

United States Government Notes to the Financial Statements for the Fiscal Years Ended September 30, 2024, and 2023

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 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 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 government as a result of: a) regulatory actions (such as organizations in receivership or conservatorship); or b) other government intervention actions. Under the regulatory or other intervention actions, the relationship with the 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 8—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. 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 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.

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 PP&E, net. 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 2024. 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 2024. 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 of 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 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.

In April 2018, FASAB issued SFFAS No. 54, *Leases*, which has since been amended. SFFAS No. 54 requires lessees to recognize a RTU lease asset and a lease liability for long-term, non-intragovernmental leases. SFFAS No. 54 is effective beginning FY 2024.

In April 2024, FASAB issued SFFAS No. 63, *Omnibus Amendments 2024-1*. This standard retains the requirement to report oil, gas, and other natural resource information as RSI, and amends certain P3 entity level disclosure requirements. This standard has no effect on the U.S. government's consolidated financial statements.

New Standards Issued and Not Yet Implemented

As of September 2024, FASAB has issued the following new standard that is applicable to the *Financial Report*, but is not yet implemented at the government-wide level for FY 2024:

In September 2024, FASAB issued SFFAS No. 64, *Management's Discussion and Analysis: Rescinding and Replacing SFFAS 15*. SFFAS No. 64 improves the MD&A by guiding management in the preparation of a balanced, concise, integrated, and understandable MD&A that is useful for all users. This standard is effective for FY 2026, early implementation is permitted.

C. Accounts Receivable, Net

Accounts receivable include 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 Guarantees for additional information.

E. Loan Guarantees

Loan guarantees are valued at the PV of the cash outflows (e.g., claim payments) less the PV of the related inflows (e.g., recoveries, fees).

Generally, loan guarantees are recorded as a liability except when cash inflows are expected to exceed cash outflows on a PV basis. This results in a loan guarantee that is reported as an asset on the Balance Sheet. See Note 4—Loans Receivable, Net and Loan Guarantees 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. Property, Plant, and Equipment, Net

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. PP&E also includes internal use software, land rights, assets acquired through financing leases, RTU lease assets, and leasehold improvements.

At the government-wide level, SFFAS No. 6, *Accounting for Property, Plant, and Equipment* is followed and requires that PP&E is recorded at cost and includes all costs incurred to bring the PP&E to a form and location suitable for its intended use. The main contributing entities use estimated historical cost for PP&E. Costs to acquire 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 PP&E, except land and land rights of unlimited duration. In the case of constructed 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 PP&E. See Note 6—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 PP&E. The alternative methods include using deemed cost to establish opening balances of 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 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 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 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 PP&E. Because most federal land is not directly related to 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 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 (as earned revenue) and investments in GSEs on the Balance Sheet. The government also records dividends related to these investments as exchange transactions (as earned revenue) 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 7—Investments in Government-Sponsored Enterprises.

I. 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 8—Investments for additional information.

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. For FRNs, which accrue interest daily and pay the aggregated interest on a quarterly basis, the interest rate is based on two components; the index rate tied to the highest accepted discount rate of the most recent 13-week marketable bill auction and the spread rate, which is the highest accepted discount rate determined at auction when the FRN is first offered. 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 government's 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 (including but not limited to: 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 because of an adverse event. Certain consolidation entities with significant insurance and guarantee programs (e.g., PBGC and FDIC) 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 trustee plans and the net liability for plans pending termination and trusteeship. PBGC recognizes a single-employer program liability for trustee 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. Significant unobservable inputs are incorporated in the calculation of the PV of future benefits as well. Refer to PBGC's financial statements for additional information.

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.

FDIC records a liability for FDIC-insured institutions that are likely to fail when the liability is probable and reasonably estimable, absent some favorable event such as obtaining additional capital or merging. The FDIC liability is derived by applying expected failure rates and loss rates to the institutions based on supervisory ratings, balance sheet characteristics, and projected capital levels.

PBGC's exposure to losses from plan terminations and insolvencies, and FDIC's exposure to losses from insured institutions that are classified as reasonably possible are 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.

Per SFFAS No. 51, 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. Leases

In accordance with SFFAS No. 54, *Leases*, starting in FY 2024, lease liabilities (See Note 18—Other Liabilities) and corresponding gross RTU assets (See Note 6—Property, Plant, and Equipment) are recognized when the government has the right to obtain and control access to economic benefits or services from an underlying PP&E asset for a period of time in exchange for consideration under the terms of a contract or agreement. The liability and corresponding gross RTU asset are adjusted when certain specified events, such as lease modifications, occur. The RTU lease asset is amortized over the life of the lease. The lease liability represents the PV of future lease payments. Interest expense on the lease liability is recognized using the interest method. Prior to FY 2024, leases were reported as capital or operating leases in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government* and SFFAS No. 6, *Accounting for Property, Plant, and Equipment* (See Note 1.U—Changes in Accounting Principles).

The government's leasing arrangements are primarily as a lessee for real property which includes residential property, buildings, office space, medical facilities, and land both domestically and overseas. Some lessees have elected a transitional accommodation within SFFAS No. 62, *Transitional Amendment to SFFAS 54*, to account for embedded leases entirely as nonlease contracts for their remaining term, provided the primary purpose of the contracts are attributable to nonlease components and the contracts meet other eligibility criteria.

P. 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 presented in the unaudited RSI section of this report. Please see unaudited RSI—Deferred Maintenance and Repairs for additional information including measurement methods.

Q. 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 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.

R. 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.

S. 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.

T. 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.

U. Changes in Accounting Principles

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 principles 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 2024 for changes in accounting principle was \$20.4 billion, 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*.

SFFAS No. 54, *Leases* is applied prospectively. Consequently, for FY 2023, leases are presented as previously reported. Implementation of SFFAS No. 54 resulted in an adjustment to FY 2024 beginning net position amounting to \$0.7 billion. See Note 6—Property, Plant, and Equipment Net, Note 10—Other Assets, and Note 18—Other Liabilities for additional information.

Adjustments to beginning net position in FY 2023 for changes in accounting principle was (\$0.8) billion, mostly due to DOD's continued implementation of SFFAS No. 48 and SFFAS No. 50.

V. Corrections of Errors

Corrections 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. There were no material corrections of errors identified for FY 2023.

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 corrections of errors or changes in accounting principles. In FY 2024, accrued funded payroll and leave, which was previously reported within other liabilities, is reported within the federal employee and veteran benefits payable line item on the Balance Sheet. The FY 2023 presentation was modified to conform to the FY 2024 presentation. Refer to the Reconciliation of Net Operating Cost and Budget Deficit, Balance Sheet, Note 13—Federal Employee and Veteran Benefits Payable, and Note 18—Other Liabilities.

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 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, receivables from resolution activities, loan guarantee, 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 current cost estimate 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 Guarantees.

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 GSE 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 GSE 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 8—Investments and Note 7—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 7—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. See Note 4—Loans Receivable, Net and Loan Guarantees for additional information.

The government also takes on credit risk related to committed, but undisbursed direct loans, funding commitments to GSEs, account receivables, investments in SPVs, and certain other investments. 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

SFFAS No. 49, *Public-Private Partnerships* establishes principles to ensure that disclosures about applicable P3s are presented in the government’s notes to the financial statements. The principles guide entity financial reporting disclosure by establishing a P3 definition and identifying risk-based characteristics that need to exist before considering the P3 arrangement or transaction for disclosure. The standard exempts certain arrangements or transactions from the P3 disclosure requirements, as such exempt arrangements or transactions are subject to existing disclosure requirements in other accounting standards. The P3s that are deemed material to the consolidated financial statements and have met the criteria of SFFAS No. 49 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, 2024, and 2023		
(In billions of dollars)	2024	2023
Unrestricted cash:		
Cash held by Treasury for government-wide operations	870.8	638.9
Other	5.2	5.9
Restricted	71.3	56.3
Total cash	<u>947.3</u>	<u>701.1</u>
International monetary assets	203.0	195.5
Gold and silver	11.1	11.1
Foreign currency	16.3	14.5
Total cash and other monetary assets	<u>1,177.7</u>	<u>922.2</u>

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. The \$231.2 billion increase in unrestricted cash for FY 2024 is primarily the result of increases in operating cash to meet expected cash needs.

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 \$61.7 billion and \$46.1 billion as of September 30, 2024, and 2023, respectively.

International monetary assets include the U.S. reserve position in the IMF and additional U.S. holdings of SDR. The U.S. reserve position in the IMF (denominated in SDRs) had a U.S. dollar equivalent of \$28.7 billion and \$32.0 billion as of September 30, 2024, and 2023, 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 \$83.4 billion and \$76.6 billion as of September 30, 2024, and 2023, respectively. The total amount of SDR holdings of the U.S. (in addition to the reserve position discussed above) resulting from additional IMF allocations and purchases was the equivalent of \$174.0 billion and \$163.2 billion as of September 30, 2024, and 2023, 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 Treasury to the FRBs at the statutory rate. As of September 30, 2024, and 2023, 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, 2024, and 2023, 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 \$2,629.95 and \$1,870.50 per FTO as of September 30, 2024, and 2023, respectively and the market value of silver was \$31.08 and \$23.08 per FTO as of September 30, 2024, and 2023, 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 Exchange Stabilization Fund 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, 2024, and 2023		
(In billions of dollars)	2024	2023
Taxes receivable:		
Taxes receivable, gross	404.2	419.4
Allowance for uncollectible amounts	(257.2)	(228.7)
Taxes receivable, net	<u>147.0</u>	<u>190.7</u>
Other accounts receivable:		
Other accounts receivable, gross	227.2	234.6
Allowance for uncollectible amounts	(95.5)	(105.4)
Other accounts receivable, net	<u>131.7</u>	<u>129.2</u>
Total accounts receivable, net	<u><u>278.7</u></u>	<u><u>319.9</u></u>

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 \$5.4 billion and \$4.2 billion as of September 30, 2024, and 2023, respectively.

Treasury comprises approximately 50.8 percent of the government's reported accounts receivable, net, as of September 30, 2024. Treasury accounts for nearly all the reported taxes receivable, which consist of receivables (taxes and associated penalties and interest) supported by a taxpayer agreement, and unpaid taxes related to IRC section 965. Examples of receivables supported by a taxpayer agreement 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. The \$43.7 billion year over year decrease is primarily due to the reduction in IRC 965(h). Additionally, the \$28.5 billion increase in allowance for uncollectible amounts was largely due to an increase in delinquent taxes receivable inventory of \$34.0 billion.

Pursuant to Section 13(c)(4)(G) of the *Federal Deposit Insurance Act*, on March 12, 2023, the Secretary of the Treasury invoked the statutory systemic risk exception to allow the FDIC to complete its resolution of both Silicon Valley Bank, Santa Clara, California, and Signature Bank, New York, New York, in a manner that protects uninsured depositors. Accordingly, the FDIC imposed a special assessment on all insured depository institutions to recover the loss to the DIF arising from the protection of uninsured depositors. The special assessment receivable amounts were \$14.7 billion and \$16.3 billion, as of September 30, 2024, and 2023, respectively.

Treasury, HHS, FDIC, DOD, DOL, SSA, DHS, and DOI are the main contributors to the government's reported accounts receivable, net as of September 30, 2024. Refer to each entity's financial statements for additional information.

Note 4. Loans Receivable, Net and Loan Guarantees

Loans Receivable, net as of September 30, 2024

(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	1,368.9	104.4	-	(432.0)	1,041.3	60.7
Disaster Assistance Loans - SBA	287.0	10.1	-	(40.9)	256.2	(1.5)
FDIC (acting in its capacity as Receiver)	94.5	1.0	-	-	95.5	-
Federal Housing Admin Loans - HUD	69.0	30.6	0.7	(21.6)	78.7	-
Electric Loans - USDA	58.8	-	-	1.3	60.1	(1.0)
Federal Family Education Loans - Education	73.6	23.5	-	(60.3)	36.8	(0.9)
All other programs	197.8	4.0	0.6	(20.0)	182.4	1.2
Total loans receivable	<u>2,149.6</u>	<u>173.6</u>	<u>1.3</u>	<u>(573.5)</u>	<u>1,751.0</u>	<u>58.5</u>

Loans Receivable, net as of September 30, 2023

(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	1,336.2	83.4	-	(388.7)	1,030.9	(116.5)
Disaster Assistance Loans - SBA	311.3	13.3	-	(53.9)	270.7	34.4
Federal Housing Admin Loans - HUD	61.8	25.8	0.7	(17.6)	70.7	(0.1)
Electric Loans - USDA	56.5	0.2	-	0.7	57.4	(1.3)
FDIC (acting in its capacity as Receiver)	50.0	0.1	-	-	50.1	-
Federal Family Education Loans - Education	79.0	20.9	-	(60.5)	39.4	2.3
All other programs	190.1	4.2	0.8	(19.2)	175.9	2.0
Total loans receivable	<u>2,084.9</u>	<u>147.9</u>	<u>1.5</u>	<u>(539.2)</u>	<u>1,695.1</u>	<u>(79.2)</u>

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 balances are provided by Education, SBA, FDIC, HUD, and USDA. For additional information regarding the 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 offers 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 \$147.7 billion in direct loans to eligible borrowers in FY 2024 and approximately \$122.3 billion in FY 2023. In FY 2024, the allowance for subsidy increased by \$43.3 billion due to the recognition of subsidy costs for direct loans. The increase in interest receivable in FY 2024 was primarily due to the end of temporary relief actions that set borrower interest rates to zero percent for most of FY 2023. The increase in subsidy costs in FY 2024 was due largely to a significant increase in subsidy expenses for Education's student loan programs, because of the reduction in FY 2023 subsidy expense resulting from the reversal of the proposed student loan debt relief as a result of the Supreme Court's ruling in *Biden v Nebraska*.

The SBA makes loans to microloan intermediaries and provides a direct loan program that assists homeowners, renters and businesses recover from disasters. SBA's Disaster Assistance Loan Program makes direct loans to disaster survivors under four categories: physical disaster loans to repair or replace damaged homes and personal property; physical disaster loans to businesses of any size; EIDLs to eligible small business and nonprofit organizations without credit available elsewhere; and economic injury loans to eligible small businesses affected by essential employees called up to active duty in the military reserves. The decrease of \$35.9 billion in subsidy expense for Disaster Assistance Loans was due to a net downward reestimates in FY 2024 compared to an upward reestimates in FY 2023.

In FY 2023 and 2024, Treasury purchased notes guaranteed by the FDIC in its corporate capacity as a deposit insurer and regulator totaling \$93.3 billion from trusts related to the resolutions of First Republic Bank and Silicon Valley Bridge Bank. FDIC, as Receiver, established trusts and used structured transactions to sell certain receivership assets to the trusts. The assets sold were: 1) a \$50 billion PMN issued by JP Morgan Chase Bank N.A. in connection with the acquisition of certain assets and liabilities of First Republic Bank; 2) a \$36.1 billion PMN issued by First-Citizens Bank & Trust Company in connection with the acquisition of certain assets and liabilities of Silicon Valley Bridge Bank; and 3) \$10.5 billion of Ginnie Mae Project Loan Securities held by the Silicon Valley Bridge Bank Receivership. The two PMNs and the Ginnie Mae Project Loan Securities are collateralized by pools of loans. Cash flows from assets held by trusts will be used to repay the principal and interest due on the Treasury-purchased notes. The Treasury-purchased notes are recorded at cost (including capitalized interest of \$1.2 billion as of September 30, 2024) and considered by Treasury to be fully collectable based on the following factors: 1) over-collateralization of the Treasury-purchased notes; 2) full recourse obligations of First-Citizens Bank and Trust Company and JP Morgan Chase Bank N.A. to pay interest and principal on the PMNs through maturity; and 3) funded reserve accounts for the PMN to cover interest shortfalls. In FY 2024, \$43.3 billion related to the Silicon Valley Bridge Bank, was transferred to the DIF. Of that amount, \$1.8 billion was disbursed (outlaid) for an interest reserve to pay

any interest shortfalls (the difference between the coupon rate collected on the PMN and the anticipated coupon rate on the notes). See Note 10—Other Assets for additional information regarding the remaining \$41.5 billion.

HUD’s loans receivable balance largely comprises defaulted single-family mortgages and reverse mortgages that were insured by FHA. In addition, HUD finances mortgages and provides loans to support construction and rehabilitation of low-rent housing, principally for the elderly and disabled.

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 Guarantees as of September 30, 2024, and 2023								
	Loan Guarantees Asset/(Liability)		Principal Amount of Loans Under Guarantee		Principal Amount Guaranteed by the U.S.		Subsidy Expense/ (Income) for the Fiscal Year	
	2024	2023	2024	2023	2024	2023	2024	2023
(In billions of dollars)								
Federal Housing Administration Loans - HUD	50.4	32.6	1,823.8	1,669.1	1,610.4	1,481.3	(26.7)	(2.2)
Federal Family Education Loans - Education	(9.7)	(10.9)	62.6	80.6	62.6	80.6	5.5	5.3
Veterans Housing Benefit Programs - VA	(7.3)	(9.1)	1,040.8	994.7	261.6	250.1	(2.7)	(4.5)
All other guaranteed loan programs	(5.5)	(8.0)	351.9	354.5	307.7	312.6	(0.6)	(2.7)
Total loan guarantees	27.9	4.6	3,279.1	3,098.9	2,242.3	2,124.6	(24.5)	(4.1)

Loan Guarantees

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, the government guarantees the payment of these non-federal loans and absorb the cost of defaults.

Loan guarantees outstanding as of September 30 are valued at the PV of the cash outflows (e.g., claim payments) less the PV of the related inflows (e.g., recoveries, fees). Generally, loan guarantees are recorded as a liability except when cash inflows are expected to exceed cash outflows on a PV basis. This results in a loan guarantee that is reported as an asset on the Balance Sheet.

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, 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. FHA’s loan guarantee subsidy income increased by \$24.6 billion in FY 2024 primarily due to downward reestimates for the MMI/CMHI Single-Family program as well as the GI/SRI Multifamily program.

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.

Note 5. Inventory and Related Property, Net

Inventory and Related Property, net as of September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Operating materials and supplies	242.7	229.9
Less: operating materials and supplies - allowance for loss	(2.1)	(2.3)
Operating materials and supplies, net	<u>240.6</u>	<u>227.6</u>
Inventory	139.3	131.5
Less: inventory - allowance for loss	(1.2)	(8.3)
Inventory, net	<u>138.1</u>	<u>123.2</u>
Stockpile materials, net	65.9	70.5
Other related property, net	2.7	1.7
Total inventory and related property, net	<u><u>447.3</u></u>	<u><u>423.0</u></u>

Inventory and related property, net includes OM&S, inventory, stockpile materials, and other related property. DOD comprises approximately 82.4 percent of the government's inventory and related property, net as of September 30, 2024.

OM&S consists of tangible personal property to be consumed in normal operations (e.g., spare and repair parts, ammunition, tactical missiles, aircraft configuration pods, and centrally managed aircraft engines held for consumption). As of September 30, 2024 and 2023, OM&S, gross totaled \$242.7 and \$229.9 billion, respectively. For FY 2024 and 2023, OM&S consisted primarily of OM&S held for use in the amounts of \$179.8 billion and \$168.0 billion, respectively.

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. As of September 30, 2024, inventory, gross, totaled \$139.3 billion which consists primarily of inventory held for current sale and held for repair in the amounts of \$79.9 billion and \$50.1 billion, respectively. As of September 30, 2023, inventory, gross totaled \$131.5 billion and consisted primarily of inventory held for current sale and held for repair in the amounts of \$77.7 billion and \$46.8 billion, respectively.

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. As of September 30, 2024 and 2023, stockpile materials and supplies, net totaled \$65.9 billion and \$70.5 billion, respectively. For FY 2024 and 2023, stockpile materials and supplies consisted primarily of stockpile materials and supplies held in reserve for future use in the amounts of \$65.1 billion and \$69.5 billion, respectively.

Other related property includes: 1) forfeited property that consists of monetary instruments, intangible property, real property, and tangible personal property; 2) goods acquired under price support stabilization programs which are also referred to as commodities; and 3) seized property which includes monetary instruments, real property, and tangible personal property in an actual or constructive possession of a custodial entity.

Additional information concerning inventory and related property can be obtained from the financial statements of DOD and DOE.

Note 6. Property, Plant, and Equipment, Net

Property, Plant, and Equipment, net as of September 30, 2024, and 2023

	Accumulated Depreciation/ Amortization			Accumulated Depreciation/ Amortization		
	Cost	2024	Net	Cost	2023	Net
(In billions of dollars)						
Furniture, fixtures, and equipment	1,454.4	895.9	558.5	1,457.6	891.3	566.3
Construction in progress	333.8	N/A	333.8	297.8	N/A	297.8
Buildings, structures, and facilities	804.4	488.0	316.4	754.0	448.7	305.3
Right-to-use lease assets	43.8	5.1	38.7	-	-	-
Internal use software	75.0	47.7	27.3	69.3	43.3	26.0
Land	23.2	N/A	23.2	22.9	N/A	22.9
Other property, plant, and equipment	36.0	20.9	15.1	36.5	19.8	16.7
Total property, plant, and equipment, net	<u>2,770.6</u>	<u>1,457.6</u>	<u>1,313.0</u>	<u>2,638.1</u>	<u>1,403.1</u>	<u>1,235.0</u>

Note: "N/A" indicates not applicable.

PP&E consists predominantly of tangible assets, including land. Internal use software, land rights, assets acquired through financing leases, and leasehold improvements are also included. Beginning in FY 2024, SFFAS No. 54, *Leases* required the recognition of RTU lease assets. For additional information relating to leases, see Note 18—Other Liabilities.

DOD comprises approximately 64.7 percent of the government's total reported PP&E, net as of September 30, 2024. 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 PP&E and has elected to exclude land and land rights. The total acreage excluded was 22.8 million and 23.5 million as of September 30, 2024, and 2023, respectively. Differences year over year are due to DOD understating and overstating different categories of PP&E. Adjustments were made to asset balances that were incorrectly recorded in legacy systems, assets effected by accounting system migrations, assets placed into service and not expensed, and assets revalued and deemed closed, but were double counted due to incorrect posting logic.

Additional information concerning PP&E can be obtained from the financial statements of DOD, DOE, GSA, TVA, VA, DHS, State, and DOI. Certain PP&E are multi-use heritage assets, see Note 26—Stewardship Property, Plant, and Equipment for additional information on multi-use heritage assets. 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 in Government-Sponsored Enterprises

Investments in GSEs as of September 30, 2024

(In billions of dollars)	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	207.8	(43.7)	164.1
Freddie Mac senior preferred stock	125.7	8.1	133.8
Fannie Mae and Freddie Mac warrants common stock	5.4	2.5	7.9
Total investments in GSEs	<u>338.9</u>	<u>(33.1)</u>	<u>305.8</u>

Investments in GSEs as of September 30, 2023

(In billions of dollars)	Gross Investments	Cumulative Valuation Gain/(Loss)	Fair Value
Fannie Mae senior preferred stock	190.4	(55.9)	134.5
Freddie Mac senior preferred stock	114.4	(12.7)	101.7
Fannie Mae and Freddie Mac warrants common stock	5.4	(1.2)	4.2
Total investments in GSEs	<u>310.2</u>	<u>(69.8)</u>	<u>240.4</u>

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 government only as a result of: a) regulatory actions (such as organizations in receivership or conservatorship); or b) other government intervention actions. Under the regulatory or other intervention actions, the relationship with the 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 (as earned revenue).

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 quarterly 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 quarterly by the amount of retained capital until each GSE has achieved its capital reserve end date.

Additionally, the January 14, 2021 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, 2021 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, 2024, Treasury has not provided notice to GSEs to terminate the suspension.

For the fiscal year ended September 30, 2024, Treasury's liquidation preference in Fannie Mae and Freddie Mac increased by \$17.4 billion and \$11.3 billion, respectively. For the fiscal year ended September 30, 2023, Treasury's liquidation preference in Fannie Mae and Freddie Mac increased by \$12.6 billion and \$7.9 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, 2024, and 2023, as the GSEs had not achieved their capital reserve end date as of September 30, 2024, and their positive net worth was below the permitted capital reserve amounts as of September 30, 2024.

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 \$334.0 billion and \$305.0 billion as of September 30, 2024, and 2023, respectively. There were no payments to the GSEs for the fiscal years ended September 30, 2024, and 2023.

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, 2024, when compared to September 30, 2023. The increase in the GSEs' senior preferred stock is primarily driven by a decreased discount rate, higher projected cash flows, and a decrease in credit-related expenses.

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-increased at the end of FY 2024, when compared to FY 2023, primarily due to increases 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 2049 and 2048 in assessing if a contingent liability was required as of September 30, 2024, and 2023, 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, 2024, and 2023, and thereby no accrued contingent liability. However, as of September 30, 2024, 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, 2024, and 2023. There were no payments to the GSEs for fiscal years ended September 30, 2024, and 2023. At September 30, 2024, and 2023, 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, 2024 and 2023, 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, 2024 and 2023, 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 2024 and 2023, the GSEs remitted to Treasury incremental fees totaling \$6.3 billion and \$6.2 billion, respectively.

Note 8. Investments

Investments as of September 30, 2024					
(In billions of dollars)	Level 1	Level 2	Level 3	Other	Total
Pension Benefit Guaranty Corporation:					
Equity securities	4.4	0.3	-	11.9	16.6
Corporate bonds and other	-	16.2	-	-	16.2
Asset backed/mortgage-backed securities	-	11.6	-	-	11.6
International fixed maturity securities	-	8.2	-	-	8.2
Securities lending collateral	-	7.4	-	-	7.4
Other securities	1.5	1.2	0.2	5.5	8.4
Total Pension Benefit Guaranty Corporation	5.9	44.9	0.2	17.4	68.4
National Railroad Retirement Investment Trust:					
U.S. equity	7.6	-	-	-	7.6
Non-U.S. equity	5.7	-	-	-	5.7
Global fixed income	0.2	3.2	-	0.6	4.0
Private equity	-	-	-	3.8	3.8
Global real assets	0.3	-	-	2.6	2.9
Other securities	-	-	-	1.5	1.5
Total National Railroad Retirement Investment Trust	13.8	3.2	-	8.5	25.5
Tennessee Valley Authority:					
Private equity, real assets, and credit measured at net asset value	-	-	-	5.2	5.2
Debt and equity securities	1.4	1.5	-	-	2.9
Commingled funds measured at net asset value	-	-	-	2.8	2.8
Other securities	0.5	1.3	0.1	0.5	2.4
Total Tennessee Valley Authority	1.9	2.8	0.1	8.5	13.3
Department of the Treasury	3.1	-	8.9	-	12.0
Department of Defense	-	-	-	9.6	9.6
All other	0.5	-	0.1	3.0	3.6
Total investments	25.2	50.9	9.3	47.0	132.4

Investments as of September 30, 2023					
(In billions of dollars)	Level 1	Level 2	Level 3	Other	Total
Pension Benefit Guaranty Corporation:					
Corporate bonds and other	-	17.2	-	-	17.2
Equity securities	3.5	0.1	-	9.8	13.4
Asset backed/mortgage-backed securities	-	11.6	-	-	11.6
Securities lending collateral	-	6.8	-	-	6.8
International fixed maturity securities	-	6.2	-	-	6.2
Other securities	1.1	0.5	0.3	3.9	5.8
Total Pension Benefit Guaranty Corporation	4.6	42.4	0.3	13.7	61.0
National Railroad Retirement Investment Trust:					
U.S. equity	7.1	-	-	-	7.1
Non-U.S. equity	5.5	-	-	-	5.5
Private equity	-	-	-	3.6	3.6
Global real assets	0.3	-	-	2.6	2.9
Global fixed income	0.1	2.2	-	0.5	2.8
Other securities	-	-	-	1.5	1.5
Total Nation Railroad Retirement Investment Trust	13.0	2.2	-	8.2	23.4
Tennessee Valley Authority:					
Private equity, real assets, and credit measured at net asset value	-	-	-	4.8	4.8
Debt and equity securities	1.3	1.4	-	-	2.7
Commingled funds measured at net asset value	-	-	-	2.1	2.1
Other securities	0.6	1.3	0.1	0.5	2.5
Total Tennessee Valley Authority	1.9	2.7	0.1	7.4	12.1
Department of the Treasury	3.8	-	18.0	-	21.8
Department of Defense	-	-	-	9.4	9.4
All other	0.5	-	-	2.6	3.1
Total investments	23.8	47.3	18.4	41.3	130.8

PBGC, NRRIT, and TVA 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.

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. PBGC's investments are used to pay future benefits of covered participants.

NRRIT on behalf of the RRB, manages and invests railroad retirement assets that are to be used to pay retirement benefits to the nation's railroad workers under the Railroad Retirement System. 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, Deferred Compensation Plan, and Restoration Plan. TVA's qualified benefit pension plan is funded with qualified plan assets.

Treasury's investments consist of: 1) investments in SPVs, which were established by Federal Reserve Bank of New York and the Federal Bank of Boston for the purpose of making loans, purchasing debt, and other commercial paper of eligible entities affected by COVID-19; 2) foreign currency holdings which are typically invested in interest-bearing securities issued or held through foreign governments or monetary authorities; and 3) equity securities obtained through

emergency relief programs in response to the COVID-19 pandemic. Most of the stock warrants previously held by Treasury were sold in FY 2024.

Certain other investments reported by DOD represent joint ventures with private developers constructing or improving military housing on behalf of the department. Refer to Note 28—Public-Private Partnerships for additional information.

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.

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

Note 9. Advances and Prepayments

Advances and Prepayments as of September 30, 2024, and 2023

(In billions of dollars)	2024	2023
Department of the Treasury	116.3	171.9
Department of Labor	12.6	10.8
Department of Health and Human Services	-	45.1
All other	17.5	24.9
Total advances and prepayments	<u>146.4</u>	<u>252.7</u>

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 had a large decrease to advances and prepayments due to advance liquidations related to the Coronavirus State and Local Fiscal Recovery Funds and the Community Development Financial Institutions Rapid Response and Equitable Recovery Programs Fund.

HHS experienced a decrease to advances and prepayments due to the Prescription Drug and Medicare Advantage benefit payments originally scheduled for October 1, 2023, being made on September 29, 2023.

Note 10. Other Assets

Other Assets as of September 30, 2024, and 2023

(In billions of dollars)	2024	2023
FDIC receivables from resolution activity, net	37.3	158.4
Regulatory assets	18.0	14.3
Investments in Multilateral Development banks	9.2	9.1
Enhancement of Nationwide Public Safety Broadband Network	5.4	5.6
Other	12.0	8.0
Total other assets	<u>81.9</u>	<u>195.4</u>

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

FDIC insures the deposits of insured depository institutions and resolves failed institutions upon appointment of FDIC as Receiver. FDIC, as Receiver, is responsible for managing and disposing of the assets of failed institutions in an orderly and efficient manner. The receivables from resolutions result from payments to cover insured depositors of failed institutions, advances to resolution entities (receiverships, conservatorships, and bridge institutions) for working capital, and administrative expenses paid on behalf of resolution entities. Assets held by resolution entities are the main source of repayment of FDIC's receivables from resolution activity. Estimates are made for the valuation of the assets held by resolution entities to compute the allowance for credit losses, including FDIC's estimate of future payments on losses incurred on assets sold to an acquiring institution under a shared-loss agreement. Multiple insured institutions failed throughout FY 2023, including Silicon Valley Bank, Signature Bank of New York, First Republic Bank, and Heartland Tri-State Bank. The \$121.1 billion decrease in the net receivables from resolution activity from \$158.4 billion as of September 30, 2023, to \$37.3 billion as of September 30, 2024, was primarily due to dividends of \$121.4 billion received from banks that failed in 2023. The \$121.1 billion includes \$41.5 billion for the Silicon Valley Bridge Bank Receivership that was recognized as received. See Note 4—Loans Receivable, Net and Loan Guarantees for additional information.

The FDIC's estimated cash recoveries are based on asset recovery rates from several sources, which may include the following: actual or pending institution-specific asset disposition data, failed institution-specific asset valuation data, aggregate asset valuation data on several recently failed or troubled institutions, sampled asset valuation data, and empirical asset recovery data based on failures since 2007. Methodologies for determining the asset recovery rates incorporate estimating future cash recoveries, net of applicable liquidation cost estimates, and discounting based on market-based risk factors applicable to a given asset's type and quality. The resulting estimated asset recoveries are then used to derive the allowance for credit losses on the receivables from these resolutions. Estimated asset recoveries on assets in liquidation are regularly evaluated during the year but remain subject to uncertainties because of potential changes in economic and market conditions, which may cause the actual recoveries to vary significantly from current estimates. Losses on the covered assets are shared between the acquirer of the failed institution and the FDIC, in its receivership capacity, of the failed institution when losses occur through the sale, foreclosure, loan modification, or write-down of loans in accordance with the terms of the shared-loss agreement. The agreements cover a seven- to eight-year period with the receiver covering 50 to 95 percent of the losses incurred by the acquiring bank. The estimated shared-loss liability is accounted for by the receiver and is included in the calculation of the allowance for credit losses against the corporate receivable from the resolution. The allowance for credit losses decreased from \$67.1 billion as of September 30, 2023, to \$66.0 billion as of September 30, 2024.

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 contributions toward the continued enhancement of the NPSBN reflects future economic benefits to the National Telecommunications and Information Administration. Please refer to Note 28—Public-Private Partnerships for additional information.

Items included in Other include DOE's operating non-federal generation, lease receivable, and derivative assets. Additional information regarding other assets can be found in the financial statements of FDIC, DOE, TVA, Treasury, and DOC.

Note 11. Accounts Payable

Accounts Payable as of September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Department of Defense	40.9	44.0
Department of Veterans Affairs	19.6	4.3
Security Assistance Accounts	16.7	16.9
General Services Administration	7.8	6.9
Department of Energy	6.5	6.2
Department of the Treasury	6.3	8.6
Department of Education	4.5	3.9
U.S. Agency for International Development	3.9	3.1
Department of Homeland Security	3.5	3.2
Department of Agriculture	2.9	4.3
Department of State	2.8	3.1
Department of Justice	2.6	2.8
U.S. Postal Service	2.5	2.3
All other	13.7	14.6
Total accounts payable	<u>134.2</u>	<u>124.2</u>

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, 2024, and 2023 (held by the public)

(In billions of dollars)	2023	Net Change	2024	Average Interest Rate	
				2024	2023
Treasury securities:					
Marketable securities:					
Treasury bills	5,259.3	744.9	6,004.2	5.2%	5.4%
Treasury notes	13,724.9	613.1	14,338.0	2.7%	2.1%
Treasury bonds	4,240.2	461.2	4,701.4	3.2%	3.1%
Treasury inflation-protected securities (TIPS)	1,934.9	116.2	2,051.1	0.7%	0.6%
Treasury floating rate notes (FRN)	575.5	40.0	615.5	4.7%	5.0%
Total marketable Treasury securities	25,734.8	1,975.4	27,710.2		
Nonmarketable securities	595.3	1.8	597.1	3.7%	3.7%
Net unamortized premiums/(discounts)	(118.7)	(4.3)	(123.0)		
Total Treasury securities, net (public)	26,211.4	1,972.9	28,184.3		
Agency securities:					
Tennessee Valley Authority	19.3	0.7	20.0		
All other agencies	-	0.3	0.3		
Total agency securities, net of unamortized premiums and discounts	19.3	1.0	20.3		
Accrued interest payable	117.0	17.3	134.3		
Total federal debt and interest payable	26,347.7	1,991.2	28,338.9		

Federal debt held by the public consists of securities outside the government held 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 which include bills, notes, bonds, inflation-protected, and FRN.
 - 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.
- Interest-bearing nonmarketable securities which include Government Account Series held by fiduciary and certain deposit funds, foreign series, SLGS, domestic series, and savings bonds.
- Non-interest-bearing marketable and nonmarketable securities which include 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 2024 and 2023 was \$7.6 billion and \$4.0 billion, including \$0.3 billion and \$0.5 billion in capitalized interest, respectively. There were no new issuances of SPV securities in FY 2024 and 2023. As of September 30, 2024, and 2023, the total amount of SPV securities outstanding was \$4.6 billion and \$11.9 billion, respectively.

Gross federal debt, with some adjustments, is the sum of debt held by the public and intra-governmental debt holdings 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.

In FY 2023, Treasury faced a delay in raising the debt limit that required it to depart from its normal debt management procedures and invoke legal authorities to avoid exceeding the statutory debt limit. During this period, extraordinary measures taken by Treasury resulted in federal debt securities not being issued to certain federal government accounts with the securities being restored, including lost interest, to the affected government accounts subsequent to the end of the delay period. Due to the delay in raising the statutory debt limit, Treasury took extraordinary measures from January 19, 2023, through June 2, 2023. On June 3, 2023, P.L. 118-5 was enacted suspending the debt limit through January 1, 2025. See Note 29—Subsequent Events for additional information.

As of September 30, 2024, and 2023, outstanding debt obligations subject to the statutory debt limit was \$35,354.9 billion and \$33,070.5 billion, respectively. The debt subject to the limit includes Treasury securities held by the public and intra-governmental debt holdings, with some adjustments. From FY 2023 to FY 2024, interest on Treasury securities held by the public increased from \$678.0 billion to \$909.1 billion. This \$231.1 billion increase primarily resulted from an increase in the outstanding debt held by the public and an increase in the average interest rates.

Intra-governmental Debt Holdings: Federal Debt Securities Held as Investments by Government Accounts as of September 30, 2024, and 2023			
(In billions of dollars)	2023	Net Change	2024
Federal Old-Age and Survivors Insurance Trust Fund - SSA	2,673.7	(91.5)	2,582.2
Military Retirement Fund - DOD	1,366.8	232.3	1,599.1
Civil Service Retirement and Disability Fund - OPM	1,036.6	35.7	1,072.3
Medicare-Eligible Retiree Health Care Fund - DOD	354.2	32.6	386.8
Federal Hospital Insurance Trust Fund - HHS	194.4	40.6	235.0
Federal Disability Insurance Trust Fund - SSA	142.9	34.9	177.8
Federal Supplementary Medical Insurance Trust Fund - HHS	159.5	4.9	164.4
FHA, Mutual Mortgage Insurance Capital Reserve Account - HUD	133.1	22.8	155.9
Highway Trust Fund - DOT	115.7	(19.2)	96.5
Deposit Insurance Fund - FDIC	84.3	4.6	88.9
Unemployment Trust Fund - DOL	81.8	6.2	88.0
Nuclear Waste Disposal Fund - DOE	60.5	8.7	69.2
Pension Benefit Guaranty Corporation Fund - DOL	61.2	2.2	63.4
Employees Life Insurance Fund - OPM	52.5	2.5	55.0
Postal Service Retiree Health Benefits Fund - OPM	32.0	(3.8)	28.2
Employees Health Benefits Fund - OPM	25.6	(1.8)	23.8
Guarantees of Mortgage-Backed Securities Capital Reserve Account - HUD	21.0	2.1	23.1
National Credit Union Share Insurance Fund - NCUA	21.6	1.2	22.8
Foreign Service Retirement and Disability Fund - State	21.1	0.5	21.6
All other programs and funds	198.6	4.7	203.3
Subtotal	6,837.1	320.2	7,157.3
Total net unamortized premiums/(discounts) for intra-governmental	38.9	(61.5)	(22.6)
Total intra-governmental debt holdings, net	6,876.0	258.7	7,134.7

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.

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, 2024, and 2023						
(In billions of dollars)	Civilian		Military		Total	Total
	2024	2023	2024	2023	2024	2023
Pension benefits	2,882.8	2,756.7	2,814.9	2,616.5	5,697.7	5,373.2
Veterans compensation and burial benefits	N/A	N/A	7,209.4	7,095.8	7,209.4	7,095.8
Post-retirement health benefits	443.1	396.7	1,297.8	1,125.2	1,740.9	1,521.9
Veterans education and training benefits	N/A	N/A	212.5	197.5	212.5	197.5
Life insurance benefits	70.1	66.3	3.2	3.6	73.3	69.9
Liability for other benefits	54.0	51.1	45.6	38.2	99.6	89.3
Total federal employee and veteran benefits payable	3,450.0	3,270.8	11,583.4	11,076.8	15,033.4	14,347.6

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 pension, compensation and burial, and post-retirement health benefit plans related to military service. Other significant pension plans with more than \$10.0 billion in actuarial accrued liability include those of Foreign Service (State), TVA, DHS, USPS, 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 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.

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

Pension Benefits

Change in Pension Benefits						
(In billions of dollars)	Civilian		Military		Total	
	2024	2023	2024	2023	2024	2023
Actuarial accrued pension liability, beginning of fiscal year	2,756.7	2,556.0	2,616.5	2,513.5	5,373.2	5,069.5
Pension expense:						
Normal costs	73.8	64.5	74.6	62.7	148.4	127.2
Interest on liability	75.3	66.8	75.7	70.2	151.0	137.0
Actuarial (gains)/losses (from experience)	31.9	22.9	20.9	33.3	52.8	56.2
Actuarial (gains)/losses (from assumption changes)	55.9	154.2	105.0	11.2	160.9	165.4
Total pension expense	236.9	308.4	276.2	177.4	513.1	485.8
Less benefits paid	(110.8)	(107.7)	(77.8)	(74.4)	(188.6)	(182.1)
Actuarial accrued pension liability, end of fiscal year	<u>2,882.8</u>	<u>2,756.7</u>	<u>2,814.9</u>	<u>2,616.5</u>	<u>5,697.7</u>	<u>5,373.2</u>

Significant Long-Term Economic Assumptions Used in Determining Pension Liability and the Related Expense						
	Civilian				Military	
	2024		2023		2024	2023
	FERS	CSRS	FERS	CSRS		
Rate of interest	3.00%	2.50%	3.00%	2.40%	3.00%	2.90%
Rate of inflation	2.80%	2.80%	2.60%	2.60%	2.80%	2.60%
Projected salary increases	2.50%	2.50%	2.10%	2.10%	2.80%	2.60%
Cost of living adjustment	2.40%	2.80%	2.30%	2.60%	2.80%	2.60%

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, 2024, USPS has accrued, but not paid OPM, \$27.3 billion in CSRS and FERS retirement benefit expenses for amortization of unfunded liabilities since 2014. USPS made a partial payment of \$1.0 billion and \$0.6 billion in 2024 and 2023, respectively, 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 required 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.

Military Employees' Pensions

The MRS consists of a funded, noncontributory, defined benefit plan for military personnel (Services of Army, Navy, Air Force, Marine Corps, Space Force, and the U.S. Coast Guard) 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 MRS 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 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. For additional information on these benefits, see DOD's Office of Military Compensation website <https://militarypay.defense.gov>.

The DOD Military Retirement Fund 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.

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 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						
(In billions of dollars)	Compensation		Burial		Total	
	2024	2023	2024	2023	2024	2023
Actuarial accrued liability, beginning of fiscal year	7,084.0	5,953.4	11.8	11.7	7,095.8	5,965.1
Current year expense:						
Prior (and past) service costs from program amendments or new programs during the period	18.6	468.7	-	-	18.6	468.7
Interest on the liability balance	200.8	167.9	0.3	0.3	201.1	168.2
Actuarial (gains)/losses (from experience)	105.0	86.3	(0.9)	(0.1)	104.1	86.2
Actuarial (gains)/losses (from assumption changes)	(33.7)	549.2	-	0.2	(33.7)	549.4
Total current year expense	290.7	1,272.1	(0.6)	0.4	290.1	1,272.5
Less benefits paid	(176.2)	(141.5)	(0.3)	(0.3)	(176.5)	(141.8)
Actuarial accrued liability, end of fiscal year	<u>7,198.5</u>	<u>7,084.0</u>	<u>10.9</u>	<u>11.8</u>	<u>7,209.4</u>	<u>7,095.8</u>

Significant Long-Term Economic Assumptions Used in Determining Veterans Compensation and Burial Benefits as of September 30, 2024, and 2023		
	2024	2023
Discount Rate, Single Equivalent	2.97%	2.87%
Long-Term COLA Rate	2.40%	2.40%

The government compensates disabled veterans and their survivors to replace lost earnings as a result of their military service. Veterans' disability 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 disability 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 disability 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.

Post-Retirement Health Benefits

Change in Post-Retirement Health Benefits						
(In billions of dollars)	Civilian		Military		Total	
	2024	2023	2024	2023	2024	2023
Actuarial accrued post-retirement health benefits liability, beginning of fiscal year	396.7	427.4	1,125.2	1,045.0	1,521.9	1,472.4
Post-retirement health benefits expense:						
Normal costs	20.4	18.6	37.5	33.7	57.9	52.3
Interest on liability	12.2	13.1	33.3	30.9	45.5	44.0
Actuarial (gains)/losses (from experience)	0.8	(1.9)	(5.0)	(38.8)	(4.2)	(40.7)
Actuarial (gains)/losses (from assumption changes)	29.6	(43.0)	131.7	78.3	161.3	35.3
Total post-retirement health benefits expense	63.0	(13.2)	197.5	104.1	260.5	90.9
Less claims paid	(16.6)	(17.5)	(24.9)	(23.9)	(41.5)	(41.4)
Actuarial accrued post-retirement health benefits liability, end of fiscal year	<u>443.1</u>	<u>396.7</u>	<u>1,297.8</u>	<u>1,125.2</u>	<u>1,740.9</u>	<u>1,521.9</u>

Significant Long-Term Economic Assumptions Used in Determining Post-Retirement Health Benefits and the Related Expense				
	Civilian		Military	
	2024	2023	2024	2023
Rate of interest	3.20%	3.10%	3.00%	2.90%
Single equivalent medical trend rate	5.20%	4.90%	5.10%	4.90%
Ultimate medical trend rate	4.20%	4.00%	4.80%	4.60%

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 increase in post-retirement health benefit liability of \$46.4 billion is primarily attributable to actuarial losses from assumption changes and normal cost.

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.

To fund the TFL, 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. The liability for military post-retirement health and accrued benefits payable increased \$172.6 billion.

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 2020 through 2024, the average medical care cost per year was \$102.6 billion.

Veterans Education and Training Benefits

Change in Veterans Education and Training Benefits		
(In billions of dollars)	2024	2023
Actuarial accrued liability, beginning of fiscal year	197.5	170.0
Current year expense:		
Prior (and past) service costs from plan amendments or new plans	0.3	2.0
Interest on liability	4.8	4.0
Actuarial (gains)/losses (from experience)	26.2	24.0
Actuarial (gains)/losses (from assumption changes)	(4.0)	9.4
Total current year expense	27.3	39.4
Less benefits paid	(12.3)	(11.9)
Actuarial accrued liability, end of fiscal year	212.5	197.5

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

- Post 9/11 GI Bill;
- Vocational Rehabilitation and Employment;
- Dependents' Educational Assistance; and
- MGIB-AD.

Based on the actuarial estimates of future payments, the total liability for the four education and training programs increased by \$15.0 billion in FY 2024.

On April 16, 2024, the Supreme Court issued a decision in a case that potentially impacts individuals with multiple periods of active-duty service who are entitled to MGIB-AD benefits under one period of service and Post 9/11 GI Bill benefits under another period of service, and whether they are entitled to combined total of 36 months of benefits (which was VA's prior interpretation) or 36 months of benefits under each program subject to the 48-month aggregate cap. The Supreme Court determined that the latter entitlement subject to the 48-month rule applies in this scenario. VA is currently assessing the effect of this decision on benefits entitlement and needs additional data and analysis to develop a measurable estimate in

accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*. VA plans to incorporate the impact of the Supreme Court decision into experience studies in FY 2025.

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

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.

The civilian's life insurance liability for future policy benefits as of September 30, 2024, and 2023, was \$70.1 billion and \$66.3 billion, respectively. The total amount of coverage provided by an insurer as of the end of the reporting period is referred to as insurance in-force. As of September 30, 2024, the total amount of FEGLI insurance in-force is estimated at \$858.3 billion (\$748.6 billion for employees and \$109.7 billion for annuitants). For additional information on civilian's life insurance liability, please refer to OPM's financial statements.

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.

The veteran's life insurance liability for future policy benefits as of September 30, 2024, and 2023, was \$3.2 billion and \$3.6 billion, respectively. For additional information on veteran's life insurance liability, please refer to VA's financial statements.

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. The supervised programs' policies and face values are not reflected as 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 and is unaudited. The face value for supervised programs as of September 30, 2024, and 2023, was \$1,440.2 billion and \$1,481.4 billion, respectively. The face value for administered programs as of September 30, 2024, and 2023, was \$5.4 billion and \$5.2 billion, respectively.

Liability for Other Benefits

Liability for other benefits primarily consists of \$54.2 billion of accrued payroll and leave benefits and \$36.3 billion of FECA benefits.

As discussed in Note 1.W—Changes in Presentation, the FY 2023 presentation of federal employee and veteran benefits payable was changed to conform to the FY 2024 presentation.

Note 14. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities as of September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Department of Energy	544.5	534.3
Department of Defense	101.1	93.8
All other entities	20.4	17.2
Total environmental and disposal liabilities	<u>666.0</u>	<u>645.3</u>

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, 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 2099 in FY 2024 and through 2098 in FY 2023. While some post-cleanup monitoring and other long-term stewardship activities post-2099 are included in the liability, there are others DOE expects to continue beyond 2099 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 are 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 \$1.2 billion and \$1.1 billion for fiscal years ending September 30, 2024, and 2023, respectively.

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 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 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 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 PP&E was \$5.2 billion and \$4.7 billion for fiscal years ending September 30, 2024, and 2023, 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 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, 2024, and 2023		
(In billions of dollars)	2024	2023
Federal Old-Age and Survivors Insurance - SSA	119.1	111.0
Medicare Insurance (Parts A, B, and D) - HHS	88.8	106.2
Grants to states for Medicaid - HHS	51.5	52.0
Federal Disability Insurance - SSA	33.1	29.8
All other benefits programs	27.5	26.9
Total benefits due and payable	<u>320.0</u>	<u>325.9</u>

Benefits due and payable are amounts owed to program recipients or medical service providers as of September 30, 2024 that have not been paid. Please refer to the financial statements of SSA and HHS for more information.

Note 16. Insurance and Guarantee Program Liabilities

Insurance and Guarantee Program Liabilities as of September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Single-Employer Program - Pension Benefit Guaranty Corporation	78.7	73.9
Federal Crop Insurance - Department of Agriculture	15.1	17.3
Multiemployer Program - Pension Benefit Guaranty Corporation	2.3	2.6
Other insurance and guarantee programs	9.9	5.5
Total insurance and guarantee program liabilities	<u>106.0</u>	<u>99.3</u>

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 Guarantees, 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 2024 increase of \$4.5 billion in PBGC’s liability for its two separate insurance programs is comprised of an increase of \$4.8 billion in the single-employer program liability and a decrease of \$0.3 billion in the multiemployer program liability. As of September 30, 2024, and 2023, PBGC had total liabilities of \$94.3 billion and \$88.8 billion, respectively. As of September 30, 2024, PBGC’s total assets exceeded its total liabilities by \$56.3 billion, and in FY 2023 its total assets exceeded its total liabilities by \$46.1 billion.

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 single 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 and investment income, the SFA program is funded by appropriations from the General Fund. The SFA program is intended to enable eligible plans to pay benefits due through plan year 2051, and, as a result, these plans are no longer considered to be liabilities to PBGC. PBGC paid \$14.5 billion in SFA during FY 2024, \$45.9 billion in SFA during FY 2023, and \$7.5 billion paid in SFA during FY 2022. PBGC estimates the total amount of SFA to be paid out under the program to be approximately \$79.6 billion.

As of September 30, 2024, and 2023, \$15.1 billion, and \$17.3 billion respectively, pertain to USDA’s FCIP. The FCIP is administered by the FCIC, which provides insurance to reduce agricultural producers’ economic losses due to natural disasters.

As of September 30, 2024, and 2023, \$8.5 billion and \$4.1 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, 2024, and 2023		
(In billions of dollars)	2024	2023
Security Assistance Accounts	272.0	270.5
Department of Energy	55.5	52.9
All other	35.6	31.9
Total advances from others and deferred revenue	<u>363.1</u>	<u>355.3</u>

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. 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.

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, 2024, and 2023		
(In billions of dollars)	2024	2023
Allocation of special drawing rights	155.8	151.0
Actuarial liabilities for benefit programs	92.8	76.6
Other liabilities without related budgetary obligations	83.0	83.9
Other liabilities with related budgetary obligations	77.2	202.0
Contingent liabilities	58.2	67.6
Lease liabilities	39.4	-
Other miscellaneous liabilities	77.9	71.9
Total other liabilities	584.3	653.0

Other liabilities are the amounts owed to the public and are not reported elsewhere in the Balance Sheet. As discussed in Note 1.W—Changes in Presentation, the presentation of accrued funded payroll and leave for FY 2023 was changed to conform to the FY 2024 presentation.

- 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. For additional information, refer to Note 27—Disclosure Entities and Related Parties.
- Actuarial liabilities for benefit programs include the Energy Employees Occupational Illness Compensation Fund, D.C. Federal Pension Fund, and the D.C. Judicial Retirement Fund programs. The only contributors are DOL and Treasury.
- 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 HUD’s Home Equity Conversion Mortgage-Backed Security Obligations, at FV, and DOE’s contractor-sponsored pension plans and other post-retirement benefits.
- 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. Substantial contributors to this category are DOT, HHS, FDIC, Education, and USDA. A sharp year over year decrease to other liabilities with related budgetary obligations in FY 2024, was due to three bank failures reported by FDIC that were resolved in FY 2023.
- 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.
- Lease liabilities represent the present value of future payments on long-term, non-intragovernmental leases. Lessees disclose principal and interest payments for future lease payments to the end of the lease for each of the five subsequent years and in five-year increments, thereafter, depending on materiality. As of September 30, 2024, the amount of future lease payments is \$51.6 billion, and includes \$39.4 billion and an estimated \$12.2 billion of principal and interest, respectively. Please refer to the financial statements of the main lessee contributors GSA, State, and VA for more information on future lease payments and to Note 6—Property, Plant, and Equipment for additional information regarding RTU lease assets.
- 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, 2024. Refer to each entity's financial statements for additional information:

- Treasury
- DOL
- DOE
- HHS
- GSA
- HUD
- DOD
- DOJ
- DOT
- PBGC
- FDIC
- Education
- DHS
- USDA

Note 19. Collections and Refunds of Federal Revenue

Collections of Federal Tax Revenue for the Year Ended September 30, 2024					
(In billions of dollars)	Federal Tax Revenue Collections	Tax Year to Which Collections Relate			
		2024	2023	2022	Prior Years
Individual income tax and tax withholdings	4,409.4	2,760.6	1,517.8	89.1	41.9
Corporate income taxes	565.1	303.3	192.5	9.8	59.5
Excise taxes	99.6	76.6	22.8	0.1	0.1
Unemployment taxes	46.4	37.9	8.4	-	0.1
Customs duties	82.2	76.3	5.9	-	-
Estate and gift taxes	33.0	1.3	25.4	4.0	2.3
Railroad retirement taxes	6.9	5.4	1.5	-	-
Fines, penalties, interest, and other revenue	6.2	6.0	0.2	-	-
Subtotal	5,248.8	3,267.4	1,774.5	103.0	103.9
Less: amounts collected for non-federal entities	(0.4)				
Total	5,248.4				

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 capital gains exclusions. For example, exclusion on home sales of a principal residence of up to \$250,000 (\$500,000 in the case of a married couple filing a joint return). 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, 2024					
(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2024	2023	2022	Prior Years
Individual income tax and tax withholdings	508.7	129.8	303.8	52.0	23.1
Corporate income taxes	36.7	2.7	8.7	10.0	15.3
Other taxes, fines, and penalties	15.7	4.9	4.8	2.4	3.6
Total	<u>561.1</u>	<u>137.4</u>	<u>317.3</u>	<u>64.4</u>	<u>42.0</u>

Reconciliation of Tax Collections to Revenue for the Year Ended September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Total collections of federal tax revenue	5,248.4	4,846.2
Refunds of federal taxes and other payments	(561.1)	(666.6)
Individual and other tax credits	211.7	239.8
Federal Insurance Contributions Act - Tax	(20.2)	(18.6)
Federal Reserve earnings	3.1	0.6
Change in taxes receivable	(43.7)	(55.0)
Nontax-related fines and penalties reported by entities	124.5	102.9
Nontax-related earned revenue	<u>15.2</u>	<u>16.3</u>
Consolidated revenue per the Statement of Operations and Changes in Net Position	<u>4,977.9</u>	<u>4,465.6</u>

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. 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, 2023

(In billions of dollars)	Federal Tax Revenue Collections	Tax Year to Which Collections Relate			
		2023	2022	2021	Prior Years
Individual income tax and tax withholdings	4,112.0	2,546.8	1,414.1	69.6	81.5
Corporate income taxes	457.0	270.3	155.5	4.9	26.3
Excise taxes	97.1	75.4	21.1	0.2	0.4
Unemployment taxes	47.3	39.0	8.1	-	0.2
Customs duties	85.1	78.0	7.1	-	-
Estate and gift taxes	35.4	1.3	29.9	2.1	2.1
Railroad retirement taxes	7.2	5.4	1.6	-	0.2
Fines, penalties, interest, and other revenue	5.5	5.4	0.1	-	-
Subtotal	<u>4,846.6</u>	<u>3,021.6</u>	<u>1,637.5</u>	<u>76.8</u>	<u>110.7</u>
Less: amounts collected for non-federal entities	(0.4)				
Total	<u>4,846.2</u>				

Federal Tax Refunds Disbursed and Other Payments for the Year Ended September 30, 2023

(In billions of dollars)	Refunds Disbursed	Tax Year to Which Refunds Relate			
		2023	2022	2021	Prior Years
Individual income tax and tax withholdings	611.0	100.0	302.6	160.6	47.8
Corporate income taxes	43.9	4.4	8.7	11.0	19.8
Other taxes, fines, and penalties	11.7	4.9	3.2	1.5	2.1
Total	<u>666.6</u>	<u>109.3</u>	<u>314.5</u>	<u>173.1</u>	<u>69.7</u>

Note 20. Commitments

Undelivered Orders and Other Commitments as of September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Undelivered Orders - Unpaid:		
Department of Defense	512.1	486.7
Department of Health and Human Services	248.8	240.2
Department of Transportation	194.3	176.4
Department of Education	177.4	211.0
Department of Homeland Security	107.9	98.9
Department of Housing and Urban Development	104.2	101.1
Department of Agriculture	100.5	95.0
Department of Energy	85.1	60.5
Environmental Protection Agency	71.7	36.8
Security Assistance Accounts	62.6	52.3
Department of the Treasury	46.6	23.5
All other entities	283.0	247.6
Total undelivered orders - unpaid	1,994.2	1,830.0
Other Commitments:		
GSE Senior Preferred Stock Purchase Agreements	254.1	254.1
U.S. participation in the International Monetary Fund	160.2	151.0
Callable capital subscriptions for Multilateral Development Banks	132.4	130.2
All other commitments	25.2	19.2
Total other commitments	571.9	554.5

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, 2024, and 2023, the total reported unpaid undelivered orders were \$1,994.2 billion and \$1,830.0 billion, respectively. In FY 2024, Education had a \$33.6 billion decrease that was primarily due COVID-19 appropriations expiring, and new obligations not occurring. DOE had a \$24.6 billion increase that was primarily due to an increase in borrowing authority and funds being carried over from the previous year. EPA had a \$34.9 billion increase that was primarily due to the increase of obligations for the State and Tribal Assistance Grants. Treasury had a \$23.1 billion increase that is primarily attributable to new budget authority issued for the recently established Poverty Reduction and Growth Trust lending facility.

GSE Senior Preferred Stock Purchase Agreements

As of September 30, 2024, and 2023, 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 7—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, 2024, and 2023, the financial commitment under the U.S. quota and borrowing arrangements was \$160.2 billion and \$151.0 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, 2024, and 2023, the capital commitment to MDB was \$132.4 billion and \$130.2 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, and potential draws by GSEs. 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
<p>Probable Future confirming event(s) is(are) more likely than not to occur.³</p>	<p>Accrue the liability. Report on Balance Sheet and Statement of Net Cost.</p>	<p>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.</p>	<p>Disclose nature of contingency and include a statement that an estimate cannot be made.</p>
<p>Reasonably possible Possibility of future confirming event(s) occurring is more than remote but less than probable.</p>	<p>Disclose nature of contingency and estimated amount.</p>	<p>Disclose nature of contingency and estimated loss range.</p>	<p>Disclose nature of contingency and include a statement that an estimate cannot be made.</p>
<p>Remote Possibility of future event(s) occurring is slight.</p>	<p>No action is required.</p>	<p>No action is required.</p>	<p>No action is required.</p>

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, 2024, and 2023						
	2024			2023		
	Accrued Liabilities ¹	Estimated Range of Loss for Certain Cases ²		Accrued Liabilities ¹	Estimated Range of Loss for Certain Cases ²	
(In billions of dollars)		Lower End	Upper End		Lower End	Upper End
Probable	51.9	51.7	67.6	55.9	55.4	66.3
Reasonably possible	N/A	23.9	125.1	N/A	10.6	107.4

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 \$51.9 billion and \$55.9 billion as of September 30, 2024, and 2023, respectively, and are included in “Other Liabilities” on the Balance Sheet. An example of a probable contingency that could result in a loss against the government for DOE and HHS is provided below.

DOE, in accordance with the NWPA, 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 estimated total liability as of September 30, 2024 is in a range between \$48.7 billion and \$55.6 billion. After deducting the cumulative amount paid of \$11.1 billion as of September 30, 2024 under these settlements, and as a result of final judgments, the remaining liability is estimated to be in the range of between \$37.6 billion and \$44.5 billion.

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 \$6.7 billion in FY 2024 and \$6.4 billion in FY 2023.

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 \$23.9 billion to \$125.1 billion as of September 30, 2024, and from \$10.6 billion to \$107.4 billion as of September 30, 2023.

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.

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 the pension benefits, within statutory limits, of participants in covered single-employer and multiemployer defined benefit pension plans. ERISA requires that PBGC programs be self-financing. Accordingly, ERISA provides that the U.S. government is not liable for any obligation or liability incurred by PBGC. As of September 30, 2024, PBGC's single-employer and multiemployer pension insurance programs had \$146.1 billion and \$4.5 billion in total assets, respectively. In FY 2023, PBGC reported pension insurance program total assets for single-employer and multiemployer of \$130.9 billion and \$4.0 billion, respectively.

PBGC's two insurance programs, one for single-employer plans and one for multiemployer plans, are designed to protect a guaranteed amount of participants' pension benefits when plans fail. The single-employer program covered about 19.4 million people (excluding those in plans that PBGC has trustee) in FY 2024, down from about 20.6 million people in FY 2023, and the maximum guaranteed annual benefit for participants who are in a plan that terminated in FY 2024 and commence benefits at age 65 is \$85,295. 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 later of the date the sponsor entered bankruptcy or the date the participant begins collecting benefits. The number of covered ongoing plans at the end of FY 2024 was about 23,000.

The multiemployer program covers about 11.1 million participants in about 1,335 insured plans and the maximum guaranteed annual benefit is \$12,870 to a participant who worked for 30 years in jobs covered by the plan. The guaranteed annual benefit amount depends on the participant's years of service and the level of the benefit accruals. On March 11, 2021, the President signed into law the ARP. The ARP established a multiemployer SFA program resulting in a source of financing from the General Fund. PBGC receives 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, special financial assistance is provided via a transfer of funds with no obligation of repayment. No SFA transfers may be made after September 30, 2030. PBGC's FY 2023 Projection Report shows that the multiemployer program is likely to remain solvent for more than 40 years.

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 FCSB. 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 FCSB totaled \$431.9 billion and \$401.9 billion as of September 30, 2024, and 2023 respectively. 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 FCSB will be required to make payments under joint and several liability. As of September 30, 2024, and 2023, FCSIC reported an Insurance Fund balance of \$7.8 billion and \$7.2 billion, respectively.

FDIC insures bank and savings association deposits, which exposes FDIC to various risks. FDIC has estimated total insured deposits of \$10,633.7 billion and \$10,592.6 billion as of September 30, 2024, and 2023, respectively, for the DIF.

The government also has insurance and guarantee contingencies that are reasonably possible in the amount of \$3.1 billion and \$26.4 billion as of September 30, 2024, and 2023, respectively. PBGC is the main contributing consolidation entity with reasonably possible insurance and guarantee contingencies.

PBGC reported \$2.8 billion and \$26.1 billion as of September 30, 2024, and 2023, 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.⁵ The decrease of \$23.1 billion from the reasonably possible exposure of \$25.7 billion in FY 2023 for the single-employer plans is primarily due to a change in the estimate as it relates to a change in methodology of the reasonably possible exposure.

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 maximum risk exposure for the corresponding program as of a given date. Insurance in-force is presented to provide the reader with a better understanding of the maximum risk exposure that is not considered a liability. It is extremely unlikely that losses equal to the maximum risk exposure would be incurred. The table below shows

⁵ The estimate of the reasonably possible exposure to loss for the single-employer plans was determined using a measurement date of September 30, 2024.

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*.

Insurance In-force as of September 30, 2024, and 2023		
(In billions of dollars)	2024	2023
Ginnie Mae - HUD	2,642.6	2,472.8
National Credit Union Share Insurance Fund - NCUA	1,800.0	1,700.0
National Flood Insurance Program - DHS	1,278.3	1,281.9
Federal Crop Insurance - USDA	192.0	206.1

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 Guarantees.

NCUA operates and manages the NCUSIF, insuring the deposits of over 142.0 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, 2024, and 2023, FEMA had drawn from Treasury \$20.5 billion, leaving \$9.9 billion available to be borrowed. Given the current premium rate structure, FEMA is not expected to be able to generate sufficient resources from premiums to pay its debt in full.

The FCIP, 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 2024 and 2023. 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. 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, 2024.

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. There were no claims under TRIP as of September 30, 2024 or 2023.

Other Contingencies

DOT 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, 2024, and 2023, FHWA has \$85.0 billion and \$75.4 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.

Treasury has a contingency for future draws by the GSEs. There were no probable future draws accrued as of September 30, 2024, and 2023, and the total amount of reasonably possible future draws is not estimable as of September 30, 2024. Refer to Note 7—Investments in Government-Sponsored Enterprises for additional information.

Note 22. Funds from Dedicated Collections

Funds from Dedicated Collections as of September 30, 2024

(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	-	-	-	193.1	193.1	-	193.1
Accounts receivable, net	2.8	2.9	23.1	28.0	56.8	-	56.8
Loans receivable, net	-	-	-	19.8	19.8	-	19.8
Inventory and related property, net	-	-	-	4.6	4.6	-	4.6
Property, plant and equipment, net	-	-	0.3	42.7	43.0	-	43.0
Investments	-	-	-	28.9	28.9	-	28.9
Advances and prepayments	-	-	-	13.3	13.3	-	13.3
Other assets ³	-	-	-	19.4	19.4	-	19.4
Investments in Treasury securities, net of unamortized premiums/discounts	2,582.2	177.8	399.4	385.8	3,545.2	-	3,545.2
Other federal assets	16.5	1.5	370.9	345.9	734.8	(239.9)	494.9
Total assets	2,601.5	182.2	793.7	1,081.5	4,658.9	(239.9)	4,419.0
Liabilities and net position:							
Accounts payable	-	-	0.2	5.6	5.8	-	5.8
Federal employee and veteran benefits payable	-	-	-	6.9	6.9	-	6.9
Environmental and disposal liabilities	-	-	-	30.3	30.3	-	30.3
Benefits due and payable	119.1	33.1	88.8	9.7	250.7	-	250.7
Insurance and guarantee program liabilities	-	-	-	9.7	9.7	-	9.7
Advances from others and deferred revenues	-	-	2.6	74.7	77.3	-	77.3
Other liabilities ³	-	-	4.3	229.8	234.1	-	234.1
Federal liabilities	6.6	0.7	110.6	218.3	336.2	(239.3)	96.9
Total liabilities	125.7	33.8	206.5	585.0	951.0	(239.3)	711.7

Funds from Dedicated Collections as of September 30, 2024, 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	2,475.8	148.4	587.2	496.5	3,707.9	(0.6)	3,707.3
Total liabilities and net position	2,601.5	182.2	793.7	1,081.5	4,658.9	(239.9)	4,419.0
Change in net position:⁴							
Net position, beginning of period	2,574.2	116.1	575.4	494.8	3,760.5	-	3,760.5
Adjustments to beginning net position							
Changes in accounting principles	-	-	-	(0.1)	(0.1)	-	(0.1)
Beginning net position, adjusted	2,574.2	116.1	575.4	494.7	3,760.4	-	3,760.4
Individual income taxes and tax withholdings	1,096.9	186.3	394.7	0.1	1,678.0	-	1,678.0
Other taxes and miscellaneous earned revenue	-	-	0.3	130.2	130.5	-	130.5
Other changes in fund balance (e.g., appropriations, transfers)	43.0	(1.8)	493.0	(1.8)	532.4	(0.2)	532.2
Federal non-exchange revenue	63.7	5.0	10.6	43.4	122.7	(0.2)	122.5
Total financing sources	1,203.6	189.5	898.6	171.9	2,463.6	(0.4)	2,463.2
Program gross costs and non-program expenses	1,302.0	157.2	1,035.5	277.1	2,771.8	(0.8)	2,771.0
Less: program revenue	-	-	(148.7)	(107.0)	(255.7)	1.0	(254.7)
Net cost	1,302.0	157.2	886.8	170.1	2,516.1	0.2	2,516.3
Ending net position	2,475.8	148.4	587.2	496.5	3,707.9	(0.6)	3,707.3

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, 2023

(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	-	-	-	180.6	180.6	-	180.6
Accounts receivable, net	2.3	2.8	24.6	24.7	54.4	-	54.4
Loans receivable, net	-	-	-	21.4	21.4	-	21.4
Inventory and related property, net	-	-	-	3.5	3.5	-	3.5
Property, plant and equipment, net	-	-	0.4	40.4	40.8	-	40.8
Investments	-	-	-	27.3	27.3	-	27.3
Advances and prepayments	-	-	45.1	11.3	56.4	-	56.4
Other assets ³	-	-	-	18.5	18.5	-	18.5
Investments in Treasury securities, net of unamortized premiums/discounts	2,673.8	142.9	353.9	391.5	3,562.1	-	3,562.1
Other federal assets	15.8	1.0	400.8	332.0	749.6	(247.6)	502.0
Total assets	<u>2,691.9</u>	<u>146.7</u>	<u>824.8</u>	<u>1,051.2</u>	<u>4,714.6</u>	<u>(247.6)</u>	<u>4,467.0</u>
Liabilities and net position:							
Accounts payable	-	-	0.2	6.2	6.4	-	6.4
Federal employee and veteran benefits payable	-	-	-	6.1	6.1	-	6.1
Environmental and disposal liabilities	-	-	-	26.0	26.0	-	26.0
Benefits due and payable	111.0	29.8	106.3	10.1	257.2	-	257.2
Insurance and guarantee program liabilities	-	-	-	5.2	5.2	-	5.2
Advances from others and deferred revenues	-	-	1.8	70.7	72.5	-	72.5
Other liabilities ³	-	-	10.4	219.7	230.1	-	230.1
Federal liabilities	6.7	0.8	130.7	212.4	350.6	(247.6)	103.0
Total liabilities	<u>117.7</u>	<u>30.6</u>	<u>249.4</u>	<u>556.4</u>	<u>954.1</u>	<u>(247.6)</u>	<u>706.5</u>

Funds from Dedicated Collections as of September 30, 2023, 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	2,574.2	116.1	575.4	494.8	3,760.5	-	3,760.5
Total liabilities and net position	2,691.9	146.7	824.8	1,051.2	4,714.6	(247.6)	4,467.0
Change in net position:⁴							
Net position, beginning of period	2,636.2	93.2	499.4	467.6	3,696.4	-	3,696.4
Adjustments to beginning net position							
Changes in accounting principles	-	-	-	0.2	0.2	-	0.2
Beginning net position, adjusted	2,636.2	93.2	499.4	467.8	3,696.6	-	3,696.6
Individual income taxes and tax withholdings	1,039.0	176.5	375.1	0.1	1,590.7	-	1,590.7
Other taxes and miscellaneous earned revenue	-	-	0.4	134.0	134.4	-	134.4
Other changes in fund balance (e.g., appropriations, transfers)	41.0	(1.7)	564.8	6.9	611.0	-	611.0
Federal non-exchange revenue	62.7	3.5	-	39.8	106.0	-	106.0
Total financing sources	1,142.7	178.3	940.3	180.8	2,442.1	-	2,442.1
Program gross costs and non-program expenses	1,204.7	155.4	1,006.0	261.0	2,627.1	(0.9)	2,626.2
Less: program revenue	-	-	(141.7)	(107.2)	(248.9)	0.9	(248.0)
Net cost	1,204.7	155.4	864.3	153.8	2,378.2	-	2,378.2
Ending net position	2,574.2	116.1	575.4	494.8	3,760.5	-	3,760.5

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 *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 net position for 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 main contributors to funds from dedicated collections within the “All Other Funds from Dedicated Collections” are the following:

- DOT
- DOC
- DOI
- Treasury
- DOD
- RRB
- DOE
- HUD
- DOL
- EPA

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.

Note 23. Fiduciary Activities

Schedule of Fiduciary Net Assets as of September 30, 2024, and 2023

(In billions of dollars)	2024	2023
Thrift Savings Plan	966.6	794.7
All other	15.6	14.6
Total fiduciary net assets	<u>982.2</u>	<u>809.3</u>

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.

The total fiduciary investments in Treasury securities and in non-Treasury securities are \$303.6 billion and \$660.9 billion as of September 30, 2024, respectively. As of September 30, 2023, total fiduciary investments in Treasury securities and in non-Treasury securities were \$296.8 billion and \$496.5 billion, respectively. Refer to Note 12—Federal Debt and Interest Payable for more information on Treasury securities.

The total fiduciary fund balance with Treasury is \$2.1 billion and \$1.7 billion as of September 30, 2024, and 2023, respectively. A liability for this fiduciary fund balance with Treasury is reflected as other miscellaneous liabilities in Note 18—Other Liabilities.

Collectively, the fiduciary investments in Treasury securities and fiduciary fund balance with Treasury held by all government entities represent \$5.6 billion and \$5.1 billion as of September 30, 2024, and 2023, respectively, of unrestricted cash included within cash held by Treasury for government-wide operations shown in Note 2—Cash and Other Monetary Assets.

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.

TSP is a retirement savings and investment plan for federal employees and members of the uniformed services. It was authorized by the 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 like 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. 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, 2024, and 2023, the TSP held \$966.6 billion and \$794.7 billion, respectively, in net assets, which included \$300.0 billion and \$293.4 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, 2023, and 2022. 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>.

All Other

All other activity attributable to fiduciary activities is aggregated in accordance with SFFAS No. 31. As of September 30, 2024, and 2023, a total of 14 and 21 federal entities, respectively, reported fiduciary activities with a grand total of 58 and 62 fiduciary funds, respectively. As of September 30, 2024, “all other” fiduciary net assets were \$15.6 billion, compared to \$14.6 billion as of September 30, 2023.

The entity with most of the fiduciary activities within “all other” is the DOI. DOI has a responsibility for the assets held in trust on behalf of American Indian Tribes and individuals. As of September 30, 2024, and 2023, the DOI held \$9.1 billion and \$9.0 billion, respectively, in net assets. The fiduciary balances that have accumulated in these funds 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.

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 in this report 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 2024 and 2023 are expressed in PV dollars and as a percent of the PV of GDP⁷ as of September 30, 2024 and September 30, 2023, respectively. The PV of a future amount, for example \$1.0 billion in October 2099, is the amount of money that if invested on September 30, 2024 in an account earning the government borrowing rate would have a value of \$1.0 billion in October 2099.⁸

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 2024 SOSI, which is as of January 1, 2024. Accordingly, the economic and demographic assumptions used in the long-term fiscal projections of Social Security and Medicare are not adjusted for the more current near-term economic information after the time assumptions were set in December 2023. 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 2024 or budgetary estimates from the President's FY 2025 Budget.⁹

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.

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 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 2024 and 2023.

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, 2023	(73.2)	(3.8) %
Components of change:		
Change in reporting period	(1.4)	- %
Change in model technical assumptions	(0.6)	- %
Change due to economic and demographic assumptions	4.8	0.3 %
Change due to program-specific actuarial assumptions	0.3	- %
Change due to updated budget data	(2.5)	(0.1) %
Total	0.5	0.2 %
Receipts less non-interest spending as of September 30, 2024	(72.7)	(3.6) %

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 3.6 percent of the current 75-year PV of GDP, compared with 3.8 percent 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 the update of economic and demographic assumptions that decreases the fiscal imbalance by 0.3 percentage points (\$4.8 trillion). Contributing to this improvement in the imbalance are higher wages that increase receipts and higher GDP levels that reduce spending as a percentage of GDP. The 75-year PV of GDP for this year's projections is \$2,002.6 trillion, greater than last year's \$1,919.1 trillion.
- The second factor affecting the projections—increasing the imbalance as a share of the 75-year PV of GDP by 0.1 percentage points (\$2.5 trillion)—is the update for actual budget results for FY 2024 and baseline estimates published in the FY 2025 President's Budget. This deterioration in the fiscal position is largely a result of a higher 75-year PV of discretionary spending on non-defense programs due in part to adjustments to accord with FY 2024 appropriations. In addition, actual budget results for FY 2024 contribute to an increase in the fiscal imbalance by raising the 75-year PV of spending for Medicaid and mandatory spending on programs other than Social Security and Medicare. Partially offsetting those changes is a higher 75-year PV of individual income tax receipts, which represent a larger share of wages and salaries relative to the previous year's projections.
- The third largest factor affecting the projected imbalance is the change in reporting period—the effect of shifting calculations from 2024 through 2098 to 2025 through 2099. The update increases the imbalance of the 75-year PV of receipts less non-interest spending by \$1.4 trillion, which has a negligible effect as a share of the 75-year PV of GDP.
- The fourth largest factor affecting the projections is a technical update to the model's assumptions for growth in enrollees for health insurance marketplace subsidies. The technical update increases the 75-year fiscal imbalance by \$0.6 trillion and has a trivial impact on the projections as a share of the 75-year PV of GDP.
- The smallest factor affecting the projections is the effect of new Social Security, Medicare, and Medicaid program-specific actuarial assumptions, which decrease the fiscal imbalance by \$0.3 trillion and negligibly affect the imbalance as of the 75-year PV of GDP.¹¹

¹⁰ The fiscal imbalances reported in the long-term fiscal projections do not include the initial level of publicly held debt, which was \$28.2 trillion in 2024 and \$26.2 trillion in 2023, 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 24 to the financial statements here: <https://fiscal.treasury.gov/reports-statements/#>.

¹¹ For more information on Social Security and Medicare actuarial estimates, refer to Note 25—Social Insurance.

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 3.6 percent of the 75-year PV of GDP (negative \$72.7 trillion, as compared to a GDP of \$2,002.6 trillion). This imbalance can be broken down by funding source. Spending projections exceeded receipts by 2.2 percent of GDP (about \$43.6 trillion) among programs funded by the government's general revenues, and there is an imbalance of 1.5 percent of GDP (about \$29.0 trillion)¹² 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.^{13,14} By comparison, the FY 2023 projections showed that programs funded by the government's general revenues had an excess of spending over receipts of 2.2 percent of GDP (\$42.2 trillion) while the payroll tax-funded programs had an imbalance of spending over receipts of 1.6 percent of GDP (\$30.9 trillion).

Sustainability and the Fiscal Gap

This *Financial 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 98 percent at the end of FY 2024. As discussed further in the unaudited RSI, the projections based on this *Financial 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 2049 and reach 535 percent in 2099. 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 2025 to 2099, 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 2024. The target year is the last year of the 75-year period (2099).

The 75-year fiscal gap under current policy is estimated at 4.3 percent of GDP, which is 22.5 percent of the 75-year PV of projected receipts and 19.0 percent of the 75-year PV of non-interest spending. This estimate of the fiscal gap is 0.1 percentage points lower than estimated in 2023 (4.5 percent of GDP).

The projections show that projected primary deficits average 3.6 percent of GDP over the next 75 years under current policy. If policies were put in place that would close the fiscal gap, the average primary surplus over the next 75 years would be 0.7 percent of GDP, 4.3 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 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.

¹² The 75-year PV imbalance for Social Security and Medicare Part A of \$29.0 trillion is comprised of several line items from the SLTFP – Social Security outlays net of Social Security payroll taxes (\$34.2 trillion) and Medicare Part A outlays net of Medicare payroll taxes (\$8.7 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 (-\$12.5 trillion), federal employer share (-\$2.0 trillion), and other income (-\$0.1 trillion).

¹³ 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. Once the reserves in the trust funds are depleted, under current law benefits for Social Security and Medicare Part A can be paid only to the extent there are resources from dedicated income sources. 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.

¹⁴ 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, \$28.2 trillion in 2024 and \$26.2 trillion in 2023, 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 2024 by \$3.0 trillion (the trust fund balances at that time); the contribution of other programs to federal debt at the end of 2024 was therefore \$31.2 trillion. Similarly, because the \$29.0 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.

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 do not vary with 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 in several key ways.¹⁵ For example, 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. 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:** The projections of Social Security spending and Social Security payroll taxes are based on future spending and payroll taxes projected in the 2024 Social Security Trustees Report, adjusted for presentational differences, and converted to a fiscal year basis. Projected Social Security (OASDI) spending in the SLTFP excludes administrative expenses, which are classified as discretionary spending, and is based on the projected spending in the 2024 Social Security Trustees Report for benefits and for the Railroad Retirement interchange. Projected Social Security payroll taxes are adjusted to exclude the estimated federal employer share, which is classified in the SLTFP and federal budget as an offset to other mandatory spending. 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 and Medicare Part A payroll taxes are based on Medicare spending and payroll taxes in the Medicare Trustees Report, adjusted for presentational differences and converted to a fiscal year basis. Medicare spending projections in the SLTFP exclude administrative expenses, which are classified as discretionary spending. Medicare Part A, B and D premiums, as well as state contributions to Part D, are subtracted from gross spending in measuring Part A, B and D spending, just as they are subtracted from gross cost to yield net cost in the financial statements.¹⁶ 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. Projected Medicare Part A payroll taxes are adjusted to exclude the estimated federal employer share, which is classified in the SLTFP and federal budget as an offset to other mandatory spending. 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 Trustees Report will be fully achieved. Note 25 illustrates this uncertainty by presenting an illustrative alternative scenario.
- **Medicaid:** The Medicaid spending projections start with NHE projections prepared by CMS’s Office of the Actuary, which were released in June 2024.¹⁷ These projections are based on recent trends in Medicaid spending and the demographic, economic, and health cost growth assumptions in the Medicare Trustees Report. The NHE projections, which end in 2032, are adjusted to accord with the actual Medicaid spending in FY 2024. After 2032, the number of beneficiaries is projected to grow at the same rate as total population. Medicaid cost per beneficiary after 2032 is assumed to transition over a four-year period to growth at the same rate as Medicare benefits per beneficiary. Between 1989 and 2019, the average annual growth rates of spending per beneficiary for Medicaid and

¹⁵ See the FY 2025 President’s Budget, Analytical Perspectives Volume, Chapter 3 “Long-Term Budget Outlook.”

¹⁶ Medicare Part A, B, and D premiums and state contributions to Part D are subtracted from gross Medicare spending to arrive at net Medicare spending displayed in the SLTFP. The total 75-year PV of these subtractions is \$21.6 trillion, or 1.1 percent of GDP.

¹⁷ NHE data are available at <https://www.cms.gov/data-research/statistics-trends-and-reports/national-health-expenditure-data>.

Medicare were within 0.7 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; and 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.

- **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 2025, implying that such spending will remain constant as a percent of GDP.¹⁸ Projected spending for health insurance marketplace subsidies starting in 2025 grows with the NHE projected enrollment and per enrollee cost growth for direct purchase private health insurance over the NHE projection period (through 2032 for the FY 2024 projections). After 2032, marketplace subsidies grow with growth in the non-elderly population and with growth in per enrollee health care costs as projected for the Medicare program after that period. As noted above and 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 marketplace 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 in 2025 follows the FRA (P.L. 118-5) caps with adjustments to accord with FY 2024 appropriations. Discretionary spending in 2025 also reflects previously enacted appropriations that are exempted from FRA caps. After 2025, discretionary spending grows with GDP. To illustrate sensitivity to different assumptions, PV calculations under alternative discretionary growth scenarios are presented in the unaudited "Alternative Scenarios" RSI section.
- **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 2025 President's Budget, and the salaries and wages projections in the Social Security 2024 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. Individual income taxes increase gradually from 21 percent of wages and salaries in 2025 to 30 percent of wages and salaries in 2099 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 2025 President's Budget 10-year baseline budgetary estimates. After this time, corporation tax receipts grow at the same rate as nominal GDP. Other receipts also reflect the FY 2025 President's Budget baseline levels as a share of GDP throughout the budget window, and grow with GDP outside of the budget window. Corporation tax receipts fall from 1.6 percent of GDP in 2025 to 1.3 percent of GDP in 2034, 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 increase from 1.0 percent in 2025 to 1.2 percent by 2030 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 2024 Social Security Trustees Report.¹⁹ The average interest rate over this year's projection period is 4.5 percent, approximately the same as in the 2023 *Financial Report*. These rates are also used to convert future cash flows to PVs as of the start of FY 2025. 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 underlying 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

¹⁸ This assumed growth rate for other mandatory programs after 2025 is slightly higher than the average growth rate in the most recent OMB and Congressional Budget Office 10-year budget baselines.

¹⁹ See related interest rate discussion in Note 25 to the financial statements.

scheduled in law, such as the PPACA productivity adjustment for non-physician Medicare services and the expiration of certain physician bonus payments in 2025.

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. See Note 29—Subsequent Events for additional information on the Social Security Fairness Act.

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 2024 and 2023, the amounts eliminated totaled \$50.2 trillion and \$48.5 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. Once the reserves in the trust funds are depleted, under current law benefits for Social Security and Medicare Part A can be paid only to the extent there are resources from dedicated income sources. 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.²⁰ 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.

²⁰ 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 Balances¹					
(In trillions of dollars)	2024	2023	2022	2021	2020
Social Security	2.8	2.8	2.9	2.9	2.9
Medicare	0.4	0.4	0.4	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 current-law provisions 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. With the end of COVID-19 public health emergency, uncertainty related to the effects of the pandemic on the economy, demographics, and healthcare delivery has been significantly reduced. Uncertainty remains, however, regarding adherence to current-law payments updates, particularly in the long range. 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.

The illustrative alternative scenario projections below help to illustrate and quantify the magnitude of the potential cost understatement under current law. The difference between current-law and illustrative alternative scenario projections is substantial for Parts A and B. The illustrative alternative scenario projections for Parts A and B illustrate 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 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)	2024 Consolidated SOSI Current Law	Illustrative Alternative Scenario ^{1,2}
Income:		
Part A	32.5	32.6
Part B ³	16.3	18.6
Part D ⁴	3.2	3.2
Total income	52.0	54.4
Expenditures:		
Part A	35.1	41.6
Part B	58.7	67.2
Part D	11.0	11.0
Total expenditures	104.8	119.8
Income less expenditures:		
Part A	(2.6)	(9.0)
Part B	(42.4)	(48.6)
Part D	(7.8)	(7.8)
Excess of expenditures over income	(52.8)	(65.4)

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 \$42.4 trillion and \$48.6 trillion of general revenue contributions from the 2024 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 \$7.8 trillion of general revenue contributions from both the 2024 Consolidated SOSI Current Law projection and the Illustrative Alternative Scenario's 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								
	2024	2030	2040	2050	2060	2070	2080	2090	2100¹³
Total fertility rate ¹	1.7	1.8	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Age-sex adjusted death rate ²	784.1	735.3	676.9	624.6	578.2	537.2	500.6	468.1	438.9
Net annual immigration ³	1,809	1,349	1,293	1,260	1,244	1,230	1,221	1,216	1,214
Period life expectancy at birth - Male ⁴	76.4	77.2	78.3	79.3	80.3	81.3	82.1	83.0	83.7
Period life expectancy at birth - Female ⁴	81.3	82.0	83.0	83.8	84.6	85.4	86.1	86.8	87.4
	Economic Assumptions (percent change)								
	2024	2030	2040	2050	2060	2070	2080	2090	2100¹³
Real wage growth ⁵	1.0	1.9	1.2	1.1	1.1	1.1	1.1	1.1	1.1
Wages ⁶	3.8	4.3	3.6	3.5	3.6	3.6	3.6	3.6	3.5
CPI ⁷	2.8	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Real GDP ⁸	1.7	2.0	1.9	1.9	1.9	1.8	1.9	2.0	1.9
Total employment ⁹	0.5	0.4	0.3	0.4	0.3	0.2	0.3	0.4	0.3
Avg. annual interest rate (percent) ¹⁰	4.6	4.0	4.7	4.7	4.7	4.7	4.7	4.7	4.7
Real interest rate (percent) ¹¹	1.4	1.7	2.2	2.3	2.3	2.3	2.3	2.3	-
Per beneficiary cost - HI ¹²	2.2	^{14,15} 5.0	4.3	3.4	3.4	3.4	3.4	3.5	-
Per beneficiary cost - SMI Part B ¹²	3.7	^{15,16} 6.0	5.1	3.8	3.8	3.5	3.7	3.7	-
Per beneficiary cost - SMI Part D ¹²	9.3	¹⁶ 1.6	2.9	4.1	4.0	3.8	3.9	3.9	-

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 average weekly U.S. civilian employment and U.S. Armed Forces. (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 increases reflect the overall impact of more detailed assumptions that are made for each of the different type of 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 2024 Statement of Social Insurance extends to 2098. (Social Security) Medicare did not report assumptions for 2100.

¹⁴ Reflects policy change to exclude medical education expenses associated with Medicare Advantage enrollees from the fee-for-service per capita costs used in development of Medicare Advantage spending.

¹⁵ Reflects lower spending for hospital and home health agency services.

¹⁶ Reflects IRA of 2022.

The Boards of Trustees²¹ 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 *29th Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2022 with Technical Supplement*, which also serves as the *2024 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). 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, a decrease in the PV of future net cash outflows represents a positive change (improving financing), while an increase in the PV of future net cash outflows 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, 2024, are based on the same demographic and economic assumptions that underlie the 2024 Social Security and Medicare Trustees Report. The 2024 SOSI projections are not adjusted for the more current near-term economic information after the time assumptions were set in December 2023.

PV as of January 1, 2023 and January 1, 2022 are calculated using interest rates from the intermediate assumption of the 2023 and 2022 Trustees Reports, respectively. All other PV in this part of the SCSIA are calculated as a PV as of January 1, 2024 and January 1, 2023, respectively.

For the period beginning on January 1, 2023 to the period beginning on January 1, 2024 (current year) and period beginning on January 1, 2022 to the period beginning on January 1, 2023 (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 2023 and 2022 Trustees Report, respectively. Since interest rates are an economic estimate and all estimates in the table are

²¹ 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.

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 of the SCSIA are calculated using the interest rates under the intermediate assumptions of the 2024 and 2023 Trustees Reports, respectively. The PV of estimated future expenditures in excess of estimated future revenue represents net cash outflows.

Changes in Valuation Period

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2023-2097) to the current valuation period (2024-2098) 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 2023, replaces it with much larger negative estimated cash flow for 2098, and measures the PV as of January 1, 2024, one year later. As a result, the PV of the estimated future net cash outflows increased by \$0.8 trillion and \$1.5 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

The effect on the 75-year PV of changing the valuation period from the prior valuation period (2022-2096) to the current valuation period (2023-2097) 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 2022, replaces it with a much larger negative estimated net cash flow for 2097, and measures the PV as of January 1, 2023, one year later. As a result, the PV of the estimated future net cash outflows increased by \$0.7 trillion and \$1.3 trillion for Social Security and Medicare, respectively.

Changes in Demographic Data, Assumptions, and Methods

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

For the current valuation (beginning on January 1, 2024), there was one change to the ultimate demographic assumptions.

- The ultimate TFR was lowered from 2.0 children per woman to 1.9 children per woman, and at the same time, the year the ultimate TFR is reached was changed from 2056 to 2040.

This change to the TFR assumption increased the PV of estimated future net cash outflows. In addition to this change to the ultimate demographic assumptions, the starting demographic values, and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- Final birth rate data for calendar year 2022 and preliminary data for 2023 indicated slightly lower birth rates than were assumed in the prior valuation, leading to slightly lower assumed birth rates during the period of transition to the ultimate level.
- Updates to near-term mortality assumptions to better reflect the effects of the COVID-19 pandemic led to an increase in death rates through 2024 compared to the prior valuation.
- Mortality data, historical population data, other-than-LPR immigration data, and divorce data were updated since the prior valuation.

There was one notable change in demographic methodology. The method for projecting fertility rates during the transition period to the ultimate rate was modified to produce more reasonable paths to the ultimate assumed rates by age group than had been previously used. This change increased the PV of the estimated future net cash outflows.

Overall, changes in demographic data, assumptions, and methods caused the PV of the estimated future net cash outflows to increase by \$1.2 trillion and \$1.1 trillion for Social Security and Medicare, respectively.

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

For the current valuation (beginning on January 1, 2023), 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.

- Projected birth rates through 2055, during the period of transition to the ultimate level, were slightly lower than in the prior valuation.
- Updates to near-term mortality assumptions to better reflect the effects of the COVID-19 pandemic led to an increase in death rates through 2024 compared to the prior valuation.
- Historical population data, other-than-LPR immigration data, and marriage and divorce data were updated since the prior valuation.

There was one notable change in demographic methodology. The method for projecting the age distributions of LPR new arrival and adjustment-of-status immigrants was updated reflecting recent data showing a slightly older population at the time of attaining LPR status than had previously been estimated. This change increased the PV of the estimated future net cash outflows.

Overall, changes in demographic data, assumptions, and methods caused the PV of the estimated future net cash outflows to increase by \$0.1 trillion for both Social Security and Medicare.

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

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

For the current valuation (beginning of January 1, 2024), 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 changes are identified below.

- An update to educational attainment data caused a change in labor force participation rates at ages 55 and older for men and 50 and older for women.
- Historical OASDI covered employment for 2021 was higher than assumed under the prior valuation. Specifically, covered employment for 2021 was significantly higher than previously estimated at the youngest and oldest working ages, and lower for men at early prime working ages.
- Economic growth through 2023 was higher than assumed under the prior valuation, which led to a higher assumed level of labor productivity over the projection period.

All three of these changes decreased the PV of the estimated future net cash outflows. Overall, changes to economic data, assumptions, and methods caused the PV of the estimated future net cash outflows to decrease by \$0.4 trillion for Social Security.

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

For the current valuation (beginning on January 1, 2023), there was one change to the ultimate economic assumptions.

- The annual percentage change in the average OASDI covered wage, adjusted for inflation, is assumed to average 1.14 percentage points over the last 65 years of the 75-year projection period. This is 0.02 percentage point higher than the value assumed for the prior valuation.

This change to the wage growth assumptions decreased the PV of estimated future net cash outflows. In addition to this change to the ultimate economic assumptions, the starting economic values, and the way these values transition to the ultimate assumptions were changed. The most significant changes are identified below.

- The levels of GDP and labor productivity are assumed to be about 3.0 percent lower by 2026 and for all years thereafter relative to the prior valuation.
- The assumed real interest rates over the first 10 years of the projection period are generally higher than those assumed for the prior valuation.

The changes to the GDP and productivity levels increased the PV of the estimated future net cash outflows, while the change to near-term real interest rates decreased the PV of the estimated future net cash outflows.

There was one notable change in economic methodology. The method for estimating the level of OASDI taxable wages for historical year 2000-21 was improved by adopting a more consistent approach for estimating completed values across various types of wages. This change decreased the PV of the estimated future net cash outflows. Overall, changes to economic data, assumptions, and methods caused the PV of the estimated future net cash outflows to increase by \$0.8 trillion for Social Security.

Changes in Law or Policy

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

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, 2022 to the period beginning on January 1, 2023

For Social Security, between prior valuation (beginning on January 1, 2022) and the current valuation (beginning January 1, 2023), no notable changes in law or policy are expected to have a significant effect on the long-range cost of OASDI program.

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

- The *Postal Service Reform Act of 2022* (P.L. 117-108, enacted on April 6, 2022) included one provision that affects Parts B and D of the SMI program.
- The IRA of 2022 (P.L. 117-169, enacted on August 16, 2022) included provisions that affect the SMI programs.
- The *Continuing Appropriations and Ukraine Supplemental Appropriations Act, 2023* (P.L. 117-180, enacted on September 30, 2022) included provisions that affect the HI and SMI programs.
- The *Further Continuing Appropriations and Extensions Act, 2023* (P.L. 117-229, enacted on December 16, 2022) included provisions that affect the HI and SMI programs.
- The CAA, 2023 (P.L. 117-328, enacted on December 29, 2022) 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 outflows to decrease by \$1.1 trillion for Medicare.

Changes in Methodology and Programmatic Data (Social Security Only)

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2024). The most significant are identified below.

- The ultimate disability incidence rate was lowered from 4.8 per thousand exposed to 4.5 per thousand exposed.
- The long-range model used to project the number of insured workers was modified to improve the alignment of simulated fully insured rates with historical fully insured rates.
- Recent data and estimates provided by the Office of Tax Analysis at Treasury indicate higher near-term and ultimate levels of revenue from income taxation of OASDI benefits than projected in the prior valuation.
- As in the prior valuation, the current valuation uses a 10.0 percent sample of all newly entitled worker beneficiaries in recent year to project average benefit levels of retired-worker and disabled-worker beneficiaries. Updates were made to data and the methodology for projecting average benefit levels for women was improved.
- 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 estimated future net cash outflows to decrease by \$1.4 trillion for Social Security.

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

Several methodological improvements and updates of program-specific data are included in the current valuation (beginning on January 1, 2023). The most significant are identified below.

- Actual disability data for 2022 and slightly lower-near term disability incidence rate assumptions were incorporated.
- The current valuation uses a 10.0 percent sample of all newly entitled worker beneficiaries in 2019 to project average benefit levels of retired-worker and disabled-worker beneficiaries.
- 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 estimated future net cash outflows to increase by \$0.3 trillion for Social Security.

Changes in Economic and Health Care Assumptions (Medicare Only)

From the period beginning on January 1, 2023 to the period beginning on January 1, 2024

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 changes in the current valuation.

- Lower Part A projected spending growth due to a policy change to exclude medical education expenses associated with Medicare Advantage enrollees from the fee-for-service per capita costs used in the development of Medicare Advantage spending, and lower projected spending for hospital and home health agency services.
- Lower Part D growth mainly beyond the short-range period.

Overall, these changes decreased the PV of the estimated future net cash outflows by \$2.7 trillion for Medicare.

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

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.

- Lower projected spending growth because of anticipated effect of negotiating drug prices and other prices growth constraints.

Overall, these changes increased the PV of estimated future net cash outflows by \$2.6 trillion for Medicare.

Change in Projection Base (Medicare Only)**From the period beginning on January 1, 2023 to the period beginning on January 1, 2024**

Actual income and expenditures in 2023 were different from what was anticipated when the 2023 Trustees Report projections were prepared. Part A income was higher and expenditures were lower than estimated based on actual experience. For Part B and Part D income and expenditures were both higher than estimated based on actual experience. Actual experience of the Medicare Trust Funds between January 1, 2023, and January 1, 2024, is incorporated in the current valuation and is less than projected in the prior valuation. Overall, the net impact of Part A, B, and D projection base change is a decrease in the estimated future net cash outflows by \$0.2 trillion for Medicare.

From the period beginning on January 1, 2022 to the period beginning on January 1, 2023

Actual income and expenditures in 2022 were different from what was anticipated when the 2022 Trustees Report projections were prepared. For Part A and Part B income and expenditures 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, 2022, and January 1, 2023, is incorporated in the current valuation and is less than projected in the prior valuation. Overall, the net impact of Part A, B, and D projection base change is a decrease in the estimated future net cash outflows by \$2.3 trillion for Medicare.

Note 26. Stewardship Property, Plant, and Equipment

Stewardship PP&E consists of items whose physical properties resemble those of PP&E traditionally capitalized in financial statements. However, stewardship PP&E differs from traditional 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 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 is capitalized as 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 depository, 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.

In FY 2024, PCE price inflation showed modest further progress, it remained above the FOMC's longer-run objective of 2.0 percent. As a result, the FOMC maintained the target range for the federal funds rate at 5.25 to 5.50 percent. In September 2024, the FOMC decided to lower the target range for the federal funds rate by 0.5 percent in the light of the progress on inflation and the balance of risks to the FOMC's inflation and employment goals.

The FOMC continued reducing its securities holdings throughout FY 2024. Beginning in June 2024, the FOMC slowed the pace of decline of its securities holdings by reducing the monthly redemption cap on Treasury securities from \$60.0 billion to \$25.0 billion. The FOMC maintained the monthly redemption cap on agency debt and agency MBS at \$35.0 billion and reinvested principal payments in excess of this cap into Treasury securities. The FOMC is strongly committed to returning inflation to its 2.0 percent objective.

The FRB balance sheet developments may be obtained at

https://www.federalreserve.gov/monetarypolicy/bst_fedsbalancesheet.htm.

- **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, 2024, Treasury securities held by the FRB totaled \$3,631.2 billion, which excludes \$735.1 billion in Treasury securities used in overnight reverse repurchase transactions and includes a net of \$2.0 billion held by the FRB as collateral for securities lending activities. As of September 30, 2023, Treasury securities held by the FRB totaled \$2,786.7 billion, which excludes \$2,139.4 billion in Treasury securities used in overnight reverse repurchase transactions and excludes \$26.8 billion lent to dealers and not collateralized by other Treasury securities. Such securities are included in federal debt and interest payable (see Note 12—Federal Debt and Interest Payable). For fiscal years ended September 30, 2024, and 2023, Treasury incurred interest cost relating to the FRB's Treasury holdings amounting to \$102.5 billion and \$105.1 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, 2024, and 2023, was \$870.8 billion and \$638.9 billion, respectively, and are included in cash and other monetary assets. In addition, restricted cash as of September 30, 2024, and 2023, was \$71.3 billion and \$56.3 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 \$10.2 billion and \$5.2 billion as of September 30, 2024, and 2023, respectively, 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 \$3.1 billion and \$0.6 billion for fiscal years ended September 30, 2024, and 2023, 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 (see Note 3—Accounts Receivable, Net).

Special Purpose Vehicles

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 8—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 7—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 *Budget* and the DOT financial statements. For the fiscal year ended September 30, 2024, the net cost amount related to grants was \$3.7 billion, and total budgetary outlays were \$3.2 billion. For the fiscal year ended September 30, 2023, the net cost amount related to grants was \$2.9 billion, and total budgetary outlays were \$3.2 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/mission/budget/dot-fy-2024-agency-financial-report>.

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, and Multilateral Banks. 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 additional pools of resources that can be used in the event of a crisis that requires lending beyond the level available from quota resources: 1) the NAB; 2) bilateral borrowing arrangements; and 3) additional allocation of SDRs. 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, 2024, and 2023, was approximately \$112.4 billion and approximately \$108.9 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 \$28.7 billion as of September 30, 2024, and approximately \$32.0 billion as of September 30, 2023, 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, 2024, and 2023, was SDR 56.4 billion, respectively, which is equivalent to \$76.5 billion and \$74.2 billion, respectively. When the government transfers funds to the IMF under the NAB, it receives a liquid and interest-bearing claim on the IMF. There were no loans outstanding under the U.S. NAB arrangement with the IMF as of September 30, 2024, and \$0.1 billion was outstanding as of 2023. 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, 2024, and 2023, the government's total undrawn financial commitment to the IMF was \$160.2 billion and \$151.0 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, 2024, and 2023, amounted to \$174.0 billion and \$163.2 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, 2024, and 2023, amounted to \$155.8 billion and \$151.0 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).

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*. Although there are inherent financial risks to the federal government in these types of complex, risk-sharing arrangements, P3s by nature are used to manage certain risks, and federal entities take steps to mitigate risks of loss to the government and continue to evaluate the risks associated with these arrangements. P3 arrangements that federal entities identified are related to energy savings, broadband network and communication projects, and housing and building rehabilitation projects. While many of the government's relationships may be referred to as a P3, only those meeting the disclosure requirements outlined in SFFAS No. 49 are disclosed.

FirstNet was created to develop, deploy, and enhance wireless broadband communications for first responders; to give 21st century communication tools to help save lives; and to keep U.S. communities and responders safe. This network must be designed to be reliable, functional, safe, and secure, and to provide optimal levels of operational capability at all times. The NPSBN 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. FirstNet oversees and monitors the contract with AT&T to ensure it delivers on the requirements associated with deploying, operating, and maintaining the NPSBN through various mechanisms, including subscriber adoption targets, successful milestone completion, disincentives, and other mechanisms outlined in the contract. 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.

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 serve as the project's managing members and have assumed responsibility for operation, maintenance, sustainment, demolition, and recapitalization of the housing during the lease term. By engaging MHPI agreements, DOD benefits through use of private sector expertise and funding to improve the quality of installation housing in the U.S. much faster than the DOD could have done through traditional military construction and ongoing operation and maintenance funding. Private sector developers 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 main role of the DOD is to monitor the MHPI projects to ensure adherence to the terms of the project documents, such as following legal and regulatory requirements, and ensuring project financial performance can sustain quality housing over the life of the ground lease. The DOD may provide contributions to the MHPI project LLC or LP through: 1) Investments, refer to Note 8—Investments for more information; 2) Direct Loans; 3) Loan Guarantees; and 4) Differential Lease Payments.

The consolidated amounts the government received and paid in FY 2024 were \$0.7 billion and \$5.8 billion, respectively. The estimated amounts to be received and paid in the aggregate over the expected life of the P3s is \$21.7 billion and \$20.8 billion, respectively. Please refer to the financial statements of DOC, DOD, and GSA for additional information.

Note 29. Subsequent Events

Statutory Debt Limit

As of September 30, 2024, debt subject to the statutory debt limit was \$35,354.9 billion. However, per the FRA (P.L. 118-5), the statutory debt limit was temporarily suspended through January 1, 2025. Effective January 2, 2025, the statutory debt limit was set at \$36,104.0 billion. On December 27, 2024, the Secretary of the Treasury notified the Congress that the statutory debt limit is expected to be reached between January 14, 2025, and January 23, 2025, at which time it will be necessary for Treasury to start taking extraordinary measures to prevent the U.S. government from defaulting on its obligations. Please refer to Note 12—Federal Debt and Interest Payable for additional information.

Social Security Fairness Act of 2023

The SOSI, SCSIA, and the SLTFP do not reflect legislation enacted subsequent to September 30, the end of the fiscal year. In January 2025, the *Social Security Fairness Act of 2023* was signed into law. This law repeals the Windfall Elimination Provision and the Government Pension Offset, both of which can reduce Social Security benefits when someone receives a pension based on work that was not covered by Social Security. The *Social Security Fairness Act of 2023* is effective with respect to benefits payable for months after December 2023. The effect of this law on the SOSI, SCSIA, and the SLTFP is not currently reasonably estimable given the timing of the law's enactment, but the effect may be material and will be incorporated into the FY 2025 financial statements.