RESULTS IN BRIEF
Highlights of the FY 2017 Financial Report of the U.S. Government

Where We Are Now

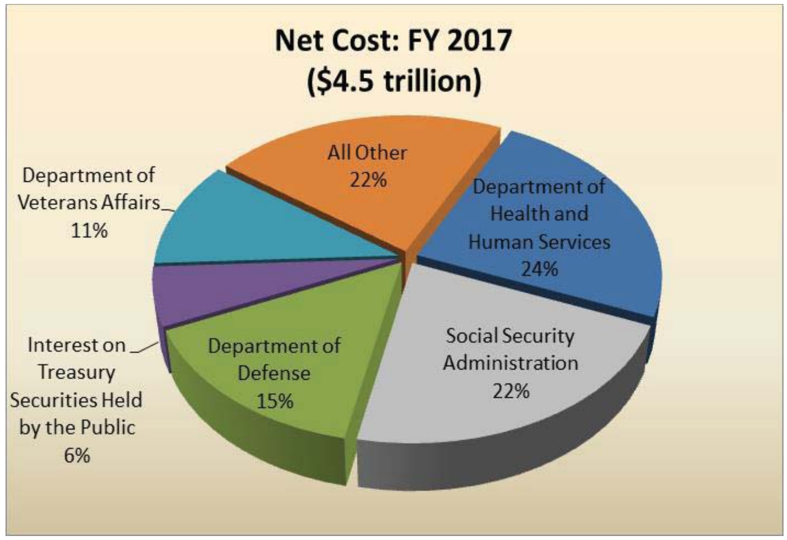
The Government's net cost before taxes and other revenues for FY 2017 was $4.5 trillion - an increase of $128.8 billion (2.9 percent) from FY 2016.

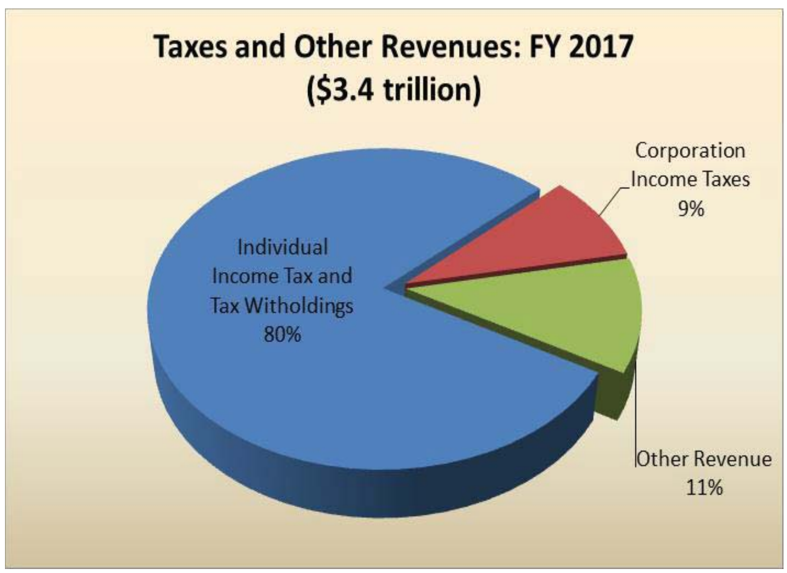
Net cost equals gross costs of $4.6 trillion, less earned program revenues (e.g., Medicare premiums, national park entry fees), and then adjusted for gains or losses from assumption changes used to estimate future federal employee and veterans benefits payments.

The increase in net cost is the combined effect of many offsetting increases and decreases across the Government.

Total Government tax and other revenues grew by $29.3 billion (0.9 percent) to about $3.4 trillion for FY 2017.

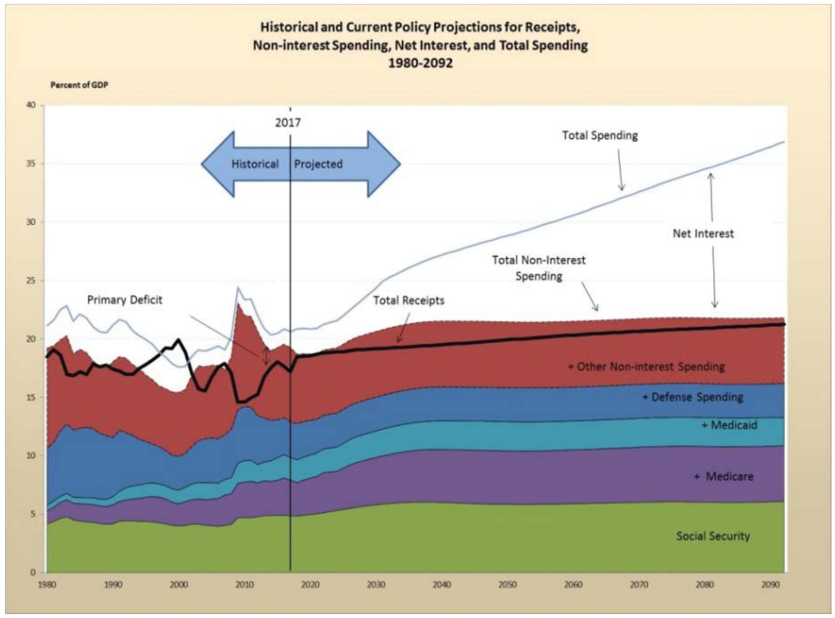
The Government deducts $3.4 trillion in tax and other revenues from its $4.5 trillion net cost (with some adjustments) to derive its FY 2017 "bottom line" net operating cost of $1.2 trillion.

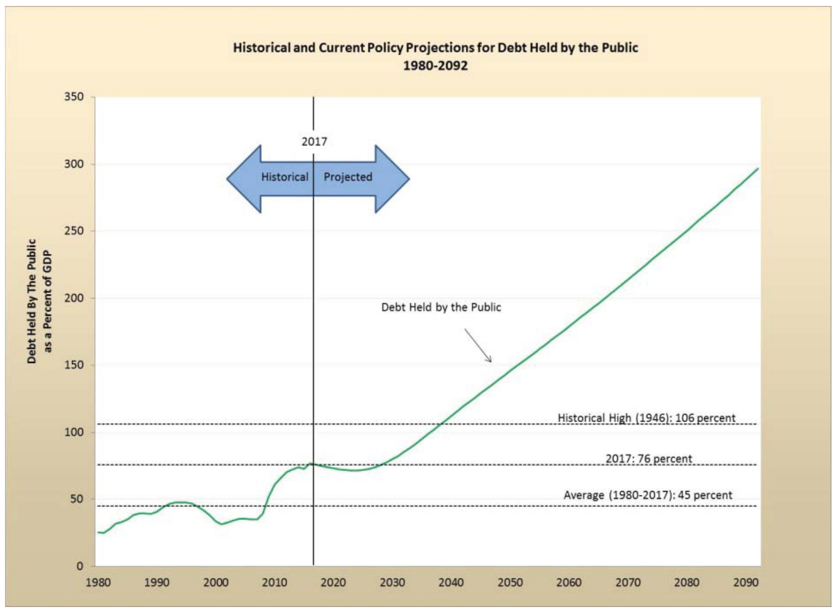




By comparison, the Government's budget deficit for FY 2017 was $665.7 billion – an increase of $78.3 billion (about 13.3 percent) over FY 2016. The $491.0 billion difference between the budget deficit and net operating cost is primarily due to accrued costs (incurred but not necessarily paid) that are included in net operating cost, but not the budget deficit. These include but are not limited to estimated future costs of federal employee and veterans benefits.

Where We Are Headed





The primary deficit is the difference between non-interest spending and receipts. As a ratio relative to GDP (the primary deficit-to-GDP ratio), it is useful for gauging long-term fiscal sustainability.

This ratio spiked from 2009 through 2012 due to the financial crisis, the ensuing severe recession, and increased spending and temporary tax reductions enacted to stimulate the economy and support recovery. As an economic recovery took hold, the primary deficit-to-GDP ratio fell, and is projected to shrink further through 2021 as discretionary spending limits remain in effect and economic recovery boosts tax receipts.

After 2021, increased spending for Social Security and health programs due to the continued retirement of the baby boom generation and increases in health care costs is projected to result in increasing primary deficits through 2038. After 2038, the ratio slowly declines as the aging of the population slows. These projections do not include the effects of the *Tax Cuts and Jobs Act of 2017*.

Projections in the *Financial Report* indicate that the Government's debt-to-GDP ratio is projected to remain relatively stable over the next decade, and then continuously rise over the remaining projection period and beyond if current policy is kept in place. This trend implies that current policy is not sustainable.

As long as changes in policy are not so abrupt as to slow economic growth, the sooner policy changes are adopted, the smaller the changes to revenue and/or spending will need to be to return the Government to a sustainable fiscal path.