United States Government Notes to the Financial Statements for the Fiscal Years Ended September 30, 2022, and 2021

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The government includes the executive branch, the legislative branch, and the judicial branch. This *Financial Report* includes the financial status and activities related to the operations of the government. SFFAS No. 47, *Reporting Entity* provides criteria for identifying organizations that are included in the *Financial Report* as consolidation entities or disclosure entities. The determination as to whether an organization is a consolidation entity or disclosure entity is based on the assessment of the following characteristics as a whole, the organization: a) is financed through taxes and other non-exchange revenues; b) is governed by the Congress or the President; c) imposes or may impose risks and rewards to the government; and d) provides goods and services on a non-market basis.

Consolidation entities are organizations that are consolidated in the financial statements. For disclosure entities, data is not consolidated in the financial statements, instead information is disclosed in the notes to the financial statements concerning: a) the nature of the federal government's relationship with the disclosure entities; b) the nature and magnitude of relevant activity with the disclosure entities during the period and balances at the end of the period; and c) a description of financial and non-financial risks, potential benefits and, if possible, the amount of the federal government's exposure to gains and losses from the past or future operations of the disclosure entity or entities.

SFFAS No. 47 also provides guidance for identifying related parties and in determining what information to provide about related party relationships of such significance that it would be misleading to exclude such information.

Based on the criteria in GAAP for federal entities, the assets, liabilities, and results of operations of Fannie Mae and Freddie Mac are not consolidated into the government's consolidated financial statements. However, the values of the investments in such entities, changes in value, and related activity with these entities are included in the government's consolidated financial statements. Although federal investments in Fannie Mae and Freddie Mac are significant, these entities do not meet the GAAP criteria for consolidation entities.

Under SFFAS No. 47 criteria, Fannie Mae and Freddie Mac were owned or controlled by the federal government as a result of: a) regulatory actions (such as organizations in receivership or conservatorship); or b) other federal government intervention actions. Under the regulatory or other intervention actions, the relationship with the federal government is not expected to be permanent. These entities are classified as disclosure entities based on their characteristics as a whole (see Note 27—Disclosure Entities and Related Parties for additional information on these disclosure entities).

Also, under GAAP criteria, the FR System and SPVs are not consolidated into the government's consolidated financial statements (see Note 7—Investments for additional information on SPVs and Note 27—Disclosure Entities and Related Parties for additional information concerning the FR System).

For additional information regarding Reporting Entity, see Appendix A—Reporting Entity.

B. Basis of Accounting and Revenue Recognition

Consolidated Financial Statements

The consolidated financial statements of the government are prepared in accordance with the standards established by FASAB. As permitted by FASAB standards, certain components of the federal government prepare their financial statements following the standards established by FASB. Information from those components is included within the government's consolidated financial statements without conversion to FASAB standards. Intra-governmental transactions are eliminated in consolidation, except as described in the Other Information–Unmatched Transactions and Balances. See Note 1.T—Unmatched Transactions and Balances for additional information. The consolidated financial statements include accrual-based financial statements and sustainability financial statements, which are discussed in more detail below, and the related notes to the consolidated financial statements. Collectively, the accrual-based financial statements, the sustainability financial statements, and the notes represent basic information that is deemed essential for the financial statements and notes to be presented in conformity with GAAP.

Accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. Accordingly, modifications may have been made to certain presentations and disclosures.

Accrual-Based Financial Statements

The accrual-based financial statements were prepared under the following principles:

- Expenses are generally recognized when incurred.
- Non-exchange revenue, including taxes, duties, fines, and penalties, are recognized when collected and adjusted for the change in amounts receivable (modified cash basis). Related refunds and other offsets, including those that are measurable and legally payable, are netted against non-exchange revenue.
- Exchange (earned) revenue is recognized when the government provides goods and services to the public for a price. Exchange revenue includes user charges such as admission to federal parks and premiums for certain federal insurance.

The basis of accounting used for budgetary purposes, which is primarily on a cash basis (budget deficit) and follows budgetary concepts and policies, differs from the basis of accounting used for the financial statements which follow GAAP. See the Reconciliations of Net Operating Cost and Budget Deficit in the Financial Statements section and Note 29—COVID-19 Activity in the notes to the financial statements.

Sustainability Financial Statements

The sustainability financial statements were prepared based on the projected PV of the estimated future revenue and estimated future expenditures, primarily on a cash basis, for a 75-year period. The sustainability financial statements consist of the: 1) SLTFP, covering all federal government programs and all sources of federal revenue; 2) SOSI; and 3) SCSIA.

New Standards Issued in Prior and Current Years and Implemented in Current Year

In FY 2016, the government began implementing the requirements of new standards related to the reporting for inventory and related property, net and general PP&E. These standards are available to each reporting entity once per line item addressed in the standard. The standards being implemented are:

- FASAB issued SFFAS No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials.* SFFAS No. 48 permits a reporting entity to apply an alternative valuation method in establishing opening balances and applies when a reporting entity is presenting financial statements, or one or more line items addressed by this statement. SFFAS No. 48 was effective beginning in FY 2017. Early implementation was permitted. DOD did partially implement in 2016 and select component entities have continued to implement in FY 2017 through FY 2022. DOD has not declared full implementation yet; therefore, this standard continues to be partially implemented each year.
- FASAB issued SFFAS No. 50, *Establishing Opening Balances for General Property, Plant and Equipment*. SFFAS No. 50 permits a reporting entity to apply an alternative valuation method in establishing opening balances and applies when a reporting entity is presenting financial statements, or one or more line items addressed by this statement. SFFAS No. 50 was effective beginning in FY 2017. Early implementation was permitted. DOD did partially implement in 2016 and select component entities have continued to implement in FY 2017 through FY 2022. DOD has not declared full implementation yet; therefore, this standard continues to be partially implemented each year.

In July 2021, FASAB issued SFFAS No. 59, *Accounting and Reporting Government Land*. Per SFFAS No. 59, starting in FY 2026, land and permanent land rights will no longer be capitalized, and the previously capitalized amounts will be removed from the Balance Sheet. Also, starting in FY 2026, SFFAS No. 59 requires certain disclosures in the notes to the financial statements, including estimated acreage of land and permanent land rights and its predominant use. For FY 2022 through FY 2025, such disclosures are required to be presented as RSI. These include:

- Estimated acres of general PP&E land and stewardship land using three predominant use sub-categories:
  - Conservation and preservation land;
  - Operational land; and
  - Commercial use land.

- Estimated acres of land held for disposal or exchange.

New Standards Issued and Not Yet Implemented

As of September 2022, FASAB has issued the following new standards that are applicable to the *Financial Report*, but are not yet implemented at the government-wide level for FY 2022:

In April 2018, FASAB issued SFFAS No. 54, *Leases: An Amendment of SFFAS No. 5, Accounting for Liabilities of the Federal Government, and SFFAS No. 6, Accounting for Property, Plant, and Equipment*. SFFAS No. 54 revises the financial reporting standards for federal lease accounting. It provides a comprehensive set of lease accounting standards to recognize federal lease activities in the reporting entity's financial statements and includes appropriate disclosures. This statement requires that federal lessees (for other than intra-governmental leases) recognize a lease liability and a right-to-use lease asset at the commencement of the lease term, unless it meets any of the scope exclusions or the definition/criteria of short-term leases, or contracts or agreements that transfer ownership, or intra-governmental leases. A federal lessor would recognize a lease receivable and deferred revenue, unless it meets any of the scope exclusions or the definition/criteria of short-term leases, contracts or agreements that transfer ownership, or intra-governmental leases. SFFAS No. 58, *Deferral of the Effective Date of SFFAS No. 54, Leases*, issued in June 2020, defers the effective date of SFFAS No. 54 to FY 2024 and early implementation is not permitted.

In November 2021, FASAB issued SFFAS No. 60, *Omnibus Amendments 2021, Leases-Related Topics.* SFFAS No. 60 addresses issues by clarifying and improving consistency throughout SFFAS Nos. 54, 57, 5 and 6 with omnibus amendments. SFFAS No. 60 amends and rescinds certain requirements in SFFAS No. 54 and is effective for FY 2024.

C. Accounts Receivable, Net

Accounts receivable includes the amount of taxes receivable that consist primarily of uncollected tax assessments, penalties, and interest when taxpayers have agreed, or a court has determined, the assessments are owed. Taxes receivable do not include unpaid assessments when taxpayers or a court have not agreed that the amounts are owed (compliance assessments) or the government does not expect further collections due to factors such as the taxpayer's death, bankruptcy, or insolvency (write-offs). Taxes receivable are reported net of an allowance for the estimated portion deemed to be uncollectible.

Other accounts receivable represent claims to cash or other assets from entities outside the government that arise from the sale of goods or services, duties, fines, certain license fees, recoveries, or other provisions of the law. Accounts receivable are reported net of an allowance for uncollectible amounts. An allowance is established when it is more likely than not the receivables will not be totally collected. The allowance method varies among the entities in the government and is usually based on past collection experience and is reestimated periodically as needed. Methods may include statistical sampling of receivables, specific identification and intensive analysis of each case, aging methodologies, and percentage of total receivables based on historical collection. See Note 3—Accounts Receivable, Net for additional information.

D. Loans Receivable, Net

Direct loans committed after FY 1991 are valued at their gross amounts less an allowance for the PV of the amounts not expected to be recovered, and thus having to be subsidized is called an "allowance for subsidy."

Direct loans obligated before FY 1992 are valued under the PV method. Under the PV method, the outstanding principal of direct loans is reduced by an allowance equal to the difference between the outstanding principal and the PV of the expected net cash flows. See Note 4—Loans Receivable, Net and Loan Guarantee Liabilities for additional information.

E. Loan Guarantee Liabilities

Loan guarantees committed after FY 1991 are valued at the PV of the cash outflows less the PV of the related inflows. The estimated PV of net long-term cash outflows of an entity for subsidized costs is net of recoveries, interest supplements, and offsetting fees. The loan guarantee liabilities present the net PV of all future cash flows from loans.

Loan guarantees committed before FY 1992 are valued under the allowance-for-loss method. The allowance for loan losses is recognized when it is more likely than not that the direct loans will not be totally collected. The allowance of the uncollectible amounts is reestimated each year. See Note 4—Loans Receivable, Net and Loan Guarantee Liabilities for additional information.

F. Inventory and Related Property, Net

Inventory is tangible personal property that is categorized as: 1) held for current sale; 2) held in reserve for future sale; 3) held for repair; or 4) excess, obsolete, and unserviceable. Inventory held for current sale and held in reserve for future sale are valued by the main contributing entities at historical cost using the MAC flow assumption. Historical cost includes all appropriate purchase, transportation, and production costs incurred to bring the items to their current condition and location. Any abnormal costs, such as excessive handling or rework costs, are charged to operations of the period. Inventory held for repair is accounted for by the main contributors using the allowance method which values inventory at the same value as a serviceable item. However, an allowance for repairs contra-asset account (e.g., allowance for loss) is established to recognize estimated repair costs in the current period operating expenses. Excess, obsolete, and unserviceable inventory is valued at its net realizable value.

Related property includes OM&S, stockpile materials, and other miscellaneous related property. OM&S is tangible personal property to be consumed in normal operations. Stockpile materials are strategic and critical materials being held due to statutory requirements for use in national defense, conservation, or national emergencies. The main contributing entities value OM&S and stockpile materials using various methods including MAC, standard price, historical cost, replacement price, and direct method. The entities also use both the consumption method and purchase method. The consumption method expenses OM&S when consumed, while the purchase method expenses OM&S when purchased. If OM&S are not significant amounts, are in the hands of the end user for use in normal operations, or if it is not cost beneficial to apply the consumption method; then the purchases method is applied.

FASAB issued additional guidance, SFFAS No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials*, which permits a reporting entity to apply an alternative valuation method (e.g., deemed cost) in establishing opening balances for inventory, OM&S, and stockpile materials. This guidance is intended to provide an alternative valuation method when historical records and systems do not provide a basis for valuation of opening balances in accordance with SFFAS No. 3, *Accounting for Inventory and Related Property*. Please refer to Note 5—Inventory and Related Property, Net, for additional information.

G. General Property, Plant, and Equipment, Net

General PP&E consists of tangible assets (e.g., buildings, structures and facilities, furniture and fixtures, equipment, and land) that have an estimated useful life of two or more years, are not intended for sale in the ordinary course of business and are intended for use or available for use by the entity. General PP&E also includes internal use software, land rights, assets acquired through capital leases, and leasehold improvements.

At the government-wide level, SFFAS No. 6, *Accounting for Property, Plant, and Equipment* is followed and requires that general PP&E is recorded at cost and includes all costs incurred to bring the general PP&E to a form and location suitable for its intended use. The main contributing entities use estimated historical cost for general PP&E. Costs to acquire general PP&E, extend the useful life of an existing asset, or enlarge or improve its capacity are capitalized and depreciated or amortized over the remaining useful life. Depreciation expense is recognized on all capitalized general PP&E, except land and land rights of unlimited duration. In the case of constructed general PP&E, the asset is recorded as construction work in process until it is placed in service, at which time the balance is transferred to a major class of general PP&E. See Note 6—General Property, Plant, and Equipment, Net, for additional information.

FASAB issued additional guidance, SFFAS No. 50, *Establishing Opening Balances for General Property, Plant, and Equipment,* which states that a reporting entity may choose one of three alternative methods for establishing an opening balance for general PP&E. The alternative methods include using deemed cost to establish opening balances of general PP&E, selecting between deemed cost and prospective capitalization of internal use software, and allowing an exclusion of land and land rights from opening balances with disclosure of acreage information and expensing of future acquisitions. An entity electing to exclude land and land rights from its general PP&E opening balances must disclose, with a reference on the Balance Sheet to the related disclosure, the number of acres held at the beginning of each reporting period, the number of acres added during the period, the number of acres disposed of during the period, and the number of acres held at the end of each reporting period. Some consolidating DOD contributors used the alternative valuation methods from SFFAS No. 50

based on historical records such as expenditure data, contracts, budget information, and engineering documentation. When applicable, DOD will continue to adopt SFFAS No. 50.

For financial reporting purposes, heritage assets (excluding multi-use heritage assets) and stewardship land are not recorded as part of general PP&E. Since heritage assets are intended to be preserved as national treasures, it is anticipated that they will be maintained in reasonable repair and that there will be no diminution in their usefulness over time. Many assets are clearly heritage assets. For example, the National Park Service manages the Washington Monument, the Lincoln Memorial and the Mall. Heritage assets that are predominantly used in general government operations are considered multi-use heritage assets and are included in general PP&E. Stewardship land is also consistent with the treatment of heritage assets in that much of the government's land is held for the general welfare of the nation and is intended to be preserved and protected. Stewardship land is land owned by the government but not acquired for or in connection with general PP&E. Because most federal land is not directly related to general PP&E, it is deemed to be stewardship land and accordingly, it is not reported on the Balance Sheet. Examples of stewardship land include national parks and forests. For additional information on stewardship assets, see Note 26—Stewardship Property, Plant, and Equipment.

H. Investments

Most investments are reported at FV. FV is the estimate of the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions. Market or observable inputs are used as the preferred source of values, followed by assumptions based on hypothetical transactions in absence of market inputs. Certain investments rely on NAV as a practical expedient (i.e., priced without adjustments) to estimate their FV. NAV is derived from the FV of the underlying investments as of the reporting date. See Note 7—Investments for additional information.

I. Investments in Government-Sponsored Enterprises

The senior preferred stock and associated warrants for the purchase of common stock in the GSEs (Fannie Mae and Freddie Mac) are presented at their FV. SPSPAs, which Treasury entered into with each GSE when they were placed under conservatorship, can result in payments to the GSEs when, at the end of any quarter, the FHFA, acting as the conservator, determines that the liabilities of either GSE exceed its respective assets. Such payments result in an increase to the liquidation preference of investment in the GSEs' senior preferred stock, with a corresponding decrease to cash held by Treasury for government-wide operations. In addition, the liquidation preference of investments in the GSEs will increase, based on the quarterly earnings of the GSEs, up to the adjusted capital reserve amounts set for each GSE.

The valuation to estimate the investment's FV incorporates forecasts, projections, and cash flow analyses. Changes in valuation, including impairments, are deemed usual and recurring and thus are recorded as exchange transactions on the Statement of Net Cost and investments in GSEs on the Balance Sheet. The government also records dividends related to these investments as exchange transactions which are accrued when declared.

The potential liabilities to the GSEs, if any, are assessed annually and recorded at the gross estimated amount. For additional information on investments in GSEs, refer to Note 8—Investments in Government-Sponsored Enterprises.

J. Federal Debt and Interest Payable

Federal debt is primarily comprised of Treasury securities, which are debt instruments issued to the public to raise money needed to operate the federal government and pay off maturing obligations. Treasury issues these debt instruments to the public in the form of marketable bills, notes, bonds, TIPS and FRNs, and in the form of nonmarketable securities including Government Account Series securities, U.S. Savings Securities, and SLGS securities. The amount of the debt, or principal, is also called the security's face value or par value. To accurately reflect the federal debt, Treasury records principal transactions with the public at par value at the time of the transaction. Certain Treasury securities are issued at a discount or premium. These discounts and premiums are amortized over the term of the security using an interest method for all long-term securities (term greater than one year) and the straight-line method for short-term securities (term of one year or less). In addition, the principal for TIPS is adjusted daily based on the CPI for all Urban Consumers. Certain Treasury securities also pay interest. For marketable securities, Treasury issues notes and bonds that pay semi-annual interest based on the security's stated interest rate, while FRNs, which have interest rates that are indexed to the highest accepted discount rate of the most recent Treasury 13-week bill auction, pay interest quarterly based on the interest rate at the time of payment. TIPS, on the other hand, pay a semi-annual fixed rate of interest applied to the inflation-adjusted principal. However, for all security types accrued interest is recorded as an expense when incurred, instead of when paid. See Note 12—Federal Debt and Interest Payable for additional information.

K. Federal Employee and Veteran Benefits Payable

Generally, federal employee and veteran benefits payable are recorded during the time employee services are rendered. The related liabilities for defined benefit pension plans, veterans' compensation, burial, education and training benefits, post-retirement health benefits, and life insurance benefits, are recorded at estimated PV of future benefits, less any estimated PV of future normal cost contributions. Normal cost is the portion of the actuarial PV of projected benefits allocated as an expense for employee services rendered in the current year. Actuarial gains and losses (as well as prior service cost, if any) are recognized immediately in the year they occur without amortization.

VA 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. The pension program for veterans is not accounted for as a "federal employee pension plan" under SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, due to differences between its eligibility conditions and those of federal employee pensions. Therefore, a future liability for pension benefits is not recorded. These benefits are recognized as expenses when benefits are paid rather than when employee services are rendered.

In accordance with 38 CFR § 17.36(c), the VA makes an annual enrollment decision that identifies which veterans, by priority, will be treated for that fiscal year 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 this amount cannot be reasonably made. These medical care expenses are recognized in the period the medical care services are provided.

The actuarial liability for FECA benefits is recorded at estimated PV of future benefits for injuries and deaths that have already been incurred.

Gains and losses from changes in long-term assumptions used to estimate federal employee pensions, ORB, and OPEB liabilities are reflected separately on the Statement of Net Cost and the components of the expense related to federal employee pension, ORB, and OPEB liabilities are disclosed in Note 13—Federal Employee and Veteran Benefits Payable as prescribed by SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates*. In addition, SFFAS No. 33 also provides a standard for selecting the discount rate assumption for PV estimates of federal employee pension, ORB, and OPEB liabilities. See Note 13—Federal Employee and Veteran Benefits Payable for additional information.

L. Environmental and Disposal Liabilities

Environmental and disposal liabilities are estimated costs for anticipated remediation, cleanup, and disposal costs resulting from the use of the governments assets or operations. Estimated costs for environmental and disposal liabilities can change over time because of laws and regulation updates, technology updates, inflation or deflation factors, and disposal plan revisions. Accruals for environmental cleanup costs are the cost of removing, containing, and/or disposing of hazardous wastes or materials that, because of quantity, concentration, or physical or chemical characteristics, may pose a substantial present or potential hazard to human health or the environment. Cleanup costs include, but are not limited to decontamination, decommissioning, site restoration, site monitoring, closure, and post-closure costs. PP&E recognition of an anticipated environmental disposal liability begins when the asset is placed in service. See Note 14—Environmental and Disposal Liabilities for additional information.

M. Benefits Due and Payable

A liability for social insurance programs (Social Security, Medicare, Railroad Retirement, Black Lung, and Unemployment) is recognized for any unpaid amounts currently due and payable to beneficiaries or service providers as of the end of the reporting period. See Note 15—Benefits Due and Payable for additional information.

N. Insurance and Guarantee Program Liabilities

Insurance programs are authorized by law to financially compensate a designated population of beneficiaries by accepting all or part of the risk for losses incurred as a result of an adverse event. Certain consolidation entities with significant insurance and guarantee programs (e.g., PBGC) apply FASB standards and are not converted to FASAB standards in consolidation, as permitted by SFFAS No. 47.

PBGC values its liabilities at the PV of future benefits and PV of nonrecoverable future financial assistance using assumptions derived from market-based (FV) annuity prices from insurance companies. Assumptions are selected in accordance with PBGC's best estimate of anticipated experience for expected retirement ages and the cost of administrative expenses.

The PV of future benefits is the estimated liability for future pension benefits that PBGC is or will be obligated to pay the participants of trusteed plans and the net liability for plans pending termination and trusteeship. PBGC recognizes a single-employer program liability for trusteed or terminated plans and probable plan terminations. The liability is PBGC's best estimate of the losses, net of plan assets, and the PV of expected recoveries (from sponsors and members of their controlled group) for plans that are likely to terminate in the future. PBGC uses assumptions to adjust the value of those future payments to reflect the time value of money (by discounting) and the probability of payment (by means of decrements, such as for death or retirement). PBGC also includes anticipated expenses to settle the benefit obligation in the determination of the PV of future benefits.

PBGC recognizes a multiemployer program liability for future financial assistance to insolvent plans and to plans deemed probable to becoming insolvent. Projecting a future insolvency requires considering several complex factors, such as an estimate of future cash flows, future mortality rates, and age of participants not in pay status. In general, if a terminated plan's assets are less than the PV of its liabilities, PBGC considers the plan a probable risk of requiring financial assistance in the future. PBGC's exposure to losses from plan terminations is disclosed in Note 21—Contingencies.

All other insurance and guarantee programs are accounted for in the consolidated financial statements in accordance with SFFAS No. 51, *Insurance Programs.*

Insurance programs exclude programs that administer direct loans and loan guarantees; qualify as social insurance; are authorized to engage in disaster relief activities; provide grants; provide benefits or assistance based on an individual's or a household's income and/or assets; assume the risk of loss arising from federal government operations; pay claims through an administrative or judicial role for individuals or organizations who claim they have been harmed by a federal entity; indemnify contractors, agreement partners, and other third parties for loss or damage incurred while or caused by work performed for a federal entity; or are workers' or occupational illness compensation programs that compensate current or former employees (or survivors) and certain third parties for injuries and occupational diseases obtained while working for a federal entity.

There are three categories of insurance programs: 1) exchange transaction insurance programs other than life insurance; 2) non-exchange transaction insurance programs; and 3) life insurance programs.

For exchange transaction insurance programs other than life insurance, revenues are recognized when earned over the insurance arrangement period and liabilities are recognized for unearned premiums, unpaid insurance claims, and for losses on remaining coverage. Losses on remaining coverage represent estimated amounts to be paid to settle claims for the period after year-end through the end of insurance coverage in excess of the summation of unearned premiums and premiums due after the end of the reporting period.

For non-exchange transaction insurance programs, revenue is recognized the same as other non-exchange transaction revenue, no unearned premium liability is recorded, and a liability is only recognized for unpaid insurance claims.

For life insurance programs, revenue is recognized when due and liabilities are recognized for unpaid insurance claims and future policy benefits. The liability for future policy benefits represents the expected PV of future claims to be paid to, or on behalf of, existing policyholders, less the expected PV of future net premiums to be collected from those policyholders. Life insurance programs are disclosed in Note 13—Federal Employee and Veteran Benefits Payable. See Note 16—Insurance and Guarantee Program Liabilities for additional information.

O. Deferred Maintenance and Repairs

DM&R are maintenance and repairs that were not performed when they should have been or scheduled maintenance and repairs that were delayed or postponed. Maintenance is the act of keeping fixed assets in acceptable condition, including preventative maintenance, normal repairs, and other activities needed to preserve the assets, so they continue to provide acceptable service and achieve their expected life. Maintenance and repairs exclude activities aimed at expanding the capacity of assets or otherwise upgrading them to serve needs different from those originally intended. DM&R are not expensed in the Statements of Net Cost or accrued as liabilities on the Balance Sheet. However, DM&R information is disclosed in the unaudited RSI section of this report. Please see unaudited RSI—Deferred Maintenance and Repairs for additional information including measurement methods.

P. Commitments

Commitments reflect binding agreements that may result in the future expenditure of financial resources that are not recognized or not fully recognized on the Balance Sheet and should be disclosed. Examples of commitments include certain long-term leases, undelivered orders, P3s, international or other agreements in support of international economic development, or agreements in support of financial market stability. See Note 20—Commitments for additional information.

Q. Contingencies

Liabilities for contingencies are recognized on the Balance Sheet when both:

- A past transaction or event has occurred, and
- A future outflow or other sacrifice of resources is probable and measurable.

The estimated contingent liability may be a specific amount or a range of amounts. If some amount within the range is a better estimate than any other amount within the range, then that amount is recognized. If no amount within the range is a better estimate than any other amount, then the minimum amount in the range is recognized and the range and a description of the nature of the contingency is disclosed.

A contingent liability is disclosed if any of the conditions for liability recognition do not meet the above criteria and there is at least a reasonable possibility that a loss may be incurred. See Note 21—Contingencies for additional information.

R. Funds from Dedicated Collections

Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-federal sources, often supplemented by other financing sources that remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. The three required criteria for a fund from dedicated collections are:

- A statute committing the government to use specifically identified revenues and/or other financing sources that are originally provided to the government by a non-federal source only for designated activities, benefits, or purposes;
- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the government's general revenues.

Funds from dedicated collections on the Statement of Operations and Changes in Net Position are presented on the consolidated basis. The consolidated dedicated collections presentation eliminates balances and transactions between funds from dedicated collections held by the entity. For additional information on funds from dedicated collections, see Note 22—Funds from Dedicated Collections.

S. Sustainability Financial Statements

The sustainability financial statements are estimates based on economic as well as demographic assumptions presented in Note 24—Long-Term Fiscal Projections and 25—Social Insurance. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are designed to illustrate the relationship between receipts and expenditures, if current policy is continued. For this purpose, the projections assume, among other things, that scheduled social insurance benefit payments would continue after related trust funds are projected to be depleted, contrary to current law, and that debt could continue to rise indefinitely without severe economic consequences.

SOSI and SCSIA are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions and expectations of future conditions. Actual results could differ materially from the estimated amounts. Each statement includes information to assist in understanding the effect of changes in assumptions to the related information.

By accounting convention, General Fund transfers to Medicare Parts B and D reported in the SOSI are eliminated when preparing the government-wide consolidated financial statements. The SOSI shows the projected General Fund transfer(s) as eliminations that, under current law, would be used to finance the remainder of the expenditures in excess of revenues for Medicare Parts B and D that is reported in the SOSI. The SLTFP include all revenues (including general revenues) of the federal government.

T. Unmatched Transactions and Balances

The reconciliation of the change in net position requires that the difference between ending and beginning net position equals the difference between revenue and cost, plus or minus prior-period adjustments. The unmatched transactions and balances includes unmatched intra-governmental balances on the Balance Sheet and includes unmatched intra-governmental current year transactions on the Statement of Operations and Changes in Net Position to reconcile the change in net position to ensure beginning and ending net position equals the difference between revenue and cost, plus or minus prior-period adjustments. Unresolved intra-governmental differences (i.e., unmatched transactions and balances) result in errors in the consolidated financial statements.

The unmatched transactions and balances are needed to balance the accrual-based financial statements. The Statement of Operations and Changes in Net Position and the Balance Sheet include specific lines for the unmatched transactions and balances, while the unmatched transactions and balances are recorded in existing lines in the Statement of Net Cost. The primary factors affecting this out of balance situation are:

- Unmatched intra-governmental transactions and balances between federal entities; and
- Errors and restatements in federal entities' reporting.

As intra-governmental transactions and balances reduce to immaterial amounts, the corresponding individual lines in the "Unmatched Transactions and Balances" table are adjusted to remove the differences for the fiscal year. Please refer to the table of "Unmatched Transactions and Balances" in Other Information (Unaudited) for examples of the individual lines. Materiality for these adjustments is considered in the absolute value, when at or below $0.1 billion.

Refer to the Other Information (unaudited)—Unmatched Transactions and Balances for additional information.

U. Changes in Accounting Principle

A change in accounting principle results from either adopting a new accounting pronouncement or an entity adopting an allowable alternative accounting principle on the basis that is preferable. Generally, as applicable, changes in accounting principle are shown as an adjustment to beginning net position in the Statement of Operations and Changes in Net Position of the period in which the change is implemented.

Adjustments to beginning net position in FY 2022 and FY 2021 for changes in accounting principle were ($4.3) billion and $0.7 billion, respectively, mostly due to DOD's continued implementation of SFFAS No. 48, *Opening Balances for Inventory, Operating Materials and Supplies, and Stockpile Materials* and SFFAS No. 50, *Establishing Opening Balances for General Property, Plant, and Equipment*.

V. Correction of Errors

Correction of errors in financial statements result from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time financial statements were prepared. When preparing comparative financial statements, if the material error occurred in the prior period presented and the effect is known, then the affected line items of the prior period are restated.

The FY 2021 Statement of Net Cost was restated to report the increase in Treasury's GSEs liquidation preference and the year-end unrealized gain valuation adjustment as earned revenue instead of a reduction to gross cost. For more information refer to the Statement of Net Cost and Note 8—Investments in Government-Sponsored Enterprises. Also, $3.8 billion of FY 2021 Smithsonian dedicated collection funds were restated out of funds from dedicated collections into funds other than those from dedicated collections. Refer also to the Balance Sheet, Statement of Operations and Changes in Net Position, and Note 22—Funds from Dedicated Collections.

W. Changes in Presentation

Changes in presentation are done to improve clarity of the presentation of the *Financial Report* and include changes since the prior year that are not the result of correction of errors or changes in accounting principles. In FY 2022, the Balance Sheet reports SPVs and investments together. The corresponding changes were made to Reconciliations of Net Operating Cost and Budget Deficit and Note 7—Investments. The FY 2021 presentation was modified to conform to the FY 2022 presentation.

X. Fiduciary Activities

Fiduciary activities are the collection or receipt, as well as the management, protection, accounting, investment and disposition by the government of cash or other assets in which non-federal individuals or entities have an ownership interest that the government must uphold. Fiduciary cash and other fiduciary assets are not assets of the government and are not recognized on the Balance Sheet. See Note 23—Fiduciary Activities, for additional information.

Y. Use of Estimates

The government has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenues, expenses, and the disclosure of contingent liabilities to prepare these financial statements. There are a large number of factors that affect these assumptions and estimates, which are inherently subject to substantial uncertainty arising from the likelihood of future changes in general economic, regulatory, and market conditions. As such, actual results will differ from these estimates and such differences may be material.

Significant transactions subject to estimates are included in the balance of loans receivable, net, federal employee and veteran benefits payable, investments, investments in SPVs, investments in GSEs, tax receivables, loan guarantee liabilities, depreciation, other actuarial liabilities, cost and earned revenue allocations, as well as contingencies and any related recognized liabilities.

The government recognizes the sensitivity of credit reform modeling to slight changes in some model assumptions and uses regular review of model factors, statistical modeling, and annual reestimates to reflect the most accurate cost of the credit programs to the U.S. government. *Federal Credit Reform Act of 1990* loan receivables and loan guarantees are disclosed in Note 4—Loans Receivable, Net and Loan Guarantee Liabilities.

Estimates are also used to determine the FV of investments in SPVs and GSEs. The FV of the SPV preferred equity investments is estimated based on a discounted cash flow valuation methodology, whereby the primary input is the PV of the projected annual cash flows associated with these investments. The FV of the GSE senior preferred stock considers forecasted cash flows to equity holders and the traded prices of the other equity securities including the GSE's common stock and junior preferred stock. The value of the GSE senior preferred stock is estimated by first estimating the FV of the total equity of each GSE (which, in addition to the senior preferred stock, is comprised of other equity instruments including common stock, common stock warrants, and junior preferred stock). The FV of the GSE total equity is based on a discounted cash flow valuation methodology, whereby the primary input is the PV of the projected quarterly cash flows to equity holders. The FV of the GSEs' other equity instruments are then deducted from its total equity, with the remainder representing the FV of the senior preferred stock.

Factors impacting the FV of the GSE warrants include 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 FV of the GSE warrants include, 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. For additional information on investments in SPVs and GSEs, see Note 7—Investments and Note 8—Investments in Government-Sponsored Enterprises, respectively.

Treasury performs annual calculations, as of September 30, to assess the need for recording an estimated liability in accordance with SFFAS No. 5, *Accounting for Liabilities of The Federal Government,* and to the government's funding commitment to the GSEs under the SPSPAs. For additional information on investments in GSEs and the amended SPSPAs, see Note 8—Investments in Government-Sponsored Enterprises.

Z. Credit Risk

Credit risk is the potential, no matter how remote, for financial loss from a failure of a borrower or counterparty to perform in accordance with underlying contractual obligations. The government takes on credit risk when it makes direct loans or guarantees to non-federal entities, provides credits to foreign entities, or becomes exposed to institutions that engage in financial transactions with foreign countries.

The government also takes on credit risk related to committed, but undisbursed direct loans, CARES Act Section 4003 COVID-19 credit program receivables, funding commitments to GSEs, CARES Act Section 4003 Section 13(3) funding provided to Corporate Credit Facility LLC, MSF, MLF, TALF, and other activities. Many of these programs were developed or provided credit support to the pandemic emergency relief programs of the Federal Reserve Board, to provide credit where borrowers are not able to get access to credit with reasonable terms and conditions. These programs expose the government to potential costs and losses. The extent of the risk assumed is described in more detail in the notes to the financial statements, and where applicable, is factored into credit reform models and reflected in FV measurements.

AA. Treaties and Other International Agreements

For financial reporting purposes, treaties and other international agreements may be understood as falling into three broad categories:

- No present or contingent obligation to provide goods, services, or financial support;
- Present obligation to provide goods, services, or financial support; or
- Contingent obligation to provide goods, services, or financial support.

The proper financial reporting of treaties and other international agreements depends on the probable future outflow or other sacrifice of resources as a result of entering into the agreement.

In many cases, treaties and other international agreements establish frameworks that govern cooperative activities with other countries, but leave to the discretion of the parties whether to engage in any such activities. In other cases, the agreements may contemplate specific cooperative activities, but create no present or contingent obligations to engage in them. Cooperative activities relevant to these treaties and other international agreements fall under the first category, which does not result in the U.S. government incurring any financial liability. Since these treaties and other international agreements have no financial impact, they are not reported or disclosed in this *Financial Report*.

Some treaties and other international agreements fall under the second category, and involve a present obligation, and therefore result in liability recognition. Such present obligation may relate to the U.S. government providing financial and in-kind support, including assessed contributions, voluntary contributions, grants, and other assistance to international organizations in which it participates as a member. Examples of such agreements include those that establish international organizations under which the U.S. government undertakes obligations to pay assessed dues to the organization; grant agreements under which the U.S. government provides foreign assistance funds to other countries; and claims settlement agreements under which the U.S. government agrees to pay specific sums of money to settle claims.

The last category encompasses those treaties or other international agreements which result in contingencies that may require recognition or disclosure in the financial statements. Such contingencies may stem from commitments in a treaty or other international agreement to provide goods, services, or financial support when a future event occurs, or from litigation, claims, or assessments forged by other parties to the agreement. For additional information related to treaties and other international agreements that fall under the last category, refer to Note 21—Contingencies.

AB. Public-Private Partnerships

Federal P3s are risk-sharing arrangements or transactions with expected lives greater than five years between public and private sector entities. Such arrangements or transactions provide a service or an asset for government and/or general public use where in addition to the sharing of resources, each party shares in the risks and rewards of said arrangements or transactions. The P3s that are deemed material to the consolidated financial statements and have met the criteria of SFFAS No. 49, *Public-Private Partnerships*, are disclosed. See Note 28—Public-Private Partnerships for additional information.

Note 2. Cash and Other Monetary Assets

Cash and Other Monetary Assets as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Unrestricted cash:		
Cash held by Treasury for government-wide operations	617.0	198.4
Other	3.7	5.7
Restricted	46.8	46.0
Total cash	667.5	250.1
International monetary assets	185.3	197.0
Gold and silver	11.1	11.1
Foreign currency	13.9	16.8
Total cash and other monetary assets	877.8	475.0

Unrestricted cash includes cash held by Treasury for government-wide operations (operating cash) and all other unrestricted cash held by the federal entities. Operating cash represents balances from tax collections, federal debt receipts, and other various receipts net of cash outflows for federal debt repayments and other payments. Treasury checks outstanding are netted against operating cash until they are cleared by the FR System. Other unrestricted cash not included in Treasury's operating cash balance includes balances representing cash, cash equivalents, and other funds held by entities, such as undeposited collections, deposits in transit, demand deposits, amounts held in trust, and imprest funds. Operating cash held by Treasury increased by $418.7 billion compared to the end of the prior fiscal year largely due to Treasury investment and borrowing policy decisions to manage the balance and timing of the government's cash position. During 2021, the debt ceiling constraints forced Treasury to maintain a significantly lower operating cash balance. When the debt ceiling was increased in December 2021, Treasury was able to bring the operating cash balance back to its one-week prudent policy level.

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 SAA, which executes Foreign Military Sales. The SAA included $39.9 billion and $38.6 billion as of September 30, 2022, and 2021, respectively.

International monetary assets include the U.S. reserve position in the IMF and U.S. holdings of SDR. The U.S. reserve position in the IMF had a U.S. dollar equivalent of $31.3 billion and $32.7 billion as of September 30, 2022, and 2021, respectively. Only a portion of the U.S. 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. The balance available under the letter of credit totaled $74.4 billion and $83.0 billion as of September 30, 2022, and 2021 respectively. The total amount of SDR holdings of the U.S. was the equivalent of $153.6 billion and $163.9 billion as of September 30, 2022, and 2021, respectively. For more information regarding the U.S. participation in the IMF and SDR, see Treasury's financial statements and Note 27—Disclosure Entities and Related Parties.

The gold reserves that are held by the government are partially offset by a liability for gold certificates issued by the Secretary to the FRBs at the statutory rate. As of September 30, 2022, and 2021, gold totaling $11.0 billion per statutory carrying value was pledged as collateral for gold certificates also valued at $11.0 billion. All the gold certificates issued are payable to the FRBs, and a small portion of gold is in the custody of the FRBs. Additionally, the U.S. Mint holds 100,000 FTOs of gold without certificates. The amount for gold and silver listed in the above table is based on the statutory values which are $42.2222 per FTO of gold and $1.2929 per FTO of silver. As of September 30, 2022, and 2021, the number of FTOs of gold and silver held is 261,498,927.0 and 16,000,000.0, respectively. While gold and silver are valued on the Balance Sheet using statutory rates, the market value of gold on the London Fixing was $1,671.75 and $1,742.80 per FTO as of September 30, 2022, and 2021, respectively and the market value of silver was $19.02 and $21.53 per FTO as of September 30, 2022, and 2021, respectively. Please refer to the financial statements of Treasury for additional information regarding gold reserves and Treasury's liability for gold.

The foreign currency is maintained by Treasury's ESF and various U.S. federal entities as well as foreign banks. Foreign currency is translated into U.S. dollars at the exchange rate at fiscal year-end.

Note 3. Accounts Receivable, Net

Accounts Receivable, net as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Taxes receivable:		
Taxes receivable, gross	451.4	507.8
Allowance for uncollectible amounts	(205.7)	(196.6)
Taxes receivable, net	245.7	311.2
Other accounts receivable:		
Other accounts receivable, gross	204.5	140.7
Allowance for uncollectible amounts	(93.9)	(50.9)
Other accounts receivable, net	110.6	89.8
Total accounts receivable, net	356.3	401.0

Taxes receivable is listed first above due to being the significant portion of total accounts receivable, and the rest are referred to as other accounts receivable. Other accounts receivable, gross includes related interest receivable of $2.8 billion and $3.0 billion as of September 30, 2022, and 2021, respectively.

Treasury comprises approximately 66.8 percent of the government's reported accounts receivable, net, as of September 30, 2022. Treasury accounts for nearly all the reported taxes receivable, which consist of unpaid assessments due from taxpayers, unpaid taxes related to IRC section 965, and deferred payments resulting from the CARES Act. Examples of unpaid assessments are the filing of a tax return without sufficient payment or a court ruling in favor of the IRS. Section 965(h) of the IRC requires taxpayers who are shareholders of certain specified foreign corporations to pay a transition tax on foreign earnings as if those earnings had been repatriated to the U.S. IRC 965(h) allows taxpayers to elect to pay their tax on an eight-year installment schedule. Pursuant to the CARES Act, employers, through December 31, 2020, could defer payment, without penalty, of their portions of the Social Security segment of FICA and the employer's and employee representative's share of the Railroad Retirement Tax. Treasury experienced a year over year decrease of $66.6 billion primarily due to the 50 percent year one installment payment of the deferred employer portion of FICA Social Security taxes.

Other accounts receivable, gross and the corresponding allowance for uncollectible amounts increased significantly year over year, primarily because of DOL's benefit overpayments from programs related to COVID-19, including an increase in gross receivables of $37.5 billion and an increase to the allowance of $39.2 billion. Another substantial factor in the overall change in Other accounts receivable, gross, was the $11.6 billion increase in HHS receivables primarily due to Medicare.

The following entities are the main contributors to the government's reported accounts receivable, net as of September 30, 2022. Refer to each entity's financial statements for additional information:

- Treasury
- HHS
- DHS
- DOD
- SSA
- DOI
- USDA
- DOL
- DOE
- VA
- PBGC
- DOJ
- FDIC
- TVA
- OPM
- SEC
- HUD
- USPS
- FCC
- EPA

Note 4. Loans Receivable, Net and Loan Guarantee Liabilities

Loans Receivable, net as of September 30, 2022

(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,341.8	86.7	-	(611.9)	816.6	385.4
Disaster Assistance Loans - SBA	367.0	14.8	-	(61.5)	320.3	43.0
Federal Housing Admin Loans - HUD	53.8	20.9	0.5	(14.3)	60.9	(0.1)
Electric Loans - USDA	53.9	-	-	(2.2)	51.7	0.7
Federal Family Education Loans - Education	80.3	21.6	-	(62.1)	39.8	10.8
All other programs	159.6	4.0	0.8	(19.6)	144.8	0.1
Total loans receivable	2,056.4	148.0	1.3	(771.6)	1,434.1	439.9

Loans Receivable, net as of September 30, 2021

(In billions of dollars)	Loans Receivable, Gross	Interest Receivable	Foreclosed Property	Subsidy Cost Allowance	Loans Receivable, Net	Subsidy Expense (Income) for the Fiscal Year
Federal Direct Student Loans - Education	1,292.2	86.5	-	(273.9)	1,104.8	93.9
Disaster Assistance Loans - SBA	249.2	7.5	-	(12.6)	244.1	2.9
Federal Housing Admin Loans - HUD	46.2	19.9	0.6	(17.6)	49.1	-
Electric Loans - USDA	51.0	-	-	(2.6)	48.4	(0.8)
Federal Family Education Loans - Education	82.0	23.9	-	(47.7)	58.2	0.6
All other programs	159.4	3.2	0.9	(17.1)	146.4	1.3
Total loans receivable	1,880.0	141.0	1.5	(371.5)	1,651.0	97.9

Loans Receivable

Loans receivable consists primarily of direct loans disbursed by the government, receivables related to guaranteed loans that have defaulted, and certain receivables for guaranteed loans that the government has purchased from lenders. Direct loans 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.

The amount of the long-term cost of post-1991 direct loans equals the subsidy cost allowance for direct loans as of September 30. The amount of the long-term cost of pre-1992 direct loans equals the allowance for subsidy amounts (or PV allowance) for direct loans. The long-term cost is based on all direct loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of these direct loans estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and write-offs.

Loans receivable, net 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 compensation for losses that the government sustained under post-1991 loan guarantees. Please refer to the financial statements of HUD, USDA, and VA for additional information regarding foreclosed property.

The total subsidy expense/(income) is the cost recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for direct loans disbursed during the fiscal year, for modifications made during the fiscal year of direct loans outstanding, and for upward or downward reestimates as of the end of the fiscal year. This expense/(income) is included in the Statements of Net Cost.

The majority of loans receivable programs are provided by Education, SBA, HUD, and USDA. For additional information regarding the direct loan programs listed in the tables above, please refer to the financial statements of the entities.

Education has loan programs that are authorized by Title IV of the *Higher Education Act of 1965*. The William D. Ford Federal Direct Loan Program (referred to as the Direct Loan Program), was established in FY 1994 and offered four types of educational loans: Stafford, Unsubsidized Stafford, Parent Loan for Undergraduate Students, and consolidation loans. With this program, the government makes loans directly to students and parents through participating institutions of higher education. Education disbursed approximately $120.4 billion in direct loans to eligible borrowers in FY 2022 and approximately $104.8 billion in FY 2021. The COVID-19 relief legislation and administrative actions provided support for student loan borrowers by temporarily suspending nearly all federal student loan payments interest free. In addition, all federal wage garnishments and collections actions for borrowers with federally held loan in default were halted. To address the financial harms of the pandemic by smoothing the transition back to repayment and helping borrowers at highest risk of delinquencies or default once payments resume, Education announced broad-based debt relief. Borrowers with loans held by Education who received a Pell Grant in college and meet the specified income limits are eligible for up to $20,000 in debt relief, while non-Pell Grant recipients who meet the specified income limits are eligible for up to $10,000 in relief. This action resulted in an upward modification cost of $361.0 billion in the Direct Loan Program. There was a net negative $23.7 billion modification adjustment transfer associated with this modification, bringing the total modification cost for the Direct Loan Broad-Based Debt Relief for $337.3 billion. These loan modification costs are a part of the $338.0 billion increase in subsidy cost allowance for Education's Federal Direct Student Loans. Subsequent to September 30, 2022, a federal court order stayed the implementation of the debt relief. For information regarding the status of student loan debt relief refer to Note 30—Subsequent Events.

The SBA makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters. The CARES Act provides funding for SBA to offer low-interest EIDLs for working capital to small businesses suffering substantial economic injury as a result of COVID-19 that can be used to pay fixed debts, payroll, accounts payable and other bills that cannot be paid because of the disaster's impact. Overall, SBA's credit program receivables saw an increase of $76.1 billion from FY 2021 which includes SBA's direct disaster loan program which saw an increase of $76.2 billion. The change in credit program receivables resulted from an increase of $117.8 billion in direct disaster loans as a direct result of CARES Act funded loans.

HUD's Office of Housing plays a vital role for the nation's homebuyers, homeowners, renters, and communities through its nationally administered programs. It includes FHA and Ginnie Mae.

USDA's Rural Development offers direct loans with unique missions to bring prosperity and opportunity to rural areas. The Rural Housing programs provide affordable, safe, and sanitary housing and essential community facilities to rural communities. Rural Utility programs help improve the quality of life in rural areas through a variety of loan programs for electric energy, telecommunications, and water and environmental projects.

Loan Guarantee Liabilities as of September 30, 2022, and 2021

(In billions of dollars)	Loan Guarantee Liabilities 2022	Loan Guarantee Liabilities 2021	Principal Amount of Loans Under Guarantee 2022	Principal Amount of Loans Under Guarantee 2021	Principal Amount Guaranteed by the U.S. 2022	Principal Amount Guaranteed by the U.S. 2021	Subsidy Expense (Income) for the Fiscal Year 2022	Subsidy Expense (Income) for the Fiscal Year 2021
Federal Housing Administration Loans - HUD	(39.8)	(17.9)	1,533.7	1,503.6	1,368.0	1,344.4	(37.8)	(25.2)
Small Business Loans	25.7	227.8	187.9	459.6	163.8	435.3	(5.0)	296.8
Federal Family Education Loans - Education	10.4	7.3	98.6	116.9	98.6	116.9	11.2	10.1
Veterans Housing Benefit Programs	9.9	10.9	940.9	862.2	237.3	218.3	(2.2)	0.6
All other guaranteed loan programs	0.2	2.6	195.0	208.6	178.3	190.9	(2.3)	(3.2)
Total loan guarantee liabilities	6.4	230.7	2,956.1	3,150.9	2,046.0	2,305.8	(36.1)	279.1

Loan Guarantee Liabilities

Loan guarantee programs are also 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 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 loan guarantees outstanding equals the liability for loan guarantees as of September 30. The amount of the long-term cost of pre-1992 loan guarantees equals the allowance for subsidy amounts (or PV allowance) and the liability for loan guarantees. The long-term cost is based on all guaranteed loans disbursed in this fiscal year and previous years that are outstanding as of September 30. It includes the subsidy cost of the loan guarantees estimated as of the time of loan disbursement and subsequent adjustments such as modifications, reestimates, amortizations, and write-offs.

The total subsidy expense/(income) is the cost of loan guarantees recognized during the fiscal year. It consists of the subsidy expense/(income) incurred for guaranteed loans disbursed during the fiscal year, for modifications made during the fiscal year of loan guarantees outstanding, and for upward or downward reestimates as of the end of the fiscal year of the cost of loan guarantees outstanding. This expense/(income) is included in the Statements of Net Cost.

The majority of the loan guarantee programs are provided by HUD, SBA, Education and VA. For additional information regarding the guaranteed loan programs listed in the tables above, please refer to the financial statements of the entities.

HUD's Office of Housing promotes equal housing opportunities. It includes FHA who provides mortgage insurance on mortgages for single family mortgage loans made by FHA-approved lenders as well as providing mortgage insurance on multifamily rental housing, healthcare facilities and single-family Title I manufactured housing and property improvement loans. FHA strives to meet the needs of many first-time and minority homebuyers who, without the FHA guarantee, may find mortgage credit to be unaffordable or simply unavailable. These programs are a critical component of FHA's efforts to meet the nation's need for decent, safe, and affordable housing. Due to COVID-19 the CARES Act provided borrowers with federally backed mortgage loans a 60-day foreclosure moratorium and a right to forbearance of loan payments for up to one year for homeowners experiencing financial hardship. FHA's Loan Guarantee Liability decreased $21.9 billion primarily due to upward and downward reestimates, increases in claim payments, decreases in interest fees received and decreases in negative subsidy payments. Overall, anticipated cash inflows are projected to exceed cash outflows.

The SBA provides guarantees that help small businesses obtain bank loans and licensed companies to make investments in qualifying small businesses. The loan guarantee PPP provides loan forgiveness for eligible small businesses, individuals, and nonprofits if proceeds were used in accordance with the law. Eligible expenses include payroll, rent, utility payments and other limited uses. SBA's Loan Guarantee Liabilities decreased $202.1 billion primarily due to PPP loan forgiveness to lenders.

Education has loan programs that are authorized by Title IV of the *Higher Education Act of 1965*. The FFEL Program was established in FY 1965 and operates through state and private, nonprofit guaranty agencies that provided loan guarantees on loans made by private lenders to eligible students. The *Student Aid and Fiscal Responsibility Act*, which was enacted as part of the *Health Care Education and Reconciliation Act of 2010* (P.L. 111-152), eliminated the authority to guarantee new FFEL after June 30, 2010.

VA operates the following loan guarantee programs: Housing Guaranteed Loans and Loan Sale Guarantees. The Home Loans program provides loan guarantees to veterans, service members, qualifying dependents, and limited non-veterans to purchase homes and retain homeownership with favorable market terms.

For additional information regarding the CARES Act refer to the financial statements of SBA, Education, HUD and Note 29—COVID-19 Activity.

Note 5. Inventory and Related Property, Net

Inventory and Related Property, net as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Inventory held for current sale	76.3	72.1
Inventory held in reserve for future sale	0.9	0.9
Inventory and operating material and supplies held for repair	78.3	77.1
Inventory—excess, obsolete, and unserviceable	0.8	0.7
Operating materials and supplies held for use	163.5	158.2
Operating materials and supplies held in reserve for future use	29.7	28.6
Operating materials and supplies—excess, obsolete, and unserviceable	0.6	0.7
Stockpile materials held in reserve for future use	59.4	58.6
Stockpile materials held for sale	2.1	7.0
Other related property	5.5	4.5
Allowance for loss	(10.2)	(9.2)
Total inventory and related property, net	406.9	399.2

Inventory is tangible personal property that is either held for sale, in the process of production for sale, or to be consumed in the production of goods for sale or in the provision of services for a fee. Examples of inventory include raw materials, finished goods, spare and repair parts, clothing and textiles, and fuels.

Inventory is categorized as one of the following:

- Held for current sale – includes items currently for sale or transfer to either entities outside the federal government, or other federal entities.
- Held in reserve for future sale – includes items being held for sale or transfer to either entities outside the federal government or other federal entities in the future.
- Held for repair – items that require servicing to make them suitable for sale or use.
- Excess – stock that exceeds the demand expected in the normal course of operations because the amount on hand is more than can be sold in the foreseeable future and that does not meet management's criteria to be held in reserve for future sale or use.
- Obsolete – items that are no longer needed due to changes in technology, laws, customs, or operations.
- Unserviceable – damaged items that are more economical to dispose of than to repair.

OM&S consists of tangible personal property to be consumed in normal operations (e.g., spare and repair parts, ammunition, and tactical missiles) and is categorized as one of the above categories or in the additional listed category below:

- Held in reserve for future sale or use – items maintained because they are not readily available in the market or because there is more than a remote chance that they will eventually be needed.

Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation, or local/national emergencies. Stockpile materials are not held with the intent of selling in the ordinary course of business and are restricted unless released by congressional action. Once authorized, the materials (e.g., ores, metals, alloys, and medical supplies) are reclassified to held for sale. Refer to the financial statements of DOD, DOE, and HHS for additional information regarding stockpile materials.

Other related property consists of the following:

- Forfeited property consists of monetary instruments, intangible property, real property, and tangible personal property acquired through forfeiture proceedings; property acquired by the government to satisfy a tax liability; and unclaimed and abandoned merchandise. Please refer to the financial statements of DOJ and Treasury for additional information regarding forfeited property.

- Goods acquired under price support and stabilization programs are referred to as commodities. Commodities are items of commerce or trade having an exchange value. Please refer to the financial statements of USDA for additional information regarding commodities.
- Seized property includes monetary instruments, real property, and tangible personal property of others in the actual or constructive possession of the custodial entity. For additional information on seized property, refer to the financial statements of DOJ and Treasury.
- Foreclosed property consists of any asset received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities acquired under price support programs). For additional information on foreclosed property, see Note 4—Loans Receivable, Net and Loan Guarantee Liabilities and refer to the financial statements of USDA, VA, and HUD.

DOD comprises approximately 82.9 percent of the government's inventory and related property, net, as of September 30, 2022.

The following entities are the main contributors to the government's reported inventory and related property, net of $406.9 billion as of September 30, 2022. Refer to each entity's financial statements for additional information.

- DOD
- DOE
- Treasury
- HHS
- DHS

Note 6. General Property, Plant, and Equipment, Net

General Property, Plant, and Equipment, net as of September 30, 2022, and 2021

(In billions of dollars)	Cost	Accumulated Depreciation/ Amortization	Net	Cost	Accumulated Depreciation/ Amortization	Net
	2022			2021		
Buildings, structures, and facilities	720.0	421.6	298.4	674.1	381.3	292.8
Furniture, fixtures, and equipment	1,442.5	868.2	574.3	1,424.3	846.1	578.2
Construction in progress	260.4	N/A	260.4	243.5	N/A	243.5
Internal use software	66.1	40.9	25.2	61.3	38.3	23.0
Land	22.4	N/A	22.4	22.3	N/A	22.3
Other general property, plant, and equipment	35.2	18.4	16.8	33.1	16.0	17.1
Total general property, plant, and equipment, net	2,546.6	1,349.1	1,197.5	2,458.6	1,281.7	1,176.9

Note: "N/A" indicates not applicable.

DOD comprises approximately 68.0 percent of the government's reported general PP&E, net as of September 30, 2022. DOD continues to implement SFFAS No. 50, *Establishing Opening Balances for General Property, Plant, and Equipment* which permits alternative methods in establishing opening balances for general PP&E and has elected to exclude land and land rights. The total acreage excluded was 22,958,006 as of September 30, 2022, and 23,566,363 as of September 30, 2021. Differences year over year are due to DOD understating general PP&E due to asset balances that were previously recorded in a legacy system but not the reporting system, incorrect accumulated depreciation amounts recorded in FYs 2019 through 2021, updated construction in progress billing models, and offline adjustments that were made after the reporting system had closed in FY 2021.

The following entities are the main contributors to the government's reported general PP&E net of $1,197.5 billion as of September 30, 2022. Please refer to each entity's financial statements for additional information.

- DOD
- DOE
- GSA
- DOC
- Treasury
- HHS
- DOI
- USPS
- DHS
- Smithsonian
- SSA
- NASA
- VA
- TVA
- State
- DOJ
- DOT

Certain PP&E are multi-use heritage assets, see Note 26—Stewardship Property, Plant, and Equipment for additional information on multi-use heritage assets. Please refer to DM&R and Land and Permanent Land Rights located in the unaudited RSI for information concerning the estimated maintenance and repair costs related to PP&E and the federal estimated acreage by predominant use.

Note 7. Investments

Investments as of September 30, 2022

(In billions of dollars)	Level 1	Level 2	Level 3	Other	Total
Pension Benefit Guaranty Corporation:					
Asset backed/mortgage backed securities	-	9.7	-	-	9.7
Corporate bonds and other	-	18.3	-	-	18.3
International fixed maturity securities	0.1	5.8	-	-	5.9
Equity securities	2.8	-	-	9.7	12.5
Pooled funds	-	-	-	2.2	2.2
Real estate and real estate investment trusts	1.1	-	-	0.4	1.5
Other securities	-	4.8	0.3	2.3	7.4
Total Pension Benefit Guaranty Corporation	4.0	38.6	0.3	14.6	57.5
Department of the Treasury:					
Investments in Special Purpose Vehicles	-	-	17.8	-	17.8
Other Investments	3.9	-	2.9	-	6.8
Total Department of the Treasury	3.9	-	20.7	-	24.6
National Railroad Retirement Investment Trust:					
U.S. equity	6.4	-	-	-	6.4
Non-U.S. equity	4.9	-	-	-	4.9
Private equity	-	-	-	3.8	3.8
Global fixed income	-	2.1	-	0.5	2.6
Global real assets	0.3	-	-	2.5	2.8
Absolute return mandates	-	-	-	1.0	1.0
Opportunistic mandates	-	-	-	0.7	0.7
Total National Railroad Retirement Investment Trust	11.6	2.1	-	8.5	22.2
Tennessee Valley Authority:					
Commingled funds measured at net asset value	-	-	-	2.4	2.4
Equity securities	1.2	-	-	-	1.2
Corporate debt securities	-	1.4	-	-	1.4
Private equity measured at net asset value	-	-	-	1.9	1.9
Private real assets measured at net asset value	-	-	-	1.5	1.5
Private credit measured at net asset value	-	-	-	0.6	0.6
Other securities	0.7	1.3	0.1	0.5	2.6
Total Tennessee Valley Authority	1.9	2.7	0.1	6.9	11.6
Department of Defense	-	-	-	11.4	11.4
Smithsonian Institution	0.5	-	-	2.1	2.6
All other	-	-	0.1	0.3	0.4
Total investments	21.9	43.4	21.2	43.8	130.3

Investments as of September 30, 2021

(In billions of dollars)	Level 1	Level 2	Level 3	Other	Total
Pension Benefit Guaranty Corporation:					
Asset backed/mortgage backed securities	-	8.7	-	-	8.7
Corporate bonds and other	-	24.4	-	-	24.4
International fixed maturity securities	-	7.9	-	-	7.9
Equity securities	2.5	0.1	-	13.2	15.8
Pooled funds	0.1	-	-	5.9	6.0
Real estate and real estate investment trusts	1.7	-	-	0.5	2.2
Other securities	-	7.3	0.2	2.7	10.2
Total Pension Benefit Guaranty Corporation	4.3	48.4	0.2	22.3	75.2
Department of the Treasury:					
Investments in Special Purpose Vehicles	-	-	25.6	-	25.6
Other Investments	5.3	-	0.8	-	6.1
Total Department of the Treasury	5.3	-	26.4	-	31.7
National Railroad Retirement Investment Trust:					
U.S. equity	8.4	-	-	-	8.4
Non-U.S. equity	6.8	-	-	-	6.8
Private equity	-	-	-	4.0	4.0
Global fixed income	0.1	2.7	-	0.5	3.3
Global real assets	0.5	-	-	2.2	2.7
Absolute return mandates	-	-	-	0.9	0.9
Opportunistic mandates	-	-	-	0.7	0.7
Total National Railroad Retirement Investment Trust	15.8	2.7	-	8.3	26.8
Tennessee Valley Authority:					
Commingled funds measured at net asset value	-	-	-	3.0	3.0
Equity securities	1.6	-	-	-	1.6
Corporate debt securities	-	1.8	-	-	1.8
Private equity measured at net asset value	-	-	-	1.7	1.7
Private real assets measured at net asset value	-	-	-	1.0	1.0
Private credit measured at net asset value	-	-	-	0.4	0.4
Other securities	1.5	1.5	0.1	0.5	3.6
Total Tennessee Valley Authority	3.1	3.3	0.1	6.6	13.1
Department of Defense	-	-	-	11.4	11.4
Smithsonian Institution	0.5	-	-	2.4	2.9
All other	-	-	0.1	0.4	0.5
Total investments	29.0	54.4	26.8	51.4	161.6

PBGC, NRRIT, TVA, and Smithsonian apply financial accounting and reporting standards issued by FASB and such entities, as permitted by SFFAS No. 47, *Reporting Entity* are consolidated into the U.S. government's consolidated financial statements without conversion to accounting and reporting standards issued by FASAB. PBGC, NRRIT, and TVA also hold investments in Treasury securities which are not included in the above tables, as such investments are eliminated in consolidation. Overall, the FY 2022 balance for investments decreased due to a decrease in investment holdings.

In FY 2022, Investments in Special Purpose Vehicles was consolidated into the Investments note. The data was moved under Treasury with corresponding lines "Investments in Special Purpose Vehicles" and common stock warrants reporting under "Other Investments".

PBGC insures pension benefits of participants in covered single-employer and multiemployer defined benefit pension plans and values its financial assets at estimated FV consistent with the standards issued by FASB for pension plans. PBGC's investments are used to pay future benefits of covered participants.

Treasury's investments consist of foreign currency holdings invested in interest bearing securities issued or held through foreign governments or monetary authorities, SPVs, and common stock warrants that include non-federal investments holdings acquired pursuant to the establishment of emergency relief programs in response to the COVID-19 pandemic that are valued at FV. Common stock warrants provide Treasury with the right to purchase shares of common stock of either publicly or non-publicly traded air carriers. The warrants are assets of the U.S. government and Treasury is precluded from using the cash proceeds realized from the financial instruments received.

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 RRP. As an investment company, NRRIT is subject to accounting standards for investment companies issued by FASB.

TVA's investments consist of amounts held in the Nuclear Decommissioning Trust, Asset Retirement Trust, Supplemental Executive Retirement Plan, and Deferred Compensation Plan. TVA's qualified benefit pension plan is funded with qualified plan assets.

Certain other investments reported by DOD represent joint ventures with private developers constructing or improving military housing on behalf of the department.

Please refer to PBGC, NRRIT, TVA, Treasury, DOD, and Smithsonian's financial statements for additional information on these investments and FV measurement.

Investments in Special Purpose Vehicles

The SPVs were established by FRBNY and FRBB for the purpose of making loans, purchasing debt, and other commercial paper of eligible entities affected by COVID-19. The valuation to estimate the investment's FV incorporates forecasts, projections, and cash flow analyses. Changes in valuation, including impairments, are deemed usual and recurring and thus are recorded as exchange transactions on the Statement of Net Cost and investments on the Balance Sheet. For additional information regarding the recording of revenue and the changes in valuation refer to Treasury's financial statements.

Certain lending facilities were implemented through SPVs, which consist of the MSF, MLF, and TALF. The MSF supports lending to small and medium-sized businesses that were in sound financial condition before the onset of the COVID-19 pandemic and have good post-pandemic prospects. The MLF helps state and local governments manage cash flow pressures while continuing to serve households and businesses in their communities. The TALF supports the flow of credit to consumers and businesses for purposes of stabilizing the U.S. financial system. As of January 8, 2021, the SPVs have ceased purchasing of loan participations, eligible notes, and no new credit extensions have been made. For additional information regarding the SPVs refer to Treasury's financial statements and to Note 27—Disclosure Entities and Related Parties.

Fair Value Measurement

Investments are recorded at FV and have been categorized based upon a FV hierarchy, in accordance with FASB ASC Topic 820. FV is a market-based measurement. For some assets, observable market transactions or market information might be available. For other assets, observable market transactions and market information might not be available. However, the objective of a FV measurement in both cases is the same—to estimate the price at which an orderly transaction to sell the asset would take place between market participants at the measurement date under current market conditions.

When a price for an identical asset is not observable, a reporting entity measures FV using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. Because FV is a market-based measurement, it is measured using the assumptions that market participants would use when pricing the asset, including assumptions about risk. As a result, a reporting entity's intention to hold an asset is not relevant when measuring FV.

The measurement of FV of an asset is categorized with different levels of FV hierarchy as follows:

- Level 1—Unadjusted quoted prices in active markets for identical assets that the reporting entity can access at the measurement date.

- Level 2—Inputs other than quoted prices included with Level 1 that are based on observable market data (quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets), or that are either directly or indirectly observable for substantially the full term of the asset or liability.
- Level 3—Inputs that are both unobservable and significant to the overall FV measurement.
- Other—This category contains investments in certain commingled funds and partnerships that are measured at FV using NAV practical expedient that are not classified within the FV hierarchy and joint ventures. Please refer to PBGC, NRRIT, and TVA's financial statements for additional information on investments priced by NAV per share (or its equivalent) practical expedient and DOD's financial statements for additional information about joint ventures.

Note 8. Investments in Government-Sponsored Enterprises

Investments in GSEs as of September 30, 2022

(In billions of dollars)	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	177.7	(62.0)	115.7
Freddie Mac senior preferred stock	106.6	(2.1)	104.5
Fannie Mae warrants common stock	3.1	(0.9)	2.2
Freddie Mac warrants common stock	2.3	(1.0)	1.3
Total investments in GSEs	289.7	(66.0)	223.7

Investments in GSEs as of September 30, 2021

(In billions of dollars)	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	158.7	(38.2)	120.5
Freddie Mac senior preferred stock	94.9	0.1	95.0
Fannie Mae warrants common stock	3.1	0.4	3.5
Freddie Mac warrants common stock	2.3	(0.4)	1.9
Total investments in GSEs	259.0	(38.1)	220.9

Congress established Fannie Mae and Freddie Mac as GSEs to provide stability and increase liquidity in the secondary mortgage market and to promote access to mortgage credit throughout the nation. A key function of the GSEs is to purchase mortgages, package those mortgages into securities, which are subsequently sold to investors, and guarantee the timely payment of principal and interest on these securities.

Congress passed the *Housing and Economic Recovery Act of 2008* (P.L. 110-289) in July 2008 in response to the financial crisis that year and the increasingly difficult conditions in the housing market which challenged the soundness and profitability of the GSEs and thereby threatened to undermine the entire housing market. This Act created 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 invested in the GSEs by entering into a 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 purpose of such actions is to maintain the solvency of the GSEs so they can continue to fulfill their vital roles in the mortgage market while the Administration and Congress determine what structural changes should be made to the housing finance system. Draws under the SPSPAs would result in an increased investment in the GSEs as further discussed below. Under SFFAS No. 47, *Reporting Entity* criteria, Fannie Mae and Freddie Mac were owned or controlled by the federal government only as a result of: a) regulatory actions (such as organizations in receivership or conservatorship); or b) other federal government intervention actions. Under the regulatory or other intervention actions, the relationship with the federal government was and is not expected to be permanent. These entities are classified as disclosure entities based on their characteristics as a whole. Accordingly, these entities are not consolidated into the government's consolidated financial statements; however, the value of the investments in these entities, changes in value, and related activity with these entities are included in the government's consolidated financial statements. The net change in valuations of the GSEs include both liquidation preference adjustments and changes in FV, both of which are discussed below and are included on the Statement of Net Cost. Due to an increase in the GSEs' liquidation preference and the year-end valuation adjustment for FY 2022 and FY 2021 a net gain of $2.9 billion and $111.9 billion was reported as earned revenue, respectively. The FY 2021 Statement of Net Cost was restated to report the increase in the GSE's liquidation preference, and the year-end unrealized gain valuation adjustment as earned revenue instead of a reduction to gross cost. For additional information, refer to Note 1.V—Correction of Errors.

Senior Preferred Stock Purchase Agreements

In return for committing to maintain the GSEs' solvency by making a quarterly advance of funds to each GSE in an amount equal to any excess of the GSEs' total liabilities over its total assets as of the end of the previous quarter, Treasury initially received from each GSE: 1) 1,000,000 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 79.9 percent of common stock on a fully-diluted basis. The warrants expire on September 7, 2028. Treasury was entitled to distributions on the senior preferred stock equal to 10.0 percent per annum fixed rate dividend on the total liquidation preference (as discussed below). This dividend structure was changed in the third amendment in August 2012 to a variable equivalent to the GSEs' positive net worth above a capital reserve amount. The capital reserve amount was initially set at $3.0 billion for calendar year 2013 and, upon nearing its scheduled decline to zero, was reset at $3.0 billion in calendar year 2017. On September 27, 2019, Treasury and FHFA amended the SPSPAs to increase the capital reserve amounts of Fannie Mae and Freddie Mac to $25.0 billion and $20.0 billion, respectively. In exchange, Treasury's liquidation preference in each GSE was scheduled to gradually increase up to the adjusted capital reserve amounts based on the quarterly earnings of each GSE.

On January 14, 2021, Treasury and FHFA further amended the SPSPAs to replace the prior variable dividend with an alternative compensation plan for Treasury that permits the GSEs to continue their recapitalization efforts, as prescribed by the GSE capital framework finalized by FHFA in 2020. Under the amended SPSPAs, each GSE is permitted to retain capital until the GSE has achieved its regulatory minimum capital requirement, including buffers (i.e., the capital reserve end date), at which point its cash dividend obligations will resume along with the obligation to pay a periodic commitment fee. As compensation to Treasury for the replacement of the variable dividend, the liquidation preference of Treasury's senior preferred stock in each GSE will increase by the amount of retained capital until each GSE has achieved its capital reserve end date.

Additionally, the January 14 amendment, among other things, imposed restrictions on certain GSE business activities, including purchases of loans backed by investment properties, second homes, and multifamily properties, and on purchases of loans with multiple high-risk characteristics or for cash consideration. On September 14, 2021, Treasury and FHFA agreed to suspend certain business activity restrictions added to the SPSPAs by the January 14 amendment while FHFA undertakes a review of the extent to which these requirements are redundant or inconsistent with existing FHFA standards, policies, and directives. The suspension will terminate six months after Treasury notifies the GSEs. As of September 30, 2022, Treasury has not provided notice to GSEs to terminate the suspension.

As of September 30, 2022, Treasury's liquidation preference in Fannie Mae and Freddie Mac increased by $19.1 billion and $11.7 billion, respectively. As of September 30, 2021, Treasury's liquidation preference in Fannie Mae and Freddie Mac increased by $20.9 billion and $11.0 billion, respectively. The GSEs will not pay a quarterly dividend until after the capital reserve end date. Treasury received no cash dividends for the fiscal years ended September 30, 2022, and 2021, as the GSEs had not achieved their capital reserve end date as of September 30, 2022, and their positive net worth was below the permitted capital reserve amounts as of September 30, 2022.

The SPSPAs, which have no expiration date, require that Treasury will disburse funds to either GSE if, at the end of any quarter, the FHFA determines that the liabilities of either GSE exceed its assets. Draws from Treasury under the SPSPAs are designed to ensure that the GSEs maintain positive net worth, with a fixed maximum amount available to each GSE under this agreement established as of December 31, 2012 (refer to the "Contingent Liability to GSEs" section below and Note 21—Contingencies). Draws against the funding commitment of the SPSPAs do not result in the issuance of additional shares of senior preferred stock; instead, they increase the liquidation preference of the initial 1,000,000 shares by the amount of the draw. The combined cumulative liquidation preference totaled $284.0 billion and $254.0 billion as of September 30, 2022, and 2021, respectively. There were no payments to the GSEs for the fiscal years ended September 30, 2022, and 2021.

Senior Preferred Stock and Warrants for Common Stock

In determining the FV 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 Over-The-Counter Market, discussions with each of the GSEs and FHFA, and other information pertinent to the valuations. Because the senior preferred stock is not publicly traded, there is no comparable trading information available. The fair valuation of the senior preferred stock relies on significant Level 3 unobservable inputs that reflect assumptions about the expectations that market participants would use in pricing.

The FV of the senior preferred stock considers forecasted cash flows to equity holders and the traded prices of the other equity securities, including the GSEs' common stock and junior preferred stock. The FV of the senior preferred stock-as measured by unobservable and observable inputs-increased as of September 30, 2022, when compared to September 30, 2021. Freddie Mac's senior preferred stock drove this increase primarily due to higher projected cash flows and a decrease in the market value of Freddie Mac's other equity securities that comprise the GSEs' total equity.

Factors impacting the FV of the warrants include the nominal exercise price and the large number of potential exercise shares, the market prices and trading volumes of the underlying common stock as of September 30, the principal market, and the market participants. Other factors impacting the FV 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 FV of the warrants-as measured by observable inputs-decreased at the end of FY 2022, when compared to FY 2021, primarily due to decreases in the Level 1 FV measurement of the market price of the underlying common stock of each GSE.

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.

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 years 2047 and 2046 in assessing if a contingent liability was required as of September 30, 2022, and 2021, respectively. If future payments under the SPSPAs are deemed to be probable within the forecast horizon, and Treasury can reasonably estimate such payment, Treasury will accrue a contingent liability to the GSEs to reflect the forecasted equity deficits of the GSEs. Treasury does not discount this accrued contingent liability, nor 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. Treasury will adjust such recorded accruals in subsequent years as new information develops or circumstances change.

Based on Treasury's annual assessment, there were no probable future funding draws as of September 30, 2022, and 2021, and thereby accrued no contingent liability. However, as of September 30, 2022, it is reasonably possible that a period of sustained economic and housing market volatility could potentially cause the GSEs to generate quarterly losses of sufficient magnitude to result in future funding draws against the funding commitment. Due to challenges quantifying future market volatility or the timing, magnitude, and likelihood of such events, Treasury could not estimate the total amount of this reasonably possible future funding liability as of September 30, 2022, and 2021. There were no payments to the GSEs for fiscal years ended September 30, 2022, and 2021. At September 30, 2022, and 2021, the maximum remaining contractual commitment to the GSEs for the remaining life of the SPSPAs was $254.1 billion. Subsequent funding draws will reduce the remaining commitments. Refer to Note 20—Commitments for a full description of other commitments and risks.

In assessing the need for an estimated contingent liability, Treasury relied on the GSEs' public filings and press releases, including their financial statements, monthly business summaries, and quarterly credit supplements, as well as non-public, long-term financial forecasts, the FHFA House Price Index, discussions with each of the GSEs and FHFA, and other information pertinent to the liability estimates. The forecasts prepared in assessing the need for an estimated contingent liability as of September 30, 2022, include two potential scenarios, with varying assumptions regarding the continuation of the GSEs' new business activities, including purchasing mortgage loans and issuing new guaranteed MBS. The forecasts as of September 30, 2022, also assumed the maintenance of the GSEs' retained mortgage portfolios below the maximum permitted under the amended SPSPAs.

Regulatory Environment

To date, Congress has not passed legislation nor has FHFA taken action to end the GSEs' conservatorships. The GSEs continue to operate under the direction of FHFA as conservator.

The *Temporary Payroll Tax Cut Continuation Act of 2011* (P.L. 112-78) was funded by an increase of ten basis points in the GSEs' guarantee fees (referred to as "the incremental fees") which began in April 2012 and extended by the *Infrastructure Investment and Jobs Act of 2021* (P.L. 117-58) through September 30, 2032. The incremental fees are remitted to Treasury and not retained by the GSEs and, thus, do not affect the profitability of the GSEs. For fiscal years ended 2022 and 2021, the GSEs remitted to Treasury the incremental fees totaling $5.8 billion and $4.9 billion, respectively.

Note 9. Advances and Prepayments

Advances and Prepayments as of September 30, 2022, and 2021

(In billions of dollars)	**2022**	**2021**
Department of the Treasury	225.2	256.1
Department of Health and Human Services	39.2	70.1
Department of Defense	14.2	20.7
Department of Labor	10.7	13.0
All other	8.8	9.4
Total advances and prepayments	298.1	369.3

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, grantees, Medicare providers, and state, local, territorial, and tribal governments; travel advances; and prepayments for items such as rents, taxes, insurance, royalties, commissions, and supplies.

Until such time as the goods or services are received, contract terms are met or progress has been made, or prepaid expenses expired these should be recorded as assets. Any amounts that are subject to a refund at the time of completion should be transferred to accounts receivable.

Treasury and HHS had the largest changes to advances and prepayments. Treasury's $30.9 billion decrease represents additional liquidation of advances paid to state, local, territorial, and tribal governments pursuant to the COVID-19 related legislations enacted during FY 2021 and FY 2020. See also Note 29—COVID-19 Activity. HHS's decrease of $29.5 billion was primarily due to collections of COVID-19 Accelerated & Advance Payment program advances offset by the October 2022 Prescription Drug and Medicare Advantage benefit payments which occurred on September 30, 2022, instead of October 1, 2022. The remaining amount of the decrease is primarily due to recognizing grant expenses at the time of payment to the grant recipients, beginning in March 2022.

Note 10. Other Assets

Other Assets as of September 30, 2022, and 2021

(In billions of dollars)	**2022**	**2021**
Regulatory assets	15.2	17.5
Investments in Multilateral Development Banks	8.7	8.5
Buildout/enhancement of nationwide public safety broadband network	5.7	5.3
Department of Energy's operating non-federal generation	3.2	3.4
Other	4.9	4.0
Total other assets	37.7	38.7

Other assets are miscellaneous assets that are not reported elsewhere on the Balance Sheet (e.g., regulatory assets, investments, and costs related to special projects).

DOE and TVA record regulatory assets in accordance with FASB ASC Topic 980, *Regulated Operations*. The provisions of this standard 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 rates should become market-based, FASB ASC Topic 980 would no longer be applicable, and all the deferred costs under that standard would be expensed. DOE’s BPA is responsible for repaying Treasury for transmission and power-generating assets owned by other entities based on this deferred cost. Other regulatory assets for DOE include BPA’s fixed schedule of benefit payments for investor-owned utility customers, repayment of debt for terminated nuclear projects, and deferred energy conservation measures relating to fish and wildlife. TVA’s regulatory assets represent incurred costs that have been deferred because such costs are probable of future recovery in customer rates.

On behalf of the U.S., Treasury invests in certain MDB, through subscriptions to capital, which allows the MDB to issue loans at market-based rates to middle-income developing countries. These paid-in capital investments are nonmarketable equity investments valued at cost.

DOC’s cost contribution to buildout/continuing enhancement of the Nationwide Public Safety Broadband network embodies future economic benefits to the National Telecommunications and Information Administration. Achieving this important mission will ensure the operation and maintenance of the first high-speed, nationwide wireless broadband network dedicated to public safety. Please refer to Note 28—Public-Private Partnerships for additional information.

DOE’s BPA is party to long-term contracts to acquire all the generating nuclear and hydroelectric capability of Energy Northwest’s Columbia Generating Station and Lewis County Public Utility District’s Cowlitz Falls Hydroelectric Project. These contracts require that BPA meet all the facilities’ operating, maintenance, and debt service costs until their license termination dates.

Items included in other are derivative assets, FDIC receivables from resolution activity, non-federal nuclear decommissioning trusts, and the balance of assets held by the experience rated carriers participating in the Health Benefits and Life Insurance Programs (pending disposition on behalf of OPM). Additional information concerning other assets can be obtained from the financial statements of DOE, TVA, Treasury, DOC, OPM, and FDIC.

Note 11. Accounts Payable

Accounts Payable as of September 30, 2022, and 2021

(In billions of dollars)	**2022**	**2021**
Department of Defense	37.4	39.4
Security Assistance Accounts	17.5	17.5
Department of Veterans Affairs	5.0	13.7
Department of the Treasury	8.4	7.3
General Services Administration	6.3	5.5
Department of Education	4.5	5.0
Department of Energy	5.1	4.8
Department of State	2.9	3.3
Department of Justice	2.7	2.6
Department of Homeland Security	3.2	2.6
U.S. Agency for International Development	3.1	2.6
Department of Agriculture	2.5	2.4
U.S. Postal Service	2.3	2.3
All other	13.7	14.1
Total accounts payable	114.6	123.1

Accounts payable includes amounts due for goods and property ordered and received, services rendered by other than federal employees, cancelled appropriations for which the U.S. government has contractual commitments for payment, and non-debt related interest payable.

Note 12. Federal Debt and Interest Payable

Federal Debt and Interest Payable as of September 30, 2022, and 2021 (held by the public)

(In billions of dollars)	2021	Net Change	2022	Average Interest Rate 2022	Average Interest Rate 2021
Treasury securities:					
Marketable securities:					
Treasury bills	3,712.9	(69.2)	3,643.7	2.5%	0.1%
Treasury notes	12,570.5	1,126.0	13,696.5	1.6%	1.4%
Treasury bonds	3,340.8	526.9	3,867.7	3.0%	3.1%
Treasury inflation-protected securities (TIPS)	1,652.0	187.8	1,839.8	0.5%	0.5%
Treasury floating rate notes (FRN)	579.3	46.6	625.9	3.3%	0.4%
Total marketable Treasury securities	21,855.5	1,818.1	23,673.6		
Nonmarketable securities	427.4	198.2	625.6	2.7%	1.3%
Net unamortized premiums/(discounts)	(26.8)	(44.9)	(71.7)		
Total Treasury securities, net (public)	22,256.1	1,971.4	24,227.5		
Agency securities:					
Tennessee Valley Authority	19.3	(0.3)	19.0		
Total agency securities, net of unamortized premiums and discounts	19.3	(0.3)	19.0		
Accrued interest payable	69.4	12.1	81.5		
Total federal debt and interest payable	22,344.8	1,983.2	24,328.0		

Types of marketable securities:

Bills–Short-term obligations issued with a term of 1 year or less.

Notes–Medium-term obligations issued with a term of 2-10 years.

Bonds–Long-term obligations of more than 10 years.

TIPS–Term of 5 years or more.

FRN–Term of 2 years.

Federal debt held by the public consists of securities outside the government by individuals, corporations, state or local governments, FRBs, foreign governments, and other non-federal entities. The above table details 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 Treasury and include:

- Interest-bearing marketable securities (bills, notes, bonds, inflation-protected, and FRN).
- Interest-bearing nonmarketable securities (Government Account Series held by fiduciary and certain deposit funds, foreign series, state and local government series, domestic series, and savings bonds).
- Non-interest-bearing marketable and nonmarketable securities (matured and other).

In FY 2020, Treasury expanded its domestic series to include a new special nonmarketable Treasury security, known as a SPV security. Treasury issued these securities to SPVs, which were established by the Federal Reserve to implement its emergency lending facilities under Section 13(3) of the Federal Reserve Act to respond to the COVID-19 pandemic. An SPV security is a demand deposit certificate of indebtedness for which interest accrues daily and is paid at redemption. The total amount of SPV redemptions in FY 2022 was $7.0 billion, including $0.1 billion in capitalized interest, and there were no issuances. As of September 30, 2022, and 2021, the total amount of SPV securities outstanding were $15.4 and $22.3 billion, respectively.

Gross federal debt, with some adjustments, is the sum of debt held by the public and intra-governmental debt holdings (discussed on the next page) and 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* (P.L. 77-7), Congress and the President set an overall limit of $65.0 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.

A delay in raising the debt limit that began in FY 2021 continued into FY 2022. During the period August 2, 2021, through December 15, 2021, Treasury departed from its normal debt management operations and undertook extraordinary measures to avoid exceeding the debt limit. On October 14, 2021, P.L. 117-50 was enacted, which raised the statutory debt limit by $480.0 billion, from $28,401.5 billion to $28,881.5 billion. Even with this increase, extraordinary measures continued for Treasury to manage below the debt limit. Many of the extraordinary actions taken by Treasury resulted in federal debt securities not being issued to certain federal government accounts. As a result of Treasury securities not being issued to the federal employees' TSP's G Fund as of September 30, 2021, Treasury reported other liabilities of $157.0 billion that would have been reported as Federal Debt and Interest Payable had there not been a delay in raising the statutory debt limit as of September 30, 2021, and had the Treasury securities been issued. On December 16, 2021, P.L. 117-73 was enacted, increasing the debt limit by $2,500.0 billion from $28,881.5 billion to $31,381.5 billion. Treasury subsequently restored the uninvested principal and related interest to the TSP's G Fund, resulting in an increase in federal debt securities held by the public from FY 2021 to FY 2022. See Note 18—Other Liabilities and Note 23—Fiduciary Activities for additional information.

From FY 2021 to FY 2022, interest on Treasury securities held by the public increased from $392.0 billion to $496.5 billion. This $104.5 billion increase primarily resulted from an increase in inflation adjustments, an increase in the average interest rate (see table above), and an increase in the outstanding debt held by the public.

As of September 30, 2022, and 2021, debt subject to the statutory debt limit was $30,869.3 billion and $28,401.4 billion, respectively. The debt subject to the limit includes Treasury securities held by the public and government guaranteed debt of federal entities (shown in the table above) and intra-governmental debt holdings (shown in the following table). On January 19, 2023, Treasury began taking extraordinary measures. See Note 30—Subsequent Events.

Intra-governmental Debt Holdings: Federal Debt Securities
Held as Investments by Government Accounts as of September 30, 2022, and 2021

(In billions of dollars)	2021	Net Change	2022
Social Security Administration, Federal Old-Age and Survivors Insurance Trust Fund	2,755.8	(32.2)	2,723.6
Department of Defense, Military Retirement Fund	1,032.0	162.7	1,194.7
Office of Personnel Management, Civil Service Retirement and Disability Fund	925.8	85.9	1,011.7
Department of Defense, Medicare-Eligible Retiree Health Care Fund	289.7	32.3	322.0
Department of Health and Human Services, Federal Hospital Insurance Trust Fund	136.2	41.2	177.4
Department of Health and Human Services, Federal Supplementary Medical Insurance Trust Fund	170.7	(2.7)	168.0
Department of Transportation, Highway Trust Fund	12.0	115.5	127.5
Federal Deposit Insurance Corporation, Deposit Insurance Fund	115.5	10.0	125.5
Department of Housing and Urban Development, FHA, Mutual Mortgage Insurance Capital Reserve Account	94.1	25.8	119.9
Social Security Administration, Federal Disability Insurance Trust Fund	98.0	16.7	114.7
Department of Labor, Unemployment Trust Fund	53.1	20.5	73.6
Department of Energy, Nuclear Waste Disposal Fund	55.3	1.3	56.6
Pension Benefit Guaranty Corporation	50.3	5.3	55.6
Office of Personnel Management, Employees Life Insurance Fund	50.2	0.8	51.0
Office of Personnel Management, Postal Service Retiree Health Benefits Fund	38.8	(3.2)	35.6
Office of Personnel Management, Employees Health Benefits Fund	28.0	(0.7)	27.3
U.S. Postal Service, Postal Service Fund	24.7	(3.8)	20.9
Department of State, Foreign Service Retirement and Disability Fund	20.3	0.4	20.7
National Credit Union Share Insurance Fund	18.5	2.2	20.7
Department of the Treasury, ESF	22.8	(4.4)	18.4
Department of Housing and Urban Development, Guarantees of Mortgage-Backed Securities Capital Reserve Account	14.2	4.2	18.4
Department of the Interior, Abandoned Mine Reclamation Fund	2.6	11.8	14.4
Pension Benefit Guaranty Corporation Deposit Fund	15.0	(1.3)	13.7
Department of Transportation, Airport and Airway Trust Fund	15.9	(5.1)	10.8
Department of Commerce, Public Safety Trust Fund, NTIA	12.2	(12.2)	-
All other programs and funds	94.1	13.0	107.1
Subtotal	6,145.8	484.0	6,629.8
Total net unamortized premiums/(discounts) for intra-governmental	86.2	2.5	88.7
Total intra-governmental debt holdings, net	6,232.0	486.5	6,718.5

Intra-governmental debt holdings represent the portion of the gross federal debt held as investments by government entities such as trust funds, revolving funds, and special funds. As noted above, the delay in raising the debt limit still existed as of September 30, 2021. On December 16, 2021, P.L. 117-73 was enacted, increasing the debt limit by $2,500.0 billion from $28,881.5 billion to $31,381.5 billion. Treasury subsequently restored uninvested principal and related interest, resulting in an increase to the CSRDF from 2021 to 2022.

Government entities that held investments in Treasury securities include trust funds that have funds from dedicated collections. For additional information on funds from dedicated collections, see Note 22─Funds from Dedicated Collections. These intra-governmental debt holdings are eliminated in the consolidation of these financial statements.

Note 13. Federal Employee and Veteran Benefits Payable

Federal Employee and Veteran Benefits Payable as of September 30, 2022, and 2021

	Civilian		Military		Total	Total
(In billions of dollars)	2022	2021	2022	2021	2022	2021
Pension benefits	2,556.0	2,361.8	2,513.5	1,933.6	5,069.5	4,295.4
Veterans compensation and burial benefits	N/A	N/A	5,965.1	4,302.3	5,965.1	4,302.3
Post-retirement health benefits	427.4	427.3	1,045.0	868.7	1,472.4	1,296.0
Veterans education and training benefits	N/A	N/A	170.0	151.2	170.0	151.2
Life insurance benefits	62.9	60.1	3.9	4.5	66.8	64.6
FECA benefits	25.9	29.2	7.1	7.7	33.0	36.9
Unfunded leave	10.3	10.3	16.6	16.8	26.9	27.1
Liability for other benefits	1.8	1.7	6.4	7.8	8.2	9.5
Total federal employee and veteran benefits payable	3,084.3	2,890.4	9,727.6	7,292.6	12,811.9	10,183.0

Note: "N/A" indicates not applicable.

The 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 health care carriers, apply to current and former civilian and military employees. The actuarial accrued liability represents an estimate of the PV of the cost of benefits that have accrued, determined based on future economic and demographic assumptions. Actuarial accrued liabilities can vary widely from year to year, due to actuarial gains and losses that result from changes to the assumptions and from experience that has differed from prior assumptions.

OPM administers the largest civilian pension and post-retirement health benefits plans. DOD and VA administer the military pension and post-retirement health benefit plans. Other significant pension plans with more than $10.0 billion in actuarial accrued liability include those of Foreign Service (State), TVA, and HHS's Public Health Service Commissioned Corps Retirement System. Please refer to the financial statements of the entities listed for additional information regarding their pension plans and other benefits.

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*, entities 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 PV estimates of federal employee pension, ORB, and OPEB liabilities. The SFFAS No. 33 standard for selecting the 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. 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. This SFFAS No. 33 does not apply to the FECA program.

To provide a sustainable, justifiable data resource for the affected entities, Treasury developed a model and methodology for developing these interest rates in FY 2014.[1] The model is based on the methodology used to produce the HQM yield curve pursuant to the *Pension Protection Act of 2006*. As of July 2014, Treasury began releasing interest rate yield curve data using this new Treasury's 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

[1] Treasury's HQM resource is available at: https://home.treasury.gov/data/treasury-coupon-issues-and-corporate-bond-yield-curves/treasury-coupon-issues

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.

In addition to the benefits presented in this note, federal, civilian, and military employees and federal entities contribute to the TSP. The TSP is administered by an independent government entity, the FRTIB, which is charged with operating the TSP prudently and solely in the interest of the participants and their beneficiaries. Please refer to Note 23—Fiduciary Activities for additional information on the TSP.

Pension Benefits

Change in Pension Benefits

	Civilian		Military		Total	
(In billions of dollars)	2022	2021	2022	2021	2022	2021
Actuarial accrued pension liability, beginning of fiscal year	2,361.8	2,214.1	1,933.6	1,799.3	4,295.4	4,013.4
Pension expense:						
Normal costs	55.9	51.7	38.0	38.4	93.9	90.1
Interest on liability	64.6	65.6	55.6	57.0	120.2	122.6
Actuarial (gains)/losses (from experience)	96.0	46.2	112.9	47.4	208.9	93.6
Actuarial (gains)/losses (from assumption changes)	142.9	80.8	376.7	53.9	519.6	134.7
Other	(63.7)	-	63.6	-	(0.1)	-
Total pension expense	295.7	244.3	646.8	196.7	942.5	441.0
Less benefits paid	(101.5)	(96.6)	(66.9)	(62.4)	(168.4)	(159.0)
Actuarial accrued pension liability, end of fiscal year	2,556.0	2,361.8	2,513.5	1,933.6	5,069.5	4,295.4

Significant Long-Term Economic Assumptions Used in Determining Pension Liability and the Related Expense

	Civilian				Military	
	2022		2021		2022	2021
	FERS	CSRS	FERS	CSRS		
Rate of interest	2.90%	2.30%	3.10%	2.40%	2.80%	2.90%
Rate of inflation	2.00%	2.00%	1.70%	1.70%	2.30%	1.60%
Projected salary increases	1.60%	1.60%	1.30%	1.30%	2.30%	2.00%
Cost of living adjustment	1.80%	2.00%	1.50%	1.70%	2.30%	1.60%

Civilian Employees' Pension

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 CSRS and the FERS. The basic benefit components of the CSRS and the FERS are financed and operated through the CSRDF, a trust fund. CSRDF monies are generated primarily from employees' contributions, federal entity contributions, payments from the General Fund, and interest on investments in Treasury securities. As of September 30, 2022, USPS has accrued, but not paid OPM, $18.1 billion in CSRS and FERS retirement benefit expenses since 2014. In 2022, USPS made a partial payment of $0.5 billion towards the required payment for FERS amortization. In order for USPS to preserve liquidity and to ensure the ability to fulfill its primary universal service mission was not placed at undue risk, USPS has not made all of the required payments for FERS or CSRS amortization. The cost of each year's payment, including defaulted payments, along with other benefit program costs, are included in USPS' net cost for that year in the consolidated Statements of Net Cost. The liability is not included on the government-wide Balance Sheet due to the USPS liability being eliminated with OPM's corresponding receivable.

The civilian pension liability increased by $194.2 billion, primarily due to less favorable than assumed plan experience and the declining interest rate assumption.

Military Employees' Pensions

The Military Retirement System consists of a funded, noncontributory, defined benefit plan for military personnel (Services of Army, Navy, Air Force, Marine Corps, Space Force, and the USCG) with an entry date prior to January 1, 2018 and the BRS, generally for military personnel with an entry date on or after January 1, 2018. The defined benefit plan includes non-disability retired pay, disability retired pay, survivor annuity programs, Concurrent Retirement and Disability Pay, 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 and P.L. 113-291 includes provisions for a three-month reduction in the reserve retirement age from age 60 for each aggregate of 90 days of certain active-duty service served in any fiscal year after January 28, 2008, or in any two consecutive fiscal years after September 30, 2014. However, in no case may the retirement age drop below age 50. There is no vesting of defined 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 the BRS enacted in the NDAA for FY 2016, effective January 1, 2018. The BRS is a retirement benefit merging aspects of both a defined benefit annuity with a defined contribution account, through the TSP. The date an individual enters the military generally determines which retirement system they would fall under and if they have the option to select, via a one-time irrevocable election, their retirement system. Military personnel with a start date on or after January 1, 2018 are automatically enrolled in BRS. Although all members serving as of December 31, 2017 were grandfathered under the prior retirement system, Active Duty, National Guard and Reserve personnel meeting established criteria may have opted into BRS during calendar year 2018. Under the BRS, retiring members are given the option to receive a portion of their retired pay annuity in the form of a lump sum distribution. For additional information on these benefits, see DOD's Office of Military Compensation website https://militarypay.defense.gov.

The DOD MRF was established by P.L. 98-94 (currently 10 U.S.C. §1461-1467) and accumulates funds to finance, on an accrual basis, the liabilities of DOD military retirement and survivor benefit programs. This fund receives income from three sources: monthly normal cost payments from the services to pay for DOD's portion of the current year's service cost; annual payments from Treasury to amortize the unfunded liability and pay for the increase in the normal cost attributable to Concurrent Receipt (certain beneficiaries with combat-related injuries who are receiving payments from VA) per P.L. 108-136; and investment income.

The NDAA for FY 2021, §§ 8224-8225 requires the USCG be covered by the MRF no later than the beginning of FY 2023. For additional information regarding DOD's USCG actuarial liability, please refer to DOD's financial statements.

DOD's Office of the Actuary calculates the actuarial liability annually using economic and demographic assumptions about the future (e.g., mortality and retirement rates). The $579.9 billion increase in the Military Retirement Pension liability is primarily attributable to updated actuarial assumptions, experience and the plan amendment related to the USCG. The net impact of the updated actuarial assumptions was $376.7 billion. The updated long-term economic assumptions under SFFAS No. 33 increased the liability by $319.5 billion and are as follows, comparing FY 2022 to FY 2021, 2.8 percent discount rate compared to 2.9 percent, 2.3 percent COLA compared to 1.6 percent, 2.3 percent across the board salary increase compared to 2.0 percent. Updated non-economic actuarial assumptions increased the actuarial liability by $57.2 billion. The increase in liability of $63.6 billion labeled "other" represents the transfer of the actuarial liability for the USCG from DHS to DOD.

The VA provides eligible veterans and/or their dependents with pension benefits if the veteran died, is over age 65 or is totally disabled, based on annual eligibility reviews. Unlike a traditional pension program, VA pension is only available to veterans who meet the financial means test. As such, only the amounts currently due and payable are reflected as a liability on VA's balance sheet, which is consistent with federal accounting standards. No actuarial liability is recognized for the NPV of projected future benefit payments.

Veterans Compensation and Burial Benefits

Change in Veterans Compensation and Burial Benefits

	Compensation		Burial		Total	
(In billions of dollars)	2022	2021	2022	2021	2022	2021
Actuarial accrued liability, beginning of fiscal year	4,291.7	3,854.3	10.6	8.8	4,302.3	3,863.1
Current year expense:						
Interest on the liability balance	126.6	124.5	0.3	0.3	126.9	124.8
Prior (and past) service costs from program amendments or new programs during the period	7.0	26.3	-	1.1	7.0	27.4
Actuarial (gains)/losses (from experience)	144.6	47.7	(0.4)	(0.2)	144.2	47.5
Actuarial (gains)/losses (from assumption changes)	1,505.2	349.5	1.5	0.9	1,506.7	350.4
Total current year expense	1,783.4	548.0	1.4	2.1	1,784.8	550.1
Less benefits paid	(121.7)	(110.6)	(0.3)	(0.3)	(122.0)	(110.9)
Actuarial accrued liability, end of fiscal year	5,953.4	4,291.7	11.7	10.6	5,965.1	4,302.3

Significant Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2022, and 2021

	2022	2021
Rate of interest	2.82%	2.95%
Rate of inflation	2.67%	2.32%

The 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 veterans' disabilities incurred in or aggravated during active military service, death while on duty, or death resulting from service-connected disabilities after active duty.

Eligible veterans who die or are disabled during active military service-related causes, as well as their dependents, and dependents of service members who died during active military service, receive compensation benefits. In addition, service members who die during active military service and veterans who separated under other than dishonorable conditions are provided with a burial flag, headstone/marker, and grave liner 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, §2301-2308, in recognition of a veteran's military service and are recorded as a liability in the period the requirements are met.

Several significant actuarial assumptions were used in the valuation of compensation and burial benefits to calculate the PV 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 are expected in the future to become beneficiaries of the compensation program; and 3) a proportional share of those in active military service as of the valuation date who are expected to be future veterans and to become beneficiaries of the compensation program. Future benefit payments to survivors of those veterans in classes 1, 2, and 3 above are also incorporated into the projection.

The veterans' compensation and burial benefits liability is developed on an actuarial basis. It is impacted by interest on the liability balance, experience gains or losses, changes in actuarial assumptions, prior service costs, and amounts paid for costs included in the liability balance.

The liability for veterans' compensation and burial benefits payable is based on an actuarial estimate of future compensation and burial payments. The liability increased by $1,662.8 billion in FY 2022 primarily due to: 1) actuarial losses from assumption changes; 2) actuarial losses from experience; and 3) interest on the liability balance. The interest on liability cost of $126.9 billion is based on the prior year liability balance multiplied by the single weighted average discount rate used to compute the liability for veterans' compensation and burial benefits payable in the prior year. The experience cost accounted for $144.2 billion of increase in the liability, and the amounts paid decreased the liability by $122.0 billion. The $1,506.7 billion is mainly due to increases in other actuarial assumptions, a decrease in the discount rate assumptions, and an increase in the COLA rate assumptions.

The single-equivalent discount rate decreased from 2.95 percent to 2.82 percent as of September 30, 2022, which increased the liability by $139.3 billion. The single equivalent COLA rate increased from 2.32 percent as of September 30, 2021, to 2.67 percent as of September 30, 2022, which increased the liability by $309.7 billion. The long-term COLA rate assumption for the September 30, 2021, valuation was based on the average of the last 10 years of monthly Treasury Breakeven Inflation Curve rates. The long-term COLA rate assumption for the September 30, 2022, valuation was based on the intermediate assumptions published in SSA's Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. VA's long term COLA rate assumption for the compensation benefit is similar to that of the SSA's intermediate COLA rate assumption. This methodological change to developing the COLA assumption increased the liability by an additional $326.2 billion.

The increase in the liability due to other assumptions was primarily the result of updates to the veterans compensation plan participation and benefit level distribution rates, and mortality rates, which together increased the liability by $728.0 billion. An experience study was performed for the compensation plan participation and benefit level distribution rates, which estimate potential veterans and service members who may be eligible to receive an award in the future. The increase in plan participation and benefit level distribution rates reflect the impact of various legislation and VA policy changes in the prior years that expanded eligibility including improved outreach efforts on compensation benefits to legacy Veterans and recently separated military members. These assumption rate changes resulted in an increase of $564.2 billion in the compensation liability as of September 30, 2022. The veterans mortality rate, which is the probability of death at a given age, were developed using more recent data which showed a combination of a decrease in mortality rate and higher disability ratings given to a younger population. The updated mortality rates resulted in an increase of $163.8 billion.

On August 10, 2022, the PACT Act, P.L. 117-168, was signed into law expanding and extending eligibility for VA benefits and health care for veterans with toxic exposures and veterans of the Vietnam, Gulf War and Post-9/11 eras. The PACT Act is the most significant expansion of benefits for toxic exposed Veterans in more than 30 years. Provisions of the PACT Act that directly impact compensation benefits include the addition of over 20 presumptive medical conditions from exposures to burn pits and other toxins. VA is currently assessing the effect of this new law to the compensation benefits liability and additional data and analysis is warranted to develop a precise estimate in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government.*

Post-Retirement Health Benefits

Change in Post-Retirement Health Benefits

(In billions of dollars)	Civilian 2022	Civilian 2021	Military 2022	Military 2021	Total 2022	Total 2021
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	427.3	418.7	868.7	848.6	1,296.0	1,267.3
Post-Retirement health benefits expense:						
Prior (and past) service costs from plan amendments or new plans	(28.3)	-	-	-	(28.3)	-
Normal costs	21.3	19.8	25.4	25.5	46.7	45.3
Interest on liability	13.5	14.0	29.0	28.4	42.5	42.4
Actuarial (gains)/losses (from experience)	0.4	(16.1)	(5.6)	(40.4)	(5.2)	(56.5)
Actuarial (gains)/losses (from assumption changes)	10.2	7.3	150.2	28.9	160.4	36.2
Total post-retirement health benefits expense	17.1	25.0	199.0	42.4	216.1	67.4
Less claims paid	(17.0)	(16.4)	(22.7)	(22.3)	(39.7)	(38.7)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	427.4	427.3	1,045.0	868.7	1,472.4	1,296.0

Significant Long-Term Economic Assumptions Used in Determining Post-Retirement Health Benefits and the Related Expense

	Civilian 2022	Civilian 2021	Military 2022	Military 2021
Rate of interest	3.10%	3.20%	2.90%	3.00%
Single equivalent medical trend rate	4.50%	4.40%	4.60%	4.11%
Ultimate medical trend rate	3.40%	3.20%	4.30%	3.60%

Civilian Employees' Post-Retirement Health Benefits

The post-retirement civilian health benefit liability is an estimate of the government's future cost of providing post-retirement health benefits to current employees and retirees. Although active and retired employees pay insurance premiums under the Federal Employee Health Benefits Program, these premiums cover only a portion of the costs. The OPM actuary applies economic and demographic assumptions to historical cost information to estimate the liability.

The USPS was required to make annual prefunding payments to the PSRHB Fund beginning in FY 2007. USPS defaulted on these payments from FY 2011 through FY 2021. The amount due in FY 2021 was $5.1 billion, and the total amount that USPS owed to the Fund as of September 30, 2021, was $57.0 billion. The *Postal Service Reform Act of 2022* changes the method in which required payments into the PSRHB Fund are calculated and cancelled the payments due from USPS. Consequently, the intra-governmental receivable at OPM and the related payable at USPS were written off, which had no effect on the respective agencies' reported net cost in the Statement of Net Cost.

The prior (and past) service costs from plan amendments was a decrease of $28.3 billion. This change is due to a reduction in future costs as a result of the *Postal Service Reform Act of 2022*.

Military Employees' Post-Retirement Health Benefits

Military retirees who are not yet eligible for Medicare (and their non-Medicare eligible dependents) are eligible for post-retirement medical coverage provided by DOD. Depending on the benefit plan selected, retirees and their eligible dependents may receive care from MTF on a space-available basis or from civilian providers through TRICARE. This TRICARE coverage is available as Select (a preferred provider health plan that contracts with medical providers to create a network of participating providers; member cost-shares are typically higher for services received out-of-network) and Prime (a health maintenance plan that limits services to a specific network of medical personnel and facilities and usually by requiring referral by a primary-care physician for specialty care; coverage is also available for non-referred and out-of-network care, subject to higher cost-sharing). These post-retirement medical benefits are paid by the DOD Defense Health Program on a pay-as-you-go basis.

Since FY 2002, DOD has provided medical coverage to Medicare-eligible retirees (and their eligible Medicare-eligible dependents). This coverage, called TFL, is a Medicare Supplement plan which includes inpatient, outpatient and pharmacy coverage. Enrollment in Medicare Part B is required to maintain eligibility in TFL. Retirees with TFL coverage can obtain care from MTF on a space-available basis or from civilian providers.

10 U.S.C., Chapter 56 created the DOD MERHCF, which became operative on October 1, 2002. The purpose of this fund is to account for and accumulate funds for the health benefit costs of Medicare-eligible military retirees, and 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 MERHCF Board) approves the methods and assumptions used in actuarial valuations of the MERHCF for the purpose of calculating the per capita normal cost rates (to fund the annual accrued benefits) and determining the unfunded liability amortization payment (Treasury contribution).

The Secretary of Defense directs the Secretary of the Treasury to make DOD's normal cost payments. The MERHCF pays for medical costs incurred by Medicare-eligible beneficiaries at MTF and civilian providers (including payments to U.S. Family Health Plans for grandfathered beneficiaries), plus the costs associated with claims administration.

DOD's Office of the Actuary calculates the actuarial liabilities annually using assumptions and experience (e.g., mortality and retirement rates, health care costs, medical trend rates, and the discount rate) in accordance with SFFAS No. 33. Actuarial liabilities are calculated for all DOD retiree medical benefits, including both the benefits funded through the MERHCF and the benefits for pre-Medicare retirees who are paid on a pay-as-you-go basis. Military post-retirement health and accrued benefits payable increased $176.3 billion. The increase is primarily attributable to changes in assumptions.

In addition to the health care benefits the federal government provides 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. For the FYs 2018 through 2022, the average medical care cost per year was $86.5 billion.

Veterans Education and Training Benefits

Change in Veterans Education and Training Benefits

(In billions of dollars)	2022	2021
Actuarial accrued liability, beginning of fiscal year	151.2	133.1
Current year expense:		
Prior (and past) service costs from plan amendments or new plans	-	14.3
Interest on liability	3.7	3.6
Actuarial (gains)/losses (from experience)	7.4	17.4
Actuarial (gains)/losses (from assumption changes)	19.8	(4.1)
Total current year expense	30.9	31.2
Less benefits paid	(12.1)	(13.1)
Actuarial accrued liability, end of fiscal year	170.0	151.2

For eligible Veterans and their dependents, the VA provides four education/retraining type programs:

- Post 9/11 GI Bill;
- VR&E;
- Survivors' and Dependents' Educational Assistance; and
- Montgomery GI Bill-Active Duty.

Based on the actuarial estimates of future payments, the total liability for the four education and training programs increased by $18.8 billion in FY 2022. The $18.8 billion increase is primarily attributable to experience losses and losses from other assumption changes.

In FY 2022, VA conducted experience studies for the Post 9/11 GI Bill, Survivors' and Dependents' Educational Assistance, Montgomery GI Bill-Active Duty and VR&E programs, resulted in the liability increase of $19.8 billion from assumption changes.

For additional information regarding actuarial assumptions and the four education and training type programs, please refer to VA's financial statements.

Life Insurance Benefits

Civilian Employees' Life Insurance Benefits

Change in Civilian Life Insurance Benefits

(In billions of dollars)	2022	2021
Actuarial accrued life insurance benefits liability, beginning of fiscal year	60.1	57.6
Life insurance benefits expense:		
New entrant expense	0.9	0.7
Interest on liability	1.7	1.6
Actuarial (gains)/losses (from experience)	(0.4)	(0.3)
Actuarial (gains)/losses (from assumption changes)	1.3	1.2
Total life insurance benefits expense	3.5	3.2
Less costs paid	(0.7)	(0.7)
Actuarial accrued life insurance benefits liability, end of fiscal year	62.9	60.1

Significant Long-Term Economic Assumptions Used in Determining Life Insurance Benefits and the Related Expense

	Civilian	
	2022	2021
Rate of interest	2.80%	2.90%
Rate of increase in salary	1.60%	1.30%

One of the other significant employee benefits is the FEGLI Program. Employee and annuitant contributions and interest on investments fund a portion of this liability. The actuarial life insurance liability is the expected PV of future benefits to pay to, or on behalf of, existing FEGLI participants, less the expected PV of future contributions to be collected from those participants. The OPM actuary uses salary increase and interest rate yield curve assumptions that are generally consistent with the pension liability.

As of September 30, 2022, the total amount of FEGLI insurance in-force is estimated at $766.7 billion ($659.8 billion for employees and $106.9 billion for annuitants).

Veterans' Life Insurance Benefits

The largest veterans' life insurance programs consist of the following:

- National Service Life Insurance covers policyholders who served during World War II.
- Veterans' Special Life Insurance was established in 1951 to meet the insurance needs of veterans who served during the Korean Conflict and through the period ending January 1, 1957.
- Service-Disabled Veterans Insurance program was established in 1951 to meet the insurance needs of veterans who received a service-connected disability rating.

Death benefit liabilities consist of reserves for permanent plan and term policies as well as policy benefits for Veterans Mortgage Life Insurance. Disability income and waiver liabilities consist of reserves to fund the monthly payments to disabled insureds under the Total Disability Income Provision and the policy premiums waived for qualifying disabled veterans. Insurance dividends payable consists of dividends left on deposit with VA and dividends payable to policyholders.

Unpaid policy claims consist of insurance claims that are pending at the end of the reporting period, an estimate of claims that have been incurred but not yet reported, and disbursements in transit. The veteran's life insurance liability for future policy benefits as of September 30, 2022, and 2021, was $3.9 billion and $4.5 billion, respectively. For additional information on veteran's life insurance liability, please refer to VA's financial statements.

The VA supervises SGLI and Veterans Group Life Insurance programs that provide life insurance coverage to members of the uniformed armed services, reservists, and post-Vietnam Veterans as well as their families. VA has entered into a group policy with the Prudential Insurance Company of America to administer and provide the insurance payments under these programs. All SGLI insureds are automatically covered under the Traumatic Injury Protection program, which provides for insurance payments to veterans who suffer a serious traumatic injury in service.

The amount of insurance in-force is the total face amount of life insurance coverage provided by each administered and supervised program at the end of the fiscal year. It includes any paid-up additional coverage provided under these policies. The supervised programs' policies and face values are not reflected in VA's liabilities because the risk of loss on these programs is assumed by Prudential and its reinsurers through the terms and conditions of the group policy. As a result, the information provided for the supervised programs is for informational purposes only and is unaudited. The face value for supervised programs as of September 30, 2022, and 2021, was $1,213.2 billion and $1,219.0 billion, respectively. The face value for administered programs as of September 30, 2022, and 2021, was $4.8 billion and $5.3 billion, respectively.

Federal Employees' Compensation Act Benefits

Workers' Compensation Benefits

DOL determines both civilian and military entities' liabilities for future workers' compensation benefits for civilian federal employees, as mandated by the FECA, for death, disability, medical, and miscellaneous costs for approved compensation cases, and a component for incurred, but not reported, claims. Effective March 12, 2021, the ARP, Section 4016, "Eligibility for Workers' Compensation Benefits for Federal Employees Diagnosed with COVID-19," mandated that accepted COVID-19 claims (or other accepted claims resulting from a coronavirus pandemic) be paid by the fund and are not billable to other federal entities; related administrative costs, including the fair share costs of non-appropriated entities, are to be paid by the fund and are not billable. Beginning in FY 2021, the actuarial liability includes claims covered by Section 4016 of the ARP.

The FECA liability is determined annually using historical claim data and benefit payment patterns related to injury years to predict the future payments. The actuarial methodology provides for the effects of inflation and adjusts liability estimates to constant dollars by applying wage inflation factors (COLA) and medical inflation factors (CPIM) to the calculation of projected benefits. DOL selects the COLA factors and CPIM factors by averaging over five years the COLA rates and CPIM rates, respectively. The FY 2022 methodology for averaging the COLA rates used OMB provided rates; the FY 2022 methodology for averaging the CPIM rates used OMB-provided rates and information obtained from the Bureau of Labor Statistics public releases for CPI. Using averaging renders estimates that reflect trends over five years instead of conditions that exist in one year.

The COLAs and CPIMs used in the projections for FY 2022 are listed below in the table.

Fiscal Year	COLA	CPIM
2023	3.37%	3.13%
2024	3.97%	3.62%
2025	4.10%	3.55%
2026	4.16%	3.84%
2027+	3.91%	4.20%

DOL selects the discount rates by averaging interest rates for the current and prior four years. Using averaging renders estimates that reflect historical trends over five years instead of conditions that exist in one year. DOL selected the interest rate assumptions whereby projected annual payments were discounted to PV based on interest rate assumptions on the TNC yield curve to reflect the average duration of income payments and medical payments. The average durations for income payments and medical payments were 13.8 years and 10.6 years, respectively. Based on averaging the TNC yield curves for the current and prior four years, the interest rate assumptions for income payments and medical payments were 2.1 percent and 2.0 percent, respectively.

For the COLAs, CPIMs, average durations, and interest rate assumptions used in the projections for FY 2021, refer to the FY 2021 *Financial Report.*

Unfunded Leave

Unfunded leave are the amounts recorded by an employer federal entity for unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources. The unfunded leave total as of September 30, 2022, and 2021, was $26.9 billion and $27.1 billion, respectively.

Liability for Other Benefits

Liability for other benefits includes several programs. The largest program is VA's Community Care Program, with an estimated liability of $4.7 billion as of September 30, 2022.

Note 14. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities as of September 30, 2022, and 2021

(In billions of dollars)	**2022**	**2021**
Department of Energy	519.7	515.6
Department of Defense	90.6	82.0
All other entities	16.0	15.7
Total environmental and disposal liabilities	626.3	613.3

After World War II, the U.S. developed a massive industrial complex to research, produce, and test nuclear weapons and commercial nuclear power reactors. The nuclear complex was comprised of nuclear reactors, chemical-processing buildings, metal machining plants, laboratories, and maintenance facilities.

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, or 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 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. Some contaminated sites and facilities could be restored to a condition suitable for any desired use or could be restored to a point where they pose no near-term health risks to the surrounding communities. Achieving the former condition of the sites and facilities would have a higher cost which may or may not warrant the cost 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. Congressional appropriations at lower-than anticipated levels or lack of congressional approval, unplanned delays in project completions including potential delays due to COVID-19, unforeseen technical issues, obtaining regulatory approval, among other things, could cause increases in life-cycle costs.

DOE's environmental and disposal liabilities also include the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities, soil and groundwater remediation, and disposition of excess material for sites. DOE 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 2097 in FY 2022 and through 2096 in FY 2021. While some post-cleanup monitoring and other long-term stewardship activities post-2097 are included in the liability, there are others DOE expects to continue beyond 2097 for which the costs cannot reasonably be estimated.

A portion of DOE's environmental liability 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 estimates are 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 FY 1997, cleanup costs allocated to the periods benefiting from the operations of the facilities. Facilities' cleanup costs allocated to future periods and not included in the environmental and disposal liabilities amounted to $1.1 billion for fiscal years ending September 30, 2022, and 2021.

DOD has cleanup requirements and conducts the cleanup under DERP at active installations, Base Realignment Closure, and Formerly Used Defense Sites. DOD has additional cleanup requirements for active installations not driven by DERP, weapon systems programs, and chemical weapons disposal programs. The weapons system program consists of chemical weapons disposal, nuclear powered aircraft carriers, nuclear powered submarines, and other nuclear ships. All cleanup efforts are performed in coordination with regulatory entities, other responsible parties, and current property owners, as applicable.

DOD follows CERCLA, SARA, RCRA or other applicable federal or state laws to clean up contamination. The CERCLA, SARA, and RCRA require DOD to clean up contamination in coordination with regulatory entities, current owners of property damaged by DOD, 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 utilizes an estimating methodology model which includes the use of mathematical equations to convert resources data into cost data to project environmental cleanup cost. DOD validates the models and estimates liabilities based on data received during preliminary assessment and site investigation.

For general PP&E placed into service after September 30, 1997, DOD expenses associated environmental cleanup costs using two methods: physical capacity usage of the assets or systematically recognized over the useful life. DOD expensed cleanup costs for general PP&E placed into service before October 1, 1997, unless costs are to be recovered through user charges. As costs are recovered DOD expenses cleanup costs associated with the asset life that has passed since the general PP&E was placed into service. DOD systematically recognizes the remaining cost over the remaining life of the asset. The unrecognized portion of the estimated total cleanup costs associated with disposal of general PP&E was $3.9 billion and $4.9 billion for fiscal years ending September 30, 2022, and 2021, respectively.

DOD is responsible for environmental restoration and corrective action for buried chemical munitions and agents; however, a reasonable estimate is indeterminable because the extent of the buried chemical munitions and agents is unknown. DOD has ongoing studies for the Formerly Utilized Sites Remedial Action Program and will update its estimate as additional information is identified. DOD may incur costs for restoration initiatives in conjunction with returning overseas DOD facilities to host nations. DOD continues its efforts to reasonably estimate required restoration costs.

Environmental liabilities change over time because of laws and regulation updates, technology advances, inflation or deflation factors and disposal plan revisions. DOD is unaware of pending changes affecting its estimated cleanup costs. DOD revised estimates resulting from previously unknown contaminants, reestimation based on different assumptions, and other changes in project scope.

Please refer to the financial statements of the main contributing entities, DOD and DOE, for additional information regarding environmental and disposal liabilities, including cleanup costs.

Legal contingent liabilities including contingencies related to environmental legal disputes are recognized as an other liability on the Balance Sheet. See Note 18—Other Liabilities and Note 21—Contingencies for additional information related to legal contingencies.

Note 15. Benefits Due and Payable

Benefits Due and Payable as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Federal Old-Age and Survivors Insurance - SSA	98.6	87.4
Grants to states for Medicaid - HHS	54.8	52.7
Federal Supplementary Medical Insurance (Medicare Parts B and D) - HHS	42.9	43.8
Federal Hospital Insurance (Medicare Part A) - HHS	42.1	35.9
Federal Disability Insurance - SSA	24.2	20.5
Unemployment Insurance - DOL	11.1	19.2
All other benefits programs	14.6	14.4
Total benefits due and payable	288.3	273.9

Benefits due and payable are amounts owed to program recipients or medical service providers as of September 30 that have not been paid. Please refer to the financial statements of HHS, SSA, and DOL for more information.

Note 16. Insurance and Guarantee Program Liabilities

Insurance and Guarantee Program Liabilities as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Single-Employer Pension Plan - Pension Benefit Guaranty Corporation	78.3	108.9
Federal Crop Insurance - Department of Agriculture	17.3	14.2
Multiemployer Pension Plan - Pension Benefit Guaranty Corporation	2.4	3.0
Other insurance and guarantee programs	6.5	3.7
Total insurance and guarantee program liabilities	104.5	129.8

The federal government incurs liabilities related to various insurance and guarantee programs as detailed in the table above. Note 21—Contingencies includes a discussion of contingencies and other risks related to significant insurance and guarantee programs. Insurance information and the related liability concerning federal employee and veteran benefits are included in Note 13—Federal Employee and Veteran Benefits Payable. Social insurance and loan guarantees are not considered insurance programs under SFFAS No. 51, *Insurance Programs,* and are accounted for under SFFAS No. 17*, Accounting for Social Insurance*, and SFFAS No. 2*, Accounting for Direct Loans and Loan Guarantees*. Loan guarantees are disclosed in Note 4—Loans Receivable, Net and Loan Guarantee Liabilities, and social insurance information is included primarily in the sustainability financial statements and in Note 25—Social Insurance.

Insurance and guarantee program liabilities are recognized for known losses and contingent losses to the extent that the underlying contingency is deemed probable and a loss amount is reasonably measurable. Please see Note 21—Contingencies for discussion on the meaning of "probable" depending on the accounting framework used by each significant consolidation entity. PBGC, which insures defined benefit pensions, has the largest insurance and guarantee program liability.

PBGC insures pension benefits for participants in covered defined benefit pension plans. The FY 2022 decrease of $31.2 billion in PBGC's liability for its two separate insurance programs is comprised of a decrease of $30.6 billion in the single-employer program liability and a decrease of $0.6 billion in the multiemployer program liability. As of September 30, 2022, and 2021, PBGC had total liabilities of $90.3 billion and $122.8 billion, respectively. As of September 30, 2022, PBGC's total assets exceeded its total liabilities by $37.6 billion, and in FY 2021 its total assets exceeded its total liabilities by $31.4 billion. Most of the change in liability from FY 2021 to FY 2022 occurred in the single-employer program and was primarily due to change in interest factors which resulted from increases in market interest rates. On March 11, 2021, the ARP established the SFA program for distressed multiemployer pension plans that meet specific eligibility criteria. The SFA program is administered by PBGC and paid in a lump sum rather than in periodic payments. An application under the ARP must be filed by the eligible plans no later than December 31, 2025. Unlike PBGC's insolvency insurance program for multiemployer plans, which is funded by insurance premiums, the SFA program is funded by appropriations from the General Fund. The SFA program is intended to enable eligible plans to pay benefits and administrative expenses for the next 30 years, and, as a result, the vast majority of PBGC's liability for traditional financial assistance recognized in previous years for ongoing plans that were previously expected to become insolvent was reversed (i.e., unbooked) in FY 2021. PBGC projects the range of total costs for the SFA program to be between $66.2 billion and $100.4 billion, including $7.5 billion paid during FY 2022. Refer to PBGC's financial statements for additional information.

As of September 30, 2022, and 2021, $17.3 billion and $14.2 billion, respectively, pertain to USDA's Federal Crop Insurance Program. The Federal Crop Insurance Program is administered by the FCIC, which provides insurance to reduce agricultural producers' economic losses due to natural disasters.

As of September 30, 2022, and 2021, $5.8 billion and $3.4 billion, respectively, pertain to the DHS NFIP, which is included in Other insurance and guarantee programs. The NFIP insurance program liability represents an estimate based on the loss and loss adjustment expense factors inherent to the NFIP Insurance Underwriting Operations, including trends in claim severity and frequency. The estimate is driven primarily by the timing and severity of flooding activity in the U.S. and can significantly vary year over year.

Note 17. Advances from Others and Deferred Revenue

Advances from Others and Deferred Revenue as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Security Assistance Accounts	167.7	125.7
Department of Energy	50.6	48.8
All other	28.9	27.5
Total advances from others and deferred revenue	247.2	202.0

Advances from others and deferred revenue consists of payments received in advance of performance of activities for which revenue has not been earned and other deferred revenue or income received but not yet earned not otherwise classified as advances or repayments. Some examples include deferred project revenue funded in advance, funds received in advance under the terms of a settlement agreement, prepaid postage, and unearned fees, assessments, and surcharges.

SAA advances from others represent liabilities for collections received to cover future expenses or acquisition of assets and are related to contracts authorizing progress payments based on cost as defined in the Federal Acquisition Regulation. In accordance with contract terms, specific rights to the contractors' work vest when a specific type of contract financing payment is made. Due to the probability the contractors will complete their efforts and deliver satisfactory products, and because the amount of potential future payments is estimable, the SAA has recognized a contingent liability for estimated future payments which are conditional pending delivery and government acceptance. SAA had a large increase in advances from others and deferred revenue in FY 2022 due to adjustments to Foreign Military Sales cash collections from systems that do not directly feed into Defense Departmental Reporting System, and the funds advanced from State that were previously recognized as revenue.

The DOE's Nuclear Waste Fund collects revenues from owners or generators of high-level radioactive waste and SNF to pay their share of disposal costs. These revenues are recognized as a financing source as costs are incurred, and revenues that exceed the expenses are considered deferred revenue.

Note 18. Other Liabilities

Other Liabilities as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Allocation of special drawing rights	147.0	161.8
Other liabilities without related budgetary obligations	94.6	258.2
Actuarial liabilities for Treasury-managed benefits program	56.7	51.0
Other liabilities with related budgetary obligations	55.8	66.2
Contingent liabilities	51.6	46.4
Accrued funded payroll and leave	20.6	26.4
Other miscellaneous liabilities	68.8	67.1
Total other liabilities	495.1	677.1

Other liabilities are the amounts owed to the public and are not reported elsewhere in the Balance Sheet.

- Allocation of SDR is the amount of corresponding liability representing the value of the reserve assets allocated by the IMF to meet global needs to supplement existing reserve assets. SDR derive their quality as reserve assets from the undertakings of the members to accept them in exchange for “freely useable” currencies (the U.S. dollar, European euro, Chinese renminbi, Japanese yen, and British pound sterling). Treasury is the sole contributor.
- Other liabilities without related budgetary obligations represent those unfunded liabilities for which congressional action is needed before budgetary resources can be provided. The largest contributions to this category are SAA’s liability to offset non-entity cash and DOE’s contractor-sponsored pension plans and other post-retirement benefits. In addition, for FY 2021 Treasury incurred a liability for the restoration of federal debt principal and interest. This resulted from debt management measures taken during the delay in raising the statutory debt limit, which included suspending investments in Treasury debt securities by the Government Securities Investment Fund of the FERS TSP. As a result of Treasury securities not being issued to the TSP’s G Fund, Treasury reported other liabilities, as of September 30, 2021, in the amount of $157 billion that represented uninvested principal and related interest for the TSP’s G Fund that would have been reported in Note 12—Federal Debt and Interest Payable had there not been a delay in raising the statutory debt limit as of September 30, 2021, and had the securities been issued. After Congress enacted P.L. 117-73 on December 16, 2021, to raise the debt limit, the uninvested principal and related interest were restored in FY 2022, resulting in a decrease to Other Liabilities and an increase to Federal Debt and Interest Payable. For additional information related to the impact on the TSP, see Note 23—Fiduciary Activities.
- Actuarial liabilities for Treasury-managed benefit programs are the amounts recorded by Treasury for actuarial liabilities of future benefit payments to be paid from programs such as the D.C. Federal Pension Fund and the D.C. Judicial Retirement Fund. The only contributors are DOL and Treasury.
- Other liabilities with related budgetary obligations are amounts of liabilities for which there is a related budgetary obligation. Grant accruals, subsidies, and unpaid obligations related to assistance programs are all part of this category. The largest contributors are DOT, HHS, and USDA.
- Contingent liabilities are amounts that are recognized as a result of a past event where a future outflow or sacrifice of resource is probable and measurable. These consist of a wide variety of administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the federal government. DOE and HHS are the top contributors. For additional information, refer to Note 21—Contingencies.
- Accrued funded payroll and leave are the estimated amounts of liabilities for salaries, wages, and funded annual leave and sick leave that have been earned but are unpaid. The most substantial contribution is from DOD.
- Other miscellaneous liabilities are the liabilities not otherwise classified above. Many entities reported relatively small amounts.

The following entities are the main contributors to the government's reported other liabilities as of September 30, 2022. Refer to each entity's financial statements for additional information:

- Treasury
- DOE
- DOL
- SAA
- HHS
- DOD
- DOT
- USPS
- USDA
- PBGC
- DOJ
- DHS
- Education
- DOI
- SEC
- HUD
- TVA
- State

Note 19. Collections and Refunds of Federal Revenue

Collections of Federal Tax Revenue for the Year Ended September 30, 2022

(In billions of dollars)	Federal Tax Revenue Collections	Tax Year to Which Collections Relate 2022	2021	2020	Prior Years
Individual income tax and tax withholdings	4,308.1	2,495.6	1,680.0	99.5	33.0
Corporate income taxes	475.8	294.0	156.6	3.4	21.8
Excise taxes	95.3	74.8	20.1	-	0.4
Unemployment taxes	63.8	49.8	13.8	-	0.2
Customs duties	104.7	97.9	6.8	-	-
Estate and gift taxes	33.4	2.3	25.9	1.8	3.4
Railroad retirement taxes	6.1	4.4	1.3	0.4	-
Fines, penalties, interest, and other revenue	5.0	4.9	0.1	-	-
Subtotal	5,092.2	3,023.7	1,904.6	105.1	58.8
Less: amounts collected for non-federal entities	(0.4)				
Total	5,091.8				

Treasury is the government's principal revenue-collecting entity. Collections of individual income and tax withholdings include FICA/SECA and individual income taxes. These taxes are characterized as non-exchange revenue.

Excise taxes, also characterized as non-exchange revenue, consist of taxes collected for various items, such as airline tickets, gasoline products, distilled spirits and imported liquor, tobacco, firearms, and others.

Tax and other revenues reported reflect the effects of tax expenditures, which are special exclusions, exemptions, deductions, tax credits, preferential tax rates, and tax deferrals that allow individuals and businesses to reduce taxes they may otherwise owe. The *Budget Act* (P.L. 93-344) requires that a list of tax expenditures be included in the annual Budget. Tax expenditures may be viewed as alternatives to other policy instruments, such as spending or regulatory programs. For example, the government supports college attendance through both spending programs and tax expenditures. The government uses Pell Grants to help low- and moderate-income students afford college and allows certain funds used to meet college expenses to grow tax free in special college savings accounts.

Tax expenditures include deductions and exclusions, which reduce the amount of income subject to tax. Examples are the deduction for mortgage interest on personal residences and the exclusion of interest on state and local bonds. Tax expenditures also include tax credits, which reduce tax liability dollar for dollar for the amount of credit. For example, the child tax credit reduces liability by $2,000 per child for taxpayers eligible to use it fully. Other credits are targeted at business activity, such as credits for producing electricity from renewable energy or the research and experimentation credit, which encourages businesses in the U.S. to increase investment in research activities. In addition, tax expenditures include some provisions that allow taxpayers to defer tax liability. Examples include provisions that allow immediate expensing or accelerated depreciation of certain capital investments, and others that allow taxpayers to defer their tax liability, such as the deferral of recognition of income on contributions to and income accrued within qualified retirement plans.

The total revenues reported in the Statement of Operations and Changes in Net Position and the related information reported in this note, do not include explicit line items for tax expenditures, but the total revenue amounts and budget results reflect the effect of these expenditures. Tax expenditures are discussed in this note, the unaudited MD&A, and in the unaudited Other Information section of the *Financial Report*.

Federal Tax Refunds Disbursed and Other Payments for the Year Ended September 30, 2022

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate 2022	2021	2020	Prior Years
Individual income tax and tax withholdings	583.3	85.8	418.5	63.6	15.4
Corporate income taxes	55.7	4.4	12.3	6.1	32.9
Other taxes, fines, and penalties	10.1	4.0	2.0	1.7	2.4
Total	649.1	94.2	432.8	71.4	50.7

Reconciliation of Tax Collections to Revenue for the Year Ended September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Total collections of federal tax revenue	5,091.8	4,269.6
Refunds of federal taxes and other payments	(649.1)	(1,145.6)
Individual and other tax credits	338.3	804.2
Federal Insurance Contributions Act - Tax	(20.7)	(16.4)
Federal Reserve earnings	106.7	100.1
Change in taxes receivable	(65.5)	68.0
Nontax-related fines and penalties reported by entities	80.5	81.4
Nontax-related earned revenue	43.9	94.6
Consolidated revenue per the Statement of Operations and Changes in Net Position	4,925.9	4,255.9

Consolidated revenue in the Statement of Operations and Changes in Net Position is presented on a modified cash basis, net of tax refunds, and includes other non-tax related revenue. Refunds of federal taxes and other payments and individual and other tax credits in FY 2022 and FY 2021 include the CARES Act, CAA and ARP stimulus disbursements of $13.1 billion and $569.5 billion, respectively, to eligible taxpayers. Individual and other tax credits amounts are included in gross cost in the Statements of Net Cost. Refer to Note 3—Accounts Receivable, Net for further explanation of line changes in taxes receivable. The FICA – tax paid by federal entities is included in the individual income and tax withholdings line in the Collections of Federal Tax Revenue; however, it is not reported on the Statement of Operations and Changes in Net Position as these collections are intra-governmental revenue and eliminated in consolidation. The table above reconciles federal tax collections to total revenue.

Collections of Federal Tax Revenue for the Year Ended September 30, 2021

(In billions of dollars)	Federal Tax Revenue Collections	Tax Year to Which Collections Relate			
		2021	2020	2019	Prior Years
Individual income tax and tax withholdings	3,593.9	2,283.0	1,231.8	43.8	35.3
Corporate income taxes	419.0	254.8	130.5	4.3	29.4
Excise taxes	83.6	63.2	19.9	0.2	0.3
Unemployment taxes	50.4	41.6	8.7	-	0.1
Customs duties	85.6	79.3	6.3	-	-
Estate and gift taxes	28.1	1.5	21.1	2.7	2.8
Railroad retirement taxes	5.3	4.2	1.1	-	-
Fines, penalties, interest and other revenue	4.2	4.0	0.2	-	-
Subtotal	4,270.1	2,731.6	1,419.6	51.0	67.9
Less: amounts collected for non-federal entities	(0.5)				
Total	4,269.6				

Federal Tax Refunds Disbursed and Other Payments for the Year Ended September 30, 2021

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2021	2020	2019	Prior Years
Individual income tax and tax withholdings	1,081.2	533.3	496.9	38.3	12.7
Corporate income taxes	53.1	3.9	6.4	13.7	29.1
Other taxes, fines, and penalties	11.3	3.4	4.5	2.2	1.2
Total	1,145.6	540.6	507.8	54.2	43.0

Note 20. Commitments

Long-Term Operating Leases as of September 30, 2022, and 2021

(In billions of dollars)	**2022**	**2021**
General Services Administration	28.5	25.8
Department of Veterans Affairs	6.0	4.9
Department of Health and Human Services	2.9	2.3
Department of State	1.2	1.3
Other operating leases	3.6	3.3
Total long-term operating leases	42.2	37.6

The government has entered into contractual commitments that require future use of financial resources. It has significant amounts of long-term lease obligations. Long-term operating leases in this note refer to those leases in which federal entities do not assume the risks of ownership of the underlying general PP&E, and payments are expensed over the lease term. The lease liabilities and assets arising from operating leases for FASB-reporting entities who early-implemented FASB ASC 842, *Leases*, are recorded on the Balance Sheet in other liabilities and PP&E, respectively, and thus are not included in this Commitments note.

Undelivered Orders and Other Commitments as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Undelivered Orders - Unpaid:		
Department of Defense	440.2	411.5
Department of Education	262.4	321.4
Department of Health and Human Services	254.6	288.8
Department of Transportation	166.7	141.1
Department of Homeland Security	95.4	81.0
Department of Housing and Urban Development	92.6	93.4
Department of Agriculture	83.1	84.5
Department of Energy	41.6	33.9
Security Assistance Accounts	41.2	37.3
Department of State	30.9	26.8
Environmental Protection Agency	27.4	20.7
Department of the Treasury	26.4	5.9
U.S. Agency for International Development	24.8	20.5
All other entities	184.1	164.1
Total undelivered orders - unpaid	1,771.4	1,730.9
Other Commitments:		
GSE Senior Preferred Stock Purchase Agreements	254.1	254.1
U.S. participation in the International Monetary Fund	146.4	162.6
Callable capital subscriptions for Multilateral Development Banks	127.9	125.6
All other commitments	20.8	18.1
Total other commitments	549.2	560.4

Undelivered Orders and Other Commitments

Undelivered Orders - Unpaid

Undelivered orders, included in this note disclosure, represent the value of goods and services ordered that have not yet been received and that have not been prepaid. As of September 30, 2022, and 2021, the total reported undelivered orders were $1,771.4 billion and $1,730.9 billion, respectively. In FY 2022, Education had a $59.0 billion decrease that was largely due to the disbursement of COVID-19 related obligations. HHS had a $34.2 billion decrease that was primarily due to the COVID-19 related obligations being delivered and paid. DOT had a $25.6 billion increase that was primarily due to the increase in funding received in programs funded by the IIJA. Treasury had a $20.5 billion increase that primarily reflects the amounts associated with those COVID-19 financial assistance programs that had not yet fully commenced program disbursements.

GSE Senior Preferred Stock Purchase Agreements

As of September 30, 2022, and 2021, the maximum remaining potential commitment to the GSEs for the remaining life of the SPSPAs was $254.1 billion, which was established on December 31, 2012. Refer to Note 8—Investments in Government-Sponsored Enterprises for a full description of the SPSPAs related commitments and contingent liability, if any, as well as additional information.

U.S. Participation in the International Monetary Fund

The government participates in the IMF through a quota subscription and certain borrowing arrangements that supplement IMF resources. As of September 30, 2022, and 2021, the financial commitment under the U.S. quota and borrowing arrangements was $146.4 billion and $162.6 billion, respectively. Refer to Note 2—Cash and Other Monetary Assets and Note 27—Disclosure Entities and Related Parties for additional information regarding the U.S. participation in the IMF.

Callable Capital Subscriptions for Multilateral Development Banks

The government has callable subscriptions in certain MDB, which are international financial institutions that finance economic and social development projects in developing countries. Callable capital in the MDB serves 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. MDB 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 MDB and none is anticipated. As of September 30, 2022, and 2021, the capital commitment to MDB was $127.9 billion and $125.6 billion, respectively.

Note 21. Contingencies

Loss contingencies are existing conditions, situations, or sets of circumstances involving uncertainty as to possible loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. The government is subject to loss contingencies related to:

- Legal and environmental and disposal;
- Insurance and guarantees; and
- Other Contingencies.

The government is involved in various litigation, including administrative proceedings, legal actions, and tort claims, which may ultimately result in settlements or decisions adverse to the government. In addition, the 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. Refer to the Legal Contingencies and Environmental and Disposal Contingencies section of this note for additional information.

The government provides insurance and guarantees via a variety of programs. At the time an insurance policy or guarantee 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. For additional information, refer to the Insurance and Guarantees sections of this note.

Other contingencies include those related to the government's establishment of construction budgets without receiving appropriations from Congress for such projects, appeals of Medicaid audit and program disallowances by the states, potential draws by GSEs, and whistleblower awards. The government is also a party to treaties and other international agreements. These treaties and other international agreements address various issues including, but not limited to, trade, commerce, security, and law enforcement that may involve financial obligations or give rise to possible exposure to losses. Estimated potential losses for legal claims related to treaties and international agreements are included in the Legal Contingencies and Environmental and Disposal Contingencies section of this note. For additional information on the government's other loss contingencies, refer to the Other Contingencies section of this note.

Financial Treatment of Loss Contingencies

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 and the likelihood of loss can range from probable to remote. SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, identifies the probability classifications used to assess the range for the likelihood of loss as probable, reasonably possible, and remote. Loss contingencies where a past event or exchange transaction has occurred, and where a future outflow or other sacrifice of resources is assessed as probable and measurable, are accrued in the financial statements. Loss contingencies that are assessed to be at least reasonably possible are disclosed in this note, and loss contingencies that are assessed as remote are neither reported in the financial statements, nor disclosed in the notes. Federal entities account for loss contingencies based on the likelihood of loss and measurability criteria provided in the following table.[2]

[2] In addition, a third condition must be met to be a loss contingency: a past event or an exchange transaction must occur.

Likelihood of future outflow or sacrifice of resources	Loss amount can be reasonably measured	Loss range can be reasonably measured	Loss amount or range cannot be reasonably measured
Probable Future confirming event(s) are more likely to occur than not.[3]	Accrue the liability. Report on Balance Sheet and Statement of Net Cost.	Accrue liability of best estimate or minimum amount in loss range if there is no best estimate, and disclose nature of contingency and range of estimated liability.	Disclose nature of contingency and include a statement that an estimate cannot be made.
Reasonably possible Possibility of future confirming event(s) occurring is more than remote but less than probable.	Disclose nature of contingency and estimated amount.	Disclose nature of contingency and estimated loss range.	Disclose nature of contingency and include a statement that an estimate cannot be made.
Remote Possibility of future event(s) occurring is slight.	No action is required.	No action is required.	No action is required.

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 litigation and insurance described in the following sections, which could have a material adverse effect on the financial statements.

Certain significant consolidation entities apply financial accounting and reporting standards issued by FASB, and such entities, as permitted by SFFAS No. 47, *Reporting Entity*, are consolidated into the U.S. government's consolidated financial statements without conversion to financial and reporting standards issued by FASAB.[4] Generally, under FASAB standards, a contingency is considered "probable" if the future event or events are more likely than not to occur. Under FASB standards, a contingency is considered "probable" if the future event or events are likely to occur. "Likely to occur" is considered to be more certain than "more likely than not to occur." Under both accounting frameworks, a contingency is considered "reasonably possible" if occurrence of the future event or events is more likely than remote, but less likely than "probable" ("probable" as defined within each corresponding accounting framework).

[3] For pending or threatened litigation and unasserted claims, the future confirming event or events are considered "probable" if such events are likely to occur.

[4] Significant consolidation entities that apply FASB standards without conversion to FASAB standards are FCSIC, FDIC, NRRIT, PBGC, Smithsonian, TVA, and USPS.

Legal Contingencies and Environmental and Disposal Contingencies

Legal Contingencies and Environmental and Disposal Contingencies as of September 30, 2022, and 2021

	2022			2021		
		Estimated Range of Loss for Certain Cases [2]			Estimated Range of Loss for Certain Cases [2]	
(In billions of dollars)	Accrued Liabilities [1]	Lower End	Upper End	Accrued Liabilities [1]	Lower End	Upper End
Probable	41.1	40.6	43.6	39.7	39.6	42.7
Reasonably possible	N/A	17.2	44.5	N/A	25.9	52.0

[1] Accrued liabilities are recorded and presented in other liabilities on the Balance Sheet.

[2] Does not reflect the total range of loss; many cases assessed as reasonably possible of an unfavorable outcome did not include estimated losses that could be determined.

Note: "N/A" indicates not applicable.

Management and legal counsel have determined that it is "probable" that some legal actions, litigation, tort claims, and environmental and disposal contingencies will result in a loss to the government and the loss amounts are reasonably measurable. The estimated liabilities for "probable" cases against the government are $41.1 billion and $39.7 billion as of September 30, 2022, and 2021, respectively, and are included in "Other Liabilities" on the Balance Sheet. For example, the U.S. Supreme Court 2012 decision in *Salazar v. Ramah Navajo Chapter*, and subsequent cases related to contract support costs have resulted in increased claims against the Indian Health Service, which is a component within HHS. As a result of this decision, many tribes have filed claims. Some claims have been paid and others have been asserted but not yet settled. It is expected that some tribes will file additional claims for prior years. The estimated amount recorded for contract support costs is $6.1 billion in FY 2022 and $5.8 billion in FY 2021.

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 reported for such claims and actions range from $17.2 billion to $44.5 billion as of September 30, 2022, and from $25.9 billion to $52.0 billion as of September 30, 2021. An example is a case that contests SSA's method of reducing benefits under the family maximum provision for auxiliary children of retired workers whose benefits are reduced due to becoming entitled to such benefits before attaining full retirement age. The amount of potential loss arising out of these cases is estimated based on the broadest possible scope of application, to be approximately $6.3 billion for the Social Security trust funds.

In accordance with the NWPA, DOE entered into more than 69 standard contracts with utilities in which, in return for payment of fees into the Nuclear Waste Fund, DOE agreed to begin disposal of 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. Significant litigation claiming damages for partial breach of contract has ensued as a result of this delay. Based on settlement estimates, the total liability estimate as of September 30, 2022 is $41.1 billion. After deducting the cumulative amount paid of $10.1 billion as of September 30, 2022 under settlements, and as a result of final judgments, the remaining liability is estimated to be approximately $31.0 billion, compared to approximately $30.9 billion as of September 30, 2021.

A number of class action and/or multiple plaintiff tort suits have been filed against current and former DOE contractors in which the plaintiffs seek damages for alleged exposures to radioactive and/or toxic substances as a result of the historic operations of DOE's nuclear facilities. Collectively, in these cases, damages of $1.2 billion are currently sought.

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 U.S. government's financial position or operating results.

A number of cases were filed in the U.S. Court of Federal Claims and U.S. District Courts in which the plaintiffs allege, among other things, that the U.S. government took their property, breached contractual rights of preferred and common stockholders, and breached fiduciary duties when the third amendments to the SPSPAs between Treasury and each GSE were executed in August 2012 (please refer to Note 8—Investments in Government-Sponsored Enterprises). In the U.S. Court of Federal Claims, the plaintiffs seek just compensation and other damages from the U.S. government. With respect to certain cases pending before the U.S. Court of Federal Claims, the U.S. government's motion to dismiss was granted with respect to certain claims and denied with respect to certain other claims. The U.S. Court of Appeals for the Federal Circuit dismissed all of the claims. Certain plaintiffs filed petitions for a writ of certiorari with the Supreme Court. In the U.S. District Courts, the plaintiffs seek to set aside the third amendments to the SPSPAs as well as damages, and in some cases an injunction that results in changes to Treasury's liquidation preference, or that converts Treasury's senior preferred stock to common stock. Following the Supreme Court's decision in June 2021, the Court left open the possibility that the plaintiffs may be entitled to retrospective relief if the unconstitutional provision inflicted "compensable harm". The Fifth and Eighth Circuit Courts of Appeal remanded cases to the U.S. District Court for the Southern District of Texas and the U.S. District Court for the District of Minnesota, where plaintiffs filed amended complaints and motions to dismiss are pending. The Sixth Circuit Court of Appeals remanded a case to the U.S. District Court for the Western District of Michigan to determine if the unconstitutional provision inflicted "compensable harm". A case in the Eastern District of Pennsylvania remains in litigation, and a motion to dismiss is pending. Treasury is unable to determine the likelihood of an unfavorable outcome or an estimate of potential loss in these cases at this time.

Insurance and Guarantees

As discussed in Note 1.N—Insurance and Guarantee Program Liabilities, certain consolidation entities with significant insurance and guarantee programs apply FASB standards, while other insurance programs are accounted for in the consolidated financial statements pursuant to FASAB standards. Please refer to Note 16—Insurance and Guarantee Program Liabilities for insurance and guarantee liabilities and Note 13—Federal Employee and Veteran Benefits Payable for insurance related to federal employee and veteran benefits.

Entities Reporting under FASB

PBGC, FCSIC, and FDIC are the main contributing consolidation entities with significant insurance or guarantee programs that apply FASB standards. Insurance in-force estimates and a discussion of PBGC's coverage are disclosed to provide an understanding of the magnitude of the programs. Current conditions indicate it is extremely unlikely that losses equal to the maximum risk exposure described below would be incurred.

PBGC insures pension benefits for participants in covered defined benefit pension plans. Under current law, PBGC's liabilities may be paid only from PBGC's assets. Accordingly, PBGC's liabilities are not backed by the full faith of the U.S. government. As of September 30, 2022, PBGC's single-employer and multiemployer pension insurance programs had $124.4 billion and $3.5 billion in total assets, respectively. In FY 2021, PBGC reported pension insurance program total assets for single-employer and multiemployer of $150.7 billion and $3.5 billion, respectively. The single-employer pension insurance program assets decreased $26.3 billion in FY 2022. The decrease is primarily attributed to the decrease in fixed maturity securities, public equity securities, and securities lending cash collateral.

PBGC operates two separate pension insurance programs: a single-employer program and a multiemployer program. The single-employer program covered about 22.3 million people (excluding those in plans that PBGC has trusteed) in FY 2022, down from about 22.7 million people in FY 2021, and the maximum guaranteed annual benefit for participants who are in a plan that terminated in FY 2022 and commence benefits at age 65 is $74,455. The maximum guaranteed benefit for single-employer plan participants is determined by the year the retiree's plan terminated (if the plan terminated during the plan sponsor's bankruptcy, the year the sponsor entered bankruptcy) and the participant's age at the earlier of the plan termination date (the date the sponsor entered bankruptcy, if earlier) or the date the participant begins collecting benefits. The number of covered ongoing plans at the end of FY 2022 was about 23,800.

The multiemployer program covers about 11.2 million participants in about 1,360 insured plans and the maximum annual benefit is $12,870 to a participant who worked for 30 years in jobs covered by the plan. The maximum benefit for multiemployer plan participants varies with covered service and would be lower if the participant worked less than 30 years and higher if the participant worked more than 30 years. On March 11, 2021, the President signed into law the ARP. The ARP established a new multiemployer SFA program resulting in a new source of financing from the General Fund. PBGC has begun to receive appropriated SFA funds to disburse to multiemployer plans that meet certain criteria. Unlike traditional financial assistance where PBGC provides assistance to the multiemployer plans in the form of a loan, the new special financial assistance will be provided via a transfer (pass through of funds) with no obligation of repayment. Changes made in

PBGC's final rule for SFA published on July 8, 2022 improve the likelihood that plans receiving SFA will be able to pay all benefits due through plan year 2051, thus reducing but not eliminating in all scenarios, the risk that SFA plans will become insolvent in the 2030s and 2040s. Please refer to PBGC financial statements for additional information.

FCSIC insures the timely payment of principal and interest on Systemwide Debt Securities. Systemwide Debt Securities are the general unsecured joint and several obligations of the Farm Credit System Banks. Systemwide Debt Securities are not obligations of and are not guaranteed by the U.S. government. As stated in the Farm Credit *Quarterly Information Statement of the Farm Credit System*, outstanding Systemwide Debt Securities reported by the Farm Credit System Banks totaled $377.2 billion and $329.0 billion as of September 30, 2022, and 2021 respectively. The increase in the outstanding Systemwide Debt Securities primarily resulted from increases in the Farm Credit System's loan portfolio, including real estate mortgage, processing and marketing, rural infrastructure and agricultural export finance loans offset, in part, by a decrease in loans to cooperatives. The insurance provided by FCSIC is also not an obligation of and is not guaranteed by the U.S. government. Under current law, if FCSIC does not have sufficient funds to pay unpaid principal and interest on insured Systemwide Debt Securities, the Farm Credit System Banks will be required to make payments under joint and several liability. As of September 30, 2022, and 2021, FCSIC reported an Insurance Fund balance of $6.5 billion and $5.8 billion, respectively.

FDIC insures bank and savings association deposits, which exposes FDIC to various risks. FDIC has estimated total insured deposits of $9,926.3 billion and $9,577.1 billion as of September 30, 2022, and 2021 respectively, for the DIF.

For PBGC and FDIC, the government also has guarantee contingencies that are reasonably possible in the amount of $54.5 billion and $105.9 billion as of September 30, 2022, and 2021, respectively.

PBGC reported $54.2 billion and $105.7 billion as of September 30, 2022, and 2021, respectively, for the estimated aggregate unfunded vested benefits exposure to PBGC for private-sector single-employer and multiemployer defined benefit pension plans that are classified with a reasonably possible exposure to loss. As of September 30, 2022, PBGC's estimate of its single-employer reasonably possible exposure decreased to $52.0 billion compared to $105.4 billion in FY 2021. The $53.4 billion decrease is primarily due to positive investment results on plan assets during calendar year 2021 and the significant increase in the interest factors used for valuing liabilities as of the measurement date.[5] PBGC's estimate of its multiemployer reasonably possible exposure increased to $2.2 billion in FY 2022 compared to $0.3 billion in FY 2021. The primary reason for the $1.9 billion increase in exposure was due to the 12 plans classified as reasonably possible at September 30, 2022, while only three plans were classified as reasonably possible at September 30, 2021. The majority of the plans newly classified as reasonably possible are due to plan asset losses. Additionally, the reasonably possible aggregate reserve for small plans increased due to an increase in small plans from 23 to 55 projected to become insolvent within 20 years primarily due to plan asset losses.

FDIC reported $0.3 billion and $0.2 billion as of September 30, 2022, and 2021, respectively for additional risk identified 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.

Entities Reporting under FASAB

The total amount of coverage provided by an insurer as of the end of the reporting period is referred to as insurance in-force. Insurance in-force represents the total amount of unexpired insurance arrangements for the corresponding program as of a given date. Insurance in-force is presented to provide the reader with a better understanding of the unexpired insurance arrangements that are not considered a liability. It is extremely unlikely that losses equal to the maximum risk exposure would be incurred. The table below shows the estimate of insurance in-force for consolidation entities with significant insurance programs that apply FASAB standards in accordance with SFFAS No. 51, *Insurance Programs*.

[5] The estimate of the reasonably possible exposure to loss for the single-employer plans was measured as of December 31, 2021.

Insurance In-force as of September 30, 2022, and 2021

(In billions of dollars)	2022	2021
Ginnie Mae - HUD	2,284.5	2,125.6
National Credit Union Share Insurance Fund - NCUA	1,700.0	1,600.0
National Flood Insurance Program - DHS	1,286.2	1,341.3
Federal Crop Insurance - USDA	193.2	150.0

Ginnie Mae insures MBS and commitments, which exposes Ginnie Mae to various risks. Ginnie Mae's MBS program guarantees the timely payment of principal and interest on securities backed by pools of mortgage loans insured by FHA, Public and Indian Housing, and Rural Housing Service, or guaranteed by the VA. Accordingly, Ginnie Mae's credit risk related to outstanding MBS is greatly mitigated by guarantees discussed in Note 4—Loans Receivable, Net and Loan Guarantee Liabilities.

NCUA operates and manages the NCUSIF, insuring the deposits of over 134.3 million account holders in all federal credit unions and the majority of state-chartered credit unions. NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000.

NFIP, managed by FEMA, is considered an exchange transaction insurance program and pays claims to policy holders who experience flood damage due to flooding within the NFIP rules and regulations. FEMA is authorized to secure reinsurance coverage from private reinsurance and capital markets to maintain the financial ability of the program to pay claims from major flooding events.

FEMA, a component of DHS, is authorized to borrow from Treasury up to $30.4 billion to fund the payment of flood insurance claims and claims-related expenses of the NFIP. Amounts borrowed at any time are not predetermined, and authority is used only as needed to pay existing obligations for claims and expenses. Insurance premiums collected are used to pay insurance claims and to repay borrowings. As of September 30, 2022, and 2021, FEMA had drawn from Treasury $20.5 billion, leaving $9.9 billion available to be borrowed. Premiums collected by FEMA for the NFIP based on subsidized rates are not sufficient to cover the debt repayments. Given the current premium rate structure, FEMA will not be able to generate sufficient resources from premiums to pay its debt in full.

The Federal Crop Insurance Program, administered by USDA's FCIC, is considered a short-duration exchange transaction insurance program. The crop insurance policies insure against unexpected declines in yield and/or price due to natural causes. There were approximately 1.2 million crop insurance policies in force for crop years 2022, and 2021. The insurance policies are structured as a contract between Approved Insurance Providers and producers, with the FCIC providing reinsurance to Approved Insurance Providers. Crop insurance policies automatically renew each year unless producers cancel them by a published annual deadline. The insurance protection in force increased $43.2 billion in crop year 2022 primarily due to the elevated commodity prices and greater participation in certain products and plans.

FCIC may request the Secretary of Agriculture to provide borrowing authority funds of the Commodity Credit Corporation if at any time the amounts in the insurance fund are insufficient to allow FCIC to carry out its duties. Even though the authority exists, FCIC did not request Commodity Credit Corporation funds in the reporting period. USDA has a permanent indefinite appropriation for the crop insurance program used to cover premium subsidy, delivery expenses, losses in excess of premiums, and research and delivery costs. FCIC has no outstanding borrowing as of September 30, 2022.

Please refer to the financial statements of the main contributing entities, HUD, NCUA, DHS, and USDA for additional information.

Congress originally enacted the *Terrorism Risk Insurance Act* in November 2002, to address market disruptions resulting from terrorist attacks on September 11, 2001. Most recently, the *Terrorism Risk Insurance Program Reauthorization Act* of 2019 extended TRIP until December 31, 2027. The TRIP 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 TRIP is activated when the Secretary of the Treasury (in consultation with the Secretary of the DHS and the U.S. Attorney General) certifies an "act of terrorism." In the event of certification of an "act of terrorism" insurers may be eligible to receive reimbursement from the U.S. government for associated insured losses assuming an aggregate insured loss threshold ("Program Trigger") has been reached once a particular insurer has satisfied its designated deductible amount. For calendar years 2022 and 2021, the Program Trigger amount was $200.0 million. Insurance companies and the U.S. government will share insured losses above insurer deductibles. TRIP includes both mandatory and discretionary authority for Treasury to recoup federal payments made under TRIP 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 TRIP as of September 30, 2022 or 2021.

Other Contingencies

DOT, HHS, and Treasury reported the following other contingencies:

FHWA has a reasonably possible contingency due to their authority to approve projects using advance construction under 23 U.S.C. § 115(a) and 23 CFR 630.701-630.709. FHWA does not guarantee the ultimate funding to the states for these “advance construction” projects and, accordingly, does not obligate any funds for these projects. The state may submit a written request to FHWA that a project be converted to a regular federal aid project at any time provided that sufficient federal aid funds and obligation authority are available. As of September 30, 2022, and 2021, FHWA has $69.3 billion and $68.8 billion, respectively, of advanced construction authorizations that could be converted to federal obligations subject to the availability of funds. These authorizations have not been recognized 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. The Medicaid amounts are $7.0 billion and $3.7 billion for fiscal years ending September 30, 2022, and 2021, respectively. The states could return the funds through payments to HHS, or HHS could recoup the funds by reducing future grant awards to the states. Conversely, 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.

Treasury has a contingency for future draws by the GSEs. There were no probable future draws accrued as of September 30, 2022, and 2021, and the total amount of reasonably possible future draws is not estimable as of September 30, 2022. Refer to Note 8—Investments in Government-Sponsored Enterprises for additional information.

Note 22. Funds from Dedicated Collections

Funds from Dedicated Collections as of September 30, 2022

(In billions of dollars)	Federal Old-Age and Survivors Insurance Trust Fund (Combined)	Federal Disability Insurance Trust Fund (Combined)	Federal Medicare Insurance Trust Funds (Part A, B, D) (Combined)	All Other Funds from Dedicated Collections (Combined)	Total Funds from Dedicated Collections (Combined)[1]	Funds from Dedicated Collections Eliminations	Total Funds from Dedicated Collections (Consolidated)[2]
Assets:							
Cash and other monetary assets	-	-	-	167.8	167.8	-	167.8
Accounts receivable, net	2.1	2.9	25.6	26.0	56.6	-	56.6
Loans receivable, net	-	-	-	2.0	2.0	-	2.0
Inventory and related property, net	-	-	-	2.4	2.4	-	2.4
General property, plant and equipment, net	-	-	0.5	37.8	38.3	-	38.3
Investments	-	-	-	26.2	26.2	-	26.2
Advances and prepayments	-	-	39.0	10.3	49.3	-	49.3
Other assets[3]	-	-	-	18.9	18.9	-	18.9
Investments in Treasury securities, net of unamortized premiums/discounts	2,723.6	114.7	345.4	379.9	3,563.6	-	3,563.6
Other federal assets	15.6	0.7	284.0	323.7	624.0	(205.2)	418.8
Total assets	2,741.3	118.3	694.5	995.0	4,549.1	(205.2)	4,343.9
Liabilities and net position:							
Accounts payable	-	-	0.1	4.8	4.9	-	4.9
Federal employee and veteran benefits payable	-	-	-	6.5	6.5	-	6.5
Environmental and disposal liabilities	-	-	-	26.1	26.1	-	26.1
Benefits due and payable	98.7	24.2	85.1	10.2	218.2	-	218.2
Insurance and guarantee program liabilities	-	-	-	9.6	9.6	-	9.6
Advances from others and deferred revenues	-	-	1.3	66.4	67.7	-	67.7
Other liabilities[3]	-	-	-	190.1	190.1	-	190.1
Federal liabilities	6.4	0.9	108.6	213.7	329.6	(205.2)	124.4
Total liabilities	105.1	25.1	195.1	527.4	852.7	(205.2)	647.5

Funds from Dedicated Collections as of September 30, 2022, continued

(In billions of dollars)	Federal Old-Age and Survivors Insurance Trust Fund (Combined)	Federal Disability Insurance Trust Fund (Combined)	Federal Medicare Insurance Trust Funds (Part A, B, D) (Combined)	All Other Funds from Dedicated Collections (Combined)	Total Funds from Dedicated Collections (Combined)[1]	Funds from Dedicated Collections Eliminations	Total Funds from Dedicated Collections (Consolidated)[2]
Net position:							
Total net position	2,636.2	93.2	499.4	467.6	3,696.4	-	3,696.4
Total liabilities and net position	2,741.3	118.3	694.5	995.0	4,549.1	(205.2)	4,343.9
Change in net position:[4]							
Net position, beginning of period	2,681.0	80.5	409.9	311.6	3,483.0	-	3,483.0
Adjustments to beginning net position							
Beginning net position, adjusted	2,681.0	80.5	409.9	311.6	3,483.0	-	3,483.0
Individual income taxes and tax withholdings	929.0	157.8	354.7	-	1,441.5	-	1,441.5
Other taxes and miscellaneous earned revenue	-	-	(0.8)	132.2	131.4	-	131.4
Other changes in fund balance (e.g., appropriations, transfers)	37.9	(1.2)	504.4	126.3	667.4	-	667.4
Federal non-exchange revenue	64.1	2.7	-	33.0	99.8	-	99.8
Total financing sources	1,031.0	159.3	858.3	291.5	2,340.1	-	2,340.1
Program gross costs and non-program expenses	1,075.8	146.6	905.7	227.3	2,355.4	(0.8)	2,354.6
Less: program revenue	-	-	(136.9)	(91.8)	(228.7)	0.8	(227.9)
Net cost	1,075.8	146.6	768.8	135.5	2,126.7	-	2,126.7
Ending net position	2,636.2	93.2	499.4	467.6	3,696.4	-	3,696.4

[1]The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity.

[2]The consolidated dedicated collections presentation eliminates balances and transactions between funds from dedicated collections held by the entity, but does not eliminate balances or transactions between funds from dedicated collections and funds from other than dedicated collections.

[3]Other assets and other liabilities include multiple line items on the Balance Sheet.

[4]By law, certain expenses (costs), revenues, and other financing sources related to the administration of the above funds are not charged to the funds and are therefore financed and/or credited to other sources.

Funds from Dedicated Collections as of September 30, 2021 (Restated)

(In billions of dollars)	Federal Old-Age and Survivors Insurance Trust Fund (Combined)	Federal Disability Insurance Trust Fund (Combined)	Federal Medicare Insurance Trust Funds (Part A, B, D) (Combined)	All Other Funds from Dedicated Collections (Combined)	Total Funds from Dedicated Collections (Combined)[1]	Funds from Dedicated Collections Eliminations	Total Funds from Dedicated Collections (Consolidated)[2]
Assets:							
Cash and other monetary assets	-	-	-	182.1	182.1	-	182.1
Accounts receivable, net	2.1	3.1	15.6	25.7	46.5	-	46.5
Loans receivable, net	-	-	-	2.3	2.3	-	2.3
Inventory and related property, net	-	-	-	1.5	1.5	-	1.5
General property, plant and equipment, net	-	-	0.3	35.8	36.1	-	36.1
Investments	-	-	-	32.4	32.4	-	32.4
Advances and prepayments	-	-	67.0	11.2	78.2	-	78.2
Other assets[3]	-	-	-	19.1	19.1	-	19.1
Investments in Treasury securities, net of unamortized premiums/discounts	2,755.9	98.0	306.8	238.7	3,399.4	-	3,399.4
Other federal assets	16.6	0.7	233.1	290.0	540.4	(175.7)	364.7
Total assets	2,774.6	101.8	622.8	838.8	4,338.0	(175.7)	4,162.3
Liabilities and net position:							
Accounts payable	-	-	0.1	4.9	5.0	-	5.0
Federal employee and veteran benefits payable	-	-	-	6.9	6.9	-	6.9
Environmental and disposal liabilities	-	-	-	26.1	26.1	-	26.1
Benefits due and payable	87.4	20.5	79.8	17.6	205.3	-	205.3
Insurance and guarantee program liabilities	-	-	-	3.5	3.5	-	3.5
Advances from others and deferred revenues	-	-	0.8	64.0	64.8	-	64.8
Other liabilities[3]	-	-	-	201.4	201.4	-	201.4
Federal liabilities	6.2	0.8	132.2	202.8	342.0	(175.7)	166.3
Total liabilities	93.6	21.3	212.9	527.2	855.0	(175.7)	679.3

Funds from Dedicated Collections as of September 30, 2021 (Restated), continued

(In billions of dollars)	Federal Old-Age and Survivors Insurance Trust Fund (Combined)	Federal Disability Insurance Trust Fund (Combined)	Federal Medicare Insurance Trust Funds (Part A, B, D) (Combined)	All Other Funds from Dedicated Collections (Combined)	Total Funds from Dedicated Collections (Combined)[1]	Funds from Dedicated Collections Eliminations	Total Funds from Dedicated Collections (Consolidated)[2]
Net position:							
Total net position	2,681.0	80.5	409.9	311.6	3,483.0	-	3,483.0
Total liabilities and net position	2,774.6	101.8	622.8	838.8	4,338.0	(175.7)	4,162.3
Change in net position:[4]							
Net position, beginning of period	2,741.0	78.6	364.9	286.9	3,471.4	-	3,471.4
Adjustments to beginning net position							
Beginning net position, adjusted	2,741.0	78.6	364.9	286.9	3,471.4	-	3,471.4
Individual income taxes and tax withholdings	831.1	141.2	302.0	-	1,274.3	-	1,274.3
Other taxes and miscellaneous earned revenue	-	-	(0.8)	124.1	123.3	-	123.3
Other changes in fund balance (e.g., appropriations, transfers)	26.8	(1.9)	468.5	200.3	693.7	-	693.7
Federal non-exchange revenue	69.0	2.7	6.1	28.3	106.1	-	106.1
Total financing sources	926.9	142.0	775.8	352.7	2,197.4	-	2,197.4
Program gross costs and non-program expenses	986.9	140.1	853.4	402.4	2,382.8	(1.5)	2,381.3
Less: program revenue	-	-	(122.6)	(74.4)	(197.0)	1.5	(195.5)
Net cost	986.9	140.1	730.8	328.0	2,185.8	-	2,185.8
Ending net position	2,681.0	80.5	409.9	311.6	3,483.0	-	3,483.0

[1]The combined presentation does not eliminate intra-entity balances or transactions between funds from dedicated collections held by the entity.

[2]The consolidated dedicated collections presentation eliminates balances and transactions between funds from dedicated collections held by the entity, but does not eliminate balances or transactions between funds from dedicated collections and funds from other than dedicated collections.

[3]Other assets and other liabilities include multiple line items on the Balance Sheet.

[4]By law, certain expenses (costs), revenues, and other financing sources related to the administration of the above funds are not charged to the funds and are therefore financed and/or credited to other sources.

Generally, funds from dedicated collections are financed by specifically identified revenues, often supplemented by other financing sources, provided to the government by non-federal sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the 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, ORB, OPEB, 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 to 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 additional information related to fiduciary activities, see Note 23—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.

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 government or intradepartmental (for example, monies received by one entity of the government from another entity of the government).

The federal 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 excluded in preparing the principal financial statements. The non-federal assets include activity with individuals and organizations outside of the government.

Most of the assets within funds from dedicated collections are invested in intra-governmental debt holdings. The 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 entities as evidence of its receipts. Treasury securities are an asset to the federal entities and a liability to Treasury and, therefore, they do not represent an asset or a liability in the *Financial Report*. These securities require redemption if a fund's disbursements exceeds its receipts. Redeeming these securities will increase the 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 12—Federal Debt and Interest Payable for additional information related to the investments in federal debt securities.

Below is a description of the major funds from dedicated collections, which also identifies the government entities that administer each particular fund. For additional information regarding funds from dedicated collections, please refer to the financial statements of the corresponding administering entities. For additional information on the benefits due and payable liability associated with certain funds from dedicated collections, see Note 15—Benefits Due and Payable.

Federal Old-Age and Survivors Insurance Trust Fund

The OASI Trust Fund, administered by 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 entities' 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 Disability Insurance Trust Fund

The DI Trust Fund, administered by SSA, provides assistance and protection against the loss of earnings due to a wage earner's disability in form of monetary payments.

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 entities' 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 Medicare Insurance Trust Funds (Medicare Parts A, B and D)

The HI Trust Fund, administered by HHS, finances 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 individuals younger than age 65 with certain disabilities.

The HI Trust Fund is financed primarily by payroll taxes, including those paid by federal entities. It also receives income from interest earnings on Treasury securities, a portion of income taxes collected on Social Security benefits, premiums paid by, or on behalf of, aged uninsured beneficiaries, and receipts from fraud and abuse control activities. Section 1817 of the *Social Security Act* established the Medicare Hospital Trust Fund.

The SMI Trust Fund, administered by HHS, finances the Medicare Part B and the Medicare Prescription Drug Benefit Program (Medicare Part D). These programs provide SMI benefits 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. The Medicare SMI Trust Fund was established by Section 1841 of the *Social Security Act*.

Medicare Part D was created by the *Medicare Modernization Act of 2003* (P.L. 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.

All Other Funds from Dedicated Collections

The 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 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*. The majority entities with funds from dedicated collections within the "all other" aggregate, include the following:

- DOT
- DOC
- DOI
- Treasury
- DOD
- RRB
- DOE
- HUD
- DOJ
- SEC

In accordance with SFFAS No. 43, any funds established to account for pension, other retirement, or OPEB to civilian or military personnel are excluded from the reporting requirements related to funds from dedicated collections.

FY 2021 has been restated. The Smithsonian Trust Fund is no longer considered a dedicated collections fund. This restatement created a $3.8 billion reduction to funds from dedicated collections net position and a $3.8 billion increase to funds other than those from dedicated collections net position. There was no impact to total net position.

Note 23. Fiduciary Activities

Fiduciary activities are the collection or receipt, and the management, protection, accounting, investment and disposition by the government of cash or other assets in which non-federal individuals or entities have an ownership interest that the government must uphold. Fiduciary cash and other assets are not assets of the government and are not recognized on the consolidated Balance Sheet. The government's fiduciary activities include the TSP, which is administered by the FRTIB, and the Indian Tribal and individual Indian Trust Funds, which are administered by the DOI.

Schedule of Fiduciary Net Assets as of September 30, 2022, and 2021

(In billions of dollars)	**2022**	**2021**
Thrift Savings Plan	726.0	784.2
Department of the Interior	8.5	6.4
All other	5.4	6.0
Total fiduciary net assets	739.9	796.6

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 federal debt and interest payable and a liability for fiduciary fund balance with Treasury, respectively.

As of September 30, 2022, total fiduciary investments in Treasury securities and in non-Treasury securities are $318.4 billion and $406.3 billion, respectively. As of September 30, 2021, total fiduciary investments in Treasury securities and in non-Treasury securities were $119.8 billion and $507.8 billion, respectively. The increase in Treasury securities from FY 2021 to FY 2022 relates to the restoration of uninvested principal and related interest to the TSP's G Fund after the statutory debt limit was raised on December 16, 2021. See the Thrift Savings Plan section below. Refer to Note 12—Federal Debt and Interest Payable for more information on Treasury securities.

As of September 30, 2022, and 2021, the total fiduciary fund balance with Treasury is $1.7 billion and $3.4 billion, respectively. A liability for this fiduciary fund balance with Treasury is reflected as other miscellaneous liabilities in Note 18—Other Liabilities.

As of September 30, 2022, and 2021, collectively, the fiduciary investments in Treasury securities and fiduciary fund balance with Treasury held by all government entities represent $4.8 billion and $164.2 billion, respectively, of unrestricted cash included within cash held by Treasury for government-wide operations shown in Note 2—Cash and Other Monetary Assets. This increase relates to the delay in raising the statutory debt limit that was ongoing as of September 30, 2021. See the Thrift Savings Plan section below.

Thrift Savings Plan

The TSF maintains and holds in trust the assets of the TSP. The TSP is administered by an independent government entity, the FRTIB, which is charged with operating the TSP prudently and solely in the interest of the participants and their beneficiaries.

The TSP is a retirement savings and investment plan for federal employees and members of the uniformed services. It was authorized by the U.S. 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. This includes two fixed income funds, three stock funds and ten lifecycle funds. Effective June 1, 2022, Accenture Federal Services, as part of its recordkeeping services contract, provides a Mutual Fund Window that offers participants who meet certain eligibility criteria access to mutual funds. 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.

As of September 30, 2022, and 2021, the TSP held $726.0 billion and $784.2 billion, respectively, in net assets, which included $315.4 billion and $116.1 billion, respectively, of nonmarketable Treasury securities. The TSF combines the net assets of the TSP and the FRTIB in its financial statements. Only the TSP net assets of the TSF financial statements are disclosed in this note. The most recent audited financial statements for the TSF are as of December 31, 2021, and 2020. For additional information about FRTIB, the TSP and the investment options of the TSP, please refer to the FRTIB website at https://www.frtib.gov.

When delays in raising the statutory debt limit occur, as they did during both FYs 2021 and 2022, Treasury often must deviate from its normal debt management operations and take a number of extraordinary measures consistent with relevant laws and regulations to meet the government's obligations as they come due without exceeding the debt limit. Many extraordinary measures taken by Treasury during the period August 2, 2021, through December 15, 2021, resulted in federal debt securities not being issued to certain federal government accounts. As reported in Note 18—Other Liabilities, as a result of Treasury securities not being issued to the TSP's G Fund as of September 30, 2021, Treasury reported other liabilities in the amount of $157.0 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, 2021, and had the securities been issued.

On October 14, 2021, P.L. 117-50 was enacted which raised the statutory debt limit by $480.0 billion, from $28,401.5 billion to $28,881.5 billion. Even with this increase, extraordinary measures continued in order for Treasury to manage below the debt limit.

On December 16, 2021, P.L. 117-73 was enacted, which increased the statutory debt limit by $2.5 trillion from $28,881.5 billion to $31,381.5 billion. On this date, Treasury discontinued its use of extraordinary measures and resumed normal debt management operations. Treasury subsequently restored the uninvested principal and related interest to the TSP's G Fund, resulting in an increase of federal debt securities held by the public from FY 2021 to FY 2022.

Department of Interior–Indian Trust Funds

As stated above, DOI has responsibility for the assets held in trust on behalf of American Indian Tribes and individuals. DOI maintains accounts for Tribal and Other Trust Funds (including the Alaska Native Escrow Fund) and IIM 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. Indian trust assets, including Tribal and Other Trust Funds and IIM Trust Funds, are primarily managed under the delegated authority of BTFA and BIA. Management of Indian trust assets on behalf of the trust beneficiaries is dependent upon the processing of trust-related transactions within certain information systems of the department, including but not limited to BTFA, BIA, ONRR, and other departmental bureaus and offices. BIA and other departmental bureaus and offices are responsible for managing the natural resources located within the boundaries of Indian reservations and trust lands, as well as the processing of data regarding the ownership and leasing of Indian lands. The allocation of receipts and disbursements by BTFA to trust beneficiaries are significantly dependent and reliant upon the receipt of timely and accurate information derived from records maintained by BIA, ONRR, and other departmental bureaus and offices. DOI maintains separate financial statements for these trust funds, which are prepared using a cash or modified cash basis of accounting, a comprehensive basis of accounting other than GAAP. The independent auditors' reports on the Tribal and Other Trust Funds were qualified as it was not practical to extend audit procedures sufficiently to satisfy themselves as to the fairness of the trust fund balances. The IIM Trust Funds received an unmodified opinion from the auditors. As of September 30, 2022, and 2021, the DOI held $8.5 billion and $6.4 billion, respectively, in net assets. For additional information related to these assets, please refer to the DOI website at https://www.doi.gov.

All Other Entities with Fiduciary Activities

The government is responsible for the management of other fiduciary net assets on behalf of various non-federal entities. The entities presented individually in the table on the previous page represent the vast majority of the 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, 2022, and 2021, including TSP and DOI, there are a total of 21 and 20 federal entities, respectively, with fiduciary activities at a grand total of 68 and 67 fiduciary funds, respectively. SBA and DOD are the largest entities relating to the fiduciary activities of the remaining entities within the “all other” aggregate balance. As of September 30, 2022, “all other” fiduciary net assets were $5.4 billion, compared to $6.0 billion as of September 30, 2021.

Note 24. Long-Term Fiscal Projections

The SLTFP is prepared pursuant to SFFAS No. 36, *Comprehensive Long-Term Projections for the U.S. Government*. The financial statements, Note 24, and unaudited RSI provide information to aid readers of the *Financial Report* in assessing whether current policies for federal spending and taxation can be sustained and the extent to which the cost of public services received by current taxpayers will be shifted to future taxpayers. This assessment requires prospective information about receipts and spending, the resulting debt, and how these amounts relate to the size of the economy. A sustainable policy is defined as one where the ratio of federal debt held by the public to GDP (the debt-to-GDP ratio) is ultimately stable or declining. The *Financial Report* does not address the sustainability of state and local government fiscal policy.

The projections and analysis presented here are extrapolations based on an array of assumptions described in detail below. A fundamental assumption is that current federal policy will not change. This assumption is made so as to inform the question of whether current fiscal policy is sustainable and, if it is not sustainable, the magnitude of needed reforms to make fiscal policy sustainable. The projections are therefore neither forecasts nor predictions. If policy changes are implemented, perhaps in response to projections like those presented here, then actual financial outcomes will be different than those projected. The methods and assumptions underlying the projections are subject to continuing refinement.

The projections focus on future cash flows, and do not reflect either the accrual basis or the modified-cash basis of accounting. These cash-based projections reflect receipts or spending at the time cash is received or when a payment is made by the government. In contrast, accrual-based projections would reflect amounts in the time period in which income is earned or when an expense or obligation is incurred. The cash basis accounting underlying the long-term fiscal projections is consistent with methods used to prepare the SOSI and the generally cash-based federal budget.

The SLTFP displays the PV of 75-year projections for various categories of the federal government's receipts and non-interest spending.[6] The projections for FYs 2022 and 2021 are expressed in PV dollars and as a percent of the PV of GDP[7] as of September 30, 2022 and September 30, 2021, respectively. The PV of a future amount, for example $1.0 billion in October 2097, is the amount of money that if invested on September 30, 2022 in an account earning the government borrowing rate would have a value of $1.0 billion in October 2097.[8]

The PV of a receipt or spending category over 75 years is the sum of the annual PV amounts. When expressing a receipt or spending category over 75 years as a percent of GDP, the PV dollar amount is divided by the PV of GDP over 75 years. Measuring receipts and spending as a percent of GDP is a useful indicator of the economy's capacity to sustain federal government programs.

Fiscal Projections

Receipt categories in the long-term fiscal projections include individual and corporation income taxes, Social Security and Medicare payroll taxes, and a residual category of "other receipts." Non-interest spending categories include discretionary spending that is funded through annual appropriations, such as spending for national security, and mandatory (entitlement) spending that is generally funded with permanent or multi-year appropriations, such as spending for Social Security and Medicare. This year's long-term fiscal projections for Social Security and Medicare are based on the same economic and demographic assumptions that underlie the 2022 SOSI, which is as of January 1, 2022. The long-term projections are not adjusted for the more current near-term economic information (e.g., higher inflation and lower real growth). Projections for the other categories of receipts and spending are consistent with the economic and demographic assumptions in the Trustees Reports and include updates for actual budget results for FY 2022 or budgetary estimates from the President's FY 2023 Budget.[9] Where possible, those budget totals are adjusted before spending is projected to remove outlays for programs or activities that are judged to be temporary, such as spending related to the COVID-19 pandemic and economic recovery. Such an adjustment is not possible for increased Medicaid outlays under the COVID-19 Public Health Emergency, resulting in higher projections of future spending, increasing the uncertainty surrounding the projections.

[6] For the purposes of this analysis, spending is defined in terms of outlays. In the context of federal budgeting, spending can either refer to budget authority – the authority to commit the government to make a payment; to obligations – binding agreements that will result in payments, either immediately or in the future; or to outlays – actual payments made.
[7] GDP is a standard measure of the overall size of the economy and represents the total market value of all final goods and services produced domestically during a given period of time. The components of GDP are: private sector consumption and investment, government consumption and investment, and net exports (exports less imports). Equivalently, GDP is a measure of the gross income generated from domestic production over the same time period.
[8] PVs recognize that a dollar paid or collected in the future is worth less than a dollar today because a dollar today could be invested and earn interest. To calculate a PV, future amounts are thus reduced using an assumed interest rate, and those reduced amounts are summed.
[9] Social Security and Medicare Trustees Reports can be found at https://www.ssa.gov/OACT/TR/.

The projections assume the continuance of current policy, which builds off current law, but can be different than current law in cases where lawmakers have in the past periodically changed the law in a consistent way. The specific assumptions that depart from current law and are used for the current policy basis of these projections are explained below.

The projections shown in the SLTFP are made over a 75-year time frame, consistent with the time frame featured in the Social Security and Medicare Trustees Reports. However, these projections are for fiscal years starting on October 1, whereas the Trustees Reports feature calendar-year projections. Using fiscal years allows the projections to start from the actual budget results from FYs 2022 and 2021.

Changes in Long-Term Fiscal Projections

PV of 75-Year Projections	Trillions of $	Percent of 75-Year PV of GDP
Receipts less non-interest spending as of September 30, 2021……	(97.6)	(5.7) %
Components of Change:		
Change in Reporting Period……	(2.1)	-
Change in Model Technical Assumptions……	11.9	0.7
Change due to Economic and Demographic Assumptions……	(1.5)	0.2
Change due to Program-Specific Actuarial Assumptions……	5.0	0.3
Change due to Updated Budget Data……	4.6	0.2
Total	18.0	1.4
Receipts less non-interest spending as of September 30, 2022……	(79.5)	(4.2)

Note: Totals may not equal the sum of components due to rounding. The 75-year PV of GDP is updated with the change in reporting period and change in economic and demographic assumptions.

This year's estimate of the 75-year PV imbalance of receipts less non-interest spending is 4.2 percent of the current 75-year PV of GDP, compared to 5.7 percent as was projected in last year's *Financial Report*.[10] The above table reports the effects of various factors on the updated projections.

- The largest factor affecting the projections is an adjustment to the model's technical assumptions, which decreases the imbalance by 0.7 percent of the 75-year PV of GDP ($11.9 trillion). In last year's projections, discretionary spending grew from the 2022 baseline estimate in the President's 2022 Budget. As discussed below, discretionary spending in this year's projections grows with GDP from actual budget results following an adjustment to remove outlays of supplemental funding[11] provided in response to the COVID-19 pandemic. This adjustment prevents inflating projections with spending considered temporary.
- The second largest factor is the effect of new Social Security, Medicare, and Medicaid program-specific actuarial assumptions, which decrease this imbalance as a share of the 75-year PV of GDP by 0.3 percentage points ($5.0 trillion).[12]
- The third largest factor affecting the projections—decreasing the imbalance as a share of the 75-year PV of GDP by 0.2 percentage points ($4.6 trillion)—is attributable to actual budget results for FY 2022 and baseline estimates published in the FY 2023 President's Budget, and changes to spending and receipts from legislation enacted toward

[10] The fiscal imbalances reported in the long-term fiscal projections do not include the initial level of publicly held debt, which was $24.3 trillion in 2022 and $22.3 trillion in 2021, and, therefore, they do not by themselves answer the question of how large fiscal reforms must be to make fiscal policy sustainable. See "Sustainability and the Fiscal Gap" for additional discussion. More information on the projections in last year's *Financial Report* can be found in Note 26 to the financial statements here: https://fiscal.treasury.gov/reports-statements/#.

[11] Discretionary outlays of supplemental funding provided in response to COVID-19 are identified using Disaster Emergency Fund Code attributes in budget execution data for the following laws: the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (P.L. 116-123); *Families First Coronavirus Response Act* (P.L. 116-127); the CARES Act (P.L. 116-136); the *Paycheck Protection Program and Health Care Enhancement Act* (P.L. 116-139); and the CAA (P.L. 116-260, Division M).

[12] For more information on Social Security and Medicare actuarial estimates, refer to Note 25—Social Insurance.

the end of the fiscal year.[13] This improvement in the fiscal position is primarily due to a lower 75-year PV of spending for mandatory programs other than Social Security, Medicare, and Medicaid. That decrease in spending is partially offset by a lower 75-year PV of individual income taxes receipts and other receipts (includes excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts).

- The fourth factor was the update of economic and demographic assumptions. While the 75-year PV of receipts less non-interest spending deteriorated by $1.5 trillion and appears to worsen the fiscal position, the imbalance decreased by 0.2 percentage points as a share of the 75-year PV of GDP. The 75-year PV of GDP for this year's projections is $1,872.9 trillion, greater than last year's $1,724.4 trillion. That increase in GDP exceeds the increase in the imbalance of receipts less non-spending, and thus improves the fiscal position as a percent of GDP. Larger GDP is attributable to updates that raised the level of GDP for 2022 and higher growth rates near the start of the projection period.
- The last factor in the table, the change in reporting period—the effect of shifting calculations from 2022 through 2096 to 2023 through 2097—increases the imbalance of the 75-year PV of receipts less non-interest spending by $2.1 trillion, which has a negligible effect as a share of the 75-year PV of GDP.

The net effect of the changes in the table above, equal to the penultimate row in the SLTFP, shows that this year's estimate of the overall 75-year PV of receipts less non-interest spending is negative 4.2 percent of the 75-year PV of GDP (negative $79.5 trillion, as compared to a GDP of $1,872.9 trillion). This imbalance can be broken down by funding source. Spending projections exceeded receipts by 2.7 percent of GDP (about $50.2 trillion) among programs funded by the government's general revenues, and there is an imbalance of 1.6 percent of GDP (about $29.4 trillion)[14] for the combination of Social Security (OASDI) and Medicare Part A, which under current law are funded with payroll taxes and not in any material respect with general revenues.[15,16] By comparison, the FY 2021 projections showed that programs funded by the government's general revenues had an excess of spending over receipts of 4.0 percent of GDP ($68.6 trillion) while the payroll tax-funded programs had an imbalance of spending over receipts of 1.7 percent of GDP ($29.0 trillion).

Sustainability and the Fiscal Gap

This report presents data, including debt, as a percent of GDP to help readers assess whether current fiscal policy is sustainable. The debt-to-GDP ratio was approximately 97 percent at the end of FY 2022. As discussed further in the unaudited RSI, the projections based on this report's assumptions indicate that current policy is not sustainable. If current policy is left unchanged, the projections show the debt-to-GDP ratio will be approximately 100 percent in 2025, rise to 200 percent by 2046 and reach 566 percent in 2097. Moreover, if the trends that underlie the 75-year projections were to continue, the debt-to-GDP ratio would continue to rise beyond the 75-year window.

The fiscal gap measures how much the primary surplus (receipts less non-interest spending) must increase in order for fiscal policy to achieve a target debt-to-GDP ratio in a particular future year. In these projections, the fiscal gap is estimated over a 75-year period, from 2023 to 2097, and the target debt-to-GDP ratio is equal to the ratio at the beginning of the projection period, in this case the estimated debt-to-GDP ratio at the end of FY 2022. The target year is the last year of the 75-year period (2097).

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[13] Legislation enacted toward the end of FY 2022 includes: An act making appropriations for Legislative Branch for the fiscal year ending September 30, 2022, and for other purposes (P.L. 117-167); PACT Act (P.L. 117-168); and an act to provide for reconciliation pursuant to title II of S. Con.Res. 14 (P.L. 117-169).

[14] The 75-year PV imbalance for Social Security and Medicare Part A of $29.4 trillion is comprised of several line items from the SLTFP – Social Security outlays net of Social Security payroll taxes ($31.1 trillion) and Medicare Part A outlays net of Medicare payroll taxes ($10.7 trillion) – as well as subcomponents of these programs not presented separately in the statement. These subcomponents include Social Security and Medicare Part A administrative costs that are classified as non-defense discretionary spending ($0.7 trillion) and Social Security and Medicare Part A income other than payroll taxes: taxation of benefits (-$6.0 trillion), federal employer share (-$1.5 trillion), and other income (-$5.5 trillion).

[15] Social Security and Medicare Part A expenditures can exceed payroll tax revenues in any given year to the extent that there are sufficient balances in the respective trust funds; these balances derive from past excesses of payroll tax revenues over expenditures and interest earned on those balances and represent the amount the General Fund owes the respective trust fund programs. When spending does exceed payroll tax revenues, as has occurred each year since 2008 for Medicare Part A and 2010 for Social Security, the excess spending is financed first with interest due from the General Fund and secondly with a drawdown of the trust fund balance; in either case, the spending is ultimately supported by general revenues or borrowing. Under current law, benefits for Social Security and Medicare Part A can be paid only to the extent that there are sufficient balances in the respective trust funds. In order for the long-term fiscal projections to reflect the full size of these programs' commitments to pay future benefits, the projections assume that all scheduled benefits will be financed with borrowing to the extent necessary after the trust funds are depleted.

[16] The fiscal imbalances reported in the long-term fiscal projections are limited to future outlays and receipts. They do not include the initial level of publicly-held debt, $24.3 trillion in 2022 and $22.3 trillion in 2021, and therefore they do not by themselves answer the question of how large fiscal reforms must be to make fiscal policy sustainable, or how those reforms divide between reforms to Social Security and Medicare Part A and to other programs. Other things equal, past cash flows (primarily surpluses) for Social Security and Medicare Part A reduced federal debt at the end of 2022 by $3.0 trillion (the trust fund balances at that time); the contribution of other programs to federal debt at the end of 2022 was therefore $27.3 trillion. Similarly, because the $29.4 trillion imbalance between outlays and receipts over the next 75 years for Social Security and Medicare Part A does not take account of the Social Security and Medicare Part A trust fund balances, it overstates the magnitude of reforms necessary to make Social Security and Medicare Part A solvent over 75 years by $3.0 trillion. The $3.0 trillion combined Social Security and Medicare Part A trust fund balance represents a claim on future general revenues.

The 75-year fiscal gap under current policy is estimated at 4.9 percent of GDP, which is 26.0 percent of the 75-year PV of projected receipts and 21.2 percent of the 75-year PV of non-interest spending. This estimate of the fiscal gap is 1.4 percentage points smaller than was estimated in 2021 (6.2 percent of GDP).

The projections show that projected primary deficits average 4.2 percent of GDP over the next 75 years under current policy. If policies were put in place that would result in a zero fiscal gap, the average primary surplus over the next 75 years would be 0.6 percent of GDP, 4.9 percentage points higher than the projected PV of receipts less non-interest spending shown in the SLTFP. In these projections, closing the fiscal gap requires running a substantially positive level of primary surplus, rather than simply eliminating the primary deficit. The primary reason is that the projections assume future interest rates will exceed the growth rate of GDP. Achieving primary balance (that is, running a primary surplus of zero) implies that the debt held by the public grows each year by the amount of interest spending, which under these assumptions would result in debt growing faster than GDP.

Assumptions Used and Relationship to Other Financial Statements

A fundamental assumption underlying the projections is that current federal policy (defined below) does not change. The projections are therefore neither forecasts nor predictions, and do not consider large infrequent events such as natural disasters, military engagements, or economic crises. By definition, they do not build in future changes to policy. If policy changes are enacted, perhaps in response to projections like those presented here, then actual fiscal outcomes will be different than those projected.

Even if policy does not change, actual spending and receipts could differ materially from those projected here. Long-range projections are inherently uncertain and are necessarily based on simplifying assumptions. For example, one key simplifying assumption is that interest rates paid on debt held by the public remain unchanged, regardless of the amount of debt outstanding. To the contrary, it is likely that future interest rates would increase if the debt-to-GDP ratio rises as shown in these projections. To help illustrate this uncertainty, projections that assume higher and lower interest rates are presented in the "Alternative Scenarios" discussion in the unaudited RSI section of this *Financial Report*.

As is true for prior long-term fiscal projections for the *Financial Report*, the assumptions for GDP, interest rates, and other economic and demographic variables underlying this year's projections are the same assumptions that underlie the most recent Social Security and Medicare Trustees Report projections, adjusted for historical revisions that occur annually. These assumptions differ from those in the President's Budget because they extend for 75 years, rather than 25 years. Additionally, they assume extension of current policy whereas the economic assumptions in the President's Budget assume full implementation of policy proposals reflected in the Budget.[17] The use of discount factors consistent with the Social Security Trustees rate allows for consistent PV calculations over 75 years between the SLTFP and the SOSI.

The following bullets summarize the key assumptions used for the categories of receipts and spending presented in the SLTFP and the disclosures:

- **Social Security:** Projected Social Security (OASDI) spending excludes administrative expenses, which are classified as discretionary spending, and is based on the projected spending in the 2022 Social Security Trustees Report for benefits and for the Railroad Retirement interchange. The projections of Social Security payroll taxes and Social Security spending are based on future spending and payroll taxes projected in the 2022 Social Security Trustees Report, adjusted for presentational differences and converted to a fiscal year basis. More information about the assumptions for Social Security cost growth can be found in Note 25 and the unaudited RSI discussion of Social Insurance.
- **Medicare:** Projected Medicare spending also excludes administrative expenses, which are classified as discretionary spending, and is based on projected spending from the 2022 Medicare Trustees Report. The projections here make some adjustments to the Trustees Report projections. Medicare Part B and D premiums, as well as state contributions to Part D, are subtracted from gross spending in measuring Part B and Part D spending, just as they are subtracted from gross cost to yield net cost in the financial statements.[18] Here, as in the federal budget, premiums are treated as "negative spending" rather than receipts since they represent payment for a service rather than payments obtained through the government's sovereign power to tax. This is similar to the financial statement treatment of premiums as "earned" revenue as distinct from all other sources of revenue, such as taxes. The projections are based on Medicare spending in the Medicare Trustees Report, adjusted for presentational differences and converted to a fiscal year basis. Medicare Part A payroll taxes are projected similarly. More information about the assumptions for Medicare cost growth can be found in Note 25 and the unaudited RSI discussion of Social Insurance. As discussed in Note 25, there is uncertainty about whether the reductions in health care cost growth assumed in the Medicare

[17] See the FY 2023 President's Budget, Analytical Perspectives Volume, Chapter 3 "Long-Term Budget Outlook."

[18] Medicare Part B and D premiums and state contributions to Part D are subtracted from the Part B and D spending displayed in the SLTFP. The total 75-year PV of these subtractions is $22.3 trillion, or 1.2 percent of GDP.

Trustees Report will be fully achieved. Note 25 illustrates this uncertainty by considering Medicare cost growth assumptions under varying policy assumptions.

- **Medicaid:** The Medicaid spending projections start with the projections from the 2018 *Medicaid Actuarial Report* prepared by CMS's Office of the Actuary, which is the most recent report available.[19] These projections are based on recent trends in Medicaid spending; the demographic, economic, and health cost growth assumptions in the 2018 Medicare Trustees Report; and projections of the effect of the PPACA on Medicaid enrollment. The projections in the Medicaid Actuarial Report, which end in 2027, are adjusted to accord with the actual Medicaid spending in FY 2022. Actual Medicaid spending includes temporary spending increases due to changes in enrollment and other temporary measures related to the pandemic.[20] The amounts related to these temporary spending increases cannot be identified, which adds uncertainty to the projections. After 2027, the projections assume no further change in State Medicaid coverage under the PPACA, and the numbers of aged beneficiaries (65-plus years) and non-aged beneficiaries (less than 65 years) are expected to grow at the same rates as the aged and non-aged populations, respectively. Medicaid costs per beneficiary are assumed to grow at the same rate as Medicare benefits per beneficiary, as is generally consistent with the experience since 1987. Between 1987 and 2017, the average annual growth rates of spending per beneficiary for Medicaid and Medicare were within 0.3 percentage point of each other. Projections of Medicaid spending are subject to added uncertainty related to: 1) assumed reductions in health care cost growth discussed above in the context of Medicare; 2) the projected size of the Medicaid enrolled population, which depends on a variety of factors, including future state actions regarding the PPACA Medicaid expansion; and 3) certain limitations relating to the data used to generate the projected per enrollee spending in the 2018 Medicaid actuarial report.
- **Other Mandatory Spending:** Other mandatory spending includes federal employee retirement, veterans' disability benefits, and means-tested entitlements other than Medicaid. Current mandatory spending components that are judged permanent under current policy are assumed to increase by the rate of growth in nominal GDP starting in 2023, implying that such spending will remain constant as a percent of GDP.[21,22] Other mandatory spending includes changes to net outlays attributable to legislation[23] enacted toward the end of the fiscal year; those changes are added to projections based on CBO estimates and assumed to grow with GDP. Projected spending for insurance exchange subsidies starting in 2023 grows with growth in the non-elderly population and with the NHE projected per enrollee cost growth for other private health insurance for the NHE projection period (through 2030 for the FY 2022 projections), and with growth in per enrollee health care costs as projected for the Medicare program after that period. As discussed in Note 25, there is uncertainty about whether the reductions in health care cost growth projected in the Medicare Trustees Report will be fully achieved. Projected exchange subsidy spending as a percent of GDP remains below the failsafe provision in the PPACA that limits the federal share of spending to 0.504 percent of GDP.
- **Defense and Non-defense Discretionary Spending:** Discretionary spending is grown with GDP starting in 2023. Spending grows from a base level that excludes outlays of supplemental funding[24] provided during the COVID-19 pandemic, which are judged to be temporary.[25] To illustrate sensitivity to different assumptions, PV calculations under alternative discretionary growth scenarios are presented in the unaudited "Alternative Scenarios" RSI section.

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[19] Christopher J. Truffer, Kathryn E. Rennie, Lindsey Wilson, and Eric T. Eckstein II, *2018 Actuarial Report on the Financial Outlook for Medicaid*, Office of the Actuary, Centers for Medicare and Medicaid Services, U.S. Department of Health and Human Services.

[20] *The Consolidated Appropriations Act, 2023* (P.L. 117-328) established a process to unwind temporary Medicaid requirements, which would decrease spending relative to the projections. The act was signed into law on December 29, 2022, and is therefore not reflected in the projections shown in the SLTFP or this note, and the effects thereon cannot be reasonably estimated at this time.

[21] Other mandatory spending in 2022 from legislation enacted in response to the COVID-19 pandemic is considered temporary and is not assumed to increase with nominal GDP. Such spending is identified using Disaster Emergency Fund Code attributes in budget execution data for the following: the *Families First Coronavirus Response Act* (P.L. 116-127); the CARES Act (P.L. 116-136); the *Paycheck Protection Program and Health Care Enhancement Act* (P.L. 116-139); the CAA (P.L. 116-260, Division N); and the ARP (P.L. 117-2). Spending data for COVID-19 response legislation are available on USAspending.gov.

[22] This assumed growth rate for other mandatory programs after 2023 is slightly higher than the average growth rate in the most recent OMB and CBO 10-year budget baselines.

[23] Legislation enacted toward the end of FY 2022 includes: An act making appropriations for Legislative Branch for the fiscal year ending September 30, 2022, and for other purposes (P.L. 117-167); PACT Act (P.L. 117-168); and an act to provide for reconciliation pursuant to title II of S. Con.Res. 14 (P.L. 117-169). All estimated changes to mandatory outlays included in the long-term fiscal projections are reflected in the other mandatory category.

[24] Discretionary outlays of supplemental funding provided in response to COVID-19 are identified using Disaster Emergency Fund Code attributes in budget execution data for the following laws: the *Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020* (P.L. 116-123); *Families First Coronavirus Response Act* (P.L. 116-127); the CARES Act (P.L. 116-136); the *Paycheck Protection Program and Health Care Enhancement Act* (P.L. 116-139); and the CAA (P.L. 116-260, Division M).

[25] This method reflects an update to the model's technical assumptions. Discretionary spending in the 2021 projections grew from the 2022 baseline estimate in the President's 2022 Budget.

- **Receipts (Other than Social Security and Medicare Payroll Taxes):** Individual income taxes are based on the share of salaries and wages in the current law baseline projection in the FY 2023 President's Budget, and the salaries and wages projections in the Social Security 2022 Trustees Report. That baseline accords with the tendency of effective tax rates to increase as growth in income per capita outpaces inflation (also known as "bracket creep") and the expiration dates of individual income and estate and gift tax provisions of TCJA. Effects of recent legislation enacted toward the end of FY 2022 are added to projections based on CBO estimates and assumed to continue through the projection period. After falling to 19 percent of wages and salaries in 2024, individual income taxes increase gradually to 29 percent of wages and salaries in 2097 as real taxable incomes rise over time and an increasing share of total income is taxed in the higher tax brackets. Through the first 10 years of the projections, corporation tax receipts as a percent of GDP reflect the economic and budget assumptions used in developing the FY 2023 President's Budget ten-year advance baseline budgetary estimates plus estimated effects of recent legislation. After this time, corporation tax receipts grow at the same rate as nominal GDP. Other receipts also reflect FY 2023 President's Budget baseline levels as a share of GDP throughout the budget window, plus estimated effects of recent legislation, and grow with GDP outside of the budget window. Corporation tax receipts peak at 1.8 percent of GDP in 2024 before falling to 1.3 percent of GDP in 2032, where they stay for the remainder of the projection period. The ratio of other receipts, including excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts, to GDP is estimated to be 1.3 percent in 2023, after which it gradually declines to 1.1 percent by 2032 where it remains through the projection period. To illustrate uncertainty, PV calculations under higher and lower receipts growth scenarios are presented in the "Alternative Scenarios" section.
- **Debt and Interest Spending:** Interest spending is determined by projected interest rates and the level of outstanding debt held by the public. The long-run interest rate assumptions accord with those in the 2022 Social Security Trustees Report.[26] The average interest rate over this year's projection period is 4.5 percent, up slightly from the 2021 *Financial Report's* 4.4 percent. These rates are also used to convert future cash flows to PVs as of the start of FY 2023. Debt at the end of each year is projected by adding that year's deficit and other financing requirements to the debt at the end of the previous year.

Departures of Current Policy from Current Law

The long-term fiscal projections are made on the basis of current policy, which in some cases is assumed to be different from current law. The notable differences between current policy that underlies the projections and current law are: 1) projected spending, receipts, and borrowing levels assume raising or suspending the current statutory limit on federal debt; 2) continued discretionary appropriations are assumed throughout the projection period; 3) scheduled Social Security and Medicare Part A benefit payments are assumed to occur beyond the projected point of trust fund depletion; and 4) many mandatory programs with expiration dates prior to the end of the 75-year projection period are assumed to be reauthorized. As is true in the Medicare Trustees Report and in the SOSI, the projections incorporate programmatic changes already scheduled in law, such as the PPACA productivity adjustment for non-physician Medicare services and the expiration of certain physician bonus payments in 2025.

[26] As indicated in the more detailed discussion of Social Insurance in Note 25 to the financial statements.

Note 25. Social Insurance

SOSI presents the projected actuarial PV of the estimated future revenue and estimated future expenditures of the Social Security, Medicare, Railroad Retirement, and Black Lung social insurance programs which are administered by the SSA, HHS, RRB, and DOL, respectively. Social Security and Medicare projections are based on current law and the Social Security and Medicare trustees intermediate set of assumptions, except that the projections assume full Social Security and Medicare Part A benefits are paid after fund depletion contrary to current law.

Contributions consist of: payroll, income, and excise taxes, premiums from, and state transfers on behalf of, participants in Medicare, and miscellaneous reimbursements from the General Fund. Generally, beneficiaries finance the remainder of Parts B and D costs via monthly premiums to these programs. With the introduction of Part D drug coverage, Medicaid is no longer the primary payer of drug costs for full-benefit dually eligible beneficiaries of Medicare and Medicaid. For those beneficiaries, states are subject to a contribution requirement and must pay a portion of their estimated foregone drug costs into the Part D account (referred to as state transfers). By accounting convention, the General Fund transfers are eliminated in the consolidation of the SOSI at the government-wide level. These General Fund transfers that are used to finance Medicare Parts B and D are also shown as eliminations on these calculations. For the FYs 2022 and 2021, the amounts eliminated totaled $47.5 trillion and $43.2 trillion, respectively.

The SOSI also includes projected general revenues that, under current law, would be used to finance the remainder of the expenditures in excess of revenues for Medicare Parts B and D that is reported in the SOSI. Expenditures include benefit payments scheduled under current law and administrative expenses. Current Social Security and Medicare Part A law provides for full benefit payments only to the extent that there are sufficient balances in the trust funds. Social insurance programs utilize "trust funds" to account for dedicated collections held for later use to accomplish the program's purpose. Expenditures reflect full benefit payments even after the point at which trust fund asset reserves are projected to be depleted. Refer to the unaudited RSI–Social Insurance section and SSA's, HHS's, RRB's, and DOL's financial statements for additional information on Social Security, Medicare, Railroad Retirement, and Black Lung program financing.

The estimates in the consolidated SOSI of the open group measures are for persons who are participants or eventually will participate in the programs as contributors (workers) or beneficiaries (retired workers, survivors, dependents, and disabled) during the 75-year projection period. The closed group comprises only current participants which are those who have attained age 15 at the start of the projection period. Actuarial PV of estimated future income (excluding interest) and estimated future expenditures for the Social Security and Medicare social insurance programs are presented for three different groups of participants: 1) current participants who have not yet attained eligibility age; 2) current participants who have attained eligibility age; and 3) new entrants, who are expected to become participants in the future. Current participants in the Social Security and Medicare programs are the closed group of taxpayers and/or beneficiaries who are aged at least 15 years at the start of the projection period. Future participants for Social Security and Medicare include those born during the projection period and individuals below age 15 as of January 1 of the valuation year. Railroad Retirement's future participants are the projected new entrants as of October 1 of the valuation year.

The trust fund balances as of the valuation date for the respective programs, including interest earned, are shown in the table below.[27] The PV of estimated future expenditures in excess of estimated future revenue are calculated by subtracting the actuarial PV of future scheduled contributions as well as dedicated tax income by and on behalf of current and future participants from the actuarial PV of the future scheduled benefit payments to them or on their behalf. To determine a program's funding shortfall over any given period of time, the starting trust fund balance is subtracted from the PV of expenditures in excess of revenues over the period. The portion of each trust fund not required to pay benefits and administrative costs is invested, on a daily basis, in interest-bearing obligations of the U.S. government. The *Social Security Act* authorizes the issuance by Treasury of special nonmarketable, intra-governmental debt obligations for purchase exclusively by the trust funds. Although the special issues cannot be bought or sold in the open market, they are redeemable at any time at face value and thus bear no risk of fluctuation in principal value due to changes in market yield rates. Interest on the bonds is credited to the trust funds and becomes an asset to the funds and a liability to the General Fund. These Treasury securities and related interest are eliminated in consolidation at the government-wide level. For additional information, see Note 22—Funds from Dedicated Collections.

[27] Trust fund balances for the Railroad Retirement and Black Lung programs are not included, as these balances are less than $50.0 billion.

Social Insurance Programs Trust Fund Balances[1]

(In trillions of dollars)	2022	2021	2020	2019	2018
Social Security	2.9	2.9	2.9	2.9	2.9
Medicare	0.4	0.3	0.3	0.3	0.3

[1] As of the valuation date of the respective programs.

Medicare – Illustrative Alternative Scenario

The financial projections for the Medicare program reflect substantial, but very uncertain, cost savings deriving from specific provisions of the PPACA and the MACRA that lowered increases in Medicare payment rates to most categories of health care providers. Certain features of current law may result in some challenges for the Medicare program including physician payments, payment rate updates for most non-physician categories, and productivity adjustments. Payment rate updates for most non-physician categories of Medicare providers are reduced by the growth in economy-wide private nonfarm business total factor productivity although these health providers have historically achieved lower levels of productivity growth. Should payment rates prove to be inadequate for any service, beneficiaries' access to and the quality of Medicare benefits would deteriorate over time, or future legislation would need to be enacted that would likely increase program costs beyond those projected under current law. Please refer to the unaudited RSI—Social Insurance and HHS financial statements for additional information.

To help illustrate and quantify the potential magnitude of the cost understatement, the Trustees asked the Office of the Actuary at CMS to prepare the following illustrative Medicare Trust Fund projections under a hypothetical alternative. This scenario illustrates the impact that would occur if the payment updates that are affected by the productivity adjustments were to gradually transition from current law to the payment updates assumed for private health plans, the physician updates transition to the Medicare Economic Index, and the 5.0 percent bonuses paid to qualified physicians in advance APM did not expire. The extent to which actual future Part A and Part B costs exceed the projected amounts due to changes to the productivity adjustments and physician updates depends on what specific changes might be legislated and whether Congress would pass further provisions to help offset such costs. This alternative was developed for illustrative purposes only and the calculations have not been audited.

Medicare Present Values (Unaudited)

(In trillions of dollars)	2022 Consolidated SOSI Current Law	Illustrative Alternative Scenario [1, 2]
Income:		
Part A	30.2	30.2
Part B [3]	17.1	19.3
Part D [4]	3.7	3.7
Total income	51.0	53.2
Expenditures:		
Part A	35.2	41.6
Part B	56.6	63.7
Part D	11.7	11.7
Total expenditures	103.5	117.0
Income less expenditures:		
Part A	(5.0)	(11.4)
Part B	(39.5)	(44.4)
Part D	(8.0)	(8.0)
Excess of expenditures over income	(52.5)	(63.8)

[1] These amounts are not presented in the current fiscal year Trustees Report.

[2] A set of illustrative alternative Medicare projections has been prepared under a hypothetical modification to current law. No endorsement of the illustrative alternative by the Trustees, CMS, or the Office of the Actuary should be inferred.

[3] Excludes $39.5 trillion and $44.4 trillion of general revenue contributions from the 2022 Consolidated SOSI Current Law projection and the Illustrative Alternative Scenario's projection, respectively; i.e., to reflect Part B income on a consolidated government-wide basis.

[4] Excludes $8.0 trillion of general revenue contributions from both the 2022 Consolidated SOSI Current Law projection and the Illustrative Alternative projection; i.e., to reflect Part D income on a consolidated government-wide basis.

Demographic and Economic Assumptions

Social Security and Medicare – Demographic and Economic Assumptions and Summary Measures

	Demographic Assumptions								
	2022	2030	2040	2050	2060	2070	2080	2090	2100[13]
Total Fertility Rate[1]	1.7	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Age-Sex Adjusted Death Rate[2]	824.8	738.4	679.8	627.2	580.6	539.3	502.6	469.9	440.6
Net Annual Immigration[3]	1,440	1,341	1,288	1,256	1,240	1,228	1,221	1,217	1,215
Period Life Expectancy at Birth - Male[4]	75.7	77.1	78.2	79.2	80.2	81.2	82.0	82.9	83.7
Period Life Expectancy at Birth - Female[4]	80.9	82.1	83.0	83.9	84.7	85.4	86.2	86.8	87.5

	Economic Assumptions (percent change)								
	2022	2030	2040	2050	2060	2070	2080	2090	2100[13]
Real Wage Differential[5]	2.0	1.3	1.2	1.1	1.2	1.2	1.1	1.1	1.2
Wages[6]	6.5	3.7	3.6	3.5	3.6	3.6	3.5	3.5	3.6
CPI[7]	4.5	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Real GDP[8]	3.9	2.0	1.9	2.0	2.0	1.9	2.0	2.1	2.0
Total Employment[9]	3.1	0.4	0.3	0.4	0.4	0.3	0.4	0.5	0.4
Avg. Annual Interest Rate (percent)[10]	1.8	4.6	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Real Interest Rate (percent)[11]	(3.0)	2.1	2.3	2.3	2.3	2.3	2.3	2.3	-
Per Beneficiary Cost - HI[12]	6.7 [14]	3.7	4.2	3.4	3.4	3.4	3.5	3.5	-
Per Beneficiary Cost - SMI Part B[12]	6.8 [14]	5.3	4.7	3.8	3.8	3.6	3.7	3.7	-
Per Beneficiary Cost - SMI Part D[12]	(0.2) [15]	4.3	4.2	4.3	4.2	4.0	4.1	4.2	-

[1] Average number of children per woman.

[2] The age-sex-adjusted death rate per 100,000 that would occur in the enumerated population as of April 1, 2010, if that population were to experience the death rates by age and sex observed in, or assumed for, the selected year.

[3] Includes legal immigration, net of emigration, as well as other, non-legal, immigration per thousand of persons.

[4] Summary measure of average number of years expected prior to death for a person born on January 1 in that year, using the mortality rates for that year over the course of his or her remaining life. (Social Security)

[5] Difference between percentage increases in wages and the CPI.

[6] Average annual wage in covered employment.

[7] CPI represents a measure of the average change in prices over time in a fixed group of goods and services.

[8] Total dollar value of all goods and services produced in the U.S., adjusted to remove the impact of assumed inflation growth.

[9] Summary measure of total U.S. military and civilian employment. (Social Security)

[10] The average of the nominal interest rates, compounded semi-annually, for special public-debt obligations issuable monthly.

[11] Average rate of interest earned on new trust fund securities, above and beyond rate of inflation. (Medicare)

[12] These changes to per beneficiary cost over the 75-year period reflect the overall impact of more detailed assumptions that are made for each of the different services provided by the Medicare program. These assumptions include changes in the payment rates, utilization, and intensity of each type of services. (Medicare)

[13] The valuation period used for the 2022 Statement of Social Insurance extends to 2096. (Social Security) Medicare did not report assumptions for 2100.

[14] Reflects the assumed return of healthcare services that were reduced or deferred in 2020 due to the COVID-19 pandemic.

[15] Part D cost growth is projected to be negative in 2022 mainly due to slower growth in overall drug prices and higher assumed direct and indirect remuneration.

The Boards of Trustees[28] of the Social Security and Medicare Trust Funds provide in their annual reports to Congress short-range (10-year) and long-range (75-year) actuarial estimates of each trust fund. Significant uncertainty surrounds the estimates, especially for a period as long as 75 years. To illustrate the range of uncertainty, the Trustees use three alternative scenarios (low-cost, intermediate, and high-cost) that use specific assumptions. These assumptions include fertility rates, rates of change in mortality, LPR and other than LPR immigration levels, emigration levels, changes in real GDP, changes in the CPI, changes in average real wages, unemployment rates, trust fund real yield rates, and disability incidence and recovery rates. The assumptions used for the most recent set of projections shown above in the Social Security and Medicare demographic and economic assumption table are generally referred to as the "intermediate assumptions," and reflect the Trustees reasonable estimate of expected future experience. For additional information on Social Security and Medicare demographic and economic assumptions, refer to SSA's and HHS's financial statements.

The RRB's estimated future revenues and expenditures reflected in the SOSI are based on various economic, employment, and other actuarial assumptions, and assume that the program will continue as presently constructed. For further details on actuarial assumptions related to the program and how these assumptions affect amounts presented on the SOSI and SCSIA, consult the Technical Supplement to the *28th Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2019,* the *2022 Annual Report of the Railroad Retirement System required by Section 502 of the Railroad Retirement Solvency Act of 1983* (P.L. 98-76), and RRB's financial statements.

The BLDBP significant assumptions used in the projections are the coal excise tax revenue estimates, the tax rate structure, the number of beneficiaries, life expectancy, federal civilian pay raises, medical cost inflation, and the interest rates used to discount future cash flows.

Statement of Changes in Social Insurance Amounts

The SCSIA reconciles the change (between the current valuation and the prior valuation) in the PV of estimated future revenue less estimated future expenditures for current and future participants (the open group measure) over the next 75 years (except Black Lung which has a rolling 25-year projection period through September 30, 2047). The reconciliation identifies several components of the changes that are significant and provides reasons for the changes. The following disclosures relate to the SCSIA including the reasons for the components of the changes in the open group measure during the reporting period from the end of the previous reporting period for the government's social insurance programs.

All estimates relating to the Social Security and Medicare Programs in the SCSIA represent values that are incremental to the prior change. In general, an increase in the PV of net cash flows represents a positive change (improving financing), while a decrease in the PV of net cash flows represents a negative change (worsening financing). For additional information regarding the estimates used to prepare the SCSIA, see SSA's, HHS'S, RRB's, and DOL's financial statements.

Assumptions Used for the Components of the Changes

The PV included in the SCSIA are for the current and prior years and are based on various economic as well as demographic assumptions used for the intermediate assumptions in the Social Security and Medicare Trustees Report for these years. The Social Security and Medicare – Demographic and Economic Assumptions table summarizes these assumptions for the current year. This year's SOSI projections for Social Security and Medicare, which are as of January 1, 2022, are based on the same demographic and economic assumptions that underlie the 2022 Social Security and Medicare Trustees Report. The 2022 SOSI projections are not adjusted for the more current near-term economic information (e.g., higher inflation and lower real growth).

PV as of January 1, 2021 and January 1, 2020 are calculated using interest rates from the intermediate assumption of the 2021 and 2020 Trustees Reports, respectively. All other PV in this part of the SCSIA are calculated as a PV as of January 1, 2022 and January 1, 2021 respectively.

For the period beginning on January 1, 2021 to the period beginning on January 1, 2022 (current year) and period beginning on January 1, 2020 to the period beginning on January 1, 2021 (prior year) estimates of the PV of Social Security and Medicare changes in social insurance amounts due to changing the valuation period, projection base, demographic data and assumptions, methods, and law are presented using the interest rates under the intermediate assumption of the 2021 and 2020 Trustees Report respectively. Since interest rates are an economic estimate and all estimates in the table are incremental to the prior change, the estimates of the PV of changes in economic and health care assumptions and all other PV in this part

[28] The boards are composed of six members. Four members serve by virtue of their positions in the federal government: the Secretary of the Treasury, who is the Managing Trustee; the Secretary of Labor; the Secretary of HHS; and the Commissioner of Social Security. The President appoints and the Senate confirms the other two members to serve as public representatives. These two positions are currently vacant.

of the SCSIA are calculated using the interest rates under the intermediate assumptions of the 2022 and 2021 Trustees Reports, respectively.

Changes in Valuation Period

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2021-2095) to the current valuation period (2022-2096) is measured by using the assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes a small negative estimated net cash flow for 2021, replaces it with a much larger negative estimated net cash flow for 2096, and measures the PV as of January 1, 2022, one year later. As a result, the PV of the estimated future net cash flows decreased by $0.7 trillion and $1.0 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2020-2094) to the current valuation period (2021-2095) is measured by using assumptions for the prior valuation and extending them to cover the current valuation. Changing the valuation period removes small negative estimated net cash flow for 2020, replaces it with a much larger negative net cash flow for 2095, and measures the PV as of January 1, 2021, one year later. As a result, the PV of estimated future net cash flows decreased by $0.7 trillion and decreased by $1.5 trillion for Social Security and Medicare, respectively.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

For the current valuation (beginning on January 1, 2022), the ultimate demographic assumptions are the same as those for the prior valuation. However, the starting demographic values and the way these values transition to the ultimate assumptions were changed.

- Final birth rate data for calendar year 2020 indicated slightly lower birth rates than were assumed in the prior valuation.
- Near-term lawful permanent resident immigration data were updated since the prior valuation; near-term lawful permanent resident immigration assumptions were also updated to better reflect the expected effects of the recovery from the pandemic.
- Historical population data and other-than-lawful permanent resident immigration data were updated since the prior valuation.

There was one notable change in demographic methodology. An improvement was made to put more emphasis on recent mortality data by increasing the weights for the most recent years in the regressions used to calculate the starting rates of improvement and starting death rates. This change decreased the PV of the estimated future net cash flows.

Overall, changes in demographic data, assumptions, and methods caused the PV of the estimated future net cash flows to decrease by $0.3 trillion and $0.5 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For the current valuation (beginning on January 1, 2021), there were two changes to the ultimate demographic assumptions and an associated change in methodology.

- The ultimate total fertility rate was increased in conjunction with switching from a period-based model to a cohort-based model for birth-rates.
- An additional cause of death category was added, by separating dementia out from the all-other-causes category, and ultimate mortality improvement rates were updated for cardiovascular disease.

In addition to this ultimate demographic assumption change, the starting demographic values and the way those values transition to the ultimate assumptions were changed.

- Birth rate data through the third quarter of 2020 indicated somewhat lower birth rates.
- Death rates increased significantly for 2020 and 2021 to account for elevated deaths during the COVID-19 pandemic.

The PVs of estimated income and expenditures are lower for Part A, Part B, and Part D. Overall, changes to these assumptions caused the PV of the estimated future net cash flows to increase by $0.2 trillion and $1.3 trillion for Social Security and Medicare, respectively.

Changes in Economic Data, Assumptions, and Methods (Social Security Only)

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

For the current valuation (beginning on January 1, 2022), the ultimate economic assumptions are the same as those for the prior valuation. However, the starting economic values and the way these values transition to the ultimate assumptions were changed. The most significant are identified below.

- Near-term real interest rates are assumed to be slightly higher on average than those for the prior valuation.
- Economic starting values and near-term growth assumptions were updated to reflect the stronger-than-expected recovery from the pandemic-induced recession.
- The level of potential GDP for years 2021 and later is assumed to be about 1.1 percent higher than the level in the prior valuation, reflecting the strong recovery and the expectation of a permanent level shift in total economy labor productivity.

The changes to near-term real interest rates and the resulting effects on PV calculations decreased the PV of the estimated future net cash flows, while changes to starting values and near-term economic growth assumptions and the level shift in the assumptions for potential GDP increased the PV of the estimated future net cash flows.

There were no additional notable changes in economic methodology. Overall, changes to economic data, assumptions, and methods caused the PV of the estimated future net cash flows to decrease by $0.2 trillion for Social Security.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For the current valuation (beginning on January 1, 2021), there were two changes to the ultimate economic assumptions compared to prior valuation (beginning on January 1, 2020).

- The ultimate average real wage differential increased. Additionally, the real wage differential assumptions for the first 10 years of the projection period were also increased.
- The ultimate age-sex-adjusted unemployment rate was reduced.

The higher real wage differential and the combined changes to the unemployment assumption and the labor force methodology both increased the PV of estimated future net cash flows.

In addition to these changes in ultimate economic assumptions, the starting economic values and the way these values transition to the ultimate assumptions were changed.

- Near-term interest rates were adjusted downward significantly. Real interest rates are now assumed to be negative for calendar years 2021 through 2024, with a gradual rise to the ultimate real interest rate.
- The level of potential GDP is assumed to be roughly 1.0 percent lower than the level beginning with the second quarter 2020.

The changes to near-term interest rate and the starting values and near-term economic growth assumptions decrease the PV of the estimated future net cash flows.

There were no additional notable changes in economic methodology. Overall, changes to economic data, assumptions, and methods decreased the PV of the estimated future net cash flows by $1.2 trillion for Social Security.

Changes in Law or Policy

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The monetary effect of the changes in law or policy on the PV of estimated future net cash flows of the OASDI and Medicare programs was not significant at the consolidated level. Please refer to SSA's and HHS's financial statements for additional information related to the impact of the changes in law or policy on the PV of estimated future net cash flows of the OASDI and Medicare programs.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

For Social Security, between prior valuation and the current valuation one change in policy is expected to have significant effect on the long-range cost.

- The Deferred Action for Childhood Arrivals policy extends indefinitely the ability of those qualifying to remain in the country and work lawfully. A memorandum was issued on January 20, 2021.

Most of the provisions enacted as part of Medicare legislation since the prior valuation date have little or no impact on the program. The following provisions did have financial impact.

- The CARES Act (P.L. 116-136, enacted on March 27, 2020) included provisions that affect the HI and SMI programs.
- *The Continuing Appropriations Act, 2021, and Other Extensions Act,* (P.L. 116-159, enacted on October 1, 2020) included provisions that affect the HI and SMI programs.

- The CAA, 2021 (P.L. 116-260, enacted on December 27, 2020) included provisions that affect the HI and SMI Programs.
- *An Act to Prevent Across-the-Board Direct Spending Cuts and for Other Purposes* (P.L. 117-7, enacted on April 14, 2021) included provisions that affect the HI and SMI Programs.

Overall, the changes to these laws, regulations, and policies caused the PV of the estimated future net cash flows to decrease by $0.1 trillion for Social Security and Medicare.

Changes in Methodology and Programmatic Data (Social Security Only)

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2022). The most significant are identified below.

- The ultimate disability incidence rate was lowered from 5.0 per thousand exposed in the prior valuation to 4.8 in the current valuation.
- The current valuation is updated using a 10.0 percent sample of all newly entitled worker beneficiaries in 2018 to project average benefit levels of retired-worker and disabled-worker beneficiaries.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicate higher near-term and ultimate levels of revenue from taxation of OASDI benefits than projected in the prior valuation.
- Updates were made to the post-entitlement benefit adjustment factors. These factors are used to account for changes in benefit levels, primarily due to differential mortality by benefit level and earnings after benefit entitlement.

Overall, changes to programmatic data and methods caused the PV of the estimated future net cash flows to increase by $0.6 trillion for Social Security.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2021) compared to the prior valuation (beginning on January 1, 2020). The most significant are identified below.

- The current valuation is updated using a 10.0 percent sample of all newly entitled worker beneficiaries in 2017 to project average benefit levels of retired-workers and disabled-workers beneficiaries.
- Recent data and estimates indicated lower near-term and ultimate levels of revenue from taxation of Social Security benefits than projected.
- The methodology for projecting retroactive benefits for retired workers was improved to better capture the different rules for workers who become newly entitled prior to normal retirement age versus those who become entitled at or after normal retirement age.

Overall, changes to these assumptions and methods caused the PV of the estimated future net cash flows to decrease by $1.2 trillion for Social Security.

Changes in Economic and Health Care Assumptions (Medicare Only)

From the period beginning on January 1, 2021 to the period beginning on January 1, 2022

The economic assumptions used in the Medicare projections are the same as those for the Social Security programs shown above while the health care assumptions are specific to the Medicare projections. The following health care assumptions were changed in the current valuation.

- High projected spending growth for outpatient hospital services and for physician-administered drugs.
- Slower price growth and higher direct and indirect remuneration.

Overall, these changes decreased the PV of estimated future net cash flow by $5.3 trillion for Medicare.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

The economic assumptions used in the Medicare projections are the same as those used for the Social Security program shown above while the health care assumptions are specific to the Medicare projections. The following health care assumptions were changed in the current valuation.

- Slightly faster projected spending growth for outpatient services and for physician-administered drugs.
- Higher direct and indirect remuneration and shifts to Medicare Advantage offset higher gross drug prices.

Overall, these changes decreased the PV of the estimated future net cash flows by $3.8 trillion for Medicare.

Change in Projection Base (Medicare Only)

From the period beginning on January 1, 2021 to period beginning on January 1, 2022

Actual income and expenditures in 2021 were different from what was anticipated when the 2021 Trustees Report projections were prepared. For Part A and Part B income and expenditures in 2021 were lower than estimated based on experience. Part D income and expenditures were higher than estimated based on actual experience. Actual experience of the Medicare Trust Funds between January 1, 2021 and January 1, 2022 is incorporated in the current valuation and is more than projected in the prior valuation. Overall, the net impact of Part A, B, and D projection base change is an increase in the estimated future net cash flows by $2.5 trillion for Medicare.

From the period beginning on January 1, 2020 to the period beginning on January 1, 2021

Actual income and expenditures in 2020 were different than what was anticipated when the 2020 Trustees Report projections were prepared. For Part A and Part B income and expenditures in 2020 were lower than anticipated based on actual experience, mainly due to the impact of the COVID-19 pandemic. Part D was largely unaffected by the pandemic and total income and expenditures were only slightly higher than the estimated based on actual experience. Actual experience of the Medicare Trust Funds between January 1, 2020 and January 1, 2021 is incorporated in the current valuation and is more than projected in the prior valuation. Overall, the net impact of the Part A, B, and D projection base change is an increase in the estimated future net cash flows by $1.6 trillion for Medicare.

Note 26. Stewardship Property, Plant, and Equipment

Stewardship PP&E consists of items whose physical properties resemble those of general PP&E traditionally capitalized in financial statements. However, stewardship PP&E differs from general PP&E in that their values may be indeterminable or may have little meaning (e.g., museum collections, monuments, assets acquired in the formation of the nation) or that allocating the cost of such assets to accounting periods that benefit from the ownership of such assets is meaningless. Stewardship PP&E includes stewardship land (land not acquired for or in connection with general PP&E) and heritage assets (e.g., federal monuments and memorials and historically or culturally significant property).

Stewardship land is land and land rights owned by the federal government intended to be held indefinitely. The majority of stewardship land was acquired by the government during the first century of the nation's existence. Examples of stewardship land include land reserved, managed, planned, used, or acquired for forests and parks, recreation and conservation, wildlife and grazing, historical landmarks, multiple purpose ancillary revenue generating activities, and/or buffer zones. "Land" is defined as the solid part of the surface of the earth. Excluded from the definition are the natural resources (that is, depletable resources, such as mineral deposits and petroleum; renewable resources, such as timber; and the outer-continental shelf resources) related to land.

Additional information concerning stewardship land, such as entity stewardship policies, physical units by major categories, and the condition of stewardship land, can be obtained from the financial statements of DHS, DOC, DOD, DOE, DOI, DOT, EPA, HHS, TVA, USDA, and VA. Please refer to Land and Permanent Land Rights located in the unaudited RSI for information concerning the federal estimated acreage.

Heritage assets are government-owned assets that have one or more of the following characteristics: historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. Entities provide protection and preservation services to maintain all heritage assets in the best possible condition as part of America's history. Examples of heritage assets include the Declaration of Independence, the U.S. Constitution, and the Bill of Rights preserved by the National Archives. Heritage assets are classified into two categories: collection and non-collection. Collection type heritage assets include objects gathered and maintained for exhibition, for example, museum collections, art collections, and library collections. Non-collection type heritage assets include parks, memorials, monuments, and buildings. In some cases, heritage assets may serve two purposes: a heritage function and general government operations. In those cases, the heritage asset should be considered a multi-use heritage asset if the predominant use of the asset is in general government operations (e.g., the main Treasury building used as an office building). The cost of acquisition, improvement, reconstruction, or renovation of multi-use heritage assets should be capitalized as general PP&E and depreciated over its estimated useful life.

Additional information concerning other significant heritage assets, multi-use heritage assets, component federal entity stewardship policies for heritage assets, physical units by major categories of heritage assets, and the condition of heritage assets, can be obtained from the financial statements of DHS, DOC, DOD, DOE, DOI, DOT, GSA, NASA, State, Treasury, USDA, and VA. Please refer to DM&R located in the unaudited RSI for information concerning estimated maintenance and repair costs.

Note 27. Disclosure Entities and Related Parties

SFFAS No. 47, *Reporting Entity* provides criteria for identifying organizations that are consolidation entities, disclosure entities, and related parties, and how such organizations are reported within the *Financial Report*. For consolidation entities, the assets, liabilities, results of operations, and related activity are consolidated into the government's financial statements. For disclosure entities and related parties, balances and transactions with such entities are included in the financial statements and certain information about their relationship with the federal government is disclosed in the notes to the consolidated financial statements. Disclosure entities and related parties are important to the *Financial Report* but are not consolidated into the government's financial statements.

Disclosure Entities

Disclosure entities are organizations similar to consolidation entities in that they are either: a) in the budget; b) majority owned by the government; c) controlled by the government; or d) would be misleading to exclude. Disclosure entities have a greater degree of autonomy with the government than consolidation entities. In addition, organizations may be owned or controlled by the government as a result: of a) regulatory actions (such as organizations in receivership or conservatorship); or b) other government intervention actions. Under such regulatory or other intervention actions, if the relationship with the government is not expected to be permanent, such entities generally would be classified as disclosure entities based on their characteristics taken as a whole.

Based on the criteria in GAAP for federal entities, the disclosure entities in the *Financial Report* are FR System, SPVs, Fannie Mae, Freddie Mac, and National Railroad Passenger Corporation (more commonly referred to as Amtrak). In addition, there are additional disclosure entities reported by component reporting entities that do not meet the qualitative or quantitative criteria in SFFAS No. 47 to be reported in the *Financial Report*.

Federal Reserve System

Congress, under the Federal Reserve Act, created the FR System. The FR System includes the Federal Reserve Board, the FRB, and FOMC. Collectively, the FR System serves as the nation's central bank and is responsible for formulating and conducting monetary policy, issuing and distributing currency (Federal Reserve Notes), supervising and regulating financial institutions, providing nationwide payment systems (including large-dollar transfers of funds, Automated Clearing House operations, and check collections), providing certain financial services to federal entities and fiscal principals, and serving as the U.S. government's bank. Monetary policy includes actions undertaken by the FR System that influence the availability and cost of money and credit as a means of helping to promote national economic goals. The FR System also conducts operations in foreign markets in order to counter disorderly conditions in exchange markets or to meet other needs specified by the FOMC to carry out its central bank responsibilities. The FR System is considered an independent central bank, and the executive branch of the government does not ratify its decisions.

The 12 FRB are chartered under the Federal Reserve Act, which requires each member bank to own the capital stock of its FRB. Each FRB has a board of directors that exercises supervision and control of each FRB, with three members appointed by the Federal Reserve Board, and six board members elected by their member banks. The FRB participate in formulating and conducting monetary policy, distributing currency and coin, and serving as the government's fiscal agent, as well as the fiscal agent for other fiscal principals. Fiscal principals, generally speaking, relate to banks, credit unions, and savings and loan institutions. Additionally, the FRB provide short-term loans to depository institutions and loans to participants in programs or facilities with broad-based eligibility in unusual and crucial circumstances when approved by the Federal Reserve Board and the Secretary of the Treasury.

The government interacts with FRB in a variety of ways, including the following:

- The FRB serve as the government's fiscal agent and depositary, executing banking and other financial transactions on the government's behalf. The government reimburses the FRB for these services, the cost of which is included on the Statements of Net Cost;
- The FRB hold Treasury and other federal securities in the FRBs' SOMA for the purpose of conducting monetary policy (see Note 12—Federal Debt and Interest Payable);
- The FRB hold gold certificates issued by the government in which the certificates are collateralized by gold (see Note 2—Cash and Other Monetary Assets);
- The FRB hold SDR certificates issued by the government which are collateralized by SDR (see Note 2—Cash and Other Monetary Assets); and
- The FRB are required by Federal Reserve Board policy to transfer their excess earnings to the government, which are included in Other Taxes and Receipts on the Statements of Operations and Changes in Net Position.

- **Federal Reserve System Structure**

The Federal Reserve Board is an independent organization governed by seven members who are appointed by the President and confirmed by the Senate. The full term of a Federal Reserve Board member is 14 years, and the appointments are staggered so that one term expires on January 31 of each even-numbered year. The Federal Reserve Board has a number of supervisory and regulatory responsibilities for institutions including, among others, state-chartered banks that are members of the FR System, bank holding companies, and savings and loan holding companies. In addition, the Federal Reserve Board has general supervisory responsibilities for the 12 FRB, and issues currency (Federal Reserve Notes) to the FRB for distribution.

The FOMC is comprised of the seven Federal Reserve Board members and five of the 12 FRB presidents, and is charged with formulating and conducting monetary policy primarily through open market operations (the purchase and sale of certain securities in the open market), the principal tool of national monetary policy. These operations affect the amount of reserve balances available to depository institutions, thereby influencing overall monetary and credit conditions.

- **Federal Reserve Monetary Policy Action**

Monetary policy comprises the Federal Reserve's actions and communications to promote maximum employment, stable prices, and moderate long-term interest rates; the economic goals the Congress has instructed the Federal Reserve to pursue.

At the beginning of FY 2022, the target range for the federal funds rate was at zero to 0.25 percent and the FOMC continued to increase its holdings in Treasury securities by at least $80.0 billion per month and agency mortgage-backed securities by at least $40.0 billion per month. However, inflation rose to its highest level in more than 40 years. Consumer price inflation, as measured by the 12-month change in the price index for PCE, rose from 5.8 percent in December 2021 to 6.3 percent in April 2022, well above the FOMC’s objective of 2.0 percent. This increase was driven by an acceleration of retail food and energy prices, reflecting further increases in commodity prices due to the unrest in Ukraine.

In response to sustained inflationary pressures and a strong labor market, the FOMC began tightening monetary policy. In December 2021, the FOMC decided to begin reducing the monthly pace of its net asset purchases by $20.0 billion per month for Treasury securities and $10.0 billion per month for agency MBS, but kept the target range for the federal funds rate at near zero. In March 2022, the FOMC raised the target range for the federal funds rate to 0.25 percent to 0.50 percent and ceased net asset purchases. In May 2022, the FOMC decided to begin reducing its securities holdings starting on June 1, 2022 and raised the target range for the federal funds to 0.75 percent to 1.0 percent. This was followed by an increase of the target range for federal funds to 1.25 percent to 1.75 percent in June 2022 along with continued reduction of its securities holding. In July 2022, the FOMC raised the target range for the federal funds to 2.25 percent to 2.50 percent. In September 2022, the FOMC decided to raise the target range for the federal funds rate to 3.0 percent to 3.25 percent. Further, the FOMC continued to raise the target range for federal funds after September 30, 2022 to 4.25 percent to 4.50 percent by December 2022. In addition, the FOMC continued reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities, as described in the Plans for Reducing the Size of the Federal Reserve’s balance sheet that were issued in May.

- **Federal Reserve System Assets, Liabilities, Revenues, Expenses, Gains, and Losses**

The FRB hold Treasury and other securities in the SOMA for the purpose of conducting monetary policy. As of September 30, 2022, Treasury securities held by the FRB totaled $2,731.1 billion, which excludes $2,908.0 billion in Treasury securities used in overnight reverse repurchase transactions. As of September 30, 2021, Treasury securities held by the FRB totaled $3,803.7 billion, which excludes $1,628.0 billion in Treasury securities used in overnight reverse repurchase transactions. Such securities are included in federal debt and interest payable (see Note 12—Federal Debt and Interest Payable). For fiscal years ended September 30, 2022, and 2021, Treasury incurred interest cost relating to the FRB’s Treasury holdings amounting to $114.7 billion and $87.1 billion, respectively, which is included in interest on Treasury securities held by the public on the Statement of Net Cost. Unrestricted Cash held on deposit at the FRB as of September 30, 2022, and 2021, was $617.0 billion and $198.4 billion, respectively, and are included in cash and other monetary assets. In addition, restricted cash as of September 30, 2022, and 2021, was $46.8 billion and $46.0 billion, respectively; a significant portion is held on deposit at the FRB (see Note 2—Cash and Other Monetary Assets). The outstanding SDR certificates issued by the government to the Federal Reserve, valued at $5.2 billion as of September 30, 2022, and 2021, are reported under Other Liabilities on the government’s Balance Sheet (see Note 18—Other Liabilities).

Treasury securities are generally subject to the same market condition as other financial instruments. In the open market, the FRB purchase and sell Treasury securities as a mechanism for controlling the money supply.

Financial and other information concerning the FR System, including financial statements for the Federal Reserve Board and the FRB, may be obtained at https://federalreserve.gov.

- **FRB Residual Earnings Transferred to the Government**

FRB generate income from interest earned on securities, reimbursable services provided to federal entities, and the provision of priced services to depository institutions, as specified by the *Monetary Control Act of 1980*. Although the FRB generate earnings from carrying out open market operations (via the earnings on securities held in the SOMA account), their execution of these operations is for the purpose of accomplishing monetary policy rather than generating earnings. Each FRB is required by Federal Reserve Board policy to transfer to the government its residual (or excess) earnings, after providing for the cost of operations, payment of dividends, and surplus funds not to exceed an FRB's allocated portion of an aggregate of $6.8 billion for all FRB. These residual earnings may vary due to, among other things, changes in the SOMA balance levels that may occur in conducting monetary policy. If an FRB's earnings for the year are not sufficient to provide for the cost of operations, payment of dividends, or allocated portion of $6.8 billion aggregate surplus funds limitation, an FRB will suspend its payments to the government until such earnings become sufficient. These funds are part of restricted cash at the Federal Reserve (see Note 2—Cash and Other Monetary Assets). The FRB residual earnings of $106.7 billion and $100.1 billion for fiscal years ended September 30, 2022, and 2021, respectively, are reported as other taxes and receipts on the Statements of Operations and Changes in Net Position. Accounts receivable, net, includes a receivable for FRB's residual earnings which represents the earnings due to the General Fund as of September 30, but not collected by the General Fund until after the end of the month. As of September 30, 2022, and 2021, accounts receivable on FRB's residual earnings are $7.0 million and $267.0 million, respectively (see Note 3—Accounts Receivable, Net).

Special Purpose Vehicles

In response to the COVID-19 pandemic, Treasury holds equity investments in SPVs established by the Federal Reserve Board for the purpose of enhancing the liquidity of the U.S. financial system. Involvement in these programs represents non-permanent intervention activities designed to help mitigate the economic impacts of the pandemic. Accordingly, the government's equity interests in these SPVs meet the SFFAS No. 47 criteria for classifying our SPV investments as disclosure entities. These entities are not consolidated as part of the government's consolidated financial statements; however, the value of the investments in the SPVs, changes in value, and related activity with the SPVs are included in the government's consolidated financial statements (see Note 7—Investments).

Fannie Mae and Freddie Mac

In 2008, during the financial crisis, the government placed Fannie Mae and Freddie Mac under conservatorship to help ensure their financial stability. These entities meet the criteria in SFFAS No. 47, for disclosure entities as both: a) "receiverships and conservatorships,"; and b) as entities wherein "federal government intervention actions resulted in control or ownership" with intervention actions not expected to be permanent. Accordingly, these entities are not consolidated into the government's consolidated financial statements. However, the values of the investments in such entities, changes in value, and related activity with these entities are included in the government's consolidated financial statements (see Note 8—Investments in Government-Sponsored Enterprises for additional information).

Amtrak

Amtrak was incorporated in 1971 pursuant to the *Rail Passenger Service Act of 1970* and is authorized to operate a nationwide system of passenger rail transportation. Amtrak is a private, for-profit corporation under 49 U.S.C. § 24301 and D.C. law. It is not a department, entity, or instrumentality of the government. Amtrak's classification as a disclosure entity is attributable to being: a) listed in the budget; b) financed mostly by sources other than taxes; and c) governed by an independent Board of Directors, which is comprised of 10 directors. The Secretary of Transportation, who is a director by statute, and eight of the other Amtrak directors, are appointed by the President with the advice and consent of the U.S. Senate. The President of Amtrak also is a board member and is appointed by the board. Amtrak does not take actions on behalf of the government but benefits the national economy by providing a transportation option in 46 states and the D.C.

The government (through the DOT) owns 100.0 percent of Amtrak's preferred stock (109,396,994 shares of $100.00 par value). Each share of preferred stock is convertible into ten shares of common stock. The common stockholders have voting rights for "amendments to Amtrak's Articles of Incorporation proposed by the Board of Directors and for certain other extraordinary events." Although Section 4.02(g) of the Amtrak Articles of Incorporation allow for the conversion of preferred stock to common stock, current government administrative policy is to not convert its holdings without congressional authorization. Section 4.02(g) of the Amtrak Articles of Incorporation does not limit the timing of conversion or require any preapprovals. Conversion is effective the business day following receipt of written notice of the holder's election to convert. The government does not recognize the Amtrak preferred stock in its financial statements because, under the corporation's current financial structure, the preferred shares do not have a liquidation preference over the common shares, the preferred shares do not have any voting rights, and dividends are neither declared nor in arrears.

In addition to the purchase/ownership of the Amtrak preferred stock, the government has provided funding to Amtrak, since 1972, primarily through grants and loans. Amtrak receives grants from the government that cover a portion of the corporation's annual operating expenses and capital investments. Funding provided to Amtrak through grant agreements are included in the government's annual budget and the DOT financial statements. For the fiscal year ended September 30, 2022, the net cost amount related to grants was $3.2 billion, and total budgetary outlays were $2.3 billion. For the fiscal year ended September 30, 2021, the net cost amount related to grants was $3.2 billion, and total budgetary outlays were $4.7 billion.

The government (through the DOT) has possession of two long-term notes with Amtrak. The first note is for $4.0 billion and matures in 2975 and, the second note is for $1.1 billion and matures in 2082 with renewable 99-year terms. Interest is not accruing on these notes as long as the current financial structure of Amtrak remains unchanged. If the financial structure of Amtrak changes, both principal and accrued interest are due and payable. The government does not recognize the long-term notes in its financial statements since the notes, with maturity dates of 2975 and 2082, are considered fully uncollectible due to the lengthy terms, Amtrak's history of operating losses, and ability to generate funds for repayment. Amtrak's ability to continue to operate in its current form is dependent upon the continued receipt of subsidies from the government.

Financial statements and other information (including loans) concerning Amtrak may be obtained at https://www.amtrak.com/reports-documents and https://www.transportation.gov/fy22-afr.

Related Parties

Related parties exist if the existing relationship, or one party to the existing relationship, has the ability to exercise significant influence over the party's policy decisions. Related parties do not meet the principles for inclusion, but are reported in the *Financial Report* if they maintain relationships of such significance that it would be misleading to exclude.

Based on the criteria in SFFAS No. 47, the related parties reported in the *Financial Report* are FHLBanks, IMF, Multilateral Banks, and PEFCO. In addition, there are additional related parties reported by component reporting entities that do not meet the criteria to be reported in the *Financial Report*.

Federal Home Loan Banks

The government is empowered with supervisory and regulatory oversight of the 11 FHLBanks. The government is responsible for ensuring that each regulated entity operates in a safe and sound manner, including maintenance of adequate capital and internal control, and carries out its housing and community development finance missions. Each FHLBank operates as a separate federally chartered corporation with its own board of directors, management, and employees. The FHLBanks are GSEs that were organized under the *Federal Home Loan Bank Act of 1932,* to serve the public by enhancing the availability of credit for residential mortgages and targeted community development. They are financial cooperatives that provide a readily available, competitively-priced source of funds to their member institutions. The FHLBanks are not government entities and do not receive financial support from taxpayers. The government does not guarantee, directly or indirectly, the debt securities or other obligations of FHLBanks.

By law, in the event of certain adverse circumstances, Treasury is authorized to purchase up to $4.0 billion of obligations of the FHLBanks. This authority may be exercised only if alternative means cannot be effectively employed to permit the FHLBanks to continue to supply reasonable amounts of funds to the mortgage market, and the ability to supply such funds is substantially impaired because of monetary stringency and a high level of interest rates. Any funds borrowed from Treasury shall be repaid by the FHLBanks at the earliest practicable date. Treasury has not used such authority. Also, in accordance with the *Government Corporations Control Act*, Treasury prescribes certain terms concerning the FHLBanks issuance of obligations to the public. Financial and other information concerning FHLBanks including financial statements may be obtained at http://www.fhlbanks.com/.

International Monetary Fund and Multilateral Development Banks

The IMF's primary purpose is to ensure the stability of the international monetary system—the system of exchange rates and international payments that enables countries to transact with each other. Member countries provide resources for IMF loans through their subscription quotas (quotas). The IMF also has two pools of resources that can be used in the event of a crisis that requires lending beyond the level available from quota resources: (i) the NAB and (ii) bilateral borrowing arrangements. Participation in the IMF works like an exchange of monetary assets.

Quotas are the principal component of the IMF's financial resources and are denominated in SDR. The size of each member's quota is based broadly on its relative position in the world economy. The U.S. holds the largest quota of any IMF member. Since 2016, U.S. quota in the IMF has been about SDR 83 billion. The equivalent dollar value of the quota total U.S. as of September 30, 2022, and 2021, was approximately $106.0 billion and approximately $116.7 billion, respectively.

The government has funded a portion of U.S. quota to the IMF for lending, represented by U.S. reserve position at the IMF, while the remainder of the U.S. quota is represented by a letter of credit on which the IMF can draw as needed for lending. The U.S. reserve position was approximately $31.3 billion as of September 30, 2022, and approximately $32.7 billion as of September 30, 2021, with the remaining undrawn letter of credit representing the balance (see Note 2—Cash and Other Monetary Assets and Note 20—Commitments). The government's quota serves as the key determinant for its 16.5 percent share of voting rights in various IMF decisions. Since certain key IMF decisions require approval by at least 85.0 percent of the voting power, the government (represented by the Secretary of the Treasury) holds a substantial voice in the IMF and exercises significant influence over IMF policies, including veto power over major IMF decisions.

Some IMF members also supplement the IMF's resources through the NAB and bilateral borrowing agreements. Through the NAB, the U.S. and other participating members make additional resources available to the IMF if required to cope with or forestall an impairment of the international monetary system. In accordance with the CARES Act, effective January 1, 2021, U.S. participation in the NAB increased by SDR 28.2 billion. Accordingly, the government's participation in the NAB as of September 30, 2022, and 2021, was SDR 56.4 billion respectively, which is equivalent to $72.2 billion and $79.5 billion, respectively. When the government transfers funds to the IMF under the NAB, it receives a liquid and interest-bearing claim on the IMF. As of September 30, 2022, and 2021, loans outstanding to the IMF from the government under the NAB stood at $0.5 billion and $0.9 billion, respectively. These loans were reported under Loans Receivable, Net on the Balance Sheet. The NAB is not currently activated, and the U.S. has veto power over its activation, as well as over most changes to its terms or size. The government does not have a bilateral borrowing agreement with the IMF, though it exercises indirect control over their activation, since NAB activation is a prerequisite for the IMF to draw on its bilateral borrowing arrangements.

As of September 30, 2022, and 2021, the government's total undrawn financial commitment to the IMF was $146.4 billion and $162.6 billion, respectively, which is composed of the quota related letter of credit and the undrawn portion of the NAB (see Note 20—Commitments).

Under the IMF Articles of Agreement, the IMF may allocate SDRs to member countries in proportion to their IMF quotas. SDR allocations are an international reserve asset created by the IMF to supplement its member countries' official reserves. In FY 2021, the IMF approved a historic allocation of SDRs of $650.0 billion to further support the COVID-19 recovery. This was the largest allocation in the IMF's history, which substantially boosted the reserves and liquidity of the IMF's member countries, without adding to their debt burdens. The U.S. received an additional 79.5 billion SDRs valued at $112.8 billion as a part of this historic allocation. The SDR allocation creates an asset and a liability on the Balance Sheet but does not increase the IMF's available lending resources. The SDR asset as of September 30, 2022, and 2021, amounted to $153.6 billion and $163.9 billion, respectively, and includes the SDR allocation as well as purchased SDR (see Note 2—Cash and Other Monetary Assets). The SDR liability as of September 30, 2022, and 2021, amounted to $147.0 billion and $161.8 billion, respectively (see Note 18—Other Liabilities).

The value of the SDR is based on a weighted average of the U.S. dollar, euro, Chinese renminbi, Japanese yen, and pound sterling. More information on the SDR valuation can be found at https://www.imf.org.

Historically, IMF has never experienced a default by a borrowing country. The government, which is not directly exposed to borrowers from the IMF, has never experienced a loss of value on its IMF quota or an instance of non-repayment, and it is not likely that the government will experience future losses as a result of its additional commitments.

Additionally, the government invests in and provides funding to the MDBs to support poverty reduction and promote sustainable economic growth in developing countries. The MDBs provide financial and technical support by means of strengthening institutions, providing assistance that addresses the root causes of instability in fragile and conflict-affected countries, responding to global crisis, and fostering economic growth and entrepreneurship. The government's participation in the MDBs is in the form of financial contributions used to ensure the effectiveness and impact of the MDBs' global development agenda. The U.S. has voting power in each of the MDBs to which it contributes, ranging from approximately 6.0 percent to 50.0 percent (see Note 10—Other Assets and Note 20—Commitments for additional information).

Private Export Funding Corporation

The financial statements reflect the results of agreements with PEFCO. PEFCO, is owned by a consortium of private-sector banks, industrial companies, and financial services institutions. It makes and purchases from private sector lenders, medium-term and long-term fixed-rate, and variable-rate loans guaranteed by EXIM Bank to foreign borrowers to purchase U.S. made equipment "export loans."

EXIM Bank's credit and guarantee agreement with PEFCO provides that EXIM Bank will guarantee the due and punctual payment of interest on PEFCO's secured debt obligations which EXIM Bank has approved, and it grants to EXIM Bank a broad measure of supervision over certain of PEFCO's major financial management decisions, including the right to have representatives be present in all meetings of PEFCO's Board of Directors, advisory board, and exporters' council, and to review PEFCO's financials and other records. However, EXIM Bank does not have voting rights and does not influence normal operations. In September 2020, the EXIM Board of Directors unanimously voted to renew its agreement with PEFCO for 25 years.

PEFCO has an agreement with EXIM Bank which provides that EXIM Bank will generally provide PEFCO with an unconditional guarantee covering the due and punctual payment of principal and interest on export loans PEFCO makes and purchases. PEFCO's guarantees on the export loans plus the guarantees on the secured debt obligations aggregating to \$2,228.6 million at September 30, 2022 and \$3,418.8 million at September 30, 2021, are included by EXIM Bank in the total for guarantee, insurance and undisbursed loans and the allowance related to these transactions is included in the Loan Guarantee Liabilities on the Balance Sheets.

EXIM Bank received fees totaling \$29.1 million in FY 2022 and \$47.0 million in FY 2021 for the agreements, which are included in Earned Revenue on the Statements of Net Cost.

Note 28. Public-Private Partnerships

The government enters into various collaborative relationships with private sector entities in which the goals, structures, governance, roles and responsibilities are mutually determined to produce a risk-sharing arrangement. These relationships are referred to as P3s, in accordance with SFFAS No. 49, *Public-Private Partnerships: Disclosure Requirements*. While many of the government's relationships are classified as and may be referred to as a P3, only those meeting the disclosure requirements outlined in SFFAS No. 49 are disclosed.

The National Energy Conservation Policy Act, as amended, authorizes federal entities to enter into ESPC contracts for the purpose of achieving energy savings and other related benefits. In consultations with the entity, the contractor designs and constructs a project that meets the entity's needs and arranges the necessary funding. The contractor guarantees that the improvements will generate energy cost savings sufficient to pay for the project over the term of the contract. The cost of the ESPC project must be covered by the energy, water and related cost savings generated at the project site. GSA and DOE have entered into contracts with the private sector that meet the criteria for P3s. These contracts allow federal entities to produce energy savings and facility improvements with no up-front capital costs or special appropriations from Congress. Future aggregate payments to be made by GSA and DOE are $1.4 billion and $1 billion, respectively, over the course of the agreements. After an ESPC contract ends, all additional cost savings accrue to the entities.

In addition to the energy contracts, DOC has entered into a P3 contract on another matter. Congress has tasked DOC's FirstNet with the responsibility to ensure the deployment and operation of a nationwide interoperable broadband network to meet the communication needs of public safety. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. The Nationwide Public Safety Broadband Network is being built out, deployed, operated, and maintained under a 25-year contract awarded by FirstNet to AT&T in March 2017. The service will cover all 50 U.S. states, five territories, and D.C., including rural communities and tribal nations. Under the terms of the contract, total receipts for DOC over the life of the contract are $18.0 billion based on annual payments AT&T is required to make. Payments received from AT&T and that are retained by FirstNet are required to be only used for constructing, maintaining, operating or improving the Nationwide Public Safety Broadband Network. Additionally, DOC is required to make payments to AT&T for success-based payment milestones under firm-fixed price buildout and continuing enhancement Task Orders. The total paid in FY 2022 was $1.1 billion.

DOD identified MHPI agreements as P3s requiring disclosure. The MHPI agreements are with private sector entities established as LLCs or LPs. These MHPI project LLC and LP entities with Private Partners serve as the project's managing members and have direct managerial control allowing DOD to work with the private sector to build, renovate, and sustain military housing by obtaining private capital to leverage government dollars. By engaging MHPI agreements, DOD benefits through use of private industry expertise and tools, improving the condition of military housing more expediently and efficiently than the traditional military construction process would allow. Private Partners serve as the majority managing member ensuring performance objectives are met over the expected life of the agreement. Military departments generally serve as the minority member and enter a long-term ground lease (generally 50 years), and convey the associated real property assets (buildings, structures, facilities, and utilities) to the MHPI project LLC or LP. The contractual terms and termination clauses vary by agreement. The DOD's involvement in the operations and management of the MHPI LLC or LP is governed by evaluating the percentage of ownership interest and analyzing ownership control indicators, which determine the level of influence over the partnership. The DOD provides funding to the LLC or LP through:

- Equity Investments - Provision of cash and transfer of real property ownership (land, housing units, and other structures) to a project and, in return, the DOD receives a portion of that project's profits and losses. If the investment is sold, the DOD receives compensation.
- Government Direct Loans - Provision of cash to a project with the expectation of future payment;
- Government Loan Guarantees - Agreement to pay a percentage of the outstanding balance on a non-government loan in the event of nonpayment by the project;
- Differential Lease Payments - Provision of monthly payments to a project above the Basic Allowance for Housing paid by the military personnel.

The military departments are assessing their MHPI agreements in an effort to provide actual and estimated amounts paid and received for future periods and continues to assess agreements using criteria from SFFAS No. 49 to determine if there are additional P3s to disclose. DOD will report these agreements as soon as these assessments are complete.

The consolidated amounts the government received and paid in FY 2022 were $0.3 billion and $1.4 billion, respectively. The estimated amounts to be received and paid in the aggregate over the expected life of the P3s is $22.3 billion and $4.4 billion, respectively. As main contributors of P3 activity please refer to the financial statements of DOC, DOD, DOE, and GSA for additional information.

Note 29. COVID-19 Activity

On March 11, 2020, a novel strain of the Coronavirus, also known as COVID-19, was declared a pandemic by the WHO. As a result, a national emergency was declared in the U.S. concerning the COVID-19 outbreak on March 13, 2020. The global spread of COVID-19, which commenced in early spring of 2020 and continued throughout FY 2022 resulted in a severe global health and economic crisis. In FY 2021 Congress passed the CAA, which was signed into law on December 27, 2020, and the ARP on March 11, 2021. Both acts, along with several bills, provided additional funding to help supplement the COVID-19 relief efforts that started in FY 2020 including the CARES Act on March 27, 2020. The CARES Act was subsequently modified in legislation in April, June, and July of 2020 to add funding and adjust programs for continued pandemic response.

The COVID-19 related legislation provided supplemental appropriations totaling $4.5 trillion for federal entities to respond to COVID-19 since the beginning of the pandemic. The $4.5 trillion includes enacted rescissions, returns of unused permanent and indefinite authority, and obligation adjustments. Significant impacts of these programs on the government's FYs 2022 and 2021 Balance Sheet and financial results are discussed below. For additional information regarding COVID-19 relief efforts please refer to Treasury, HHS, Education, DOT, USDA, SBA, DHS, and DOL's financial statements.

The government invested in SPVs for the purpose of enhancing the liquidity of the U.S. financial system. As of September 30, 2022, and 2021, Treasury had $17.8 billion and $25.6 billion, respectively, of equity investments in SPVs established through the FRBNY and FRBB. Treasury's funds remaining in the SPVs funded under the CARES Act cannot be used for further lending, asset purchase, or extensions of credit. The FYs 2022 and 2021, FV net gain of $0.7 billion and $3.8 billion, respectively, from these investments is included in Treasury's net cost. See also Note 7—Investments.

Treasury's COVID-19 appropriations provided funding for a variety of emergency relief programs. The state, local, territorial, and tribal programs provided payments to cover eligible costs incurred in response to the pandemic through several funds including: 1) SLFRF; 2) ERA; and 3) HAF. During FY 2022 and FY 2021, Treasury disbursed an aggregate of $125.8 billion and $277.7 billion, respectively, in appropriated and obligated funds to states, local, territorial, and tribal governments related to the programs discussed above to cover eligible costs that recipients incurred in response to the pandemic. Of the aggregate amounts disbursed, Treasury initially recorded $115.8 billion and $276.7 billion as an advance during FY 2022 and FY 2021, respectively, within the line "Advances and Prepayments", and recorded the remaining $10.0 billion and $1.0 billion disbursed in FY 2022 and FY 2021, respectively, as costs. Treasury subsequently recognized $146.6 billion and $89.5 billion of this advance as an expense for the fiscal years ended September 30, 2022 and 2021, respectively, to reflect the estimated amount of eligible costs incurred during those years by recipients. Two other Treasury COVID-19 programs include the American Industry and Financial Markets programs provided financial assistance payments to passenger air carriers and contractors to provide payroll support to aviation workers during the pandemic and the CDFI programs provided immediate assistance and quick deployment of capital to specialized organizations that provide services to low-income communities and those that lack access to financing. Treasury's net costs related to COVID-19 activity totaled $164.4 billion and $110.2 billion in FY 2022 and FY 2021, respectively. The increase in Treasury's COVID-19 net costs is mainly due to the expense recognition of support to state, local, territorial, and tribal programs. See also Note 9—Advances and Prepayments and Note 20—Commitments.

Treasury's taxpayer support programs provided a refundable tax credit (recovery rebate), referred to as an EIP and other taxpayer support programs to eligible recipients in every state and territory and at foreign addresses. Refunds of federal taxes and other payments and individual and other tax credits in FY 2022 and FY 2021 (related to the CARES Act, CAA, and ARP) totaled $13.1 billion and $569.5 billion, respectively, to eligible taxpayers. It should be noted that these credits are included in net costs in addition to the $164.4 billion and $110.2 billion, respectively noted in the previous paragraph. The financial statements impact of these and other programs can be found within Note 19—Collections and Refunds of Federal Revenue and Note 27—Disclosure Entities and Related Parties.

HHS's COVID-19 appropriations provided support testing, contact tracing, containment, mitigation to monitor and suppress the spread of COVID-19, as well as support COVID-19 vaccination programs and addressing disparities in obtaining quality healthcare. Certain programs also assisted households with paying for drinking water and wastewater services, as well as provide direct payment to participating eligible pharmacies and healthcare providers for up to eight free over-the-counter COVID-19 tests. Funding provided broad support including payments to assist eligible health care providers for health care related expenses or lost revenues attributed to the COVID-19 pandemic. In addition, HHS's advances and prepayments primarily represent payments made for the COVID-19 Accelerate and Advance Payments program which was recorded as an advance on the Balance Sheet of $1.3 billion and $67.0 billion as of September 30, 2022, and 2021. The financial statements impact of the advance can be found within Note 9—Advances and Prepayments. HHS' net cost for operations other than CMS increased by $41.0 billion during FY 2022 primarily due to the Public Health and Social Services

Emergency Fund. HHS's outlays related to COVID-19 activity totaled $130.1 billion and $89.7 billion in FY 2022 and FY 2021, respectively.

Education's COVID-19 appropriations provided funding for a variety of programs administered primarily through grant programs. The COVID-19 relief legislation and administrative actions also provided support for student loan borrowers primarily by temporarily suspending nearly all federal loan payments. These COVID-19 loan modifications are a component of subsidy expense, which reduced the overall loan receivable balances. The significant financial statements impact of these programs can be found within Note 4—Loans Receivable, Net and Loan Guarantee Liabilities. Education's outlays related to COVID-19 activity totaled $80.2 billion and $48.7 billion in FY 2022 and FY 2021, respectively. The increase in Education's COVID-19 costs is due to loan modifications, reestimates (subsidy expense), and grant expenses.

Several DOT programs received COVID-19 appropriations in support of maintaining and continuing the operations and business needs of various transportation systems in response to COVID-19. These programs include the Federal Transit Administration's Transit Infrastructure Grants, the Federal Aviation Administration's Grants-In-Aid for Airports and Airport Relief Grants, FHWA's Highway Infrastructure programs, Federal Railroad Administration's Grants to Amtrak, and Office of the Secretary's Aviation Manufacturing Jobs Protection program. DOT's net costs related to COVID-19 activity totaled $32.1 billion and $23.5 billion in FY 2022 and FY 2021, respectively.

USDA's COVID-19 appropriations provided funding and extended various programs and activities. It extended modifications to federal nutrition assistance programs for children, pregnant women, and older adults. As well as provided funding for programs to support agricultural producers, growers, and processors. USDA's net costs related to COVID-19 activity totaled $27.2 billion and $77.0 billion in FY 2022 and FY 2021, respectively. The decrease in USDA's COVID-19 costs is due to less spending in pandemic related programs.

SBA provided emergency and immediate economic relief and assistance through disaster response programs, funded by COVID-19 appropriations. These programs include: 1) PPP; 2) CARES Act Debt Relief Program; 3) EIDL Grants; 4) the Business Loan Fee Waiver and Debt Relief program; 5) the Targeted EIDL and Supplemental EIDL Advance programs; 6) the Restaurant Revitalization program; 7) the Shuttered Venue Operators Grants program; and 8) the Community Navigator Pilot program. SBA's outlays related to COVID-19 activity totaled $23.7 billion and $345.9 billion in FY 2022 and FY 2021, respectively. The decrease in SBA's COVID-19 outlays is due to COVID-19 program applications closing, programs expiring, and program applications no longer being accepted.

DHS's COVID-19 appropriations supported DHS components by providing funding to several programs which included the expansion of medical support, provided COVID-19 test kits, developed assessments for risk management efforts, research and development, disaster relief, and the analysis for national threats and hazards. DHS's outlays related to COVID-19 activity totaled $20.3 billion and $33.9 billion in FY 2022 and FY 2021, respectively.

DOL's COVID-19 appropriations provided funding for several unemployment programs. DOL has spent approximately $10.7 billion and $332.9 billion, respectively, on COVID-19 relief in FY 2022 and FY 2021. The decrease in DOL's COVID-19 related spending is due to the decreases in unemployment benefits. DOL's net costs for COVID-19 programs for the year ended September 30, 2022, and 2021, was $9.7 billion and $313.0 billion, comprised mostly of unemployment benefits expenses for programs implemented in FY 2020 and ending in FY 2021.

Note 30. Subsequent Events

Status of Student Loan Debt Relief

On November 10, 2022, a U.S. District Court in Texas issued an order in *Brown v. Education* to vacate the broad-based student loan debt relief program that was adopted by the U.S. Secretary of Education and announced on August 24, 2022. On November 14, 2022, the U.S. Court of Appeals for the Eighth Circuit stayed the implementation of the same program pending an appeal by six states in *Nebraska v. Biden*, a case challenging the relief, in which Education had prevailed in U.S. District Court for the Eastern District of Missouri. Education subsequently requested a stay of both decisions, and ultimately sought stays as well as a hearing on the merits from the Supreme Court of the U.S. Those stay requests were denied, but the Supreme Court granted certiorari and has agreed to hear both cases and to address questions of both standing and Education's authority to provide the debt relief. Please refer to Note 4—Loans Receivable, Net and Loan Guarantee Liabilities for additional information.

Statutory Debt Limit

On December 16, 2021, P.L. 117-73 was enacted, increasing the statutory debt limit to $31,381.5 billion. As of September 30, 2022, debt subject to the limit was $30,869.3 billion. On January 19, 2023, the debt limit was reached and Treasury began taking extraordinary measures. When delays in raising the debt limit occur, Treasury often must deviate from its normal cash and debt management operations and take a number of what it calls "extraordinary measures" to meet the government's obligations as they come due without exceeding the debt limit. Please refer to Note 12—Federal Debt and Interest Payable for additional information.