stress of 2011 amid an unexpected devaluation in the Chinese RMB.

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 continued to decline in 2015, led by a 37% drop in oil during the second half of the year as persistent global oversupply, lower global demand, and dollar appreciation weighed on the energy market. Weakness in oil was mirrored across the broader commodity complex, with the overall S&P GSCI decreasing over 25% during the course of the year. Prices of industrial metals fell in 2015, due primarily to growing concerns over slowing demand in China. Prices of agricultural commodities also declined last year, but much less so than energy prices, amid ample agricultural supply conditions. The S&P GSCI Industrial Metals Index and Agricultural Commodities Index fell 23% and 12% in 2015, respectively. Oil prices continued to be volatile in 2016 and are now down 62% from 2014 highs, as key producers in the Gulf and the United States maintain high production levels despite lower prices.

The International Monetary Fund (IMF) estimated in 2014 that the recent further decline in oil prices, as well as in prices of other commodities, should support demand in the majority of advanced economies that are net commodity importers. In contrast, the IMF estimates that average commodity exporter growth rates will be almost 1% point lower in 2015–2017 than in 2012–2014.

Item 8. Financial Statements and Supplementary Data

Combined functional income statements

(In billions) Fiscal Year	2015	2014	2010	2005
Tax revenues	**$ 4,704**	$ 4,418	$ 3,377	$ 3,244
Non-tax revenues	**472**	806	558	399
Total revenue	**5,176**	5,224	3,935	3,643
Transfer payments to individuals other than personnel and subsidies	**2,696**	2,536	2,270	1,507
Compensation for personnel past and present	**1,513**	1,461	1,348	1,091
Payments to others for goods and services	**701**	630	716	627
Capital expenditures	**483**	477	550	395
Net interest paid	**297**	303	256	216
Other income	**(30)**	(22)	(6)	(6)
Total expenditures	**5,660**	5,385	5,134	3,830
Net deficit	**$ (484)**	$ (161)	$ (1,199)	$ (187)

Combined segment income statements

(In billions) Fiscal Year	2015	2014	2010	2005
Tax revenues	**$ 4,704**	$ 4,418	$ 3,377	$ 3,244
Non-tax revenues	**472**	806	558	399
Total revenues	**5,176**	5,224	3,935	3,643
Establish justice and ensure domestic tranquility expenditures	**406**	396	382	311
Provide for the common defense expenditures	**811**	813	861	608
Promote the general welfare expenditures	**1,323**	1,232	1,147	837
Secure the blessings of liberty to ourselves and our posterity expenditures	**2,978**	2,789	2,573	1,943
General government and other expenditures	**142**	155	171	131
Total expenditures	**5,660**	5,385	5,134	3,830
Net deficit	**$ (484)**	$ (161)	$ (1,199)	$ (187)

INTERACTIVE ANALYSIS

See accompanying notes.

Combined balance sheets

(In billions)	2015	2014
Assets		
Cash and other monetary assets (Note 2)	**$ 1,164**	$ 1,088
Accounts and taxes receivable, net (Note 3)	**442**	410
Loans receivable, net (Note 4)	**1,420**	1,330
Inventories and related property, net (Note 5)	**321**	318
Property, plant, and equipment, net (Note 6)	**10,969**	10,728
Debt and equity securities (Note 7)	**4,495**	4,443
Investments in government-sponsored enterprises (Note 8)	**106**	96
Other assets (Note 9)	**167**	165
Total assets	**$ 19,084**	$ 18,578
Stewardship land and heritage assets (Note 22)		
Liabilities and equity		
Accounts payable (Note 10)	**$ 911**	$ 872
Debt securities held by the public and accrued interest (Note 11)	**15,395**	15,060
Employee and veteran benefits payable (Note 12)	**12,131**	11,782
Environmental and disposal liabilities (Note 13)	**412**	369
Benefits due and payable (Note 14)	**214**	192
Insurance and guarantee program liabilities (Note 15)	**170**	155
Loan guarantee liabilities (Note 4)	**36**	53
Other liabilities (Note 16)	**660**	422
Total liabilities	**29,929**	28,905
Contingencies (Note 18) and commitments (Note 19)		
Accumulated deficit	**(10,845)**	(10,327)
Total liabilities and accumulated deficit	**$ 19,084**	$ 18,578

INTERACTIVE ANALYSIS

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 2015 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 23 – 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 the date of the *Financial Report* and the date of the issuance of this report.

We also reviewed the 2016 US Treasury *Financial Report of the United States* (the *2016 Financial Report*) and noted that certain 2015 figures had been adjusted after the *Financial Report* was released. We made corresponding adjustments in this report, including: an increase to Construction in progress (*Note 6 – Property, plant, and equipment, net)*, an increase to Veterans education benefits, included in Liability for other benefits (*Note 12 – Employee and veteran benefits payable)*, and a presentation change of the Federal Deposit Insurance Corporation Funds moving it from *Note 15 – Insurance and guarantee program liabilities* to Other miscellaneous liabilities in *Note 16 – Other liabilities*.

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 22 – 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 23 – Intergovernmental transfers*) and certain revenues and expenditures have been netted (see *Note 24 – Offsetting amounts*).

Estimates and assumptions

Preparing financial statements requires management of organizations to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenditures. As our financial statements comprise the combined data of other organizations, the related estimates and assumptions have been made by management of those organizations.

Changes in prior period amounts

We have adjusted prior period amounts that our sources have adjusted. In addition, we have reclassified certain prior period amounts to conform to the current period presentation, with no impact on combined net deficit. See details in *Note 17 – Prior period adjustments*.

Note 2 – Cash and other monetary assets

(In billions)	2015	2014
Federal	$ 305	$ 265
State and local	859	823
Total cash and other monetary assets	$1,164	$1,088

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Unrestricted cash		
Cash held by Treasury for federal government-wide operations	$ 193	$ 153
Other	6	7
Restricted cash	26	22
Total cash	225	182
International monetary assets	59	66
Other monetary assets	21	17
Total cash and other monetary assets	$ 305	$ 265

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 $40 billion (an increase of approximately 26%) in fiscal year 2015 due to Treasury's investment and borrowing decisions to manage the balance and timing of our 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 Defense Security Cooperation Agency ("DSCA"). The Foreign Military Sales Program - DSCA included $24 billion and $21 billion as of September 30, 2015, and 2014, respectively.

International monetary assets include the US reserve position in the International Monetary Fund (IMF) and US holdings of Special Drawing Rights (SDRs). The US reserve position in the IMF is an interest-bearing claim on the IMF that includes the reserve asset portion of the financial subscription that the 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 $50 billion and $48 billion as of September 30, 2015, and 2014 respectively. The US reserve position in the IMF has a US dollar equivalent of $9 billion and $15 billion as of September 30, 2015, and 2014, 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 $50 billion and $53 billion as of September 30, 2015, and 2014, 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, 2015, and 2014, and are included in *Note 16—Other liabilities*.

As of September 30, 2015, and 2014, respectively, other liabilities included $50 billion and $52 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. The US has received no SDR allocations since 2009.

State and local government

(In billions)	2015	2014
Non-pension		
Time and savings deposits	$ 360	$ 346
Money market fund shares	167	164
Security repurchase agreements	135	131
Checkable deposits and currency	98	95
Total non-pension cash and other monetary assets	$ 760	$ 736
Pension		
Money market fund shares	$ 51	$ 48
Other	48	39
Total pension cash and other monetary assets	99	87
Total cash and other monetary assets	$ 859	$ 823

Note 3 – Accounts and taxes receivable, net

(In billions)	2015	2014
Federal	$ 118	$ 104
State and local	324	306
Total accounts and taxes receivable, net	$ 442	$ 410

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Accounts receivable		
Gross accounts receivable	$ 101	$ 87
Allowance for uncollectible amounts	(27)	(26)
Accounts receivable, net	74	61
Taxes receivable		
Gross taxes receivable	177	162
Allowance for uncollectible amounts	(133)	(119)
Taxes receivable, net	$ 44	$ 43
Total accounts and taxes receivable, net	$ 118	$ 104

Gross accounts receivable includes related interest receivable of $4 billion and $5 billion as of September 30, 2015, and 2014, respectively. Treasury comprises approximately 36% of the federal government's reported accounts and taxes receivable, net, as of September 30, 2015. Refer to the financial statements of the Treasury, the Department of Health and Human Services, the Social Security Administration, the Department of Defense, the Department of Homeland Security, the Pension Benefit Guaranty Corporation, the Federal Communications Commission, the Department of Energy, the Federal Deposit Insurance Corporation, the Department of Veterans Affairs, and the Department of Labor for details on gross accounts and taxes receivable and the related allowance for uncollectible amounts. These agencies comprise 91% of the federal government's accounts and taxes receivable, net, of $118 billion as of September 30, 2015.

State and local government

(In billions)	2015	2014
Accounts receivable, net	$ 186	$ 178
Taxes receivable, net	138	128
Total accounts and taxes receivable, net	$ 324	$ 306

Note 4 – Loans receivable and loan guarantee liabilities, net

Loans receivable

(In billions)	2015	2014
Federal	$ 1,199	$ 1,110
State and local	221	220
Total loans receivable	$1,420	$1,330

INTERACTIVE ANALYSIS

Loan guarantee liabilities

(In billions)	2015	2014
Federal	$ 36	$ 53
State and local	—	—
Total loan guarantee liabilities	$ 36	$ 53

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.

(In billions)	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	
	2015	2014	2015	2014	2015	2014	2015	2014
Federal Direct Student Loans – Education	$ 845	$ 731	$ (36)	$ (47)	$ 881	$ 778	$ (1)	$ 8
Federal Family Education Loans – Education	132	140	(3)	(3)	135	143	—	(2)
All other programs	216	223	33	34	183	189	(1)	(3)
Total direct loans and defaulted guaranteed loans	$ 1,193	$ 1,094	$ (6)	$ (16)	$ 1,199	$ 1,110	$ (2)	$ 3

(In billions)	Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the US		Loan Guarantee Liabilities		Subsidy Expense (Income) for the Fiscal Year	
	2015	2014	2015	2014	2015	2014	2015	2014
Federal Housing Administration Loans – HUD	$ 1,292	$ 1,291	$ 1,178	$ 1,186	$ 16	$ 34	$ (14)	$ (11)
Veterans Housing Benefit Programs – VA	454	389	117	102	10	9	1	—
Federal Family Education Loans – Education	220	242	215	237	—	—	(4)	(5)
All other guaranteed loan programs	348	334	313	304	10	10	—	1
Total loan guarantees	$ 2,314	$ 2,256	$ 1,823	$ 1,829	$ 36	$ 53	$ (17)	$ (15)

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 $142 billion in Direct Loans to eligible borrowers in fiscal year 2015 and approximately $134 billion in fiscal year 2014. The second program is the Federal Family Education Loan (FFEL) Program. This program was established in fiscal year 1965, and is a guaranteed loan program. Like the Direct Loan Program, it 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 2015, Education net loans receivable increased by $102 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 benefits 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.

VA operates the following direct loan and loan guaranty programs: Vocational Rehabilitation and Employment, Home Loans, and Insurance. The VA Home Loans program is the largest of the VA loan programs. The Home Loans program provides loan guarantees and direct loans to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms. During fiscal year 2015, the VA principal amount of loans under guarantee increased by $65 billion. This increase was primarily due to new loans under guarantee with a principal totaling $134 billion, partially offset by guaranteed loan terminations with a principal amount of $70 billion.

State and local government

(In billions)	2015	2014
Loans (mortgages)	$ 212	$ 210
Loans (mortgages) – pensions	9	10
Total loans receivable	$ 221	$ 220

Note 5 – Inventories and related property, net

(In billions)	2015	2014
Federal	$ 321	$ 318
State and local	—	—
Total inventories and related property, net	$ 321	$ 318

INTERACTIVE ANALYSIS

Federal government

	2015			2014		
(In billions)	Defense	All Others	Total	Defense	All Others	Total
Operating materials and supplies held for use	$ 122	$ 4	$ 126	$ 139	$ 4	$ 143
Inventory and operating material and supplies held for repair	80	2	82	61	1	62
Inventory purchased for resale	61	—	61	63	—	63
Stockpile materials	—	53	53	—	51	51
Other inventories and related property	5	1	6	5	1	6
Allowance for loss	(6)	(1)	(7)	(6)	(1)	(7)
Total inventories and related property, net	$ 262	$ 59	$ 321	$ 262	$ 56	$ 318

Operating materials and supplies held for use are tangible personal property to be consumed in normal operations.

Inventory and operating materials and supplies held for repair are damaged inventory that require repair to make them suitable for sale (inventory) or are more economical to repair than to dispose of (operating materials and supplies). Excess, obsolete, and unserviceable inventory is reported at net realizable value.

Inventory purchased for resale is the cost or value of tangible personal property purchased by an agency for resale. As of September 30, 2015, the Department of Defense (DOD) values approximately 97% of its resale inventory using the moving average cost (MAC) method. DOD reports the remaining 3% 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 improved its capability to distinguish between held for use and held for repair for operating materials and supplies which resulted in a major increase for inventory and operating material and supplies held for repair, and a decrease for operating materials and supplies held for use for fiscal year 2015. Please refer to the individual financial statements of DOD for significant detailed information regarding its inventories.

Stockpile materials include strategic and critical materials held in reserve for use in national defense, conservation, or national emergencies due to statutory requirements; for example, nuclear materials and oil, 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)	2015	2014
Federal	$ 925	$ 878
State and local	10,044	9,850
Total property, plant, and equipment, net	$10,969	$10,728

INTERACTIVE ANALYSIS

Federal government

(In billions)	Cost		Accumulated Depreciation/ Amortization		Net	
	Defense	All Others	Defense	All Others	Defense	All Others
2015						
Furniture, fixtures, and equipment	$ 1,011	$ 170	$ 584	$ 110	$ 427	$ 60
Buildings, structures, and facilities	283	268	137	144	146	124
Construction in progress	73	43	—	—	73	43
Other property, plant, and equipment	24	69	9	32	15	37
Subtotal	1,391	550	730	286	661	264
Total property, plant, and equipment, net		$ 1,941		$ 1,016		$ 925

(In billions)	Cost		Accumulated Depreciation/ Amortization		Net	
	Defense	All Others	Defense	All Others	Defense	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

The DOD comprises approximately 71%[41] of the federal government's reported property, plant, and equipment, net, as of September 30, 2015. Refer to the financial statements of DOD, DOE, the Tennessee Valley Authority (TVA), GSA, VA, the Department of the Interior (DOI), DHS, and the Department of State (DOS), for detailed information on the useful lives and related capitalization thresholds for property, plant, and equipment. These agencies comprise 91%[41] of the federal government's reported property, plant, and equipment net of $925 billion[42] as of September 30, 2015.

State and local government

(In billions)	2015	2014
Structures	$ 9,666	$ 9,477
Equipment	250	249
Intellectual property	128	124
Total property, plant, and equipment, net	$10,044	$ 9,850

Note 7 – Debt and equity securities

(In billions)	2015	2014
Federal	$ 104	$ 115
State and local	4,391	4,328
Total debt and equity securities	$4,495	$ 4,443

INTERACTIVE ANALYSIS

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
2015										
Debt Securities										
Non-US Government	$ —	$ —	$ —	$ 12	$ —	$ 12	$ 11	$ (1)	$ 10	$ 22
Corporate and other bonds	—	—	—	—	—	—	11	—	11	11
All other debt securities	—	—	—	—	—	—	8	—	8	8
Equity Securities										
Unit trust	—	—	—	—	—	—	17	4	21	21
Other	2	—	2	—	—	—	15	1	16	18
Total debt and securities categorized as held-to-maturity, available-for-sale or trading	$ 2	$ —	$ 2	$ 12	$ —	$ 12	$ 62	$ 4	$ 66	$ 80
Total RRB debt and equity securities										24
Total debt and equity securities										$ 104

(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

Debt and equity securities by agency

(In billions)	2015	2014
Pension Benefit Guaranty Corporation	$ 56	$ 58
Railroad Retirement Board	24	25
Department of the Treasury	12	18
Tennessee Valley Authority	9	10
All other	3	4
Total securities and investments	$ 104	$ 115

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. PBGC reported gains related to trading securities still held as of September 30, 2015 and September 30, 2014 of $4 billion and $1 billion, respectively. TVA reported losses related to trading securities still held as of September 30, 2015 and September 2014 of $0.2 billion and $0.3 billion, respectively. 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 $12 billion and $18 billion as of September 30, 2015, and 2014, 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 $7 billion and $8 billion as of September 30, 2015, and 2014, respectively, for the Tennessee Valley Authority Retirement System. PBGC, NRRIT, Treasury and TVA base market values on the last sale of a listed security, on the mean of the "bid-and-ask" for non-listed securities, or on a valuation model in the case of fixed income securities that are not actively traded. These valuations are determined as of the end of each fiscal year. Purchases and sales of securities are recorded on the trade date. Please refer to the individual financial statements of PBGC, NRRIT, 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 $104 billion as of September 30, 2015.

State and local government

(In billions)	2015	2014
Pension		
Corporate equities	$ 2,330	$ 2,309
Corporate and foreign bonds	563	543
Mutual fund shares	195	143
Other	262	275
Total pension debt and equity securities	$ 3,350	$ 3,270
Non-pension		
Agency and GSE-backed securities	$ 429	$ 452
Other	612	606
Total non-pension debt and equity securities	$ 1,041	$ 1,058
Total debt and equity securities	$ 4,391	$ 4,328

Note 8 – Investments in government-sponsored enterprises

(In billions)	2015	2014
Federal	$ 106	$ 96
State and local	—	—
Total investments in government-sponsored enterprises	$ 106	$ 96

INTERACTIVE ANALYSIS

Federal government

(In billions) 2015	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	$ 117	$ (62)	$ 55
Freddie Mac senior preferred stock	72	(36)	36
Fannie Mae warrants common stock	3	6	9
Freddie Mac warrants common stock	3	3	6
Total investments in GSEs	$ 195	$ (89)	$ 106

(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

Congress established Fannie Mae and Freddie Mac as government sponsored enterprises (GSEs) to support mortgage lending. A key function of the GSEs is to purchase mortgages and package those mortgages into securities, which are subsequently sold to investors, and guarantee the timely payment of principal and interest on these securities.

Leading up to the financial crisis, increasingly difficult conditions in the housing market challenged the soundness and profitability of the GSEs, thereby threatening to undermine the entire housing market. 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 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 to the housing finance system. 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 in the GSEs as further discussed below. Per SFFAC No. 2, Entity and Display, these entities meet the criteria of "bailed out" entities. Accordingly, our Government has not consolidated them into the financial statements, but included disclosure of the relationship(s) with the bailed-out entities and any actual or potential material costs or liabilities in the 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 August 2012 amendments to the 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 $2 billion on January 1, 2015, and will continue to decline by $600 million at the beginning of each calendar year 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 $20 billion and $73 billion were received during fiscal years ended September 30, 2015, and 2014, respectively. Dividends received in fiscal year 2014 were primarily attributable to a federal income tax benefit that was recognized in the earnings of one GSE in fiscal year 2014.

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, 2015 and 2014.

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 increased at September 30, 2015 when compared to 2014 primarily reflecting higher forecasted GSE earnings derived from guarantee fees, lower volatility and risk in the mortgage lending industry, and lower forecasted mortgage loan losses due to reduced credit risk assumed by the GSEs.

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 2015 when compared to 2014 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 to be required by the GSEs under the SPSPAs within the forecast time horizon. Treasury used 25-year financial forecasts prepared through 2040 and 2039 in assessing if a contingent liability was required as of September 30, 2015 and 2014, 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. This accrued contingent liability will be undiscounted and will not take into account any of the offsetting dividends that could be received, as the dividends, if any, would be owed directly to the General Fund. Such recorded accruals will be adjusted in subsequent years as new information develops or circumstances change.

Based on the annual assessment, Treasury estimated no probable future funding draws as of September 30, 2015 and 2014, and thereby accrued no contingent liability. As of September 30, 2015 and 2014, the maximum remaining contractual commitment to the GSEs for the remaining life of the SPSPAs was $258 billion. Refer to *Note 19-Commitments* for a full description of other commitments and risks.

Estimation Factors

Treasury's forecasts concerning the GSEs may differ from actual experience. Estimated senior preferred values and future draw amounts will depend on numerous factors that are difficult to predict including, but not limited to, changes in government policy with respect to the GSEs, the business cycle, inflation, home prices, unemployment rates, interest rates, changes in housing preferences, home financing alternatives, availability of debt financing, market rates of guarantee fees, outcomes of loan refinancings and modifications, new housing programs, and other applicable factors.

Regulatory environment

To date, Congress has not approved a plan to address the future of the GSEs, 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 to foster liquid, efficient, competitive, and resilient national housing finance markets; (2) reduce taxpayer risk through increasing the role of private capital in the mortgage market, and (3) build a new single-family securitization infrastructure.

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 2015 and 2014, the GSEs remitted to the Treasury the increased fees totaling $2 billion each year.

Fannie Mae balance sheet

(In billions)	As of December 31, 2015	As of December 31, 2014
Assets		
Cash and cash equivalents	$ 42	$ 53
Restricted cash	31	33
Investments in securities [1]	60	62
Mortgage loans:		
Of Fannie Mae	238	273
Of consolidated trusts	2,809	2,782
Allowance for loan losses	(28)	(36)
Mortgage loans, net of allowance for loan losses	3,019	3,019
Deferred tax assets, net	37	42
Other assets	33	39
Total assets	$ 3,222	$ 3,248
Liabilities and equity		
Debt:		
Of Fannie Mae	$ 386	$ 460
Of consolidated trusts	2,812	2,762
Other liabilities	20	22
Total liabilities	3,218	3,244
Senior preferred stock	117	117
Other [2]	(113)	(113)
Total equity	4	4
Total liabilities and equity	$ 3,222	$ 3,248

1 *Includes $30 billion as of December 31, 2015 and $20 billion as of December 31, 2014 of Treasury securities that are included in Fannie Mae's other investment portfolio.*
2 *Consists of preferred stock, common stock, accumulated deficit, accumulated other comprehensive income, Treasury stock and noncontrolling interest.*

Freddie Mac balance sheet

(In billions)	As of December 31, 2015	As of December 31, 2014
Assets		
Cash and cash equivalents	$ 6	$ 11
Restricted cash	15	9
Federal funds sold and securities purchased under agreements to resell	64	52
Investments in securities:		
Available-for-sale, at fair value	75	107
Trading, at fair value	39	30
Total investments in securities	114	137
Mortgage loans:		
Held-for-investment, at amortized cost: By consolidated trusts	1,625	1,558
Held-for-investment, at amortized cost: Unsecuritized	104	130
Held-for-sale, at lower-of-cost-or-fair-value	25	12
Total mortgage loans, net	1,754	1,700
Other assets	33	37
Total assets	$ 1,986	$ 1,946
Liabilities and equity		
Accrued interest payable	$ 6	$ 6
Debt, net:		
Debt securities of consolidated trusts held by third parties	1,557	1,480
Other debt	414	450
Total debt, net	1,971	1,930
Other liabilities	6	7
Total liabilities	1,983	1,943
Total equity	3	3
Total liabilities and equity	$ 1,986	$ 1,946

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)	2015	2014
Federal	$167	$165
State and local	—	—
Total other assets	$167	$165

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Advances and prepayments	$ 108	$ 107
Regulatory assets	22	21
FDIC receivable from resolution activity	14	15
Other	23	22
Total other assets	$ 167	$ 165

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, derivative 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)	2015	2014
Federal	$ 68	$ 69
State and local	843	803
Total accounts payable	$ 911	$ 872

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Department of Defense	$ 19	$ 18
Department of Veterans Affairs	11	12
Department of Justice	6	6
Department of the Treasury	4	6
Department of Education	4	4
All other	24	23
Total accounts payable	$ 68	$ 69

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)	2015	2014
Federal	$ 12,361	$12,028
State and local	3,034	3,032
Total debt securities held by the public and accrued interest	$15,395	$15,060

INTERACTIVE ANALYSIS

Federal government

(In billions)	Balance 2014	Net Change during Fiscal Year 2015	Balance 2015	Average Interest Rate 2015	Average Interest Rate 2014
Treasury securities (public)					
Marketable securities:					
Treasury bills [1]	$ 1,410	$ (54)	$ 1,356	0.1%	0.1%
Treasury notes [2]	7,354	199	7,553	1.8%	1.8%
Treasury bonds [3]	1,534	154	1,688	4.7%	4.9%
Treasury inflation-protected securities (TIPS) [4]	1,045	91	1,136	0.8%	0.9%
Treasury floating rate notes (FRN) [5]	122	164	286	0.1%	0.1%
Total marketable Treasury securities	11,465	554	12,019		
Nonmarketable securities	513	(221)	292	2.5%	2.3%
Net unamortized discounts	(29)	(2)	(31)		
Total Treasury securities, net (public)	11,949	331	12,280		
Agency securities					
Tennessee Valley Authority	23	—	23		
All other agencies	1	—	1		
Total agency securities, net of unamortized premiums and discounts	24	—	24		
Accrued interest payable	55	2	57		
Total debt securities held by the public and accrued interest	$ 12,028	$ 333	$ 12,361		

1 *Bills – short-term obligations issued with a term of 1 year or less*
2 *Notes – medium-term obligations issued with a term of 2-10 years. In creating the combined balance sheets, we eliminated Treasury securities held by state and local governments from the Treasury notes balance amounts. We chose this balance as our location of elimination because it is the largest balance in the table, and because the Federal Reserve does not tell us what comprises the state and local balances. See Note 23 – Intergovernmental transfers for more information. We do not have information about the associated average interest rates and therefore have not adjusted these rates.*
3 *Bonds – long-term obligations of more than 10 years*
4 *TIPS – term of more than 5 years*
5 *FRN – term of 2 years*

Federal debt securities held by the public outside the federal government are held by individuals, corporations, state or local governments, FRBs, foreign governments, and other 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 to buy, redeem, or refund, at or before maturity, outstanding bonds, notes, certificates of indebtedness, Treasury bills, or savings certificates of the federal government.

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 77-7), Congress and the President set an overall limit of $65 billion on Treasury debt obligations that could be outstanding at any one time; since then, Congress and the President have enacted a number of debt limit increases.

During fiscal years 2015 and 2014, Treasury faced multiple 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 these periods, extraordinary measures taken by Treasury have resulted in federal debt securities not being issued to certain federal accounts. One such recent period occurred from May 20, 2013 through October 16, 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. On February 8, 2014, the debt limit was raised to $17,212 billion. A 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. On March 16, 2015, in accordance with Public Law No. 113-83, the statutory debt limit was raised to $18,113 billion. A third delay in raising the statutory debt limit occurred from March 16, 2015 through November 1, 2015. On November 2, 2015 Congress enacted the Bipartisan Budget Act of 2015 (Public Law No. 114-74) which temporarily suspended the debt limit through March 15, 2017.

As of September 30, 2015, and 2014, debt subject to the statutory debt limit was $18,113 billion and $17,781 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 intergovernmental debt holdings (shown in *Note 23 –Intergovernmental transfers*). As noted above, a delay in raising the statutory debt limit existed as of September 30, 2015. Extraordinary measures taken by Treasury during the period of March 16, 2015 through September 30, 2015 resulted in federal debt securities not being issued to certain federal government accounts. See *Note 16 – Other liabilities*, *Note 21 –Fiduciary activities* for additional information.

State and local government

(In billions)	2015	2014
Municipal securities	$3,032	$3,030
Municipal securities – pensions	2	2
Total debt securities held by the public	$3,034	$3,032

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)	2015	2014
Federal	$ 6,772	$ 6,673
State and local	5,359	5,109
Total employee and veteran benefits payable	$ 12,131	$ 11,782

INTERACTIVE ANALYSIS

Federal government

(In billions)	Civilian 2015	Civilian 2014	Military 2015	Military 2014	Total 2015	Total 2014
Pension and accrued benefits	$ 1,945	$1,905	$ 1,563	$ 1,565	$ 3,508	$ 3,470
Veterans compensation and burial benefits	na	na	2,019	2,007	2,019	2,007
Post-retirement health and accrued benefits	364	337	731	761	1,095	1,098
Liability for other benefits	79	77	71	21	150	98
Total federal employee and veteran benefits payable	$ 2,388	$ 2,319	$ 4,384	$ 4,354	$ 6,772	$ 6,673

Change in pension and accrued benefits

(In billions)	Civilian 2015	Civilian 2014	Military 2015	Military 2014	Total 2015	Total 2014
Actuarial accrued pension liability, beginning of fiscal year	$ 1,905	$1,868	$ 1,565	$ 1,524	$ 3,470	$ 3,392
Pension expense						
Normal costs	38	38	31	33	69	71
Interest on liability	76	77	67	65	143	142
Actuarial (gains)/losses (from experience)	(1)	(13)	(34)	(23)	(35)	(36)
Actuarial (gains)/losses (from assumption changes)	12	18	(9)	22	3	40
Total pension expense	125	120	55	97	180	217
Less benefits paid	(85)	(83)	(57)	(56)	(142)	(139)
Actuarial accrued pension liability, end of fiscal year	$ 1,945	$1,905	$ 1,563	$ 1,565	$ 3,508	$ 3,470

Change in post-retirement health and accrued benefits

(In billions)	Civilian 2015	Civilian 2014	Military 2015	Military 2014	Total 2015	Total 2014
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	$ 337	$ 327	$ 760	$ 748	$ 1,097	$ 1,075
Post-Retirement health benefits expense						
Prior (and past) service costs from plan amendments or new plans	—	—	(21)	—	(21)	—
Normal costs	11	12	20	22	31	34
Interest on liability	14	14	33	34	47	48
Actuarial (gains)/losses (from experience)	8	(3)	(23)	(8)	(15)	(11)
Actuarial (gains)/losses (from assumption changes)	9	1	(18)	(15)	(9)	(14)
Total post-retirement health benefits expense	42	24	(9)	33	33	57
Less claims paid	(15)	(14)	(20)	(20)	(35)	(34)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	$ 364	$ 337	$ 731	$ 761	$ 1,095	$ 1,098

The federal government offers its employees retirement and other benefits, as well as health and life insurance. The liabilities for these benefits, which include both actuarial amounts and amounts due and payable to beneficiaries and healthcare carriers, apply to current and former civilian and military employees. Large fluctuations in actuarial amounts can result from changes in estimates to future outflows for benefits based on complex assumptions and cost models.

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 2015		Civilian 2014		Military 2015	Military 2014
	FERS	CSFS	FERS	CSFS		
Rate of interest	4.1%	3.7%	4.3%	3.9%	4.1%	4.3%
Rate of inflation	2.3%	2.3%	2.5%	2.5%	2.1%	2.4%
Projected salary increases	1.7%	1.7%	1.9%	1.9%	2.3%	2.5%
Cost of living adjustment	1.8%	2.3%	1.9%	2.5%	—%	—%

Significant long-term economic assumptions used in determining post-retirement health benefits and the related expense

	Civilian		Military	
	2015	2014	2015	2014
Rate of interest	4.1%	4.3%	4.1%	4.3%
Single equivalent medical trend rate	5.3%	5.3%	4.6%	4.9%
Ultimate medical trend rate	3.9%	4.2%	4.9%	5.2%

In accordance with SFFAS No. 33, Pension, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates, 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. Additionally, SFFAS No. 33 provides a standard for selecting the valuation date for estimates of federal employee pension, ORB, and OPEB liabilities that establishes a consistent method for such measurements. The SFFAS No. 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 US Department of the Treasury's Yield Curve for Treasury Nominal Coupon Issues (TNC yield curve), which is derived from Treasury notes and bonds. The TNC yield curve provides information on Treasury nominal coupon issues and the methodology extrapolates yields beyond 30 years through 100 years maturity. The TNC yield curve is used to produce a Treasury spot yield curve (a zero-coupon curve), which provides the basis for discounting future cash flows.

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.

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 $0 billion and $184 billion in nonmarketable Treasury securities as of September 30, 2015, and 2014, respectively. The decrease in nonmarketable Treasury securities held in the G Fund relates to the delay in raising the debt limit. 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 our 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 Postal Service currently owes the PSRHB Fund: $11 billion for FY 2012 and $6 billion that was due for FY 2013. In addition, there was a $6 billion payment due for both FY 2014 and for FY 2015. As of September 30, 2015, the Postal Service has not indicated its intention regarding payment of the total $28 billion due. 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 was established by Public Law (P.L.) 98-94 (currently Chapter 74 of Title 10, U.S.C.) and accumulates funds to finance, on an accrual basis, the liabilities of DOD military retirement and survivor benefit programs. The $2 billion decrease in the Military Retirement Pension liability is attributable to experience gains and assumption changes that offset the liability growth generated by benefit accruals (normal cost) and interest on the outstanding liability. 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. P.L. 110-181 provides for a 90-day reduction in the reserve retirement age from age 60 for every 3 months of certain active duty service served within a fiscal year for service after January 28, 2008 (not below age 50). There is no vesting of benefits before non-disabled retirement. There are distinct non-disability benefit formulas related to four populations within the Military Retirement System: Final Pay, High-3, Career Status Bonus/Redux, and Bipartisan Budget Act of 2013 (Ryan/Murray) with subsequent amendments (BBA 2013). 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 http://www.dfas.mil/retiredmilitary/plan/estimate.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 $12 billion in fiscal year 2015. The $12 billion increase in the Federal Employee and Veterans Benefits Liabilities is primarily attributable to interest on the outstanding liability, offset by benefits paid and the net effect of assumption changes. A smaller change in the estimate of backlogged claims contributed to the lower level of actuarial losses in FY 2015, relative to FY 2014.

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 benefit payments to survivors of those veterans in classes 1, 2, and 3 above are also incorporated into the projection. The projected liability does not include any administrative costs.

The veterans' compensation and burial benefits liability is developed on an actuarial basis. It is impacted by interest on the liability balance, 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)	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Actuarial accrued liability beginning of fiscal year	$ 2,003	$ 1,970	$ 5	$ 5	$ 2,008	$ 1,975
Current year expenses						
Interest on the liability balance	86	83	—	—	86	83
Prior (and past) service costs from program amendments or new programs during the period	—	—	—	—	—	—
Actuarial (gain)/losses (from experience)	9	36	—	—	9	36
Actuarial (gain)/losses (from assumption changes)	(13)	(22)	—	—	(13)	(22)
Total current year expense	82	97	—	—	82	97
Less benefits paid	(71)	(65)	—	—	(71)	(65)
Actuarial accrued liability, end of fiscal year	$ 2,014	$ 2,002	$ 5	$ 5	$ 2,019	$ 2,007

Significant economic assumptions used in determining veterans compensation and burial benefits

	2015	**2014**
Rate of interest	4.08%	4.29%
Rate of inflation	2.44%	2.61%

Post-retirement health benefits

Military retirees and their dependents are entitled to healthcare in military medical facilities if a facility can provide the needed care. The Military Retiree Health Benefits are post-retirement benefits DOD provides to non-Medicare-eligible military retirees and other eligible beneficiaries through private sector healthcare providers and DOD's medical treatment facilities. 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. Trend assumptions include inpatient and outpatient care and prescriptions for both direct care and purchased services. 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 (MERHCF), 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 revenues from three sources: interest earnings on MERHCF assets, Uniformed Services normal cost contributions, and Treasury contributions. The DOD Medicare-Eligible Retiree Health Care Board of Actuaries (the Board) approves the methods and assumptions used to calculate the per capita normal cost rates and the US Treasury contribution, and the Secretary of Defense directs the Secretary of Treasury to make the payments. The MERHCF 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).

Military post-retirement health and accrued benefits payable decreased $29 billion. The $29 billion decrease in military post-retirement health and accrued benefits was due primarily to the combined effect of plan changes -- including those associated with the 2015 National Defense Authorization Act, lower than expected historical costs, and a reduction in future assumed rates of healthcare cost increases.

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 2011 through 2015, the average medical care cost per year was $44 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, 2015, and 2014, was $94 billion and $103 billion, respectively.

State and local government

(In billions)	2015	2014
Unfunded pension entitlements	$ 1,561	$ 1,385
Other pension liabilities	3,798	3,724
Total employee and veteran benefits payable	$ 5,359	$ 5,109

Note 13 – Environmental and disposal liabilities

(In billions)	2015	2014
Federal	$ 412	$ 369
State and local	—	—
Total environmental and disposal liabilities	$ 412	$ 369

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Department of Energy		
Environmental and disposal liabilities	$ 340	$ 300
Department of Defense		
Environmental restoration	27	27
Disposal of weapon systems program	22	21
All other Department of Defense	11	10
Total Department of Defense	60	58
All other agencies	12	11
Total environmental and disposal liabilities	$ 412	$ 369

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 increased by $40 billion, which is primarily attributable to an increase of $35 billion in life-cycle adjustments in DOE's estimated cleanup cost liability across the Department, with the remaining $5 billion pertaining mainly to inflation. Updates to the environmental liability cost estimates due to life-cycle adjustments added numerous years to the life-cycle cleanup schedule.

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 2090 in fiscal year 2015 and through 2089 in fiscal year 2014. While some post-cleanup monitoring and other long-term stewardship activities post-2090 are included in the liability, there are others the Department expects to continue beyond 2090 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 2015 and 2014.

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 2015 and 2014. 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, in accordance with Technical Bulletin 2006-1, agencies recorded an environmental and disposal liability for asbestos-related cleanup costs totaling $4 billion as of both September 30, 2015, and 2014.

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)	2015	2014
Federal	$ 214	$ 192
State and local	—	—
Total benefits due and payable	$ 214	$ 192

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Federal Old-Age and Survivors Insurance	$ 66	$ 63
Federal Supplementary Medical Insurance (Medicare Parts B and D)	38	32
Grants to States for Medicaid	37	32
Federal Hospital Insurance (Medicare Part A)	28	26
Federal Disability Insurance	27	26
All other benefits programs	18	13
Total benefits due and payable	$ 214	$ 192

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 2015 Financial Report, Note 23 – 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)	2015	2014
Federal	$ 170	$ 155
State and local	—	—
Total insurance and guarantee program liabilities	$ 170	$ 155

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
Pension Benefit Guaranty Corporation – Benefit Pension Plans	$ 161	$ 147
All other insurance and guarantee programs	9	8
Total insurance and guarantee program liabilities	$ 170	$ 155

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 or assets of the federal government in general. As of September 30, 2015, and 2014, PBGC had total liabilities of $164 billion and $152 billion, and its total liabilities exceeded its total assets by $76 billion and $62 billion, respectively. In addition, as discussed in *Note 18 – Contingencies*, PBGC reported reasonably possible contingent losses of about $238 billion and $184 billion as of September 30, 2015, and 2014, 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)	**2015**	**2014**
Federal	$ 660	$ 422
State and local	—	—
Total other liabilities	$ 660	$ 422

INTERACTIVE ANALYSIS

Federal government

(In billions)	**2015**	**2014**
Unearned revenue and assets held for others		
Unearned fees for nuclear waste disposal (DOE) and other unearned revenue	$ 67	$ 51
Assets held on behalf of others	98	81
Subtotal	165	132
Employee-related liabilities		
Accrued federal employees' wages and benefits	38	38
Selected DOE contractors' and D.C. employees' pension benefits	50	49
Subtotal	88	87
International monetary liabilities and gold certificates		
Exchange Stabilization Fund	55	58
Gold certificates	11	11
Subtotal	66	69
Subsidies and grants	24	27
Miscellaneous liabilities		
Legal and other contingencies	47	46
Liability for restoration of federal debt principal and interest	205	—
Other miscellaneous	65	61
Subtotal	317	107
Total	$ 660	$ 422

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 $37 billion and $36 billion as of September 30, 2015, and 2014, respectively. Other unearned revenue includes USPS income for such things as prepaid postage, outstanding money orders, and prepaid P.O. Box rentals. Assets held on behalf of others include funds collected in advance, and undelivered Defense articles. DSCA holds $78 billion and $68 billion as of September 30, 2015, and 2014, 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 for contractor employee pension and postretirement benefits, which is about $26 billion and $23 billion as of September 30, 2015 and 2014, respectively. Also, our Government owed about $9 billion as of both September 30, 2015, and 2014, 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 Bank of New York (FRBNY). The federal government's liability incurred by issuing the gold certificates, as reported on the Balance Sheet, is limited to the gold being held by the Treasury at the standard value established by law. Upon issuance of gold certificates to the FRBNY, the proceeds from the certificates are deposited into the operating cash of the US Government. All of the Treasury's certificates issued are payable to the FRBNY.

Gold totaling $11 billion as of both September 30, 2015, and 2014, 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; grants, subsidies, and contributions; and payments to states account for the majority of the subsidies due, about $5 billion as of both September 30, 2015 and 2014.

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, 2015, and 2014, DOT, Education, and HHS collectively owed their grantees about $13 billion and $12 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 18–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, (4) Federal Deposit Insurance Corporation (FDIC) funds and (5) other liabilities reported by Treasury as a result of the occurrence of a delay in raising the statutory debt limit as of September 30, 2015.

The amount of FDIC funds as of September 30, 2015, and 2014, $1 billion and $2 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, $7 billion and $11 billion pertain to liabilities due to resolutions of failed or failing institutions and to pending depositor claims as of September 30, 2015, and 2014, respectively.

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 March 16, 2015, through September 30, 2015, resulted in federal debt securities not being issued to certain federal government accounts. As a result of Treasury securities not being issued to the Government Securities Investment Fund (G Fund) of the Thrift Savings Plan (TSP), Treasury reported miscellaneous liabilities, as of September 30, 2015, in the amount of $205 billion that represent uninvested principal of and related interest for the TSP's 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, 2015, and had the securities been issued. For further information related to the impact on TSP, see *Note 21 – 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 – Prior-period adjustments

This note summarizes the restatements that our Government has made of their prior period figures.

Federal government

The federal government revised its 2015 beginning net position in the balance sheet due to corrections of material errors and certain changes in accounting principles. Several federal entities reported prior-period adjustments, most notably the Environmental Protection Agency (EPA). The EPA changed its accounting treatment to record special accounts funds settlement proceeds as unearned revenue after determining that collections previously recorded as past costs were being used for future site cleanup. The effect is a $1 billion decrease in EPA's beginning net position for 2015.

State and local government

The Census restated prior year (fiscal year 2014) figures we report in the state and local income statements and balance sheets, as well as in the accompanying footnote disclosures, as referenced in the table below. The effects of these restatements were increases (decreases) in the previously reported values, as follows:

(In billions)	**2014**
Income statements	
Tax revenues	$ 6
Total expenditures	(2)
Combined functional income statements	
Payments to others for goods and services	(3)
Net interest paid	1
Combined segment income statements	
General government and other expenditures	(2)
Net surplus	$ 8
Balance sheets	
Cash and other monetary assets (Note 2)	$ 5
Loans receivable, net (Note 4)	1
Property, plant and equipment, net (Note 6)	(2)
Debt and equity securities (Note 7)	92
Debt securities held by the public and accrued interest (Note 11)	11
Employee and veteran benefits payable (Note 12)	2
Accumulated deficit	$ 83

Note 18 – Contingencies

(In billions)	**2015**	**2014**
Federal	$ 32	$ 30
State and local	—	—
Total contingencies	$ 32	$ 30

INTERACTIVE ANALYSIS

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. Our Government has insurance contingencies that are reasonably possible in the amount of $239 billion as of September 30, 2015, and $186 billion as of September 30, 2014. The major programs are identified below:

- PBGC reported $238 billion and $184 billion as of September 30, 2015, and 2014, respectively, for the estimated aggregate unfunded vested benefits exposure to the PBGC for private-sector single-employer and multiemployer defined benefit pension plans that are classified as a reasonably possible exposure to loss. This increase is primarily due to the growth in the number of companies meeting the reasonably possible criteria for the single-employer program and the decrease in the interest rate used for valuing liabilities.
- FDIC reported $1 billion and $2 billion as of September 30, 2015, and 2014, 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, our Government has the following exposure from federally-insured financial institutions:

- FDIC has estimated insured deposits of $6,420 billion as of September 30, 2015, and $6,132 billion as of September 30, 2014, for the DIF.
- National Credit Union Administration (NCUA) has estimated insured shares of $940 billion as of September 30, 2015, and $896 billion as of September 30, 2014, for the National Credit Union Share Insurance Fund.

Legal contingencies

Legal contingencies as of September 30, 2015, and 2014, are summarized in the table below:

	2015			2014		
		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	$ 6	$ 6	$ 7	$ 7	$ 7	$ 9
Reasonably possible	$ —	$ 9	$ 14	$ —	$ 10	$ 14

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 "probable" cases against our Government are $6 billion and $7 billion as of September 30, 2015, and 2014, respectively, and are included in "Other Liabilities" on the Balance Sheet. For example, the US Supreme Court decision in Salazar v. Ramah Navajo Chapter, dated June 18, 2012, is likely to result in additional claims against the Indian Health Service (IHS), which is a component within HHS. As a result of this decision, many tribes have filed claims. Some claims have been settled and others have been asserted but not yet settled.

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 $9 billion to $14 billion as of September 30, 2015, and from $10 billion to $14 billion as of September 30, 2014. For example, Treasury's American Recovery and Reinvestment Tax Act of 2009 (ARRA) Related Cases are a number of cases that were filed in the US Court of Federal Claims alleging that the US government violated statutory and regulatory mandates to make proper payments to plaintiffs under ARRA, Section 1603, for having placed certain energy properties into service. Treasury has determined there is a reasonably possible likelihood of unfavorable outcomes in some of the cases. The total alleged damages for these cases approximate $273 million.

Numerous litigation cases are pending where the outcome is uncertain or it is reasonably possible that a loss has been incurred and where estimates cannot be made. There are other litigation cases where the plaintiffs have not made claims for specific dollar amounts, but the settlement may be significant. The ultimate resolution of these legal actions for which the potential loss could not be determined may materially affect the US government's financial position or operating results. An example of a specific case is summarized below:

- In the case, Starr International Co., Inc. v. United States, the plaintiff, an American International Group, Inc. (AIG) shareholder that brought on behalf of two classes of shareholders, alleges that the US government violated the Fifth Amendment to the US Constitution by illegally exacting or taking property without just compensation. One class, the Credit Agreement Class, claimed that the Fifth Amendment was violated when a majority share of AIG's equity and voting rights was conveyed in connection with an $85 billion loan to AIG during the 2008 financial crisis. Starr also asserted a Fifth Amendment violation on behalf of the second class, the Reverse Stock Split Shareholder Class, alleging that a June 2009 reverse split of AIG's common stock constituted a taking of the common stockholders' asserted right to a shareholder vote on whether to approve a reverse split of AIG's common stock. The US Court of Federal Claims held that the Credit Agreement Shareholder Class prevails on liability, but recovers no damages, and that the Reverse Stock Split Shareholder class does not prevail on liability or damages. Both the Plaintiff and the United States have appealed. 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, 2015, and 2014, are summarized in the table below:

	2015			2014		
		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	$ 26	$ 26	$ 26	$ 23	$ 23	$ 23
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 $26 billion and $23 billion as of September 30, 2015, and 2014, respectively, and are included in "Other Liabilities" on the Balance Sheet. In accordance with the Nuclear Waste Policy Act of 1982 (NWPA), DOE entered into contracts with more than 45 utilities in return for payment of fees established by the NWPA into the Nuclear Waste Fund. DOE agreed to begin disposal of spent nuclear fuel (SNF) by January 31, 1998. Because DOE has no facility available to receive SNF under the NWPA, it has been unable to begin disposal of the utilities' SNF as required by the contracts. Therefore, DOE is subject to SNF litigation for damages suffered by all utilities as a result of the delay in beginning disposal of SNF 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 $24 billion and $23 billion as of September 30, 2015, and 2014, respectively.

Other contingencies

DOT and HHS reported the following other contingencies:

- The Federal Highway Administration (FHWA) preauthorizes states to establish construction budgets without having received appropriations from Congress for such projects. FHWA has authority to approve projects using advance construction under 23 U.S.C. 115(a). FHWA does not guarantee the ultimate funding to the states for these "Advance Construction" projects and does not obligate any funds for these projects. When funding becomes available to FHWA, the states can then apply for reimbursement of costs that they have incurred on such projects, at which time FHWA can accept or reject such requests. FHWA has pre-authorized $50 billion and $46 billion to the states to establish budgets for its construction projects for fiscal years ending September 30, 2015, and 2014, respectively. 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 for both fiscal years ending September 30, 2015, and 2014. 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 US 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 19 – Commitments

(In billions)	2015	2014
Federal	$1,571	$1,486
State and local	—	—
Total commitments	$1,571	$1,486

INTERACTIVE ANALYSIS

Federal government

(In billions)	2015	2014
General Services Administration	$ 24	$ 24
US Postal Service	7	7
Other operating leases	10	7
Total long-term operating leases	$ 41	$ 38

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 middle-income developing countries. Callable capital 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 favorable financing terms when borrowing from international capital markets. To date, there has never been a call on this capital at any MDBs and none are anticipated.

Undelivered orders and other commitments

(In billions)	2015	2014
Undelivered Orders		
Department of Defense	$ 236	$ 136
Department of the Treasury	170	164
Defense Security Cooperation Agency	136	161
Department of Education	125	130
Department of Transportation	109	108
Department of Health and Human Services	99	111
All other agencies	250	253
Total undelivered orders	$1,125	$1,063
Other Commitments		
GSE Senior Preferred Stock Purchase Agreement	$ 258	$ 258
Callable Capital Subscriptions for Multilateral Development Banks	112	102
All other commitments	35	25
Total other commitments	$ 405	$ 385

Other commitments and risks

Undelivered orders

DOD reported undelivered orders of $236 billion and $136 billion as of September 30, 2015, and 2014, respectively. The increase of $100 billion in FY 2015 was primarily caused by increased estimates in non-federal undelivered orders.

Commitments to GSEs

At September 30, 2015, 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 (TRIA), signed into law in November 2002, was originally enacted to address market disruptions resulting from terrorist attacks on September 11, 2001. Most recently, the Terrorism Risk Insurance Program Reauthorization Act of 2015 extended the Terrorism Risk Insurance Program (TRIA Program) until December 31, 2020. TRIA helps to ensure available and affordable commercial property and casualty insurance for terrorism risk, and simultaneously allows private markets to stabilize. The authority to pay claims under the TRIA Program is activated upon the certification of an "act of terrorism" by the Secretary of the Treasury in consultation with the Secretary of the US Department of Homeland Security and the US Attorney General. If a certified act of terrorism occurs, insurers may be eligible to receive reimbursement from the US government for insured losses in connection with certified acts of terrorism resulting in more than $100 million in insured losses once a particular insurer has also satisfied its designated deductible amount. Insured losses above this amount will be shared between insurance companies and the US government. TRIA includes both mandatory and discretionary authority for the Treasury to recoup federal payments made under the TRIA Program through policyholder surcharges under certain circumstances, and contains provisions designed to manage litigation arising from or relating to a certified act of terrorism. There were no claims under TRIA as of September 30, 2015 or 2014.

Conservation reserve program

The Conservation Reserve Program (CRP) was signed into law by Ronald Reagan in 1985. CRP is the largest private-lands conservation program in the US. The program has improved water quality, reduced soil erosion, and increased habitat for endangered and threatened species. Through CRP, eligible participant's sign 10 to 15 year contracts to remove land from production in exchange for an annual rental payment. The participants also receive cost-share assistance for establishing conservation practices on the reserve acreage and additional incentive payments for adopting high-priority conservation measures. The Commodity Credit Corporation estimates that the maximum amount of future outlays for all existing CRP rental contracts over the contract terms, subject to funds availability and contract compliance, is approximately $12 billion.

State and local government

Based on our review of specific state Comprehensive Annual Financial Reports, we know that the state governments do have commitments, however, the Federal Reserve does not provide information on the balances, and we are not aware of another aggregated source for this data.

Note 20 – Funds from dedicated collections

(In billions)	2015	2014
Federal	$3,248	$3,198
State and local	—	—
Total funds from dedicated collections	$3,248	$3,198

INTERACTIVE ANALYSIS

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)
2015						
Assets						
Cash and other monetary assets	$ —	$ —	$ —	$ —	$ 59	$ 59
Fund balance with Treasury	—	1	—	43	124	168
Investments in Treasury securities, net of unamortized premiums/discounts	2,767	196	42	66	207	3,278
Other federal assets	22	36	1	52	19	130
Non-federal assets	2	1	4	6	107	120
Total assets	$ 2,791	$ 234	$ 47	$ 167	$ 516	$ 3,755
Liabilities and net position						
Due and payable to beneficiaries	$ 66	$ 28	$ 28	$ 38	$ 7	$ 167
Other federal liabilities	5	34	1	52	67	159
Other non-federal liabilities	—	1	—	1	179	181
Total liabilities	71	63	29	91	253	507
Total net position	2,720	171	18	76	263	3,248
Total liabilities and net position	$ 2,791	$ 234	$ 47	$ 167	$ 516	$ 3,755
Change in net position						
Beginning net position	$ 2,671	$ 180	$ 48	$ 57	$ 242	$ 3,198
Prior-period adjustment	—	—	—	—	—	—
Beginning net position, adjusted	2,671	180	48	57	242	3,198
Investment revenue	92	8	2	2	3	107
Individual income taxes	672	238	114	—	—	1,024
Unemployment and excise taxes	—	—	—	—	107	107
Other taxes and receipts	—	1	—	3	34	38
Other changes in fund balance	22	18	(2)	287	14	339
Total financing sources	786	265	114	292	158	1,615
Program gross costs and non-program expenses	737	278	144	345	199	1,703
Less: program revenue	—	(4)	—	(72)	(62)	(138)
Net cost	737	274	144	273	137	1,565
Ending net position	$ 2,720	$ 171	$ 18	$ 76	$ 263	$ 3,248

(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

Generally, funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, provided to our 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 our 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 21 – Fiduciary activities*.

Public enterprise revolving funds include expenditure accounts authorized by law to be credited with offsetting collections, mostly from the public, that are generated by and dedicated to finance a continuing cycle of business-type operations. Some of the financing for these funds may be from appropriations.

Special funds are federal funds dedicated by law for a specific purpose. Special funds include the special fund receipt account and the special fund expenditure account.

The tables above depict major funds from dedicated collections chosen based on their significant financial activity and importance to taxpayers. All other government funds from dedicated collections not shown separately are aggregated as "all other."

Total assets represent the unexpended balance from all sources of receipts and amounts due to the funds from dedicated collections, regardless of source, including related governmental transactions. These are transactions between two different entities within the federal government (for example, monies received by one entity of the federal government from another entity of the federal government).

The intergovernmental assets are comprised of fund balances with Treasury, investments in Treasury securities-including unamortized amounts, and other assets that include the related accrued interest receivable on federal investments. These amounts were eliminated in preparing the principal financial statements. The non-federal assets represent only the activity with individuals and organizations outside of our Government.

Most of the assets within funds from dedicated collections are invested in intergovernmental debt holdings. The federal government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections. The cash receipts collected from the public for funds from dedicated collections are deposited in the General Fund, which uses the cash for general government purposes. Treasury securities are issued to federal 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 exceed its receipts. Redeeming these securities will increase the federal government's financing needs and require more borrowing from the public (or less repayment of debt), or will result in higher taxes than otherwise would have been needed, or less spending on other programs than otherwise would have occurred, or some combination thereof. See *Note 11 – Debt securities held by the public and accrued interest* for further information related to the investments in federal debt securities.

Depicted below is a description of the major funds from dedicated collections shown in the above tables, which also identifies the federal government 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, a portion of income taxes collected on Social Security benefits, and receipts from fraud and abuse control activities. Section 1817 of the Social Security Act established the Medicare Hospital Trust Fund.

Federal Disability Insurance Trust Fund

The Federal Disability Insurance (DI) Trust Fund provides assistance and protection against the loss of earnings due to a wage earner's disability in form of monetary payments. 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 Treasury payments for 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, 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, 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, Identifying and Reporting Funds from Dedicated Collections, as amended by SFFAS No. 43, Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds. For the years ending September 30, 2015, and 2014, there were approximately 624 and 641 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:

- Land and Water Conservation Fund, Reclamation Fund, and Water and Related Resources Fund – administered by DOI.
- Exchange Stabilization Fund – administered by Treasury.
- Unemployment Trust Fund (UTF) and Black Lung Disability Trust Fund (BLDTF) – administered by DOL.
- Railroad Retirement Trust Fund – administered by RRB.
- National Flood Insurance Program – administered by DHS.
- Decommissioning and Decontamination Fund – administered by DOE.
- Government National Mortgage Association – administered by HUD.
- Highway Trust Fund and Airport and Airway Trust Fund – administered by DOT.
- Crime Victims Fund – administered by DOJ.
- Harbor Maintenance Trust Fund – administered by DOD.

In accordance with SFFAS No. 43, any funds established to account for pension, other retirement, or other postemployment benefits to civilian or military personnel are excluded from the reporting requirements related to funds from dedicated collections.

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 the largest portion of unemployment tax revenues attributable to funds from dedicated collections as shown on the consolidated Statement of Operations and Changes in Net Position in the *Financial Report*. However, interest earnings on Treasury securities also provide income to the fund. For the years ending September 30, 2015, and 2014, UTF unemployment tax revenues were $49 billion and $53 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 10 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 95% 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, the initial sale of heavy trucks, and highway use by commercial motor vehicles. For the years ending September 30, 2015, and 2014, Highway Trust Fund excise tax revenues were $41 billion and $39 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 September 30, 2015, and 2014, Airport and Airway Trust Fund excise tax revenues were $14 billion for both years.

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 21 – Fiduciary activities

(In billions)	**2015**	**2014**
Federal	$ 435	$ 427
State and local	—	—
Total fiduciary activities	$ 435	$ 427

INTERACTIVE ANALYSIS

Federal government

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the federal government of cash or other assets in which non-federal individuals or entities have an ownership interest that the federal government must uphold. Fiduciary cash and other assets are not assets of the federal government and are not recognized on the consolidated Balance Sheet. Examples of the federal government's fiduciary activities include the Thrift Savings Plan (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)	**2015**	**2014**
FRTIB-Thrift Savings Plan	$ 427	$ 416
All other	8	11
Total fiduciary net assets	$ 435	$ 427

In accordance with the requirements of SFFAS No. 31, Accounting for Fiduciary Activities, fiduciary investments in Treasury securities and fund balance with Treasury held by fiduciary funds are to be recognized on the Balance Sheet as debt held by the public and a liability for fiduciary fund balance with Treasury, respectively.

As of September 30, 2015, total fiduciary investments in Treasury securities and in non-Treasury securities are $210 billion and $243 billion, respectively. As of September 30, 2014, total fiduciary investments in Treasury securities and in non-Treasury securities were $187 billion and $242 billion, respectively. Refer to *Note 11 –Debt securities held by the public and accrued interest* for more information on the Treasury securities.

As of both September 30, 2015, and 2014, the total fiduciary fund balance with Treasury was $1 billion. A liability for this fiduciary fund balance with Treasury is reflected as other miscellaneous liabilities in *Note 16 - Other liabilities*.

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 under 401(k) plans. The Plan was primarily designed to be a key part of the retirement package (along with a basic annuity benefit and Social Security) for employees who are covered by FERS.

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, 2014, and 2013, there were approximately 4.8 million and 4.6 million participants in the TSP, respectively, with approximately 2.9 million contributing their own money. For further information about FRTIB and the TSP, please refer to the FRTIB website at http://www.frtib.gov.

As of September 30, 2015, and 2014, the TSP held $427 billion and $416 billion, respectively, in net assets, which included $0 billion and $184 billion, respectively, of US Government Securities (amounts are unaudited). A delay in raising the statutory debt limit existed as of September 30, 2015. 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. Extraordinary measures taken by Treasury during the period of March 16, 2015 through September 30, 2015 resulted in federal debt securities not being issued to certain federal government accounts. As reported in *Note 16 – Other liabilities*, as a result of Treasury securities not being issued to the TSP's G Fund, Treasury reported miscellaneous liabilities in the amount of $205 billion that represent uninvested principal and related interest for TSP's G Fund that would have been reported as federal debt securities had there not been a delay in raising the statutory debt limit as of September 30, 2015 and had the securities been issued. The most recent audited financial statements for the TSP are as of December 31, 2014, and 2013. As of December 31, 2014, and 2013, the TSP held $428 billion and $395 billion, respectively, in net assets, which included $191 billion and $173 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, 2015, and 2014.

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, please refer to the DOI website at http://www.doi.gov.

All other entities with fiduciary activities

The federal government is responsible for the management of other fiduciary net assets on behalf of various non-federal entities. The component entities presented individually in the table on the previous page represent the vast majority of the federal government's fiduciary net assets. All other component entities with fiduciary net assets are aggregated in accordance with SFFAS No. 31. As of September 30, 2015, and 2014, including FRTIB and DOI, there are a total of 17 and 15 federal entities, respectively, with fiduciary activities at a grand total of 65 and 50 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, 2015, "all other" fiduciary net assets were $3 billion, compared to $6 billion as of September 30, 2014.

State and local government

The Federal Reserve does not provide amounts for fiduciary activities. We do not know if states have these activities, and if they do, we are not aware of another aggregated source for this data.

Note 22 – Stewardship land and heritage assets

Federal government

Stewardship land is federally-owned land 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 the 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 for the encouragement of animal and plant species, and nature conservation. 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 our 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 (http://loc.gov), the Smithsonian Institution (http://si.edu), and the Architect of the Capitol (http://aoc.gov) for additional information on multi-use heritage assets, agency stewardship policies, and physical units by major categories.

Supplemental data – reported revenue from resource extraction on federal lands

The following data is not from the *Financial Report*. We are providing this information as even though the federal government reports that it does not expect to use stewardship land to meet its obligations, the land is used to generate revenues for the federal government. The following are revenues generated from federal lands, including those that are stewardship lands, and are included as offsets to expenditures in our combined income statements. These revenues are generated when companies that extract resources on federal land pay bonuses, rents, royalties, fees, taxes, or other revenues to the federal government.

(In billions)	**2015**	**2014**	**2013**
Royalties	$ 7	$ 10	$ 10
Bonus	1	2	2
Other	1	—	2
Total reported revenue	$ 9	$ 12	$ 14

* *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.*

INTERACTIVE ANALYSIS

The Government Accountability Office has identified challenges in the Department of the Interior's (DOI) management of oil and gas on leased federal lands and waters, finding that the DOI lacked reasonable assurance that it was collecting its share of revenue from oil and gas produced on federal lands and waters.[43]

State and local government

The Federal Reserve does not provide amounts for stewardship land and heritage assets at the state and local government level. We do not know if states have these assets, and if they do, we are not aware of another aggregated source for this data.

Note 23 – Intergovernmental transfers

We eliminated certain intergovernmental transfers between agencies, departments, or funds within and between the federal government and state and local governments when we prepared the combined financial statements. Intergovernmental activity we eliminated is shown below.

Federal grant and non-grant assistance to territories and state and local governments

(In billions)	**2015**	**2014**
Medicaid and CHIP	$ 360	$ 311
Other non-cash programs for aid to the disadvantaged	71	69
Transportation	61	62
Elementary and secondary education	36	37
Other grants	96	97
Grants per the federal government	624	577
Federal non-grant assistance to territories and state and local governments	4	4
Total federal grant and non-grant assistance per the federal government	628	581
Difference between federal and state and local reporting of transfers	26	18
Total federal grant and non-grant assistance per state and local governments	$ 654	$ 599

INTERACTIVE ANALYSIS

Federal debt securities held as investments by government accounts

Federal accounts

(In billions)	Balance 2014	Net Change during Fiscal Year 2015	Balance 2015
Social Security Administration, Federal Old-Age and Survivors Insurance Trust Fund	$ 2,713	$ 54	$ 2,767
Office of Personnel Management, Civil Service Retirement and Disability Fund	857	(126)	731
Department of Defense, Military Retirement Fund	483	48	531
All other programs and funds	987	11	998
Subtotal	5,040	(13)	5,027
Total net unamortized premiums/(discounts) for intergovernmental	67	8	75
Total intergovernmental debt holdings, net	$ 5,107	$ (5)	$ 5,102

Intergovernmental debt holdings represent the portion of the gross federal debt held as investments by federal government entities such as trust funds, revolving funds, and special funds. As noted in *Note 11 – Debt securities held by the public and accrued interest*, the delay in raising the debt limit still existed as of September 30, 2015. As such, suspension of certain investments of the Civil Service Retirement and Disability Fund contributed to the decrease in the intergovernmental debt holdings balance for the fund.

Federal government entities that held investments in Treasury securities include trust funds that have funds from dedicated collections. For more information on funds from dedicated collections, see *Note 20 – Funds from dedicated collections*. These intergovernmental debt holdings are eliminated in the consolidation of the federal financial statements.

State accounts

(In billions)	2015	2014
Treasury securities – non-pension	$ 625	$ 606
Treasury securities – pension	187	200
Loans from the federal government	(17)	(16)
Net federal assets held by state and local governments	$ 795	$ 790

Federal assets and liabilities held by state and local governments, as shown in the table above, were included in our Federal Reserve source data for state and local governments. In preparing combined balance sheets for our Government, we eliminated these intergovernmental holdings, both in the combined balance sheets and in the accompanying footnotes.

Note 24 – Offsetting amounts

Within our income statements, we have offset certain amounts and reported them as either net revenues or expenditures rather than showing the gross revenues and expenditures. Key offsetting amounts are shown in the table below.

	2015			2014		
(In billions)	Revenues	Expenditures	Net	Revenues	Expenditures	Net
Employee retirement and disability	$ 132	$ 453	$ 321	$ 127	$ 432	$ 305
Higher education	108	274	166	105	269	164
Transit systems	16	70	54	16	67	51
Public hospitals	145	152	7	134	146	12
Sewerage and waste management	71	76	5	69	75	6
Tennessee Valley Authority	44	44	—	48	46	(2)
Water utilities	61	60	(1)	60	58	(2)
US Postal Service	74	73	(1)	73	71	(2)
Federal Deposit Insurance Corporation	89	81	(8)	86	79	(7)
Gas and electric utilities	16	4	(12)	15	3	(12)
Lotteries	25	3	(22)	24	3	(21)
Other key offsetting amounts	86	88	2	80	94	14
Total offsetting amounts	$ 867	$ 1,378	$ 511	$ 837	$ 1,343	$ 506

INTERACTIVE ANALYSIS

See descriptions of our Government-run business (e.g. Tennessee Valley Authority) that are presented above at Exhibit 99.04.

Item 9A. Controls and Procedures

We are documenting the processes and related controls we use to obtain, store, and present our Government's revenue, expenditures, and metrics data. Once the documentation is complete, 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 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 2017 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 2017, the key federal officers were paid the following annual salaries:

Donald Trump – President	$	400,000
John Roberts – Chief Justice		263,300
Mike Pence – Vice President		240,100
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
Charles Schumer – Senate Minority Leader		193,400
Total key federal officer salary	$	1,900,500

Information on the highest paid federal officers is not readily available.

State

Salaries for governors varies widely, as shown in the table below:

Governors' Annual Salaries		2017	% of National Average	% Change from 2016	Governors' Annual Salaries		2017	% of National Average	% Change from 2016
50-state average	**$**	**138,635**	**na**	**0.93%**	Missouri	$	133,821	97%	—%
					Montana	$	111,569	80%	—%
Alabama [1]	$	120,395	87%	—%	Nebraska	$	105,000	76%	—%
Alaska	$	145,000	105%	—%	Nevada	$	149,573	108%	—%
Arizona	$	95,000	69%	—%	New Hampshire	$	127,443	92%	—%
Arkansas	$	141,000	102%	—%	New Jersey	$	175,000	126%	—%
California	$	190,103	137%	4.0%	New Mexico	$	110,000	79%	—%
Colorado	$	90,000	65%	—%	New York [5]	$	179,000	129%	—%
Connecticut	$	150,000	108%	—%	North Carolina	$	144,349	104%	1.46%
Delaware	$	171,000	123%	—%	North Dakota	$	132,964	96%	3.0%
Florida [2]	$	130,273	94%	—%	Ohio	$	148,304	107%	—%
Georgia	$	139,339	101%	—%	Oklahoma	$	147,000	106%	—%
Hawaii	$	152,544	110%	2.0%	Oregon	$	98,600	71%	—%
Idaho	$	122,597	88%	—%	Pennsylvania	$	193,304	139%	1.3%
Illinois [3]	$	177,412	128%	—%	Rhode Island [6]	$	139,695	101%	5.26%
Indiana	$	121,331	88%	8.63%	South Carolina	$	106,078	77%	—%
Iowa	$	130,000	94%	—%	South Dakota	$	112,214	81%	2.7%
Kansas	$	99,636	72%	—%	Tennessee [7]	$	187,680	135%	0.1%
Kentucky	$	142,976	103%	2.07%	Texas	$	153,750	111%	—%
Louisiana	$	130,000	94%	—%	Utah	$	109,900	79%	—%
Maine	$	70,000	50%	—%	Vermont	$	166,046	120%	14.09%
Maryland	$	170,000	123%	—%	Virginia	$	175,000	125%	1.0%
Massachusetts	$	151,800	109%	—%	Washington	$	173,617	127%	3.0%
Michigan [4]	$	159,300	115%	—%	West Virginia	$	150,000	108%	—%
Minnesota	$	127,629	92%	0.38%	Wisconsin	$	147,328	106%	—%
Mississippi	$	122,160	88%	—%	Wyoming	$	105,000	76%	—%

* *Source: Council of State Governments, Book of the States 2017, Chapter 4: State Executive Branch, Table 4.3.*
na *An "na" reference in the table means the data is not available.*
1 *Alabama - Gov. Robert Bentley is not accepting his salary, $120,395, until the unemployment rate in Alabama drops.*
2 *Florida - Gov. Scott has declined a salary every year since taking office.*
3 *Illinois - Gov. Rauner is only accepting a $1 salary and takes no benefits from the state.*
4 *Michigan - Gov. Rick Snyder returned all but $1.00 of his salary.*
5 *New York - Gov. Andrew Cuomo voluntarily reduced his salary by 5%.*
6 *Rhode Island - Eligible for $139,695 salary; however in March 2015, Gov. Raimondo gave herself a 5% pay cut, so her current salary is $132,710.*
7 *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	2016
To Presidential Candidates	**$ 1,551**	**na**	**$ 1,380**	**na**	**$ 1,540**
General election candidates:					
Democrat	748	na	738	na	586
Republican	220	na	483	na	351
Other	—	na	4	na	26
Primary candidates of all parties	583	na	154	na	578
To House Candidates	**$ 983**	**$ 1,103**	**$ 1,137**	**$ 1,034**	**$ 1,050**
Democrat	537	510	486	446	476
Republican	435	588	633	584	559
Other	11	5	17	4	14
To Senate Candidates	**$ 434**	**$ 757**	**$ 742**	**$ 635**	**$ 596**
Democrat	237	315	308	300	313
Republican	196	427	416	328	279
Other	1	15	18	8	2
Total Contributions	**$ 2,968**	**$ 1,860**	**$ 3,259**	**$ 1,669**	**$ 3,186**

* *Source: Federal Election Commission (FEC). Data was restated for all years due to a change in source.*
na *An "na" reference in the table means the data is not available.*

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				

Endnotes

1 Much of the information in this section was derived from https://www.whitehouse.gov/about-the-white-house/state-local-government/.
2 Much of the information in this section was derived from https://www.census.gov/govs/go/population_of_interest.html.
3 Much of the information in this section was derived from https://www.irs.gov/.
4 https://www.federalreserve.gov/aboutthefed/section7.htm
5 Government of the District of Columbia, *2016 Tax Rates and Tax Burdens in the District of Columbia: A Nationwide Comparison*, *https://cfo.dc.gov/sites/default/files/dc/sites/ocfo/publication/attachments/2016%2051City%20Study.pdf,* p24, accessed March 11, 2018
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.
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/ default.htm.
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, 2015*, which can be found at http://www.fhlb-of.com/ofweb_userWeb/pageBuilder/fhlbank-financial-data-36.
9 The majority of the information in this section was derived from Fannie Mae's 2015 Annual Report on Form 10-K, which can be found at https://www.sec.gov/Archives/edgar/data/310522/000031052216000453/fanniemae201510k.htm.
10 The majority of the information in this section was derived from Freddie Mac's 2015 Annual Report on Form 10-K, which can be found at https://www.sec.gov/Archives/edgar/data/1026214/000102621416000103/a201510k.htm.
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 2017 Annual Report on Form 10-K, which can be found at https://www.sec.gov/Archives/edgar/data/845877/000084587718000017/a201710-k.htm.
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.
15 *Individual Income Tax Provisions in the States, Informational Paper 4* by the Wisconsin Legislative Fiscal Bureau, January 2017, found at http://docs.legis.wisconsin.gov/misc/lfb/informational_papers/ january_2017/0004_individual_income_tax_provisions_in_the_states_informational_paper_4.pdf
16 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.
17 The majority of the information in this section was derived from https://www.medicare.gov/
18 Centers for Medicare and Medicaid Services publication *2013 Health and Health Care of the Medicare Population*, 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
19 The majority of the information in this section was derived from https://www.medicaid.gov/medicaid/eligibility/index.html.
20 The majority of the information in this section was derived from https://www.fns.usda.gov/snap/eligibility.
21 The majority of the information in this section was derived from https://workforcesecurity.doleta.gov/unemploy/uifactsheet.asp.
22 https://www.irs.gov/pub/irs-pdf/i940.pdf, page 4
23 The information in this paragraph was derived from the Department of Labor's *State Unemployment Insurance Trust Fund Solvency Report 2018*, which can be found at https://workforcesecurity.doleta.gov/unemploy/docs/trustFundSolvReport2018.pdf.
24 The majority of the information in this section was derived from https://www.irs.gov/credits-deductions/individuals/earned-income-tax-credit.
25 The majority of this information in this section was derived from https://www.irs.gov/affordable-care-act/individuals-and-families/the-premium-tax-credit-the-basics-0
26 The majority of the information in this section was derived from https://www.ssa.gov/ssi/text-understanding-ssi.htm.
27 The majority of the information in this section was derived from https://studentaid.ed.gov/sa/.
28 The majority of the information in this section was derived from https://www.acf.hhs.gov/ofa/programs/tanf.
29 The majority of the information in this section comes from National Governors Association, including https://www.nga.org/cms/home/management-resources/governors-powers-and-authority.html and https://www.nga.org/cms/governors/bios.
30 https://www.bls.gov/cps/cps_aa2014.htm # union, table 42
31 Certain of the risks outlined in these Risk Factors were derived from the Government Accountability Report to Congressional Committees, High Risk Series, *Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, February 2017, which can be found at https://www.gao.gov/highrisk/overview.
32 Information in this section was derived from https://www.bia.gov.
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.
34 Retirement fund balance data is from https://www.census.gov/data/tables/2015/econ/aspp/aspp-historical-tables.html.
35 Source: Tax Rates and Tax Burdens in the District of Columbia - A Nationwide Comparison 2015.
36 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.
37 Source: Chetty, Raj, et al. "Race and Economic Opportunity in the United States: An Intergenerational Perspective." Working Paper (March 2018).
38 The majority of the information in this section comes from our financial statements and footnotes. See Item 8. Financial Statements and Supplementary Data.
39 The majority of the information in this section was derived from the Financial Stability Oversight Council 2016 Annual Report.
40 Obtained from Bloomberg, accessed on April 10, 2018.
41 Treasury has not provided sufficient data to enable us to restate these figures.
42 Restated by USAFacts to correspond to restatements made by Treasury in the tables.
43 Source:https://www.bts.gov/sites/bts.dot.gov/files/docs/browse-statistical-products-and-data/national-transportation-statistics/217651/ntsentire2017q4.pdf

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. "Race and Economic Opportunity in the United States: An Intergenerational Perspective." Working Paper (March 2018).

Stock indices from Yahoo Finance

Gold price from World Gold Council

Other data sourced for this Form 10-K

Certain data were sourced only for preparation of this report and have not been added to our website. These data sources 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

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 https://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 156 million US locations and provides services through 32,000 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 21,400-mile rail network serving 46 US states, the District of Columbia and three Canadian provinces. It carries about 32 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 support for veterans expenditures include expenditures for:

- *national defense*, including military operations and maintenance; personnel; procurement, including ships, aircraft, and weapons; and research, development, test, and evaluation; and
- *support for veterans*, including benefits for housing, medical care, readjustment, and pension and disability, among others.

Immigration and border security expenditures include expenditures for immigration, visa, and citizenship services; customs; and border protection.

Foreign affairs and foreign aid expenditures include expenditures for:

- *international development and humanitarian assistance*, including global health programs, migration and refugee assistance, international development assistance, international disaster assistance, and foreign agricultural assistance;
- *international security assistance*, including foreign economic and military support; and
- *other foreign affairs*, including diplomatic and consular programs, embassies, contributions to international peacekeeping and other organizations, offset in part by income from sales of articles and services to foreign countries and international organizations.

General Welfare

Economy and infrastructure expenditures include expenditures for:

- *transportation*, including air, water, highway, and railroad;
- space exploration;
- general science and basic research;
- *general commerce*, including liquor stores, lotteries, hospitals, and other government-run businesses; and
- *banking and finance*, including deposit insurance and the Troubled Asset Relief Program (TARP).

Standard of living and aid to the disadvantaged expenditures include expenditures for:

- *refundable tax credits*, including the Child Tax Credit, Earned Income Tax Credit, and Premium tax credit;
- *other cash and non-cash programs to aid the disadvantaged*, including Medicaid, the Supplemental Nutrition Assistance Program, Supplemental Security Income, Unemployment Insurance, Pell grants, housing and community development programs, and health services for American Indians.

Health (excluding Medicaid and Medicare) expenditures include expenditures for:

- public health, health resources and services for people geographically isolated or economically or medically vulnerable, and disease control and prevention, as well as expenditures for shared Medicare and Medicaid that our Government has not allocated to one program or the other.

Blessings of Liberty

Education expenditures include expenditures for elementary, secondary, and higher education inside the classroom and education outside the classroom, such as museums and libraries, offset in part by fees paid by students and visitors.

Wealth and savings expenditures include expenditures for:

- *retirement programs*, including Social Security and military, civil service, and railroad retirement and health benefits plans;
- *saving for healthcare in old age*, including Medicare;
- interest on government debt; and
- *general housing support*, including TARP for housing.

Sustainability and self-sufficiency expenditures include expenditures for:

- *environment and natural resources*, including civil works projects by the Corps of Engineers, forest management, fire management planning, weather and climate monitoring and associated warning systems, fisheries management and game programs, coastal restoration, supporting marine commerce, cleanup of hazardous materials, and general management of land owned or leased and managed by our Government, including parks, offset in part by revenues from mineral and other resource leases and sales;
- *agriculture*, including farm services, federal crop insurance, and agriculture disaster relief;
- *energy programs*, including delivery and reliability, efficiency and renewables, and reimbursements of applicants for certain purchases of energy related property; and
- *other utilities*, including sewerage, waste management, and water supply.

General government support and other

General government support and other expenditures include expenditures for central staff services, financial administration, the Internal Revenue Service, and general public buildings.

Exhibit 99.06

Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds (the Trustees) projections of OASDI trust fund solvency

The following projections and accompanying text are excerpts from the 2017 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/2017/tr2017.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. [1]

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].

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1 *More detail on this model, and stochastic modeling in general, is available at* https://www.ssa.gov/OACT/stochastic/index.html.

Table VI.E1

Table VI.E1 displays long-range actuarial estimates for the combined OASDI program using the two methods of illustrating uncertainty: alternative scenarios and stochastic simulations. The table shows stochastic estimates for the median (50th 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 similar to the intermediate scenario-based estimates. The median estimate of the long-range actuarial balance is -2.81 percent of taxable payroll, about 0.02 percentage point higher than projected under the intermediate assumptions. The median first projected year that cost exceeds non-interest income (as it did in 2010 through 2016), and remains in excess of non-interest income throughout the remainder of the long-range period, is 2017. 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 18.13 percent of taxable payroll and 6.24 percent of gross domestic product (GDP). The comparable estimates under the intermediate assumptions are 17.80 percent of payroll and 6.12 percent of GDP.

For three measures in table VI.E1 (the actuarial balance, the first year cost exceeds non-interest income and remains in excess through 2091, and the first projected year asset reserves become depleted), 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 three measures (the open group unfunded obligation, the annual cost in the 75th year as a percent of taxable payroll, and the annual cost in the 75th year as a percent of GDP), one or both of the bounds of the 95-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				
				Median	80-percent confidence interval		95-percent confidence interval	
	Intermediate	Low-cost	High-cost	50th percentile	10th percentile	90th percentile	2.5th percentile	97.5th percentile
Actuarial balance	(2.83)	0.12	(6.63)	(2.81)	(4.19)	(1.67)	(5.01)	(1.07)
Open group unfunded obligation (in trillions)	$ 12.5	$ (1.5)	$ 25.6	$ 12.5	$ 6.2	$ 23.0	$ 3.9	$ 31.4
First projected year cost exceeds non-interest income and remains in excess through 2091 [1]	2017	[2]	2017	2017	2017	2028	2017	2089
First year asset reserves become depleted [3]	2034	[4]	2029	2034	2031	2039	2030	2043
Annual cost in 75th year (percent of taxable payroll)	17.80	12.91	25.05	18.13	14.91	22.53	13.44	25.36
Annual cost in 75th year (percent of GDP)	6.12	4.84	7.92	6.24	5.16	7.67	4.66	8.61

1 *Cost also exceeded non-interest income in 2010 through 2016.*
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

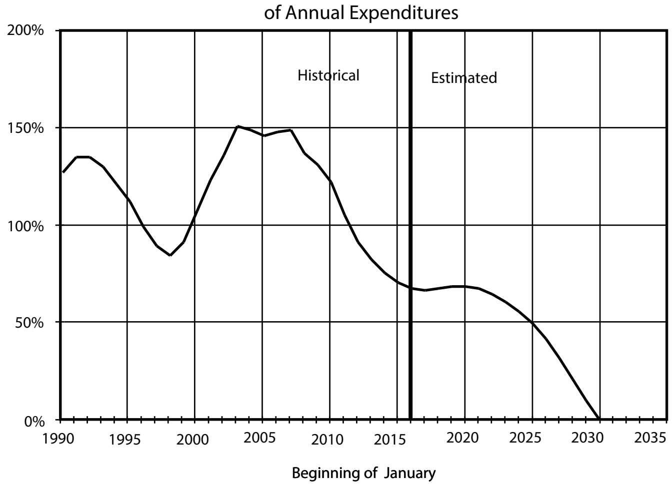
The Boards of Trustees of the Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds projections of Medicare trust funds solvency

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/TR2017.pdf.

HI trust fund

Under the intermediate assumptions, the assets of the HI trust fund would remain steady for a few years and then rapidly decrease as a percentage of annual expenditures throughout the rest of the shortrange projection period, as illustrated in figure II.E1. After 2021 the ratio starts to decline quickly until the fund is depleted in 2029, one year later 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 2029 intermediate estimate. As shown in greater detail in section III.B, trust fund assets would increase throughout the entire projection period under the low-cost assumptions. Under the high-cost assumptions, however, asset depletion would occur in 2023.

SMI trust fund

SMI differs fundamentally from HI in regard to the nature of its financing and the method by which its financial status is evaluated. SMI comprises two parts, Part B and Part D, each with its own separate account within the SMI trust fund. The Trustees must determine the financial status of the SMI trust fund by evaluating the financial status of each account separately, since there is no provision in the law for transferring assets or income between the Part B and Part D accounts. The nature of the financing for both parts of SMI is similar in that the law establishes a mechanism by which income from the Part B premium and the Part D premium, and the corresponding 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 US civilian noninstitutionalized population. It contains information on topics such as housing, health insurance, labor status, family arrangement, etc. Unfortunately, the CPS does not contain everything we want, so we supplement that file with data from elsewhere via statistical processes. In the case of income data, we statistically match the IRS Public Use File with the CPS. The IRS data is superior to the CPS income data. In other cases, we impute variables in the CPS from other sources such as the American Community Survey using regression techniques for variables that are common to both files.

There are two types of economic units: families and individuals. We use the Census Bureau's definition for each. If there are two or more related individuals living together, they are a family economic unit. If a person is living alone or in a household with no other related persons, that person is considered an individual economic unit. Therefore, some economic units have only one person, while other economic units have multiple persons.

We rank these economic units, which we call FIUs (family and individual units) by market income to place each in a percentile that shows the unit relative to other units in the population. (There are approximately 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, 2017) 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 http://leg.colorado.gov/sites/default/files/documents/audits/stateofcoloradocafrfy2015.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 annual report for more information on the content and preparation of the income statements and balance sheets included in this report.

Exhibit 99.11

Data reliability considerations

Audits

Certain departments of the federal government have received disclaimed audit opinions on their audit reports, meaning the auditors were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements. Each year, the Government Accountability Office (GAO) report within the Financial Report of the United States Government, lists the federal government departments that have received disclaimed audit opinions for that year. The Department of Defense has received a disclaimed audit opinion every year since the federal government began preparing the federal government's consolidated financial statements 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 and therefore are not able to provide assurance on the completeness and accuracy of the information.

Restatements

In addition to being qualified by disclaimed audit opinions, the data in government reports is often restated, particularly the two most recent years and often the Census data, which is subject to sampling and data collection error. See more about the Census process at https://www.census.gov/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 that, and we will not do that for this report. Rather, we will update this report annually, and we will restate information contained herein that our Government has updated in the interim in our next annual report. We may update certain data used in this report on our website as it becomes available, sometimes more frequently than annually (see *Part I, Item 1. Purpose and Function of Our Government, Available information*).

Conflicting data

Our Government often releases conflicting numbers for the same data point. This occurs within and across government entities. In these cases, we select the measure to present after considering the breadth and depth of the data available at each source and sometimes, after consultation with subject matter experts. Rarely, we present each of the conflicting figures in this report or on our website.

Census data

The Census warns us not to use their data in the way that we are using it. However, there is no alternative source of aggregated state and local government income statement data, and it was not reasonable for us to create this data set in this phase of our project. Here is the warning from the Census:

> "Although the original sources for finance statistics are accounting records of governments, the data derived from them are purely statistical in nature. Consequently, the Census Bureau statistics on government finance cannot be used as financial statements, or to measure a government's fiscal condition. For instance, the difference between a government's total revenue and total expenditure cannot be construed to be a 'surplus' or 'deficit.'"

The Census tells us there are several reasons why these survey data are not suitable for measuring the financial condition of a government, any of its sectors, or any of its dependent agencies:

- The Census Bureau intentionally excludes several important accounting measures from its statistics. One example involves public employee retirement systems, which exclude measures of future liability, future revenue streams, and all related measures of future solvency (such as the potential amount of unfunded liabilities). These cannot be calculated from Census Bureau statistics.
- The Census Bureau program develops these data to measure the economic activity of state and local governments in general. The definitions used in Census Bureau statistics about governments can vary considerably from definitions applied in standard accounting reports.
- Definitional differences can include those of coverage (what constitutes a government entity), functional activity, financial transaction (revenue, expenditure, indebtedness, and asset), or measurement (cash versus accrual accounting, or asset valuation procedures).
- Census Bureau data include the operations of dependent agencies whose finances are reported outside those of the parent government.

Exhibit 99.12

Data comparability considerations

Financial statement data

Reporting periods

The financial statement and related data in this report, unless otherwise noted, is on a fiscal year basis. This means it represents, for:

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

When we combined federal and state and local data, we added the figures together, without adjusting for differences in fiscal years. This is consistent with what a corporation may do for subsidiaries that it consolidates which have different fiscal year ends than each other or the parent company. This is allowed by accounting rules when the fiscal periods of the entities being combined end within 90 days of each other, as they do for the US federal and state and local governments in nearly every case.

New York is the only exception, as its fiscal year end is March 31, which is not within 90 days of the latest fiscal year end within the combined group (September 30); New York's fiscal year end is off by an additional 90 days. This is only a potential concern for our income statements, as we used New York's (and all other states') June 30 information for our balance sheets. New York's revenue represents approximately 5% of our Government's revenue, and a reasonable approximation of 90 days of its average revenue is roughly $60-70 billion. In combining the income statements, we include 12 months of data for each entity, but we include different 12-month periods depending on the respective entity's fiscal year (i.e. October 1 to September 30 for the federal government and April 1 to March 31 for New York). Therefore, incomparability that could arise from using data from different fiscal year periods would not be due to missing data but rather seasonality of the data. A reasonable estimate of the seasonality variability of 90 days of New York's revenue or expenses is immaterial. As: the Census has already aggregated the state and local government data; modifying that data to extract, recalculate, and reintroduce adjusted New York data introduces complexity and risk; and the estimated impact of not modifying is not material to our Government's overall financial statements, we have not made any modifications for New York and have simply added the aggregated state and local data to the federal data to form the combined group.

Intergovernmental transfers

In combining the federal and state and local data, we eliminated known intergovernmental transfers, in the same way that a company eliminates intercompany transfers among subsidiaries and the parent company. For example, the federal government reports grants to states as expenditures, and the states in turn also report the subsequent uses of those funds as expenditures. To eliminate double counting, we count the expenditure (or revenue) only once, in either the federal or state or local government, whichever is the ultimate spender (in the case of expenditures) or recipient (in the case of revenues) of the funds. Similarly, we eliminate intergovernmental assets and liabilities. For example, state and local governments own Treasury securities, and the federal government has a corresponding liability for the securities. We eliminated these intergovernmental assets and liabilities in creating our combined financial statements. For more information on transfers eliminated, see *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 23 – Intergovernmental transfers* within this annual report.

Management's discussion and analysis (MD&A) data

An MD&A is intended to provide the reader with an analysis of the financial statements for the periods presented, essentially a "drill down" from the financial statements, including an analysis of the changes in the income statements from period to period. Our income statements are presented on a fiscal year basis, as discussed above. On the other hand, a large portion of the detailed government financial information and related figures (e.g. numbers of people) is available only on a calendar year basis. This makes analyzing the income statement data difficult, as it is not possible to "drill down" to lower levels of detail from the fiscal year data. Therefore, to prepare the MD&A within this report, we were required to convert much of our source data from calendar year to fiscal year.

In cases where monthly or quarterly data was available, we created fiscal year data by reassembling data from these more detailed periods. Where only annual calendar year data was available, we used one simple formula to create federal fiscal year data – 25% of the prior calendar year figure plus 75% of the current calendar year figure, as well as one other simple formula to create state and local fiscal year data – 50% of the prior calendar year figure plus 50% of the current calendar year figure. Of course, these two formulas do not produce the true fiscal year figures. However, no alternative method of calculation would be accurate, and the method we have chosen, when consistently applied, forms a reasonable basis for our analysis. All the figures (in the MD&A and elsewhere in this report) that were converted from calendar year to fiscal year in this manner are indicated by * (one asterisk) for federal and ** (two asterisks) for state and local.

Other data

Other data within this report comes from many sources and may have similar challenges to those discussed above.

Exhibit 99.13

Modification of data

We have sourced the data included in this report directly from the sources listed in Exhibit 99.01 and where possible, have not revised it. In certain cases, where necessary to make the data comparable or comprehensible, we have modified the data. Specifically, we modified the following data:

- All data throughout this document that is accompanied by one asterisk (*) or two asterisks (**) was converted from a calendar year basis to a fiscal year basis using the formulas described within this report at Exhibit 99.12 and at *Part II, Item 7. Management's Discussion and Analysis, Overview, Other factors affecting this discussion, Modification of data*. This modification was required because data is not provided by our Government on a consistent basis, and to do a full analysis, one must have data on a consistent basis;
- The cohort tables within this report at *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* and *Part II, Item 7. Management's Discussion and Analysis, Key metrics by segment*, were created by us using data collected from a variety of government sources, the two most important being two microdata sets: the Current Population Survey (March Supplement) issued by the Census Bureau and the Public Use File issued by the IRS Statistics of Income Division (see more on our methodology in Exhibit 99.08);
- For the combined functional income statements, to provide compensation for personnel past and present, we combined Department of the Treasury (Treasury), Office of Management and Budget (OMB), and Census data with compensation data from the US Bureau of Economic Analysis (current payments for wages and salaries and health benefits). See this page on our website – http://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 – http://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.