



Reporting on Long-Term Fiscal Sustainability in the U.S.

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IPSASB - Reporting on the Long-Term Sustainability of an Entity's Finances

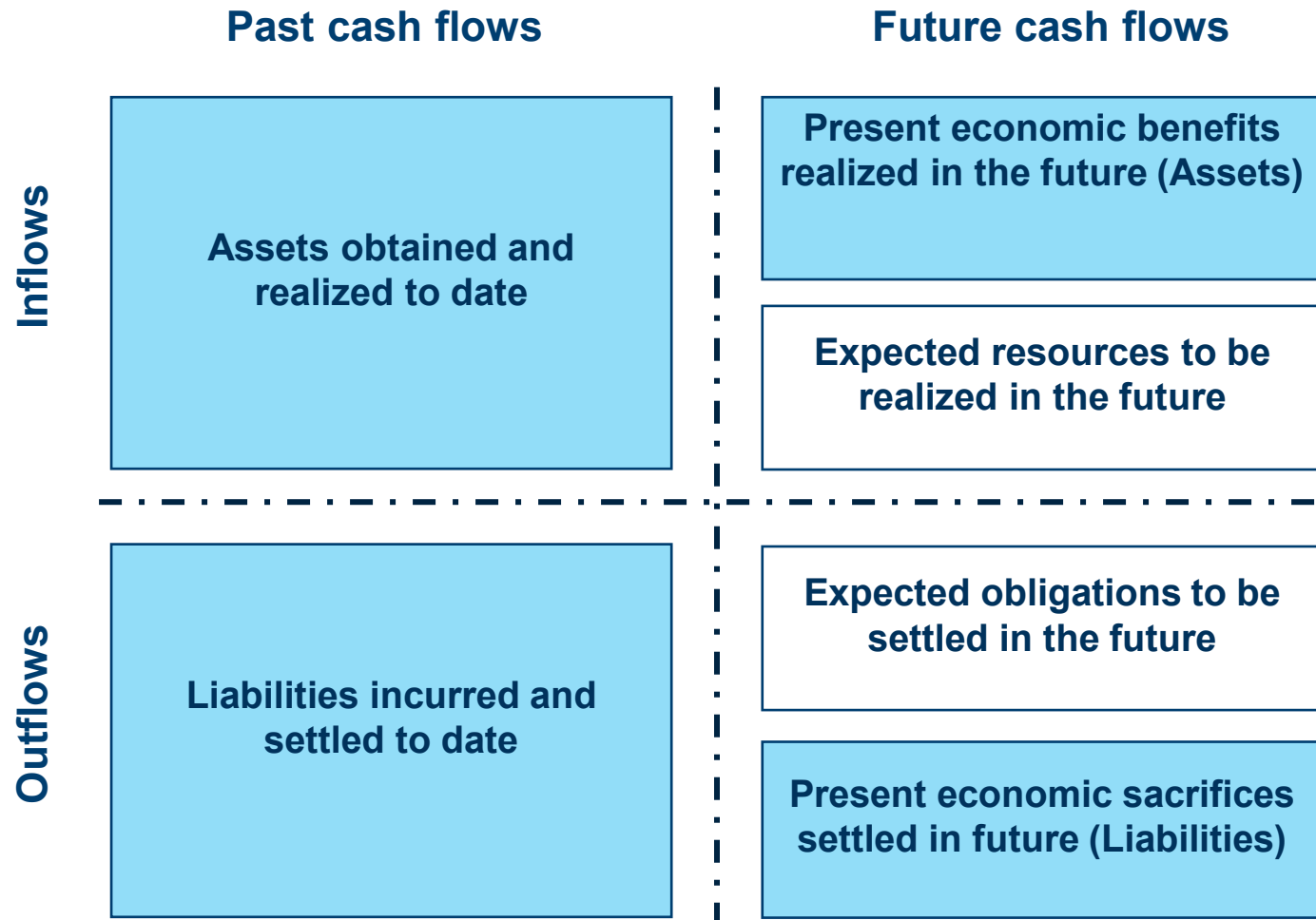
Objective

- Provide indication of projected sustainability of entity's finances over specified time horizon in accordance with stated assumptions.

Status and Scope

- Recommended Practice Guideline (RPG1)
- Includes entity's future cash flows across all areas

LTFS: Linkages to financial accounts





Statement of Long-Term Fiscal Projections for the U.S. Government

- **Federal Accounting Standards Advisory Board (SFFAS 36)**
 - Present value of projected receipts and non-interest spending (75 year horizon)
 - Assuming current policy without change
 - In dollars and as a % of GDP (gross domestic product)
 - Net changes in the projections from period to period
- **To be audited beginning in fiscal year 2015 (unaudited for 2010-2014)**



Key Disclosures

- Fiscal gap - the change in non-interest spending and/or receipts that would be necessary to maintain public debt at or below a target percentage of gross domestic product (GDP)
- Significant assumptions underlying the projections
- Significant reasons for changes in the projections from period to period
- Significant departures from current law
- Limitations on long-term fiscal projections



Key Required Supplemental Information (unaudited)

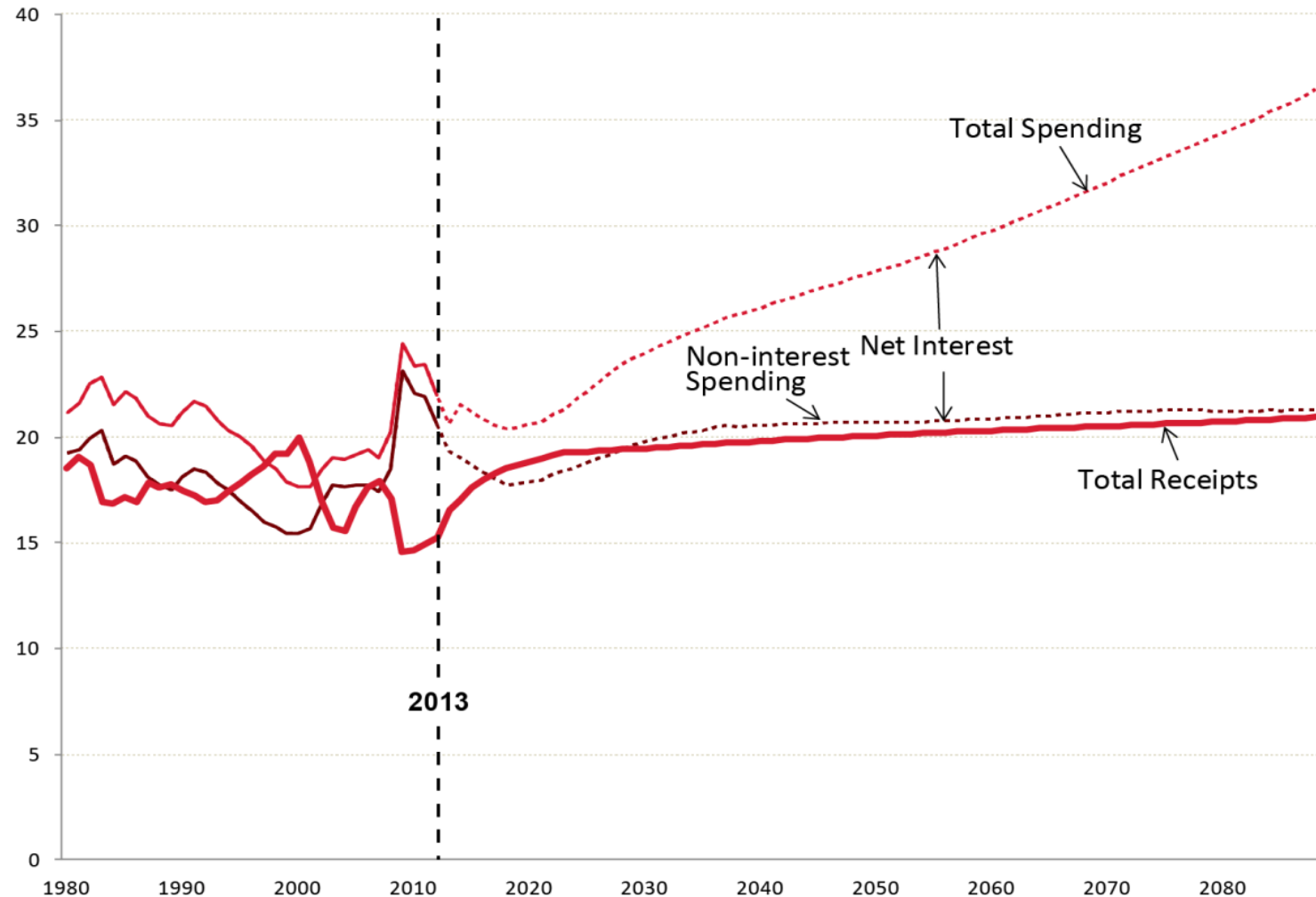
- Historical and projected trends in:
 - Receipts and spending
 - Treasury debt held by the public as a % of GDP
- Factors expected to significantly impact the projections
- Results using alternative scenarios
- Likely impact of delaying corrective action when a fiscal gap exists (“cost of delay”)

2013 Long-Term Projections of Federal Receipts and Non-Interest Spending (75 years) - Unaudited

	<u>\$ Trillions (PV)</u>	<u>% of GDP (PV)</u>
Receipts:		
Social Security Payroll Taxes	46.1	4.2
Medicare Payroll Taxes	15.4	1.4
Individual Income Taxes	113.2	10.4
Other Receipts	41.5	3.8
Total Receipts	216.2	19.8
Non-interest Spending:		
Social Security	62.4	5.7
Medicare Part A	23.5	2.2
Medicare Parts B&D	24.4	2.2
Medicaid	25.2	2.3
Defense Discretionary	23.1	2.1
Non-defense Discretionary	27.4	2.5
Other Mandatory	34.0	3.1
Total Non-interest Spending	220.2	20.2
Non-interest Spending less Receipts	4.0	0.4

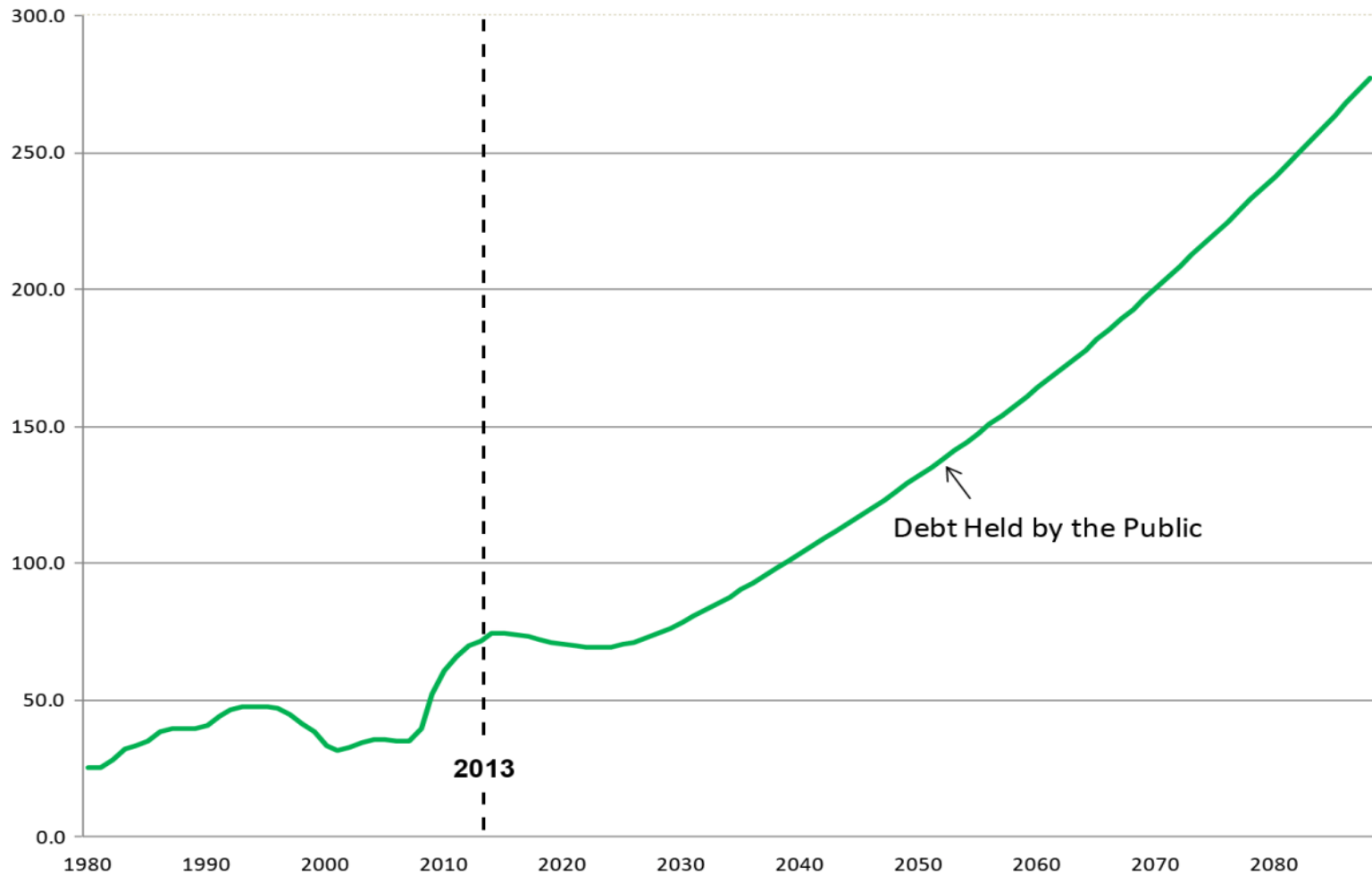
Historical and Projected Receipts

Total Receipts and Non-interest, Interest, and Total Spending as a Percent of GDP



Historical and Projected Debt Held by the Public

Debt Held by the Public as a Percent of GDP



Costs of Delaying Fiscal Reform on Fiscal Gap

<u>Period of Delay</u>	<u>Change in Average Primary Surplus</u>
No Delay (Reform in 2014)	1.7 percent of GDP - 2014-2088
10 Years (Reform in 2024)	2.1 percent of GDP - 2024-2088
20 Years (Reform in 2034)	2.6 percent of GDP - 2034-2088

Sensitivity of Key Assumptions

	<u>% of GDP</u>	<u>Change in % of GDP from base of 1.7%</u>
2013 Fiscal Gap - Change in primary surplus needed to maintain current debt/GDP	1.7	

Sensitivity of Key Assumptions on Fiscal Gap

Per Capita Health Care Cost Growth (base-weighted average growth at GDP plus 0.2%)

1% point higher	4.7	3.0
2% points higher	7.6	5.9

Interest Rate (base-5.5%)

0.5% higher	2.0	0.3
1.0% higher	2.2	0.5
0.5% lower	1.4	(0.3)

Note: 1% of the PV of GDP (75 years)= \$10.9 trillion

Sensitivity of Key Assumptions

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Sensitivity of Key Assumptions on Fiscal Gap		
<u>Discretionary Spending (base-budget caps through 2021; 4.5 % of GDP thereafter)</u>		
growth with inflation and population	0.3	(1.4)
growth with GDP at pre-budget cap levels	2.0	0.3
<u>Changes in Individual Income Revenue Growth (base-0.1% of wages and salaries per year)</u>		
0.2% of wages and salaries per year	0.7	(1.0)
0.0% of wages and salaries per year (no real bracket creep)	2.7	1.0

Note: 1% of the PV of GDP (75 years)= \$10.9 trillion



Questions?