

GAO Highlights

Highlights of [GAO-19-353](#), a report to congressional requesters

Why GAO Did This Study

The federal government conducts many activities that protect parties from the effects of adverse events—for instance, by providing flood insurance, guaranteeing mortgage loans, or making payments to beneficiaries of deceased military personnel. Identifying these activities and understanding the fiscal exposures they create can be a challenge, making it difficult for Congress to oversee them through the budget and appropriation processes.

GAO was asked to update information on federal insurance activities it created in 2005 ([GAO-05-265R](#)) and identify opportunities for improving budgeting for such activities. This report (1) identifies and provides cost- and exposure-related information on federal activities that transfer risk or losses to the government, and (2) illustrates challenges GAO identified in past reports with measuring and reporting fiscal exposures in budget documents. GAO primarily reviewed government-wide financial and budget data, the Catalog of Federal Domestic Assistance, and the U.S. Code. GAO also drew on previous work, conducted interviews with the Office of Management and Budget, Department of the Treasury, and other agencies, and reviewed agency financial and budget documents.

What GAO Recommends

This analysis provides additional support for GAO's 2007 recommendation that Congress consider improving recognition of fiscal exposures in budget documents such as by expanding use of information on expected future spending arising from present-day commitments.

View [GAO-19-353](#). For more information, contact Alicia Puente Cackley at (202) 512-8678 or cackleya@gao.gov.

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FISCAL EXPOSURES

Federal Insurance and Other Activities That Transfer Risk or Losses to the Government

What GAO Found

Through analysis of sources containing government-wide information on federal activities, GAO identified 148 federal insurance and other activities that transfer risk or losses from adverse events to the government (see fig.). Unlike private insurance, the activities do not necessarily have a contract or charge premiums or fees in exchange for assuming risk. Even when premiums or fees exist they may not cover all costs, as federal expenditures can be driven by policy goals or agency missions rather than the aim of fiscal solvency. GAO generally was able to provide financial or budget information for the activities.

Federal Programs or Activities That Transfer Risk or Losses to the Government, as of September 30, 2017

Category	Number of activities
Federal insurance programs	5
Federal loan guarantee programs	33
Senior preferred stock purchase agreements with Fannie Mae and Freddie Mac	2
Certain large federal employee and veteran benefits ^a	13
Other activities that (1) provide property damage or financial loss compensation, or (2) offer life, health, or disability benefits to nonfederal employees.	95
Total	148

Source: GAO. | GAO-19-353

Note: GAO's results are based solely on the criteria GAO developed for this report and the sources and methodology it used. Other criteria, sources, or methodologies might yield lists that differ from GAO's in number and composition of activities.

^aGAO identified 13 Treasury accounts that accounted for 99 percent of all federal employee and veterans benefits liabilities to the federal government as of September 30, 2017. These include accounts that fund retirement benefits, disability insurance, health insurance, and life insurance programs for civilian and military employees.

The government's primarily cash-based budget generally does not record the full cost of commitments incurred until corresponding payments are made in the future. Therefore, the budget may not accurately reflect federal costs or the likely claim on federal resources for such activities. For some claims, such as pension and life insurance, the federal commitment occurs years before payments are reflected in the budget. Additionally, payments the government may be expected to make based on policies or past practices (but is not legally required to make) may not be evident in the budget. For example, the Commercial Space Launch Insurance Program created a potential liability to the government of up to \$3.1 billion per licensed space launch in 2017 but never has been included in the budget. GAO previously recommended ([GAO-08-206](#), and reiterated in [GAO-14-28](#)) that Congress consider expanding the use of accrual-based information in the budget documents submitted to Congress. However, this recommendation has not been implemented. Accrual measurement would provide enhanced control over future spending by recognizing long-term costs when decisions are made.