



March 2019

FISCAL EXPOSURES

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

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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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.

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Abbreviations

AIDS	acquired immune deficiency syndrome
CFDA	Catalog of Federal Domestic Assistance
DIF	Deposit Insurance Fund
enterprises	government-sponsored enterprises
FASAB	Federal Accounting Standards Advisory Board
FDIC	Federal Deposit Insurance Corporation
FEGLI	Federal Employees' Group Life Insurance
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
Financial Report	Financial Report of the United States Government
GTAS	Government-wide Treasury Account Symbol Adjusted Trial Balance System
HIV	human immunodeficiency virus
MMI	Mutual Mortgage Insurance Fund
NCUA	National Credit Union Administration
NFIP	National Flood Insurance Program
OASDI	Old-Age Survivors and Disability Insurance
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBGC	Pension Benefit Guaranty Corporation
President's Budget	Budget of the United States Government
RMA	Risk Management Agency
SOSI	Statement of Social Insurance
SFFAS	Statement of Federal Financial Accounting Standards
Treasury	Department of the Treasury
U.S. Code	Code of Laws of the United States

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March 27, 2019

The Honorable Jerry Moran
Chairman
Subcommittee on Manufacturing, Trade, and Consumer Protection
Committee on Commerce, Science, and Transportation
United States Senate

The Honorable Ben Sasse
United States Senate

The federal government administers many activities that protect a range of parties from the effects of various adverse events—including providing insurance, guaranteeing loans, compensating victims for losses in catastrophic events, and sharing insured losses from terrorist attacks. Providing oversight for such activities and their administration can be a challenge for Congress, in part because the amount of exposure created by these activities may be uncertain.

In 2005, we created a catalog of federal insurance activities based on criteria we identified for that report.¹ You asked us to update the 2005 catalog and continue to identify opportunities for improving budgeting for federal insurance activities. In this report, we (1) identify federal insurance and other activities that transfer risk or losses to the federal government and, where possible, identify cost- and exposure-related information on these activities; and (2) use selected activities in this catalog to illustrate some of the challenges we identified in past reports with measuring and reporting fiscal exposures in budget documents.

To identify federal insurance and other activities that transfer risk or losses to the federal government, we used the following sources of consolidated government-wide information: (1) the Financial Report of the United States Government (Financial Report) and underlying data from

¹GAO, *Catalogue of Federal Insurance Activities*, [GAO-05-265R](#) (Washington, D.C.: Mar. 4, 2005). We used the following criteria: (1) The federal government must accept the risk of financial loss in providing protection against specific types of losses, events, or conditions whose timing, magnitude, or duration, are uncertain or unknown; and (2) by accepting this insurance risk, the federal government must be obligated to pay compensation or provide benefits if the losses, events, or conditions occur. In addition, we verified that the activities we cataloged as federal insurance also were recognized lines of insurance in the private sector.

the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS); (2) the Budget of the United States Government (President's Budget); (3) the Catalog of Federal Domestic Assistance (CFDA); and (4) the Code of Laws of the United States (U.S. Code).² We revised the criteria of our 2005 report, in part by using definitions of federal insurance from the Federal Accounting Standards Advisory Board (FASAB), to arrive at the following two criteria against which to assess activities: (1) a risk of financial loss or actual financial loss to a third party exists that stems from an adverse event; and (2) through the activity, the federal government accepts some or all of the risk of financial loss or actual financial loss from the adverse event by indemnifying, guaranteeing, or providing benefits to the affected entity or beneficiary.³ We applied the criteria to our information sources to compile our catalog of federal insurance and other activities that transfer risk or losses to the government. We also crosschecked our lists of federal activities identified through the President's Budget or CFDA with activities identified in our 2005 report. We generally reported fiscal year 2017 financial and budget data, as available.⁴ We obtained expert opinions on our catalog from officials at the Department of the Treasury (Treasury), Office of Management and Budget (OMB), the Congressional Budget Office, and FASAB, and from key GAO staff with relevant expertise, including accountants, actuaries, and experts on budget appropriation and other federal activities. Our results are based solely on the criteria we developed for this report and the sources and methodologies we used. Other criteria, sources, or methodologies might yield lists that differ from ours in number and composition of activities. Because we used different sources, criteria, and methodologies, our results are not directly comparable to the results in our 2005 catalog.

²In this report, we use "federal activities" to refer generally to federal programs, President's Budget accounts or Treasury accounts, and federal laws. A third-party includes a state or states, territorial possession, county, city, other political subdivision, grouping, or instrumentality thereof; or any domestic profit or nonprofit corporation, institution, or individual, other than an agency of the federal government. We also include federal loan guarantee programs benefiting foreign entities. An adverse event may be a single occurrence or a series of events that cause losses to the third party.

³FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

⁴At the time of our review, most data sources only were available as of September 30, 2017.

To describe selected activities that illustrate some of the challenges in measuring and reporting fiscal exposures in budget documents, we drew on our previous work on fiscal exposures, the federal budget, and accrual budgeting.⁵ We reviewed our past findings, recommendations, and matters for congressional consideration to identify key challenges relevant to insurance and other activities. We selected six activities that illustrate these challenges from activities we identified for this report. We reviewed the Financial Report and the President’s Budget for information and financial measures on these activities, and for one of the activities (the Disaster Relief Fund) we reviewed the appropriation and supplemental appropriation laws. We also analyzed the agencies’ financial and budget documents for the six activities and interviewed agency officials. For more information on our scope and methodologies, see appendix I.

We conducted this performance audit from October 2017 to March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Private-Sector Insurance Policies

In a 2006 report, we stated that there was no generally agreed-upon definition of insurance and most definitions in the private sector differed because they were developed for specific purposes or had changed over

⁵GAO, *Budget Issues: Budgeting for Federal Insurance Programs*, [GAO/AIMD-97-16](#) (Washington, D.C.: Sept. 30, 1997); *Accrual Budgeting: Experiences of Other Nations and Implications for the United States*, [GAO/AIMD-00-57](#) (Washington, D.C.: Feb. 18, 2000); *Fiscal Exposures: Improving the Budgetary Focus on Long-Term Costs and Uncertainties*, [GAO-03-213](#) (Washington, D.C.: Jan. 24, 2003); *Budget Issues: Accrual Budgeting Useful in Certain Areas but Does Not Provide Sufficient Information for Reporting on Our Nation’s Longer-Term Fiscal Challenge*, [GAO-08-206](#) (Washington, D.C.: Dec. 20, 2007); and *Fiscal Exposures: Improving Cost Recognition in the Federal Budget*, [GAO-14-28](#) (Washington, D.C.: Oct. 29, 2013).

time.⁶ However, the definitions share key elements of risk transfer and risk spreading, and include other elements such as

- indemnification, which is payment for losses actually incurred;
- the ability to make reasonable estimates of future losses;
- the ability to express losses in definite monetary amounts; and
- the possibility of adverse, random events occurring outside the control of the insured.

The Financial Accounting Standards Board establishes generally accepted accounting principles for private-sector entities. The Board defines an insurance contract as “a contract under which one party (the issuing entity) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder or its designated beneficiary if a specified uncertain future event (the insured event) adversely affects the policyholder.” Generally, private insurers offer several types of insurance products for individuals, families, or businesses, including health, disability, life, annuity, and property and casualty insurance products. Per the terms of the contracts, insurers generally offer coverage for losses from specified events in exchange for premium payments. Private insurers spread risk over a large enough group of insured parties to reasonably predict total losses, then set risk-based premium rates to make a profit and cover costs, including claim payments for covered losses, administrative expenses, and other expenses associated with selling and servicing policies.

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

Similarly, there is no generally agreed-upon definition of insurance as it relates to federal activities. FASAB, which establishes generally accepted accounting principles for federal entities, provides a definition for financial reporting purposes. FASAB defines an insurance program as “a general term used to refer to a program that is authorized by law to financially compensate a designated population of beneficiaries by accepting all or

⁶GAO, *Definitions of Insurance and Related Information*, [GAO-06-424R](#) (Washington, D.C.: Feb. 23, 2006).

part of the risk for losses incurred as a result of an adverse event.”⁷ In addition to activities that may fall under the FASAB definition of insurance, the federal government undertakes other activities that compensate or provide benefits to individuals or other third parties that suffer losses from an adverse event.

Unlike private insurance policies, these federal activities do not necessarily utilize a contract or charge premiums or fees in exchange for goods, services, or benefits. Even when premiums or fees exist, they may not cover all costs, as federal expenditures can be driven more by policy goals or agency missions than a desire to achieve fiscal solvency. For example, by design, premiums collected through the Federal Crop Insurance program do not cover its costs. One of the program’s goals is to help farmers manage the risks inherent in farming, such as the risk of poor crop yields and declines in prices, and it does so while subsidizing more than 60 percent of the premiums. In addition, Congress created the National Flood Insurance Program (NFIP) to address the increasing cost of federal disaster assistance by providing flood insurance to property owners in flood-prone areas, where such insurance either was not available or prohibitively expensive through the private sector. Subsidized premium rates, among other things, have precluded NFIP from achieving rates that reflect the full risk of loss, and the program has not had sufficient funds to pay claims. Similarly, the federal government uses the Disaster Relief Fund to provide disaster relief assistance without collecting premiums or other fees from the entities receiving the funds before or after an event occurs and without knowing beforehand who might receive compensation.

⁷Federal Accounting Standards Advisory Board, *Statement of Federal Financial Accounting Standards (SFFAS) 51, Insurance Programs*, FASAB Handbook, Version 17 (June 2018). This definition excludes programs that (1) administer direct loans and loan guarantees, (2) qualify as social insurance, (3) are authorized to engage in disaster relief activities, (4) provide grants, (5) provide benefits or assistance based on an individual’s or household’s income and/or assets, (6) assume the risk of loss arising from federal government operations, (7) pay claims through an administrative or judicial role for individuals or organizations who claim they have been harmed by a federal agency, (8) indemnify third parties for loss or damage incurred while or caused by work performed for a federal agency, and (9) compensate current or former employees (or survivors) and certain third parties for injuries and occupational diseases obtained while working for a federal agency. SFFAS 51 supersedes the standards in *SFFAS 5 Accounting for Liabilities of the Federal Government* relating to insurance programs, which defines federal insurance and guarantee programs as programs that provide protection to individuals or entities against specified risks. SFFAS 51 is effective for periods beginning after September 30, 2018.

Budgeting and Financial Reporting

The President's Budget and the Financial Report present complementary perspectives on the federal government's financial position and condition. As illustrated later in the report, differences in when costs are recognized for budgetary or financial reporting purposes can provide substantially different measures of cost in a given year for some federal activities, including federal insurance.⁸

First, the federal budget process serves as the primary financial plan of the federal government and thus plays a critical role in the decision-making process for all federal expenditures, including those for insurance programs and other activities that transfer risk or losses to the federal government. The President, federal agencies, and Congress use the annual budget process, in part, to plan how federal funds should be spent for federal activities and track budget approval and execution. Besides the President's proposed appropriations for a given fiscal year, the President's Budget also reports actual data for two prior fiscal years and estimated data for the prior fiscal year, such as the budget authority, unpaid obligations, and outlays (liquidated obligations).⁹ Generally, receipts are recorded when the federal government receives the cash and spending is recorded when outlays (payments) are made.¹⁰ We refer to the President's Budget as primarily "cash-based."

The Secretary of the Treasury, in coordination with the Director of OMB, prepares the annual Financial Report, which consolidates and summarizes financial information from federal agencies and departments. The Financial Report provides an overall view of the annual financial results of operations, condition, and position of the federal government. In particular, it provides the net operating cost of the federal government by

⁸Timing differences arise when a cost is accrued (and affects the accrual results) in one fiscal year but paid (and affects the budget results) in another fiscal year. According to the Financial Report, the following costs account for the largest differences between accrual and budget deficit results in fiscal year 2017: federal employee and veterans benefits payable; property, plant, and equipment; environmental and disposal liabilities; investments in government-sponsored enterprises; and insurance and guarantee program liabilities.

⁹An obligation represents a definite commitment that creates a legal liability of the government, such as when the government signs contracts for goods or services, awards a grant, or takes other actions that require the government to make payments to the public. Liability, as used here in the budgetary obligation context, differs from a liability as used in the Financial Report, which is based on generally accepted accounting principles.

¹⁰As mentioned later, exceptions include direct loans and loan guarantees.

comparing its revenues and costs. The report follows FASAB accounting standards and generally records transactions on an accrual basis—not on a cash basis—to recognize and track assets, liabilities, revenues, and expenses. That is, expenses and liabilities are recorded when they are incurred, even if payment is due at a later date, and revenues (other than taxes and other nonexchange revenues) and related assets, such as receivables, are generally recorded when amounts are earned, even if actual receipt occurred at an earlier time.¹¹

A Wide Range of Federal Activities Transfer Risk or Losses to the Federal Government

Our analysis allowed us to identify 148 federal activities that transfer risk or losses from adverse events to the government (see table 1). We broadly categorize the federal activities that met our criteria as follows: federal insurance programs; federal loan guarantee programs; senior preferred stock purchase agreements with two government-sponsored enterprises (enterprises), Fannie Mae and Freddie Mac; federal employee and veterans benefits (excluding education benefits and burial benefits); and other activities, such as those that provide property damage or financial loss compensation and those that offer life, health, or disability benefits to nonfederal employees.¹² We generally only provide cost and exposure information for activities as available in the Financial Report and agency documents. See appendix I for more information on our scope and methodology.

¹¹Nonexchange revenues arise primarily from exercise of the federal government's power to demand payments from the public (such as taxes, duties, fines, and penalties) but also include donations.

¹²Social insurance programs—Social Security, Medicare (Parts A, B, and D), Railroad Retirement, and Black Lung—also transfer risk to the federal government and thus meet our criteria. Future social insurance benefit payments that are not due and payable are not recognized as liabilities to the federal government in the Financial Report. The Statement of Social Insurance in the Financial Report contains forward-looking projections, including economic and demographic assumptions, that are intended to help citizens understand the long-term sustainability of these programs and the fiscal exposures they present. See appendix VI for more information.

Table 1: Federal Programs or Activities That Transfer Risk or Losses to the Government, as of September 30, 2017

Category	Number of activities identified
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 veterans 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: Our results are based solely on the criteria we developed for this report and the sources and methodology it used. Other criteria, sources, or methodologies might yield lists that differ from ours in number and composition of activities.

^aWe 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 included accounts funding retirement benefits, disability insurance, health insurance, and life insurance programs for civilian and military employees.

Federal Insurance Programs

Through our analysis of the Financial Report, we identified five federal insurance programs. While there is no universally accepted definition of what constitutes a federal insurance program, federal agencies have reported insurance and guarantee liabilities and related note disclosures in the Financial Report for the following programs: Department of Agriculture, Risk Management Agency’s (RMA) Federal Crop Insurance Program; Department of Homeland Security, Federal Emergency Management Agency’s (FEMA) National Flood Insurance Program (NFIP); Pension Benefit Guaranty Corporation’s (PBGC) single-employer and multiemployer pension insurance programs; Federal Deposit Insurance Corporation’s (FDIC) deposit insurance program; and National Credit Union Administration’s (NCUA) share insurance program.¹³ See table 2 for descriptions of the programs as well as related funding and cost or exposure information.

¹³We included a program in our list of federal insurance programs if liabilities for the program were reported as insurance and guarantee program liabilities (and related note disclosure) in the Financial Report in any fiscal year during 2014–2017. Other information on insurance programs may be disclosed in other notes to the financial statements in the Financial Report. For example, some insurance programs (such as Treasury’s Terrorism Risk Insurance Program, which did not have reported liabilities but may require future use of financial resources) are disclosed in a note related to potential future commitments. Also, insurance information is included in a note related to contingencies, to the extent it is reasonably possible future resources will be required in excess of the recorded liability.

Table 2: Description of and Funding Information on Five Federal Insurance Programs

Program description	Primary nonfederal sources of funds, role of federal government in funding	Selected cost or exposure information
<p>The Federal Crop Insurance Program helps farmers manage the risks inherent in farming by allowing them to insure against losses caused by poor crop yields, declines in prices, or both. RMA partners with private insurers that sell and service policies. The federal government is the primary reinsurer for participating private insurance companies, allowing private insurers and the government to share in the risk of loss and opportunity for gain associated with the policies. The program is administered by the Department of Agriculture’s Risk Management Agency (RMA).</p>	<ul style="list-style-type: none"> • Premiums from farmers are subsidized by law. The program pays for an average of about 63 percent of premiums and farmers pay the remaining 37 percent. • The program receives a permanent indefinite appropriation each fiscal year for premium subsidy and other expenses, (including the government’s share of underwriting losses or gains), and RMA returns unobligated balances to the U.S. Treasury at the end of the fiscal year. 	<ul style="list-style-type: none"> • According to RMA, the net cost of operations for the program was \$5.5 billion in fiscal year 2018. • In April 2018, the Congressional Budget Office projected that total costs for the federal crop insurance would average about \$7.9 billion per year in 2018–2028. • As of September 30, 2018, RMA had \$5.2 billion in assets and \$12.5 billion in liabilities, for a net position (assets minus liabilities) of negative \$7.3 billion.
<p>The National Flood Insurance Program (NFIP) makes federally backed flood insurance available to, among others, residential property owners and businesses. Under NFIP, the government assumes the liability for the insurance coverage and sets rates and coverage limitations, while the private insurance industry sells the policies and administers the claims. The program is administered by the Department of Homeland Security’s Federal Emergency Management Agency (FEMA).</p>	<ul style="list-style-type: none"> • NFIP generally is expected to cover its claim payments and operating expenses with the premiums it collects. • NFIP has authority to borrow up to \$30.425 billion from the U.S. Treasury. 	<ul style="list-style-type: none"> • After Congress cancelled \$16 billion of NFIP debt, the program had \$20.5 billion of outstanding debt to the U.S. Treasury as of September 30, 2018. According to FEMA, the program as currently designed is unlikely to be able to repay this debt. • NFIP has a net loss. From October 1, 2017 through September 30, 2018, NFIP’s total expenses were more than \$12 billion, which was more than twice its total revenue of \$5.6 billion. • As of September 30, 2018, NFIP had \$7.6 billion in assets and \$24.9 billion in liabilities, for a net position of negative \$17.3 billion. • FEMA estimates it will not be able to cover potential future losses. It estimates an annual probable maximum loss (or the estimated maximum amount of claims from a low probability super-catastrophic event) of about \$40 billion.

Program description	Primary nonfederal sources of funds, role of federal government in funding	Selected cost or exposure information
<p>The Pension Benefit Guaranty Corporation (PBGC) pension insurance programs insure the pension benefits of participants in and beneficiaries of private-sector defined benefit plans. The single employer program covers defined benefit pension plans that generally are sponsored by one employer. The multiemployer program insures plans that are arranged through collective bargaining between labor unions and employers, with two or more employers participating in a plan.</p>	<ul style="list-style-type: none"> • PBGC generally is expected to cover its claim payments and operating expenses with the premiums it collects and other nonfederal sources (underfunded pension plan assets, investment income, and statutory liability amounts paid by employers). Premium rates are statutorily set. • PBGC does not receive taxpayer funds and does not have authority to borrow funds from the U.S. Treasury. 	<ul style="list-style-type: none"> • As of September 30, 2018, PBGC programs had been able to pay all guaranteed benefits and financial assistance. • The single-employer program net position was \$2.4 billion at end of fiscal year 2018. PBGC projects a net position of \$20.1 billion by the end of fiscal year 2027 (but with a significant degree of uncertainty around this estimate). • The multiemployer program net position was about negative \$53.9 billion at the end of fiscal year 2018. PBGC projects a very high likelihood of insolvency for this program within several years if there are no changes in law. The net position for the multiemployer program is projected to be negative \$68.9 billion by the end of fiscal year 2027 (but with a significant degree of uncertainty around this estimate).
<p>The Federal Deposit Insurance Corporation's (FDIC) deposit insurance program insures deposits of banks and savings associations up to the statutory limit of \$250,000. FDIC administers the program through its management of the Deposit Insurance Fund (DIF).</p>	<ul style="list-style-type: none"> • DIF is funded mainly through risk-adjusted assessments on insured depository institutions. • FDIC can borrow up to \$100 billion from the U.S. Treasury and is authorized to issue and sell up to \$100 billion in obligations to the Federal Financing Bank.^a Obligations of FDIC are backed by the full faith and credit of the U.S. government. 	<ul style="list-style-type: none"> • As of September 30, 2018, DIF had no outstanding debt with the U.S. Treasury. • By law, DIF's reserve ratio (fund balance as a percent of estimated insured deposits) must be 1.35 percent or more, and the fund must achieve this minimum reserve ratio by September 30, 2020. FDIC also set a target ratio, called the designated reserve ratio, at 2.0 percent, a level that the agency projects will improve its ability to maintain a stable insurance assessment rate and sustain a positive DIF balance even during a serious economic downturn. As of September 30, 2018, the DIF reserve ratio was 1.36 percent.

Program description	Primary nonfederal sources of funds, role of federal government in funding	Selected cost or exposure information
<p>The National Credit Union Administration's (NCUA) deposit insurance program insures deposits of NCUA member accounts at federal credit unions and certain state-chartered credit unions. The program is managed through the Share Insurance Fund.</p>	<ul style="list-style-type: none"> The Share Insurance Fund is primarily funded by an investment (equal to 1 percent of insured shares) that all federally insured credit unions keep on deposit in the fund and the investment earnings from these deposits. The Share Insurance Fund can borrow up to \$6.0 billion from the U.S. Treasury and also has the ability to borrow from NCUA's Central Liquidity Facility up to the amount of the facility's unused borrowing authority.^b The Share Insurance Fund is backed by the full faith and credit of the U.S. government. 	<ul style="list-style-type: none"> As of December 31, 2018, the Share Insurance Fund aggregate ability to borrow funds from the U.S. Treasury was \$12.6 billion, including \$6.6 billion in Central Liquidity Facility borrowing authority. The fund had no outstanding debt with the U.S. Treasury. By law, the Share Insurance Fund's equity ratio—fund balance as a percent of insured shares—cannot decline below 1.20 percent and may not exceed 1.50 percent. In December 2018, NCUA set a target ratio, called the normal operating level, at 1.38 percent, a level that NCUA has stated improves the chances the fund can withstand a moderate recession without the equity ratio declining below the statutory minimum of 1.20 percent over a 5-year period. As of December 31, 2017, the equity ratio was 1.46 percent.

Source: GAO analysis of agency documents and reports by the Congressional Budget Office and GAO. | GAO-19-353

^aThe Federal Financing Bank is a government corporation created by Congress and under the general supervision and direction of the Secretary of the Treasury. FDIC can sell obligations of the DIF to the bank under the Federal Financing Bank Act of 1973, which authorizes the bank to purchase obligations issued, sold or guaranteed by a federal agency.

^bNCUA's Central Liquidity Facility lends funds to credit unions experiencing unusual or unexpected liquidity shortfalls. Membership in the facility is open to all credit unions that purchase a prescribed amount of capital stock. The facility is authorized by statute to borrow, from any source, an amount not to exceed 12 times its subscribed capital stock and surplus. As of December 31, 2017, the facility's statutory borrowing authority was \$6.6 billion, and its borrowing arrangement was exclusively with the Federal Financing Bank.

All five federal insurance programs collect premiums, assessments, or fees, but the programs differ in the extent to which they are designed to fund their liabilities using only these sources of income.

- Federal crop insurance premiums are subsidized by the federal government by law. In addition, RMA automatically receives a permanent indefinite appropriation each fiscal year for this premium

subsidy and other expenses, and it returns unobligated balances to the U.S. Treasury at the end of the fiscal year.¹⁴

- The other programs are generally intended to use premiums or assessments collected and other nonfederal assets and income to pay claims or guarantees.

The programs also differ in their authority to borrow funds from the U.S. Treasury to pay claims and other expenses, as well as their use of such authority.

- As of September 30, 2018, NFIP had about \$20.5 billion of outstanding debt with the U.S. Treasury (after Congress granted \$16 billion in debt cancellation to NFIP in October 2017). Before 2004, NFIP was able to cover most of its claims and repay occasional loans from the U.S. Treasury with premiums it collected, but it has not been able to do so since, partly due to extraordinary catastrophic loss years resulting from Hurricane Katrina and Superstorm Sandy. According to FEMA, the program as currently designed is unlikely to be able to repay this debt.
- PBGC is expected to fund itself entirely through premiums, other nonfederal assets and income (such as investment income), and assets from underfunded, terminated single-employer plans it takes over, as it currently does not receive taxpayer funds and does not have authority to borrow funds from the U.S. Treasury.
- The balance in FDIC's deposit insurance fund (DIF) fell to negative \$20.9 billion as a result of bank failures triggered by the 2007–2009 financial crisis. As required by law, FDIC implemented a plan to replenish the DIF and raise the reserve ratio to its designated minimum in the time limits prescribed by the Federal Deposit

¹⁴A permanent appropriation is a “standing” appropriation which, once made, is always available for specified purposes and does not require repeated action by Congress to authorize its use. An indefinite appropriation is an appropriation of an unspecified amount of money. An indefinite appropriation may appropriate all or part of the receipts from certain sources, the specific amount of which is determinable only at some future date, or it may appropriate “such sums as may be necessary” for a given purpose.

Insurance Act.¹⁵ Pursuant to the plan, FDIC raised assessment rates and imposed a one-time special assessment to recapitalize the DIF. To meet the projected liquidity needs for failures of FDIC-insured depository institutions during the financial crisis, FDIC required the banking industry to prepay its quarterly risk-based assessments for the fourth quarter of 2009 and for the following 3 years. FDIC did not use its authority to borrow funds from the U.S. Treasury. On the other hand, NCUA's Share Insurance Fund borrowed funds from the U.S. Treasury during the 2007–2009 financial crisis but has since repaid the loans.

Lastly, the programs also differ in their expected ability to cover future losses.

- RMA receives a permanent indefinite appropriation each fiscal year to pay for its commitments, so certainty exists that the program will be able to pay future losses using such appropriations.
- According to FEMA, as currently designed, NFIP likely will not have enough funds to cover all future program expected losses. NFIP also would not have enough funds to cover a single super-catastrophic year, in which NFIP could experience as much as \$40 billion in claims, according to FEMA.¹⁶
- While PBGC programs have been able to pay all guaranteed benefits and financial assistance to date, PBGC forecasts a very high likelihood of insolvency for the multiemployer program in the next several years if there are no changes in law.
- DIF's ability to pay future claims depends on whether the fund has sufficient assets. Congress sets a minimum ratio of assets to insured deposits for the DIF (called the reserve ratio), which by statute must

¹⁵See 12 U.S.C. § 1817(b)(3)(E). FDIC established a restoration plan for DIF in October 2008, and subsequently updated the plan in light of extraordinary circumstances and changes in the law governing management of the DIF. See Federal Deposit Insurance Corporation Restoration Plan, 73 Fed. Reg. 61598 (Oct. 16, 2008); Federal Deposit Insurance Corporation Amended Restoration Plan, 74 Fed. Reg. 9564 (Mar. 4, 2009); Federal Deposit Insurance Corporation Amended Restoration Plan, 74 Fed. Reg. 51062 (Oct. 2, 2009); and Adoption of Federal Deposit Insurance Restoration Plan, 75 Fed. Reg. 66293 (Oct. 27, 2010).

¹⁶FEMA estimates the probable maximum annual loss that NFIP could experience in a year. This represents the estimated maximum amount of claims from a super-catastrophic, low-probability event, commonly expressed as the "one in a thousand year event." It is what the threshold of loss would be with 0.1 percent annual chance of exceeding the threshold, per FEMA's models and calculations.

be at least 1.35 percent by September 30, 2020. In addition, FDIC sets a target ratio (called the designated reserve ratio), currently set at 2 percent. FDIC views the designated reserve ratio as a minimum goal that will allow the fund to grow sufficiently large in good times to increase the likelihood of the fund remaining positive during bad times. DIF's reserve ratio was 1.36 percent as of September 30, 2018. To comply with the statutory requirement that large banks—those with total assets of \$10 billion or more—bear the responsibility of increasing the DIF reserve ratio from 1.15 percent to 1.35 percent, FDIC imposed a quarterly surcharge on large banks. According to FDIC officials, the surcharge began in the third quarter of 2016, the quarter after the reserve ratio first reached or exceeded 1.15 percent, and ended in the third quarter of 2018, the quarter in which the reserve ratio first reached or exceeded 1.35 percent.

- The fund ratio for NCUA's Share Insurance Fund is called the equity ratio, and has a statutory minimum of 1.20 percent. NCUA's target equity ratio is called the normal operating level and was set at 1.38 percent by the NCUA Board of Directors on December 13, 2018. NCUA's equity ratio was 1.46 percent as of December 31, 2017, both above the statutory minimum and the normal operating level.

Federal Loan Guarantee Programs

We identified 33 federal loan guarantee programs that transfer risk or losses to the federal government (see full list in app. III).¹⁷ The federal government uses loan guarantees as tools to support specific social and public policy objectives, such as those for housing and small businesses.¹⁸ Federal loan guarantees are any guarantees, insurance, or other pledges with respect to the payment of all or a part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender. Thus, the federal guarantee transfers some or all of the risks of borrower default from private lenders to the federal government.

¹⁷We identified existing loan guarantee programs using GTAS data. Loan guarantee programs may have up to three accounts associated with them—a liquidating, financing, or program account. We did not separately list each account associated with a loan guarantee program. When more than one account existed, we aggregated liabilities for that program. For more information, see appendix III.

¹⁸The federal government also provides direct loans. Federal direct loan activities do not generally involve an adverse event that poses risk or causes losses to a third party and that triggers a federal guarantee, benefit, or indemnity. Rather, they are an extension of credit. Thus, while direct loans pose risk of loss to the federal government if the loans are not repaid, they do not fully meet our criteria and are not included in our catalog.

The Federal Credit Reform Act of 1990 requires agencies to estimate the cost to the government of guaranteeing credit in the President’s Budget, beginning in fiscal year 1992. This cost, the loan guarantee subsidy cost (referred to in this report as “subsidy cost”), equals the net present value of the following cash flows at the time a loan guarantee is disbursed by the lender: (1) the estimated payments by the government to cover defaults, delinquencies, interest subsidies, or other payments; and (2) the estimated payments to the government, including origination and other fees, penalties and recoveries.¹⁹ If the present value of estimated cash outflows exceeds cash inflows, there is a positive subsidy cost. If the present value of estimated cash inflows exceeds cash outflows, there is a negative subsidy cost, referred to as subsidy income. Every fiscal year, subsidy costs are (1) estimated for the loan guarantees obligated during that year and (2) reestimated for loan guarantees obligated in previous fiscal years to update costs for actual loan performance and to incorporate any changes in assumptions about future loan performance. If reestimates increase subsidy costs, an agency would need additional funds. If they decrease subsidy costs, an agency generally would return funds to the general fund of the Treasury. Regardless of whether credit programs are discretionary or mandatory, agencies do not need to request additional appropriations to cover upward reestimates because the Federal Credit Reform Act provides permanent indefinite budget authority for this purpose.

In addition, the loan guarantee liability in the Financial Report is the present value of estimated net cash outflows. Thus, this liability is an estimate of the exposure to the federal government because of all outstanding loan guarantees. This liability is based on all loan guarantees obligated in a given fiscal year and previous years that are outstanding as of the end of a fiscal year. It takes into account the subsidy costs of these guarantees estimated as of the time the loan was obligated and subsequent adjustments such as modifications and reestimates.

¹⁹Before fiscal year 1992, when the act took effect, the cost of loan guarantee programs was recorded in the budget on a cash basis. As a result, the budget cost associated with a loan guarantee was not recorded until a default occurred, which may have been many years after the guarantee was made. Under the Federal Credit Reform Act of 1990, the budget records the government’s estimated net long-term cost—or subsidy cost—in the year the direct loan or loan guarantee is made. In calculating the subsidy cost, cash flows from the government include default cost of loan guarantees (that is, payment of lenders’ claims upon default of the borrower). Cash flows to the government include guarantee fees and other amounts that would be collected from borrowers at a later date or the proceeds from the sales of acquired assets.

As is the case with federal insurance, federal loan guarantee liabilities are publicly reported in the Financial Report and related note disclosures. Table 3 presents some of the measures reported in the note disclosures as of September 30, 2017.

Table 3: Selected Information on Loan Guarantee Activities of the Federal Government, as of September 30, 2017 (dollars in billions)

Loan guarantees	Agency	Principal amount guaranteed by the United States	Subsidy cost (income) for the year	Loan guarantee liabilities
Federal Housing Administration loans	Department of Housing and Urban Development	\$1,277.6	\$13.0	\$20.6
Veterans housing benefit programs	Department of Veterans Affairs	\$151.9	(\$0.6)	\$10.4
Rural housing service	Department of Agriculture	\$108.3	(\$0.5)	\$0.1
Small business loans	Small Business Administration	\$99.5	(\$0.9)	\$2.6
Federal family education loans	Department of Education	\$172.7	\$1.0	\$3.7
All other		\$106.5	\$0.5	\$5.5
Total		\$1,916.5	\$12.5	\$42.9

Sources: Department of the Treasury. | GAO-19-353

The estimated subsidy cost to the government for loan guarantees, including reestimates, was \$12.5 billion during fiscal year 2017, as reported in the Financial Report. This was largely attributable to guarantees under Federal Housing Administration (FHA) loans administered by the Department of Housing and Urban Development, the largest of which is FHA's Mutual Mortgage Insurance (MMI) program. The program provides mortgage insurance to encourage lenders to make credit available to borrowers not adequately served by the conventional market, such as first-time homebuyers, minorities, and lower-income families. Similarly, federal loan guarantee liabilities were approximately \$43 billion, with FHA loan guarantees accounting for about 48 percent of all guarantee liabilities.

Senior Preferred Stock Purchase Agreements with Fannie Mae and Freddie Mac

Current senior preferred stock purchase agreements between Treasury and the enterprises, Fannie Mae and Freddie Mac, transfer risk or losses to the federal government. The enterprises purchase mortgage loans that meet certain criteria for size, features, and underwriting standards, known as “conforming” loans. After purchasing mortgages, the enterprises create mortgage-backed securities and guarantee investors in these securities that they will receive timely payments of principal and interest. In 2008, because of the enterprises’ poor financial condition, the Federal Housing Finance Agency (FHFA) placed the enterprises into conservatorship and Treasury agreed to provide capital assistance in part to ensure timely payment to investors in exchange for shares of senior preferred stock, thus transferring risk to the federal government.

Under the agreements, Treasury has committed to providing up to \$445.6 billion in capital support to the enterprises while they are in conservatorship. If Fannie Mae or Freddie Mac has a net worth deficit at the end of a financial quarter, Treasury will provide capital support to eliminate the deficit.²⁰ Under the most recent agreement, the enterprises must pay Treasury a dividend of all their quarterly positive net worth above a \$3 billion capital reserve that each enterprise is allowed to retain.²¹ As of December 31, 2018, the enterprises had paid \$292.3 billion in cumulative dividends to Treasury. Since the second quarter of 2012—with the exception of the first quarter of 2018 during which the enterprises required Treasury support due to devaluation of certain assets—Fannie

²⁰At the end of any quarter in which either Fannie Mae’s or Freddie Mac’s balance sheet reflects that total liabilities exceed total assets, the enterprises have 15 business days to request funds under the terms of the agreements. Treasury then has 60 days to provide the funds, as necessary, up to the maximum amount of the funding commitment.

²¹The enterprises previously were required to reduce their capital bases to \$0 by January 2018, but in December 2017, FHFA raised this amount to \$3 billion each to cover fluctuations in income in the normal course of each enterprise’s business. In summer 2018, FHFA issued a proposed rule to establish enterprise risk-based and minimum leverage capital requirements. If finalized, FHFA plans to keep the rule suspended while the enterprises are under conservatorship. Enterprise Capital Requirements, 83 Fed. Reg. 33312 (July 17, 2018).

Mae and Freddie Mac have not required additional support from Treasury.²²

As of August 2018, Treasury had provided the enterprises with \$191.4 billion of this amount since they were placed under conservatorship in 2008, leaving \$254.1 billion in potential taxpayer exposure should Treasury need to provide any additional support.²³ The latter represents the maximum amount of potential future federal spending under the current agreements. According to Treasury, based on their assessments, there were no probable future funding draws as of September 30, 2018, but it was reasonably possible that market volatility or non-recurring events could cause the enterprises to generate quarterly losses and, therefore, result in future funding draws against Treasury's funding commitment.

Federal Employee and Veterans Benefits

We identified 13 large federal employee and veterans benefit activities that transfer at least some of the risk or losses to the federal government (see app. IV for more information).²⁴ The federal government offers its civilian and military employees health and life insurance, defined benefit pension and other retirement benefits (such as post-retirement health insurance and life insurance), and other benefits.²⁵ Many of these benefit programs exchange current services for a guarantee of lifetime annuity payments or the continuation of health insurance coverage, inherently

²²The reduction in the U.S. corporate income tax rate resulting from the enactment of the Tax Cuts and Jobs Act on December 22, 2017, required that Fannie Mae and Freddie Mac record a reduction in the value of their deferred tax assets during the fourth quarter of 2017. FHFA submitted a request to Treasury on behalf of Fannie Mae for \$3.7 billion and Freddie Mac for \$312 million, which was subsequently paid by Treasury.

²³The enterprises dividend payments to Treasury do not offset this exposure because they do not affect the remaining funding commitment.

²⁴Using GTAS data, we identified approximately 650 different Treasury accounts from more than 110 federal agencies or institutions that contributed to the federal employee or veterans benefits liabilities as of September 30, 2017. We identified 13 accounts that contributed the largest liabilities and that together accounted for 99 percent of all federal employee and veterans benefits liabilities to the government as of September 30, 2017. See appendix IV for more information.

²⁵In the case of pension and other retirement benefits, the "adverse event" for a retiree in the absence of such coverage includes the risk of outliving one's assets, commonly referred to as longevity risk. By extending retirement pension and other post-retirement benefits to employees and retirees, the federal government assumes longevity risk and the risk that returns on invested assets will be less than expected.

transferring at least part of the risk of an adverse experience—such as people living longer than expected, or health care costs rising faster than expected—from the employees to the federal government.

For example, the following three pension activities account for more than 80 percent of all federal employee and veterans benefit liabilities: On the civilian side, the Office of Personnel Management (OPM) administers the Civil Service Retirement System and the Federal Employees Retirement System, which are the largest civilian pension plans covering nearly all full-time, permanent civilian federal employees. The Department of Defense and the Department of Veterans Affairs administer the largest military plans. The Department of Defense administers the Military Retirement System, and Veterans Affairs provides for the payment of compensation, pension, and burial benefits to veterans and survivors.

Federal employee and veterans benefit liabilities are publicly reported in the Financial Report and related note disclosures. Generally, these liabilities are recorded as employee services are rendered. Table 4 presents liabilities of the government for certain federal employee and veterans benefit activities. Such benefits include deferred compensation that generally commit the federal government to provide cash compensation and health insurance following a term of service and to accept certain risks regarding the ultimate costs of those benefits. These liabilities were approximately \$7.6 trillion as of September 30, 2017, and represented about 32 percent of all federal liabilities (which were \$23.9 trillion).²⁶

²⁶This table excludes veterans' education benefits and veterans' burial benefits because such benefits generally do not transfer risk or losses from an adverse event from beneficiaries to the government. According to the Financial Report, civilian and military federal employee and benefits payable as of September 30, 2017, were \$7.7 trillion.

Table 4: Selected Federal Employee and Veterans Benefits Payable by Type, as of September 30, 2017 (dollars in billions)

Type of benefit	Civilian	Military	Total
Pension and accrued benefits	\$2,013.8	\$1,568.0	\$3,581.8
Veterans compensation	N/A	\$2,805.1	\$2,805.1
Post-retirement health and accrued benefits	\$375.7	\$781.6	\$1,157.3
Life insurance and accrued benefits	\$53.1	\$6.9	\$60.0
Federal Employees' Compensation Act benefits ^a	\$28.9	\$8.3	\$37.2
Total	\$2,471.5	\$5,169.9	\$7,641.4

Source: Department of the Treasury. | GAO-19-353

^aThe Federal Employees' Compensation Act is the workers' compensation program for federal employees. It pays disability, survivors, and medical benefits, without fault, to employees who are injured or become ill in the course of their federal employment and to the survivors of employees killed on the job.

Other Activities That Transfer Risk or Losses to the Federal Government

An analysis of the President's Budget, the Catalog of Federal Domestic Assistance (CFDA), and the U.S. Code yielded 95 additional activities that met our criteria of transferring risks or losses from adverse events to the federal government. These activities can be broadly categorized into those that provide compensation for property or financial losses—including losses resulting from adverse environmental or manmade events—and those that offer life, health, or disability benefits to nonfederal employees. See appendix V for information on all 95 activities.

Some of these federal activities provide compensation to specific third parties if they suffer certain losses from future adverse events, but the federal government may not always charge premiums for accepting this risk of loss. For example, the Department of Agriculture's Price Loss Coverage Program provides payments to farmers of certain crops when the effective price of the commodity is less than a reference price for that commodity. Farmers can apply to receive such assistance and do not pay premiums to receive benefits.²⁷ We also found other activities in which the beneficiaries who receive government compensation for their losses are known only after an adverse event occurred. This was generally the case for activities that provide compensation for property or financial losses to

²⁷The Price Loss Coverage program and the Agriculture Risk Coverage program are part of the Department of Agriculture's farm programs authorized in Title I of the Agricultural Act of 2014. Qualifying farmers can receive benefits from either program. Participation in these programs does not preclude farmers from purchasing RMA's Federal Crop Insurance.

victims of unforeseen adverse environmental or manmade events, such as activities funded by the Disaster Relief Fund.²⁸

Lastly, we found activities that offer life, health, or disability benefits. These include federal grants to states for Medicaid, which assists states in providing medical care to generally low-income individuals, and activities that support mental health services, treatment for substance abuse, or child health insurance services. For example, the Department of Health and Human Services administers the Children's Health Insurance Program, which provides funds to states to help them maintain and expand health assistance to uninsured, low-income children and, at a state's option, low-income pregnant women.

Table 5 has information on the budget accounts we found with more than \$10 billion in total new obligations for fiscal year 2017 that funded activities that transferred risk or losses to the federal government. While obligations are a legal liability for the federal government, they may not necessarily reflect an activity's fiscal exposure if, for example, the activity has dedicated payment streams that reduce the government's fiscal exposure.²⁹

²⁸The Financial Report includes environmental and disposal liabilities (and corresponding note) that include the estimated current cost of removing, containing, treating, or disposing of radioactive waste, hazardous waste, chemical and nuclear weapons, and other environmental contaminations. Such disposal and clean-up costs are largely part of the government's own operations, such as disposal for military equipment or weapons programs or clean-up of nuclear waste from World War II and Cold War operations. Since liabilities from these activities are not necessarily triggered by an adverse event suffered by a third party, they do not as a whole meet our criteria.

²⁹For example, unemployment insurance benefits are funded primarily through state payroll taxes on employers, and administrative costs are primarily funded through a federal payroll tax on employers. The states collect taxes that will be used to pay unemployment insurance benefits, and Treasury holds these funds in the Unemployment Trust Fund on behalf of the states.

Table 5: Actual Fiscal Year 2017 Obligations for Selected Budget Accounts (dollars in billions)

Agency	Budget account	Type of benefit	Description	Total new obligations
Department of Health and Human Services	Grants to states for Medicaid	Life, health, or disability benefits	Assists states in providing medical care to their low-income populations by granting federal matching payments to states with approved plans.	\$422.05
Social Security Administration	Supplemental Security Income	Life, health, or disability benefits	Provides monthly cash benefits as a federally guaranteed minimum income for low-income individuals who are aged, blind, or disabled.	\$62.54
Department of Labor	Unemployment Trust Fund	Property damage or financial loss compensation	Finances the costs of administering unemployment insurance programs, loans made to state unemployment insurance funds, and half of extended benefits during periods of high unemployment. Unemployment insurance programs, which are structured as a partnership between the federal government and states and territories, pay benefits to covered workers who become involuntarily unemployed and meet specified eligibility requirements, such as active pursuit of work.	\$34.03
Department of Health and Human Services	Children's Health Insurance Fund	Life, health, or disability benefits	Provides funds to states to help them extend health coverage to uninsured children from low-income families.	\$15.97
Department of Homeland Security	Disaster Relief Fund	Property damage or financial loss compensation	Provides a significant portion of the total federal response to presidentially-declared major disasters and emergencies.	\$13.17

Source: GAO analysis of Office of Management and Budget documents. | GAO-19-353

We found five additional activities authorized in law that have not yet caused financial liabilities to the federal government but may do so if certain adverse events occurred. Such events include acts of terrorism, nuclear power plant incidents, or catastrophic space launch-related incidents. In all five cases, the federal government is generally authorized to help finance third-party liability claims related to the event, if needed, after private-sector insurers have paid a certain level of claims. As seen in table 6, some of these activities could require large, previously unbudgeted expenditures by the federal government if an event occurred. As of December 31, 2018, these activities had not triggered losses to the federal government.

Table 6: Information on Selected Federal Activities That Have Not Yet Caused Liabilities to the Federal Government but May Do So Following an Adverse Event, as of December 31, 2018

Federal activity	Type of benefit
<p>Department of Transportation, Commercial Space Launch Insurance Program</p> <p>Subject to congressional appropriation, makes the federal government responsible for third-party liability claims above a certain amount that arise from a catastrophic launch-related incident that results in injury or damage to people or property not involved in the launch. Launch companies purchase third-party liability insurance up to \$500 million, or the maximum amount available on the world market, whichever is higher. The federal government, subject to the availability of appropriations, provides indemnification for additional losses up to \$1.5 billion adjusted for post-1988 inflation, which was about \$3.06 billion in 2015.</p>	<p>Property damage or financial loss compensation</p>
<p>Department of the Treasury, Terrorism Risk Insurance Program</p> <p>Requires insurers to make terrorism risk coverage available within certain lines of commercial property and casualty insurance.^a To assist insurers with the potential financial exposure resulting from this required offer of terrorism risk insurance, certain insurance losses resulting from a certified act of terrorism are eligible for reimbursement through the program. The aggregate exposure of both insurers and the federal government is limited to \$100 billion during any calendar year, with insurers responsible for a minimum amount based on statutory calculation. Some amounts of government exposure are recouped based upon statutory calculation and agency discretion.</p>	<p>Property damage or financial loss compensation</p>
<p>National Aeronautics and Space Administration, Insurance for Space Vehicles</p> <p>Allows provision of liability insurance for any user of a space vehicle to compensate all or a portion of claims by third parties for death, bodily injury, or loss of or damage to property resulting from activities carried on in connection with the launch, operations, or recovery of the space vehicle. Appropriations available to the National Aeronautics and Space Administration may be used to acquire such insurance, but shall be reimbursed to the maximum extent practicable by the users.</p>	<p>Property damage or financial loss compensation</p>
<p>National Aeronautics and Space Administration, Space Launch Indemnification</p> <p>Subject to available congressional appropriations, allows the federal government to indemnify a provider of domestic space launch or reentry services to the federal government against successful claims by third parties for death, bodily injury, or loss of or damage to property resulting from launch services and reentry services carried out under contract and that the contract defines as unusually hazardous or nuclear in nature. Providers must purchase third-party liability insurance in amounts to compensate up to \$500 million or the maximum probable loss from claims, whichever is higher. The federal government may provide indemnification for losses beyond those appropriated by requesting additional appropriations.</p>	<p>Property damage or financial loss compensation</p>

Federal activity	Type of benefit
Nuclear Regulatory Commission, Nuclear Insurance Program (Price-Anderson Act)	
Generally subject to congressional appropriation, indemnifies licensees of the Nuclear Regulatory Commission to cover liability claims from members of the public for personal injury or property damage arising from nuclear incidents that exceeds the level of protection required of the licensee. The aggregate indemnity of all persons indemnified in connection with each nuclear incident cannot exceed \$500 million reduced by the amount of financial protection required that exceeds \$60,000,000. Congress may determine if additional disaster relief is necessary.	Property damage or financial loss compensation

Source: GAO analysis of the Code of Laws of the United States and Office of Management and Budget and agency documents. | GAO-19-353

Note: This table may not include all activities that have not yet caused liabilities to the federal government but may do so following an adverse event. We found the Terrorism Risk Insurance Program in the Financial Report of the United States Government and the Budget of the United States Government. However, the other programs were not included in these sources or the Catalog of Federal Domestic Assistance. GAO identified them through an analysis of search results of key words in the table of contents of the Code of Laws of the United States. Thus, activities that did not appear in the results were not analyzed.

³The Terrorism Risk Insurance Act states that the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, shall determine whether an event should be certified as an act of terrorism.

As mentioned earlier, we listed federal activities that meet the following criteria: (1) a risk of financial loss or actual financial loss to a third party exists that stems from an adverse event; and (2) through the activity, the federal government accepts some or all of the risk of financial loss or actual financial loss from the adverse event by indemnifying, guaranteeing, or providing benefits to the affected entity or beneficiary. Our categorization of such activities as federal insurance activities, federal loan guarantees, senior preferred stock purchase agreements with Fannie Mae and Freddie Mac, certain federal employee and veterans benefits, or other programs, was driven by the sources we used, in particular the Financial Report. Our results were based solely on the criteria we developed for this report and the sources and methodologies we used. Other criteria, sources, or methodologies might yield lists that differ from ours in number and composition of activities.

Expert opinions sometimes differed on which types of activities met our criteria.³⁰ We acknowledge the different opinions. In updating our 2005

³⁰For example, one expert thought we should have included federal direct loans because we included federal loan guarantees. Another expert stated that we should have excluded federal deferred compensation benefits and, if choosing to include them, questioned why we excluded federal environmental and disposal liabilities. As mentioned earlier, we obtained expert opinions on our catalog from officials at Treasury, OMB, the Congressional Budget Office, and FASAB, and from key GAO staff with relevant expertise, including accountants, actuaries, and experts on budget appropriation and other federal activities.

catalog of federal insurance activities, our efforts are aimed at providing Congress with an expanded list that helps convey the wide variety of activities that may not necessarily be considered federal insurance but share important aspects of insurance. We also intended to highlight laws that authorize the federal government to cover third-party liabilities from specific adverse events—such as terrorist attacks or nuclear accidents—and that have not yet resulted in liabilities to the federal government but could do if the events occurred. Our catalog may not be appropriate for other purposes.

Budget Cost Recognition of Certain Federal Activities That Transfer Risk or Losses to the Government Presents Challenges

In our previous work, we found challenges in relation to measuring and reporting fiscal exposures caused by certain federal activities, including federal insurance programs.³¹ We previously reported that the primarily cash-based budget may not accurately reflect the costs the government incurs and the payments the government may be expected to make for some activities that transfer risk or losses to the government. In addition, the amount of the exposure to the federal government can be hard to measure for some activities. These challenges still exist, and to illustrate them, we reviewed six activities from among those we identified that transfer risk or losses to the federal government.³²

³¹Fiscal exposures are responsibilities, programs, and activities that legally may commit the federal government to future spending or create the expectation for future spending. For purposes of this report, legal commitment refers to the government's responsibility for future financial obligations. See [GAO/AIMD-97-16](#); [GAO/AIMD-00-57](#); [GAO-03-213](#); [GAO-08-206](#); and [GAO-14-28](#).

³²The six programs or activities we reviewed were the (1) Disaster Relief Fund, (2) Commercial Space Launch Insurance Program, (3) Federal Employees' Group Life Insurance Program, (4) MMI Fund, (5) NFIP, and (6) PBGC.

Federal Government's Legal Commitment Varies, and Implicit Exposures for Some Activities May Not Be Evident in the Budget

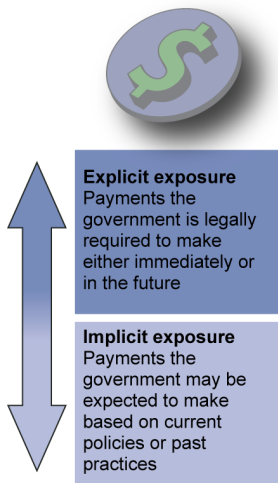
Federal activities that transfer risk or losses to the federal government have a range of fiscal exposures in which the extent of the government's legal commitment varies (see fig. 1). In 2003, we developed a conceptual framework for fiscal exposures that notes fiscal exposures may be explicit or implicit.³³ Explicit exposures are commitments that the government is legally required to fund, while implicit exposures arise not from a legal commitment, but from current policy, past practices, or other factors that may create the expectation for future spending. Some federal activities have a combination of explicit and implicit exposures. For example, the government is not legally required to cover PBGC insurance claim losses in excess of PBGC's available resources. Therefore, claims up to the statutory limit are explicit exposures, and losses in excess of PBGC's available resources represent an implicit exposure for the federal government to the extent there is an expectation that the government would step in and cover losses beyond the program's reserves.³⁴ In contrast, loan guarantees under the MMI Fund represent an explicit exposure only, because the government has a legal commitment to pay claims if the borrower defaults on a loan.³⁵

³³See [GAO-03-213](#) and [GAO-14-28](#).

³⁴PBGC is a wholly-owned corporation of the government. Its financial activities are included in the federal budget and consolidated financial statement of the U.S. government. As mentioned earlier, PBGC is required to be self-financing and does not receive funds from the general fund of the U.S. Treasury.

³⁵Additionally, the Federal Credit Reform Act of 1990 provides permanent and indefinite budget authority for upward reestimates, so that FHA can receive additional funds when needed if reestimates increase subsidy costs. See [GAO-14-28](#) for additional examples of implicit and explicit exposures, including a discussion of the fiscal exposure created by Fannie Mae and Freddie Mac. Fannie Mae and Freddie Mac represent a fiscal exposure where the government's legal commitment changed over time. Before 2008, the federal government did not explicitly guarantee securities issued by Fannie Mae and Freddie Mac, and the government had no legal responsibility to provide support to the enterprises. However, in response to the financial crisis, the government placed them into conservatorship and agreed to provide temporary assistance, creating a new explicit exposure.

Figure 1: Selected Activities That Illustrate the Range of Federal Fiscal Exposures



	Disaster Relief Fund	Commercial Space Launch Insurance Program	Federal Employees' Group Life Insurance Program	National Flood Insurance Program	Pension Benefit Guaranty Corporation	Mutual Mortgage Insurance Fund
Explicit exposure Payments the government is legally required to make either immediately or in the future	Disaster response within general appropriation	No explicit exposure	Civilian life insurance	Claims within program limits	Claims within program resources	Loan guarantees
Implicit exposure Payments the government may be expected to make based on current policies or past practices	Catastrophic disaster response	Claims that exceed private insurance	No implicit exposure	Claims in excess of program limits	Claims in excess of available resources for pension insurance	No implicit exposure

Source: GAO. | GAO-19-353

Implicit exposures may not be evident in the budget, because the primarily cash-based budget records spending only when payments are made.³⁶ For example, as part of the Commercial Space Launch Insurance Program, the federal government is potentially liable for damages from commercial space launch accidents, subject to appropriation, up to \$3.1 billion per licensed space launch in 2017.³⁷ This program represents an implicit exposure because a new appropriation—which would represent the federal government’s legal commitment to pay for this program—is required to fund damages. Because there has never been such an event or appropriation, this fiscal exposure has not been included in the budget. According to Federal Aviation Administration officials, the agency has not designed internal processes or procedures to address these potential costs, such as estimating the costs, in part because the agency cannot presume the government will provide funds until such an appropriation were made.

While implicit exposures do not present a legal commitment to the government, the federal government historically has shown a willingness to fund them in some cases. For example, NFIP has authority to borrow

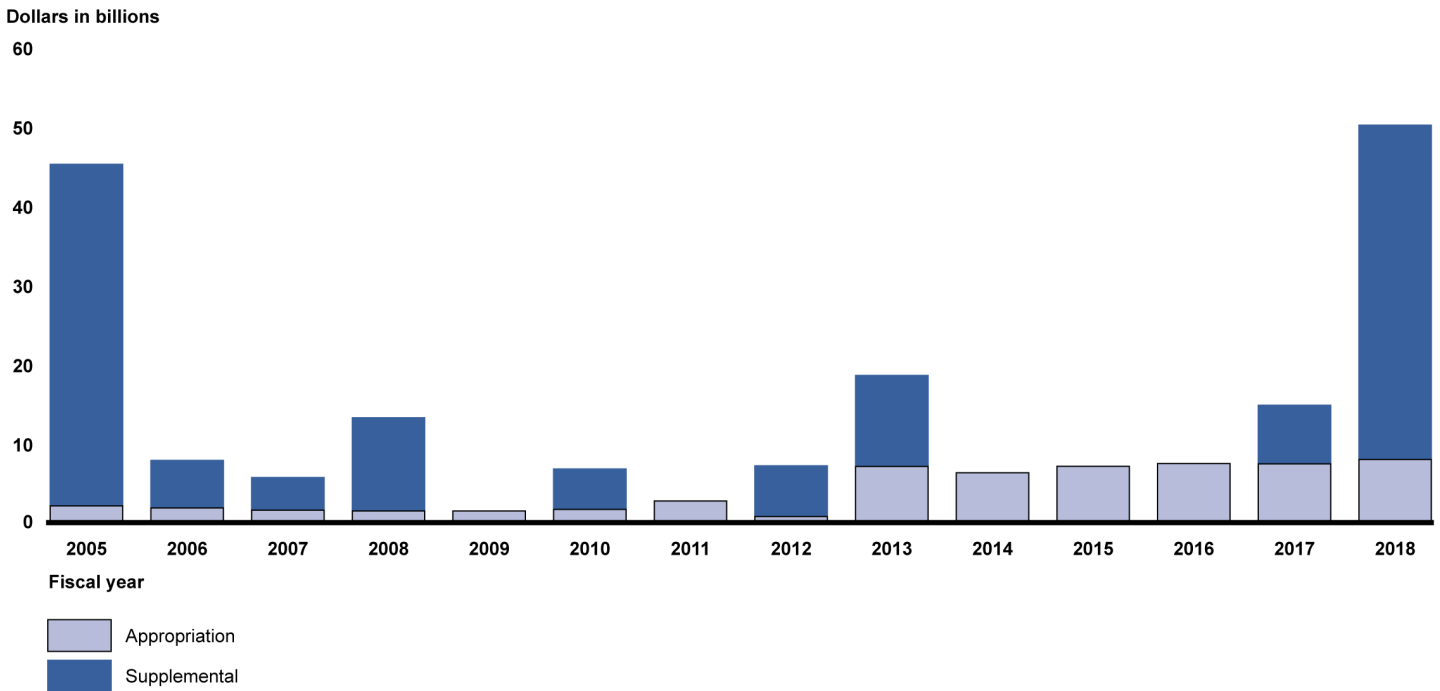
³⁶Some explicit exposures also may not be evident in the budget, which we discuss in the next section.

³⁷51 U.S.C. § 50915(a)(1).

funds from the U.S. Treasury. To the extent there is an expectation that the federal government will cover claims exceeding the amount NFIP has been authorized to borrow from the U.S. Treasury, NFIP represents an implicit exposure. In October 2017 when NFIP was about to exhaust its borrowing authority, Congress demonstrated its willingness to fund NFIP implicit exposures by passing a supplemental appropriation, which the President signed into law, that cancelled \$16 billion of NFIP's past borrowing from the U.S. Treasury.³⁸ This allowed NFIP to borrow an additional \$6.1 billion that would have exceeded its borrowing authority without this intervention, while also reducing its overall debt. Additionally, in fiscal years 2005–2018 the federal government designated a total of \$138 billion in supplemental appropriations to the Disaster Relief Fund for declared disasters (see fig. 2). These costs indicate that there was an implicit exposure because Congress must pass a supplemental appropriation to cover them. Congress passed at least one supplemental appropriation for a major disaster in 9 of the 14 years during 2005–2018.

³⁸Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2007, Pub. L. No. 115-72, § 308, 131 Stat. 1224, 1228 (2017).

Figure 2: Appropriations to the Disaster Relief Fund, Fiscal Years 2005–2018



Source: GAO analysis of appropriation laws. | GAO-19-353

Note: The 2005 supplemental appropriation includes a rescission of \$23.4 billion included in Pub. L. No. 109-148 on December 30, 2005. Without the rescission, the total supplemental appropriation to the Disaster Relief Fund in fiscal year 2005 was \$66.5 billion. No other rescissions are included in the graph.

Cash-Based Budgeting May Not Reflect the Government’s Cost or Potential Costs from Risk- or Loss-Transferring Activities

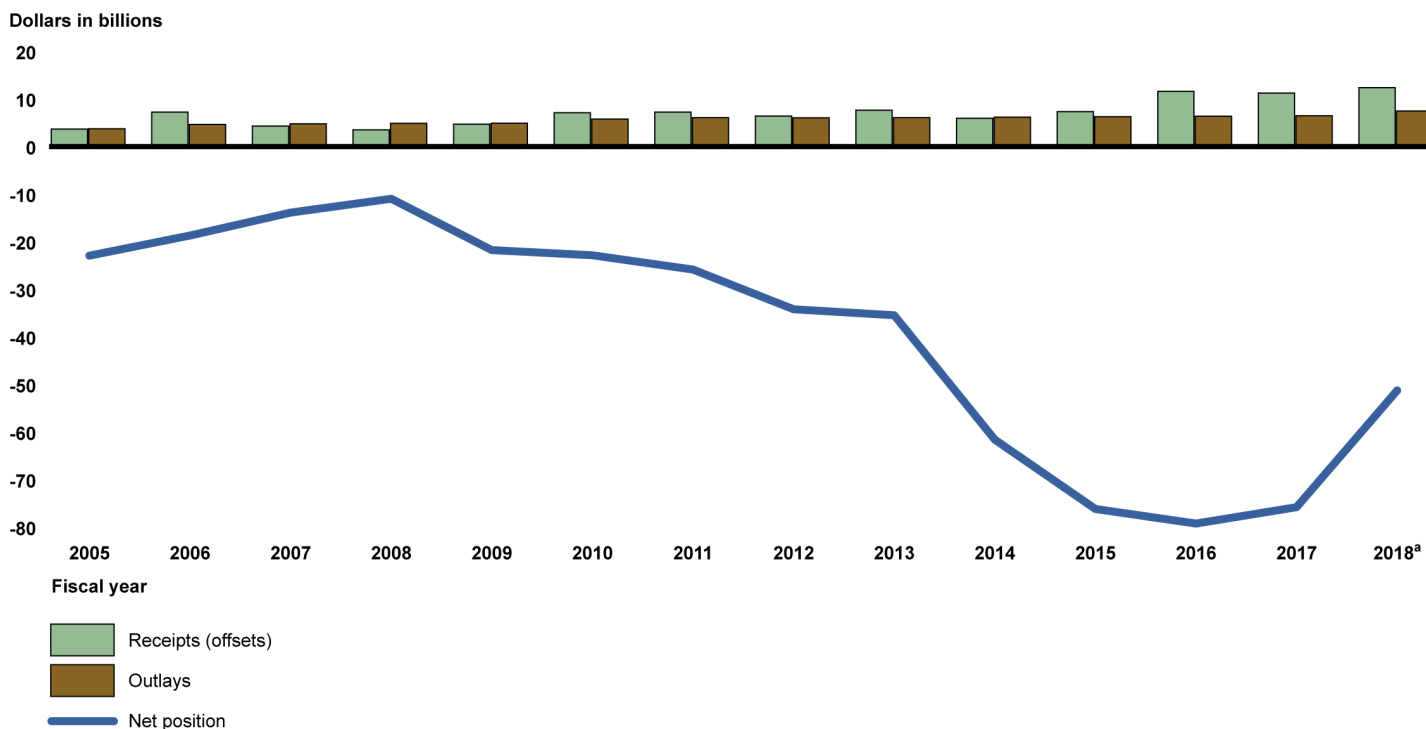
As we previously found, the federal budget may not accurately reflect the government’s costs or the likely claim on federal resources from activities that transfer risk or losses to the government.³⁹ Again, except for loan guarantees, the federal government’s primarily cash-based budget generally does not record the full cost of commitments incurred in the present until corresponding payments are made in the future.⁴⁰ However, for some claims, such as pension and post-retirement life insurance, the federal commitment occurs years before the related cash consequences are reflected in the budget. For example, the cost of pension plan

³⁹GAO-03-213; GAO-14-28.

⁴⁰For some areas, such as federal credit programs and some federal employee pension benefits, the U.S. budget already records outlays on an accrual basis rather than a cash basis in order to recognize the full cost of the government’s commitment up front when the commitment is made.

insurance accrued in a given year is not reflected in the budget; rather, premiums are shown as receipts when they are collected and payments are shown as outlays when they are made. In fiscal year 2017, the budget showed PBGC's annual receipts exceeded its outlays by \$4.8 billion. But in the same year, the program also had a \$76 billion negative net position, which is one measure of the magnitude of the government's fiscal exposure and is not included in the budget (see fig. 3).⁴¹

Figure 3: Pension Benefit Guaranty Corporation Net Position and Revolving Fund Cash Flows, Fiscal Years 2005–2018



Source: GAO analysis of the Budget of the United States Government and Pension Benefit Guaranty Corporation annual reports. | GAO-19-353

^aThe values for receipts (offsets) and outlays for fiscal year 2018 are estimated. The actual values were not available at the time of this report.

⁴¹A program's net position represents the difference between its total assets and total liabilities recorded on an accrual basis. As such, the net position includes estimated losses that have yet to be paid. PBGC's net position improved in 2017 and 2018 due mainly to improvements in the single-employer program, which is discussed in more detail in appendix II.

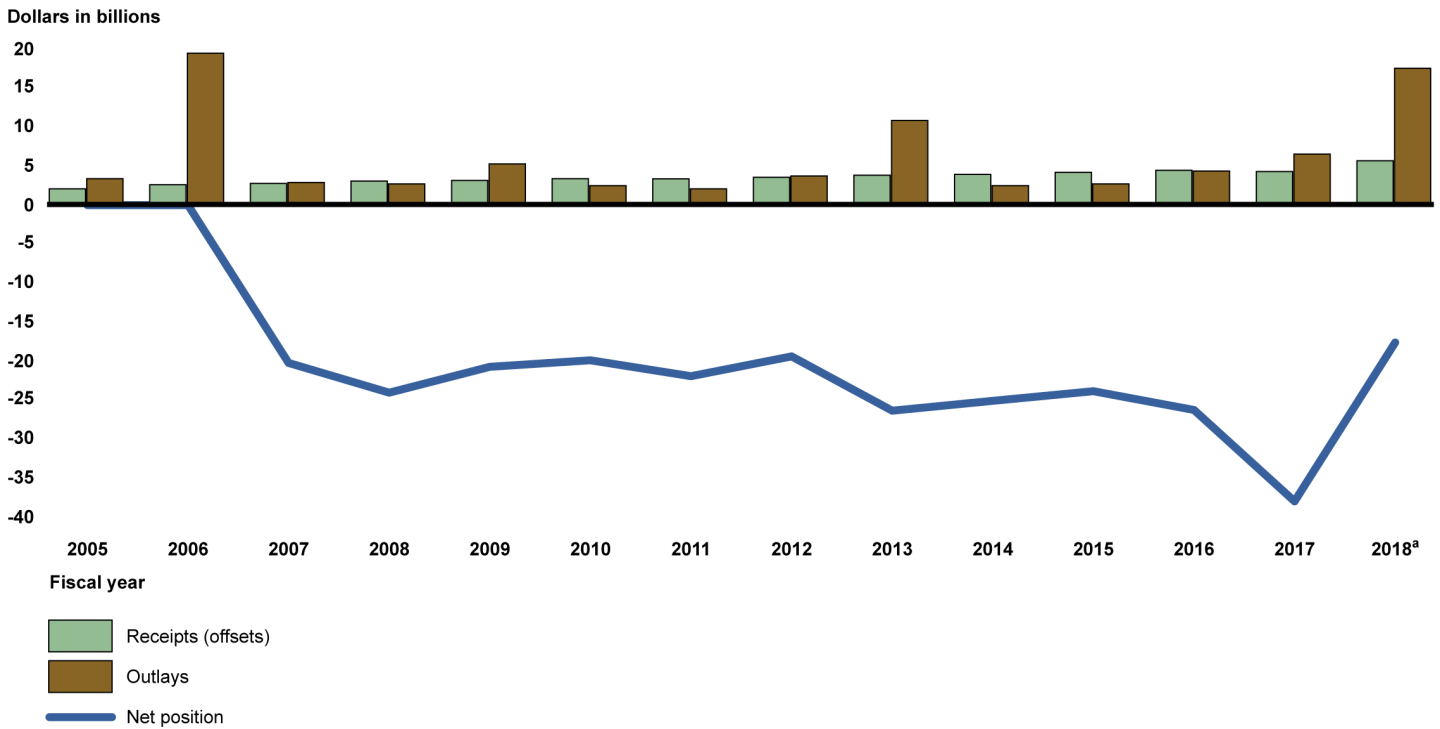
Similarly, the budget may not indicate the government's long-term exposure from weather-related events. Like PBGC, NFIP reports premiums in the budget as receipts in the year they are collected and payments as outlays in the year they are made. The budget does not currently include information on NFIP's liabilities, assets, or net position.⁴² In fiscal year 2017, the budget showed a deficit (outlays exceeded receipts) for NFIP of \$2.2 billion, a modest deficit compared to NFIP's net position in the same year, which fell by \$11.5 billion to negative \$37.4 billion (see fig. 4).⁴³ NFIP's \$30.425 billion in debt to the U.S. Treasury at that time, which was included in its liabilities, contributed to its net negative position.⁴⁴

⁴²The President's Budget Appendix previously reported supplemental information for certain federal insurance programs, including a balance sheet for NFIP. The balance sheet was last included in the budget for fiscal year 2015, which included a balance sheet for fiscal years 2012 and 2013.

⁴³The net position changed by a greater amount than the budget due to accruals for flood claims not yet paid.

⁴⁴NFIP's net position improved in fiscal year 2018 due, in large part, to Congress cancelling \$16 billion of NFIP's debt to the U.S. Treasury. See appendix II for additional information on NFIP.

Figure 4: National Flood Insurance Program Net Position and Revolving Fund Cash Flows, Fiscal Years 2005–2018



Source: GAO analysis of the Budget of the United States Government and Department of Homeland Security financial reports. | GAO-19-353

^aThe values for receipts (offsets) and outlays for fiscal year 2018 are estimated. The actual values were not available at the time of this report.

We previously reported that FEMA is required by law to charge many policyholders less than full-risk rates, otherwise known as subsidized rates.⁴⁵ We found that FEMA’s budget does not recognize the subsidy, making it difficult to analyze the effect of subsidized premium rates on the overall financial stability of NFIP.⁴⁶ In 2017, we recommended that Congress consider comprehensive reform to improve NFIP solvency and enhance national resilience to floods. At that time, we developed five policy goals for evaluating options for reforming NFIP that included

⁴⁵GAO, *Flood Insurance: Options for Addressing the Financial Impact of Subsidized Premium Rates on the National Flood Insurance Program*, [GAO-09-20](#) (Washington, D.C.: Nov. 14, 2008).

⁴⁶GAO, *FEMA: Action Needed to Improve Administration of the National Flood Insurance Program*, [GAO-11-297](#) (Washington, D.C.: June 9, 2011).

requiring transparency of the program's federal fiscal exposure.⁴⁷ Congress is still considering various reforms related to NFIP.

In addition, the budget request for the Disaster Relief Fund, which provides a significant portion of the total federal response to major disasters, traditionally has been intended to cover each fiscal year's costs for previously declared disasters and the predictable cost of noncatastrophic events. It does not pre-fund anticipated needs from disasters that have yet to occur or seek funding for potential catastrophic events.⁴⁸ As previously noted and shown in figure 2, extreme weather events have cost the nation more than \$100 billion through supplemental appropriations to the Disaster Relief Fund since fiscal year 2005. According to the Analytical Perspectives of the President's 2019 Budget, inflation, urbanization, and other factors are expected to contribute to increasing future disaster response and recovery costs. Additionally, climate change could increase the costs of severe weather events as more frequent and extreme weather and climate-related events are expected to continue to damage infrastructure, ecosystems, and social systems, according to the United States Global Change Research Program.⁴⁹ This is one reason we added the federal government's fiscal exposure created by climate change to our 2013 High Risk List.⁵⁰

⁴⁷The five policy goals are (1) promoting flood risk resilience, (2) minimizing fiscal exposure to the federal government, (3) requiring transparency of the federal fiscal exposure, (4) encouraging consumer participation in the flood insurance market, and (5) minimizing transition and implementation challenges. GAO, *Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience*, [GAO-17-425](#) (Washington, D.C.: Apr. 27, 2017).

⁴⁸The budget request includes a small amount for potential needs due to an above-average year of disaster activity, which, according to FEMA officials, ensures the agency maintains the ability to fund initial response operations related to a new catastrophic event.

⁴⁹D.R. Reidmiller, C.W. Avery, et al. (eds.), 2018: *Impacts, Risks, and Adaptation in the United States: Fourth National Climate Assessment, Volume II*, U.S. Global Change Research Program (Washington, D.C.: 2018). The program coordinates and integrates the activities of 13 federal agencies that research changes in the global environment and their implications for society. The program began as a presidential initiative in 1989 and was codified in the Global Change Research Act of 1990 (Pub. L. No. 101-606, § 103, 104 Stat. 3096, 3098 (1990), codified at 15 U.S.C. § 2933). Participating agencies are the Departments of Agriculture, Commerce, Defense, Energy, Interior, Health and Human Services, State, and Transportation; U.S. Agency for International Development; Environmental Protection Agency; National Aeronautics and Space Administration; National Science Foundation; and Smithsonian Institution.

⁵⁰GAO, *High-Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: Feb. 14, 2013).

However, the increased fiscal exposures are not reflected in the Disaster Relief Fund’s financial measures in the budget. According to FEMA officials, the agency does not forecast costs or exposures for catastrophic disasters, in part because each catastrophe is different and presents its own set of risks that would be very difficult to predict with reasonable certainty.

While the primarily cash-based budget may not represent an activity’s likely claim on federal resources, members of Congress and the public have access to information on the fiscal health of the activities through other avenues. Many of the activities we reviewed track exposures and other relevant data internally and provide that information to Congress and the public through a variety of reports outside the budget (see table 7). These include actuarial reviews, one-time analyses of various subjects, and annual reports that provide detailed financial information. For example, each year an independent actuarial contractor conducts two separate actuarial reviews of the MMI Fund—one for forward mortgages and one for Home Equity Conversion Mortgages (reverse mortgages)—to estimate the economic value of the two portfolios. FHA then compiles statutorily required annual reports for Congress based on the results of the actuarial analyses. The annual report includes the calculation of the MMI Fund’s overall capital ratio and some additional analyses of the MMI Fund’s financial condition.

Table 7: Examples of Agency Reports Outside Financial Reports and the Budget of the United States Government That Discuss Fiscal Exposures from Selected Federal Activities That Transfer Risk or Losses to the Government

Activity	Report(s)	Frequency/ Date	Publicly available?
Commercial Space Launch Insurance Program	Two separate reports required by law that analyzed issues related to liability risk-sharing for commercial space transportation	2002 and 2006	Yes
Disaster Relief Fund	Report summarizing funding activities by state and event, funding for catastrophic events, and estimated date when funds will be exhausted within the fiscal year	Monthly	Yes
Federal Employees’ Group Life Insurance	None	Not applicable	Not applicable
Mutual Mortgage Insurance (MMI) Fund	Reports examining significant changes between actual and projected claim and prepayment activity and loss rates	Quarterly	Yes
	Report combining the findings from two actuarial reviews to determine the capital ratio for the MMI Fund	Annually	Yes
	Independent actuarial reviews of MMI Fund’s financial position, two separate reviews (forward mortgages and Home Equity Conversion Mortgages)	Annually	Yes

Activity	Report(s)	Frequency/ Date	Publicly available?
National Flood Insurance Program (NFIP)	Informal email on the status of available funds	Bi-weekly	No (sent to Congress)
	Report on the letters of credit and balance with the U.S. Treasury	Weekly	No (sent to the Office of Management and Budget)
	High-level update of the program's financial standing	Quarterly	Yes
	Report on the status of NFIP's reserve fund	Quarterly	No (sent to Congress)
	Report on the status of NFIP's debt and the progress of payments	Semi-annually	No (sent to Congress)
	Affordability framework, report required by law that is aimed at providing targeted assistance for policyholders while incorporating affordability requirements	2018	Yes
Pension Benefit Guaranty Corporation (PBGC)	Pension Data Book detailing statistics and historical information about key factors that affect PBGC's financial condition	Continually	Yes
	Report that details the current financial position, including balance sheet, and future challenges	Annually	Yes
	Report projecting a range of the future financial conditions over a 10-year period	Annually	Yes
	Report summarizing certain single-employer underfunded plans	Annually	Yes
	Report reviewing the adequacy of premiums for the multiemployer insurance program	Every 5 years	Yes
	Study examined how the multiemployer guarantee affected and is likely to affect the benefits of participants in insolvent plans	2015	Yes
	Risk Transfer Analytic Study identified plans that, from 2009 through 2013, appear to have executed a pension risk transfer	2015	Yes
	Report required by law on the effects of the Pension Protection Act of 2006 on the multiemployer pension plans	2013	Yes

Source: GAO. | GAO-19-353

Note: Reports related to agencies' financial reporting or budget processes are not included. This table includes other major reports and analyses performed by the agencies that relate to exposures from selected federal activities. It is not intended to be a comprehensive list.

While these reports provide additional financial information, we previously reported that decision-making is best informed if the government includes in the budget the costs of its commitments at the time it makes them. If the full cost of a spending decision is included in the budget when the decision is made, then decision makers can consider the total costs when setting priorities, compare the cost of an activity with its benefits, or

assess the cost of one method of reaching a specified goal against another.⁵¹ Decision makers' ability to make informed choices would be improved by increased transparency about the impact of policy decisions on the expected path of spending and revenue.⁵²

We previously recommended that Congress consider expanding the use of accrual-based information to other activities, such as insurance, because accrual measurement would advance the recognition of costs for these commitments, especially those that involve cash flows over many years.⁵³ We determined that, for many programs, adopting accrual-based information selectively within the current, primarily cash-based budget might improve information while preserving up-front control.⁵⁴ PBGC, Federal Employees' Group Life Insurance (FEGLI), and NFIP officials stated that adding limited accrual accounting information, such as the balance sheet, to the President's Budget would be relatively easy. NFIP officials agreed that while the financial statements and various reports show the full liability of the program, including this information in the budget would consolidate it in one place. The President's Budget (Appendix) already includes a balance sheet from FHA's MMI Fund, along with information on credit subsidy reestimates in the Federal Credit Supplement of the budget as required by the Federal Credit Reform Act of 1990.⁵⁵ According to FHA officials, the main benefit of reporting balance-sheet information in the budget is that the public, OMB, and Department of Housing and Urban Development personnel have more

⁵¹As discussed in the following section, the development of models to generate reasonably reliable cost estimates is made difficult by several factors, including the nature of the risks insured by the government and the sufficiency of data on potential losses.

⁵²[GAO/AIMD-97-16](#); [GAO-14-28](#).

⁵³[GAO/AIMD-00-57](#); [GAO-08-206](#); [GAO-14-28](#).

⁵⁴[GAO/AIMD-00-57](#).

⁵⁵FHA estimates and reestimates the net lifetime costs—known as credit subsidy costs—of the mortgages it insures as part of the MMI Fund's annual budgetary review. Under the Federal Credit Reform Act of 1990, FHA and other federal agencies must estimate the credit subsidy costs of their direct loan or loan guarantee programs in their annual budgets. As mentioned earlier, credit subsidy costs for loan guarantees represent the net present value of the following cash flows at the time a loan guarantee is disbursed by the lender: (1) the estimated payments by the government to cover defaults, delinquencies, interest subsidies, or other payments, and (2) the estimated payments to the government including origination and other fees, penalties and recoveries. Pub. L. No. 101-508, § 13201(a), 104 Stat. 1388, 1388-609 (1990), *codified, as amended, at* 2 U.S.C. §§ 661-661f.

data that can be used to make decisions. FHA officials also noted that creating a crosswalk between the financial reports and the budget has been a challenge because there is not always a one-to-one relationship, which is due to different reporting elements and concepts underlying their measurement.

While Accrual Budgeting Better Recognizes Long-Term Costs, the Amount of the Exposure Can Be Hard to Measure for Some Activities

Given the variation in fiscal exposures, we previously concluded that while accrual budgeting better recognizes long-term costs, a uniform, across-the-board approach to make fiscal exposures more apparent in the budget may not be appropriate.⁵⁶ One of several factors that should be considered is the extent to which the magnitude of the exposure can be reasonably estimated.⁵⁷ The complexity and uncertainty surrounding some exposures create significant cost estimation challenges, while other activities are easier to estimate. For example, OPM considers various factors that are fairly stable and easily known or can be reasonably estimated (such as changes in the mortality of federal employees, federal salaries, and interest rates) when calculating FEGLI's liability for current and future life insurance coverage. Because of this, FEGLI officials noted that they did not face significant challenges in estimating the program's fiscal exposure.

In contrast, exposures related to natural disasters are especially hard to estimate. According to NFIP officials, the extreme variability of flood losses is the single biggest challenge in estimating the program's exposure. Similarly, officials from the Disaster Relief Fund said it is not possible to forecast catastrophic disasters because each is different. According to FEMA officials, the agency has begun working with catastrophe modeling firms and others in developing better estimates of loss exposures. While several components of the models are still in development, FEMA officials believe they show promise to be useful tools in the future.

Agencies developed models to make estimates of fiscal exposures for several of the activities we reviewed, although the agencies noted that generating reasonably reliable estimates is difficult for a variety of reasons, such as the sufficiency of data on potential losses and the

⁵⁶[GAO-14-28](#).

⁵⁷The other factors we previously identified are the extent of the government's legal commitment and the length of time until the resulting payment is made.

nature of the risks insured by the government. For example, PBGC developed the Pension Insurance Modeling System to help the agency better understand and quantify its long-term risk and exposure to loss under different economic conditions and policy alternatives. Agency officials stated that obtaining current, complete, comprehensive, and reliable data on the company pension plans likely to present claims was one of the most significant challenges in these estimates. FHA also uses economic assumptions and historical data to estimate and reestimate the net lifetime costs of the mortgages it insures. Agency officials noted that it is difficult to produce these estimates because risk can vary based on a variety of factors that are uncertain, volatile, or sensitive, such as the economy and housing market. In recognition of this difficulty, the Federal Credit Reform Act of 1990 provides permanent and indefinite budget authority for upward reestimates, so that FHA can receive additional funds when needed if reestimates increase subsidy costs.⁵⁸

We previously recommended to Congress in 2007, and reiterated in 2013, that it consider requiring increased reporting of accrual-based cost information where appropriate alongside cash-based budget numbers for both existing and proposed activities—where accrual-based cost information includes significant future cash resource requirements not yet reflected in the primarily cash-based budget.⁵⁹ From 2009 through 2014, several bills were introduced to budget for certain activities on an accrual basis, but none were signed into law.⁶⁰ The Bipartisan Budget Act of 2018 created the Joint Select Committee on Budget and Appropriation Process Reform, but no bills were signed into law as a result. The committee was terminated by statute by December 2018. We continue to support this recommendation to improve budget recognition of these fiscal exposures,

⁵⁸While FHA has had a number of upward reestimates, the only year in which the MMI Fund needed to draw on permanent and indefinite budget authority was fiscal year 2013, when it received \$1.69 billion. All other upward reestimates were covered by funds held in the MMI Fund's capital reserve account.

⁵⁹See [GAO-08-206](#) and [GAO-14-28](#).

⁶⁰Spending, Deficit, and Debt Control Act of 2009, H.R. 3964 (2009); Transparent and Sustainable Budget Act of 2010, H.R. 5752 (2010); Budget and Accounting Transparency Act of 2012, H.R. 3581 (2011); Transparent and Sustainable Budget Act of 2011, H.R. 1302 (2011); Budget Process Improvement Act of 2011, H.R. 3669 (2011); Truth in Government Accounting Act of 2011, H.R. 3332 (2011); Budget and Accounting Transparency Act of 2014, H.R. 1872 (2013); Budget Process Improvement Act of 2013, H.R. 1654 (2013); and H. Res. 545 (2014).

because, as shown, challenges remain in identifying and measuring fiscal exposures.

The government undertakes a wide range of activities that create fiscal exposures by obligating the government to future spending or creating an expectation for such spending. The federal budget both allocates and controls resources, but does not provide complete information about some significant fiscal exposures. Failure to understand and address these exposures can have significant consequences. These fiscal exposures will require future federal spending and will absorb resources available for other activities. Not capturing the long-term costs of current decisions limits Congress's ability to control federal fiscal exposures at the time decisions are made. Presenting accrual information alongside cash-based budget numbers, particularly in areas where it would enhance up-front control of budgetary resources, would be useful to policymakers when debating current activities and considering new legislation.

Agency Comments

We provided a draft of this report to OMB and Treasury. The agencies had no comments on the draft report but provided technical comments that we incorporated as appropriate. We sent relevant portions of the draft to the following agencies: Department of Agriculture's RMA, Department of Homeland Security's FEMA, Department of Housing and Urban Development's FHA, Department of Transportation's Federal Aviation Administration, FDIC, NCUA, OPM, and PBGC. All the agencies (except the Department of Transportation, Department of Housing and Urban Development, and Department of Agriculture) provided technical comments that we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of the Treasury, and the Director of OMB. This report will also be available at no charge on our website at <http://www.gao.gov>.

Should you or your staff have questions concerning this report, please contact me at (202) 512-8678 or cackleya@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report are listed in appendix VII.



Alicia Puente Cackley
Director, Financial Markets and Community Investment

Appendix I: Objectives, Scope, and Methodology

In this report, we (1) identify federal insurance and other activities that transfer risk or losses to the federal government and, where possible, identify cost- and exposure-related information on these activities; and (2) use selected activities to illustrate some of the challenges that we identified in past reports with measuring and reporting fiscal exposures in budget documents.

Identifying Activities That Transfer Risk or Losses to the Government

For this objective, we updated our 2005 catalog of federal insurance activities and used additional sources of information on federal activities to obtain cost- and exposure-related information and identify additional activities.¹ To compile the 2005 catalog, we developed the following criteria for identifying federal insurance activities: (1) The federal government must accept the risk of financial loss in providing protection against specific types of losses, events, or conditions whose timing, magnitude, or duration, are uncertain or unknown; and (2) by accepting this insurance risk, the federal government must be obligated to pay compensation or provide benefits if the losses, events, or conditions occur. In addition, we verified that the activities we cataloged as federal insurance also were recognized lines of insurance in the private sector. We applied the criteria to the Appendix of the Budget of the United States Government (President's Budget) for Fiscal Year 2005 to identify budget accounts that funded federal insurance activities per our criteria.

In this report, we first developed our own criteria for activities that transfer risk or losses to the federal government using definitions of federal insurance from the Federal Accounting Standards Advisory Board's (FASAB) *Statement of Federal Financial Accounting Standards (SFFAS) 5: Accounting for Liabilities of the Federal Government* and *Statement of Federal Financial Accounting Standards SFFAS 51: Insurance Programs*.² Activities were assessed against the following two criteria: (1)

¹GAO, *Catalogue of Federal Insurance Activities*, [GAO-05-265R](#) (Washington, D.C.: Mar. 4, 2005).

²FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information. SFFAS 5 became effective for periods beginning after September 30, 1996, and included standards for reporting liabilities to the federal government, including liabilities from insurance and guarantee programs, pensions, other retirement benefits, and other postemployment benefits, capital leases, and federal debt. SFFAS 51 supersedes the standards in SFFAS 5 relating to insurance programs, and it is effective for periods beginning after September 30, 2018. Agencies were reporting under the SFFAS 5 standard for the 2017 Financial Report data used in this report.

a risk of financial loss or actual financial loss to a third party exists that stems from an adverse event; and (2) through the activity the federal government accepts some or all of the risk of financial loss or actual financial loss from the adverse event by indemnifying, guaranteeing, or providing benefits to the affected entity or beneficiary.³ We also reviewed our new criteria internally with input from GAO experts, including accountants, actuaries, and budget law experts.

We then used the following sources to identify federal activities that met our criteria: (1) 2017 Financial Report of the United States Government (Financial Report) and underlying account-level data from the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) of the Department of the Treasury (Treasury), (2) the Office of Management and Budget's (OMB) President's Budget; (3) OMB's Catalog of Federal Domestic Assistance (CFDA) administered by the General Services Administration; and (4) the Code of Laws of the United States (U.S. Code).⁴ The resulting catalog is based solely on the criteria we developed for this report and the sources and methodology we used. Other criteria, sources, or methodologies might yield a list that differs from ours in both number and composition of activities. Because

³We use "federal activities" to refer generally to federal programs, budget or Treasury accounts, and federal laws. A third-party includes a state or states, territorial possession, county, city, other political subdivision, grouping, or instrumentality thereof; or any domestic profit or nonprofit corporation, institution, or individual, other than an agency of the federal government. We also include federal loan guarantee programs benefiting foreign entities.

⁴GTAS is an application used by Treasury to collect information from federal agencies for inclusion in the government's consolidated financial statements. Treasury annually reports the government's financial position and condition in its consolidated financial statements as part of the Financial Report. CFDA is a government-wide compendium of federal programs, projects, services, and activities that provide assistance or benefits to the American public. It is administered by the General Services Administration. OMB serves as an intermediary agent between the federal agencies and the General Services Administration and provides oversight over the annual collection of data on federal domestic assistance programs.

we use different criteria, sources, and methodologies, our results are not directly comparable to results in our 2005 catalog.⁵

First, we identified certain categories of federal activities that met our criteria using the note disclosures of the 2017 Financial Report:

- We identified the following federal insurance programs by analyzing the note disclosure on federal insurance and guarantee liabilities as well as our internal audit documents on that note disclosure for fiscal years 2014–2017:⁶ Federal Crop Insurance Program, National Flood Insurance Program (NFIP), Pension Benefit Guaranty Corporation’s (PBGC) single-employer and multiemployer pension insurance programs, Federal Deposit Insurance Corporation’s Deposit Insurance Fund, and National Credit Union Administration’s Share Insurance Fund.⁷ To find information on the programs, the role of the government in the administration of the programs, and cost- and exposure-related information on the programs, we analyzed GAO reports, individual agency annual, financial, or other reports, and reports from the Congressional Budget Office.
- We also identified the following categories of activities that met our criteria: federal loan guarantee programs, senior preferred stock purchase agreements with two government-sponsored enterprises—Fannie Mae and Freddie Mac; federal employee and veterans

⁵Specifically, we updated the 2005 criteria to include federal activities that present implicit fiscal exposures (those that arise not from a legal commitment, but from current policy, past practices, or other factors that may create the expectation for future spending) and activities that provide benefits to third parties for losses incurred without previously charging premiums. In addition, our 2005 catalog is based on a search of key terms in the 2005 President’s Budget Appendix. In contrast, the current catalog uses the President’s Budget and three additional sources and methodologies to identify federal activities that meet our criteria.

⁶GAO conducts the audit of the Financial Report. We reviewed GAO documents related to the audit to help us identify federal insurance programs.

⁷For more information on these programs, see appendix II. A program was included in our list of federal insurance programs if liabilities for the program were reported as insurance and guarantee program liabilities (and related note disclosure) of the Financial Report in any fiscal year during 2014–2017. Other information on insurance programs may be disclosed in other notes to the financial statements in the Financial Report. For example, some insurance programs (such as Treasury’s Terrorism Risk Insurance Program, which did not have reported liabilities but may require future use of financial resources) are disclosed in a note related to potential future commitments. Also, insurance information is included in a note related to contingencies, to the extent that it is reasonably possible that future resources will be required in excess of the recorded liability.

benefits excluding veterans' burial and education benefits; and social insurance. We used GTAS to identify Treasury accounts for the federal loan guarantee and the federal employee and veterans benefit categories.⁸ We generally presented liabilities for these activities as available in the Financial Report and GTAS for fiscal year 2017.

Second, we conducted searches of key words in the names of budget accounts reported in the Appendix of the President's Budget using OMB's MAX system.⁹ We analyzed the results and identified budget accounts that funded additional federal activities that met our criteria and reported budget obligation data for those accounts for fiscal year 2017. We also analyzed more than 2,200 federal activities in CFDA as of September 30, 2017. To do this, at least two analysts verified that a budget account or a CFDA program met or did not meet our criteria (with review from an additional analyst, if needed). We included a budget account or CFDA program in our catalog if all analysts reviewing the program agreed the account or program met our criteria. The additional federal activities we found through the President's Budget and CFDA can be broadly categorized as providing compensation for property or financial losses—including losses resulting from adverse environmental or manmade events—or providing life, health, or disability benefits to nonfederal employees.¹⁰ We also crosschecked this list of federal activities with those we identified in our 2005 report.

Lastly, we conducted a search of key words in the table of contents of the U.S. Code and found additional activities that provided compensation for property damage or financial loss and thus transferred risk or losses to the federal government.¹¹ We conducted this search to identify potential

⁸For more information on how we used GTAS data to identify activities in these categories, see appendix III for guaranteed loan programs and appendix IV for federal employee and veterans benefit activities. We discuss social insurance programs—Social Security, Medicare (Parts A, B, and D), Railroad Retirement, and Black Lung—in appendix VI.

⁹MAX is a computer system used to collect and process most of the information required for preparing the budget. OMB requires agencies to develop their budget information and enter the data into MAX. Using MAX, we searched for budget account names that contained any of the following words or word segments: annuit, benefit, catastroph, claim, compensat, conting, damage, disab, disast, emergen, guarant, indemn, insur, pension, reserve, retir, exposu, and risk.

¹⁰See appendix V for more information.

¹¹We searched the table of contents of the U.S. Code for names of statutes that contained any of the following words or word segments: indemn, insur, liabilit, and coverage.

federal activities that currently only exist in law but met our criteria. According to officials from OMB, activities may not appear in the President's Budget for different reasons, including if the activities ended or expired or if they have no expected expenditures or proposed appropriations. In reviewing the U.S. Code, two analysts verified whether a search result represented a new federal activity that met our criteria. In addition, a senior attorney from our Office of General Counsel verified that the additional activities were accurately stated based on the language of the U.S. Code.

We shared our catalog with and obtained expert opinion from officials from Treasury, OMB, the General Services Administration, the Congressional Budget Office, and FASAB, as well as from key GAO staff with relevant expertise (including accountants, actuaries, and experts on budget appropriation and other federal activities). We added an additional federal activity to our catalog that an outside expert brought to our attention and that we had not identified through the methodologies described above.

Examples of Challenges in Measuring and Reporting Fiscal Exposures

To illustrate some of the challenges in measuring and reporting fiscal exposures that we identified in past reports, we reviewed prior reports on fiscal exposures, the federal budget, and accrual budgeting to identify key challenges relevant to insurance and other activities.¹² We then selected six activities from those we identified for this report that illustrate these key challenges. We selected the (1) Disaster Relief Fund, (2) Federal Aviation Administration's Commercial Space Launch Insurance Program, (3) Federal Employees' Group Life Insurance program, (4) Federal Housing Administration's Mutual Mortgage Insurance Fund, (5) NFIP, and (6) PBGC pension insurance programs. We reviewed the Financial Report and the President's Budget for information and financial measures on these activities, such as receipts, outlays, and net position for NFIP and PBGC. We also reviewed the appropriation and supplemental

¹²GAO, *Budget Issues: Budgeting for Federal Insurance Programs*, [GAO/AIMD-97-16](#) (Washington, D.C.: Sept. 30, 1997); *Accrual Budgeting: Experiences of Other Nations and Implications for the United States*, [GAO/AIMD-00-57](#) (Washington, D.C.: Feb. 18, 2000); *Fiscal Exposures: Improving the Budgetary Focus on Long-Term Costs and Uncertainties*, [GAO-03-213](#) (Washington, D.C.: Jan. 24, 2003); *Budget Issues: Accrual Budgeting Useful in Certain Areas but Does Not Provide Sufficient Information for Reporting on Our Nation's Longer-Term Fiscal Challenge*, [GAO-08-206](#) (Washington, D.C.: Dec. 20, 2007); and *Fiscal Exposures: Improving Cost Recognition in the Federal Budget*, [GAO-14-28](#) (Washington, D.C.: Oct. 29, 2013).

appropriation laws for the Disaster Relief Fund from fiscal years 2005 through 2018. We analyzed the agencies' financial and budget documents and conducted interviews with agency officials.

We conducted this performance audit from October 2017 to March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Selected Information on Federal Insurance Programs

Federal Crop Insurance

The Federal Crop Insurance program is administered by the Risk Management Agency (RMA) of the Department of Agriculture. It helps farmers manage the risks inherent in farming by allowing them to insure against losses caused by poor crop yields, declines in prices, or both. Crop insurance premiums are subsidized in part to achieve high participation and coverage levels, which may reduce or eliminate the need for potentially costly disaster assistance payments from congressionally authorized ad hoc disaster programs. RMA partners with private insurers that sell and service policies. The program insures farmers against losses on more than 100 crops, which include corn, soybeans, wheat, cotton, and grain sorghum, as well as nursery crops and certain fruits and vegetables. In crop year 2018, RMA estimated it sold 1.1 million policies for a total of about \$109.1 billion in insurance protection.

The federal government subsidizes crop insurance policies by charging participating farmers less than the full amount of the policy premium. Congress sets the programs' premium subsidy rates—the percentage of the premium paid by the government. RMA subsidized approximately 63 percent of total premiums in crop years 2017 and 2018 (or \$6.36 billion and \$6.27 billion, respectively), while farmers paid the remaining 37 percent. The federal government also reimburses participating private-sector insurance companies for administrative and operating expenses. The reimbursements are based on a percentage of crop insurance premiums and are intended to cover the companies' expenses to sell and service policies, such as employee salaries; fees paid to insurance adjusters to verify claims; and sales commissions and other compensation (profit sharing) paid to the insurance agents who sell the crop insurance to farmers. The federal government is also the primary reinsurer for the private insurance companies that take on the risk of covering losses to insured farmers, allowing private insurers and the federal government to share in the risk of loss and opportunity for gain associated with the policies. The insurance companies retain part of the premiums and associated risk, and RMA holds the remaining premiums and risk. In addition, each company cedes to RMA a percentage of its underwriting gains or losses.

The Federal Crop Insurance program is funded through mandatory spending authority, so that RMA receives a permanent indefinite appropriation each fiscal year for premium subsidy and other expenses

and returns unobligated balances to the U.S. Treasury at the end of the fiscal year.¹ According to RMA, the net cost of operations for the program was \$5.5 billion and \$6.8 billion for fiscal years 2018 and 2017, respectively (see table 8). Lastly, in April 2018, the Congressional Budget Office projected that federal crop insurance would cost the federal government an average of about \$7.9 billion per year in 2018–2028.

Table 8: Selected Information on the Federal Crop Insurance Program (dollars in billions)

	Crop year 2018 ^a (estimated)	Crop year 2017 ^a (actual)
Program information		
Number of policies	1.10 million	1.12 million
Insurance protection	\$109.08	\$106.10
Premium subsidies	\$6.27	\$6.36
Farmer-paid premium	\$3.64	\$3.71
Total premium	\$9.91	\$10.07
Indemnities	\$8.38	\$5.36
Loss ratio (indemnities as a percentage of total premium)	85%	53%
Financial information		
	Sep. 30, 2018	Sep. 30, 2017
Assets	\$5.184	\$5.216
Liabilities	\$12.475	\$13.615
Net position (assets minus liabilities)	(\$7.291)	(\$8.399)
Net cost of operations	\$5.464	\$6.783
Congressional Budget Office projection of annual costs per year (2018–2028): \$7.9 billion		

Sources: Department of Agriculture and Congressional Budget Office. | GAO-19-353

^aCrop year refers to the year in which a crop is harvested.

In 2017, we recommended that RMA and Congress consider improving the calculations related to the payments to and risk-sharing agreements with participating insurance companies to reduce year-to-year fluctuations in the subsidy costs of the program.² In 2015, we also reported on the

¹A permanent appropriation is a “standing” appropriation which, once made, is always available for specified purposes and does not require repeated action by Congress to authorize its use. An indefinite appropriation is an appropriation of an unspecified amount of money. An indefinite appropriation may appropriate all or part of the receipts from certain sources, the specific amount of which is determinable only at some future date, or it may appropriate “such sums as may be necessary” for a given purpose.

²GAO, *Crop Insurance: Opportunities Exist to Improve Program Delivery and Reduce Costs*, [GAO-17-501](#) (Washington, D.C.: July 26, 2017).

need for RMA to obtain more information on program costs and improve its premium setting calculations. We recommended that Congress consider reducing premium subsidies for the highest-income participants to reduce the cost of the program.³ As of December 31, 2018, these recommendations remained unaddressed.

National Flood Insurance Program

Administered by the Federal Emergency Management Agency (FEMA) of the Department of Homeland Security, the National Flood Insurance Program (NFIP) makes federally backed flood insurance available to residential property owners and businesses. By design, NFIP does not operate for profit. Instead, the program must meet a public policy goal—to provide flood insurance in flood-prone areas to property owners who otherwise would not be able to obtain it.⁴ Under NFIP, the federal government assumes the liability for the insurance coverage and sets rates and coverage limitations, while the private insurance industry sells the policies and administers the claims. As of September 30, 2018, NFIP provided about \$1.3 trillion of insurance coverage on 5.1 million policies.

NFIP generally is expected to cover its claim payments and operating expenses with the premiums it collects, but it has had to use its authority to borrow funds from the U.S. Treasury to cover large shortfalls. Since 2004, Congress increased NFIP's initial borrowing limit from \$1.5 billion to \$30.4 billion, which was passed into law in 2013. Until 2004, NFIP was able to cover most claims with premiums it collected and occasional loans from the U.S. Treasury that it repaid. Cumulative debt increased substantially from 2005 to 2016 due to extraordinary catastrophic loss years resulting primarily from Hurricane Katrina and Superstorm Sandy. By September 2017, NFIP exhausted its borrowing authority following hurricane season, which prompted Congress to grant \$16 billion in debt cancellation. NFIP then borrowed \$6.1 billion to cover incurred and anticipated expenses for the 2018 hurricane season. As of September 30, 2018, NFIP had \$20.5 billion of outstanding debt with the U.S. Treasury.

³GAO, *Crop Insurance: In Areas with Higher Crop Production Risks, Costs Are Greater, and Premiums May Not Cover Expected Losses*, [GAO-15-215](#) (Washington, D.C.: Feb. 9, 2015); and *Crop Insurance: Reducing Subsidies for Highest Income Participants Could Save Federal Dollars with Minimal Effect on the Program*, [GAO-15-356](#) (Washington, D.C.: Mar. 18, 2015).

⁴Because of the catastrophic nature of flooding and the inability to adequately predict flood risks, private insurance companies historically have largely been unwilling to underwrite and bear the risk resulting from providing primary flood insurance coverage.

According to FEMA, as currently designed, the program likely will not be able to repay this debt.

According to FEMA, from October 1, 2017 through September 30, 2018, NFIP’s total expenses were more than \$12 billion, which was more than twice its total revenue of \$5.6 billion. In that time, NFIP collected \$3.51 billion in premium revenues and \$1.04 billion in reinsurance collections, but paid \$9.21 billion in claims through the National Flood Insurance Fund. For fiscal year 2018, expenses also exceeded revenues by about \$6.64 billion for the National Flood Insurance Reserve Fund.⁵

FEMA has produced estimates of its ability to pay claims and of annual maximum probable losses. FEMA calculated NFIP’s capacity to pay claims, which includes almost \$10 billion in remaining borrowing authority from Treasury, at \$15.82 billion as of September 30, 2018 (see table 9). Although FEMA entered into a reinsurance contract in 2018 for \$1.5 billion, it projects it will not be able to cover potential future fiscal exposure from a single, low-probability, super-catastrophic event, which it estimates could cost as much as \$40 billion in claims.⁶

Table 9: Selected Information on the National Flood Insurance Program (dollars in billions)

Program information	Sep. 30, 2018	Sep. 30, 2017
Policies in-force	5.1 million	4.9 million
Insurance in-force	\$1,302	\$1,274
Outstanding debt with the U.S. Treasury, with \$16 billion in debt cancellation in October 2017	\$20.5	\$30.4
Capacity to pay current claims ^a (includes \$9.9 billion in remaining borrowing authority from the U.S. Treasury)	\$15.8	\$6.1
Assets	\$7.6	\$9.4
Liabilities	\$24.9	\$46.8

⁵FEMA also has the National Flood Insurance Reserve Fund. The Biggert-Waters Flood Insurance Reform Act of 2012 required that FEMA create a reserve fund in which it is to maintain at least 1 percent of total annual potential loss exposure. The reserve fund is intended to help NFIP meet expected future obligations of the program, including payment of claims, claims adjustment expenses, and the repayment of outstanding debt owed to Treasury, including interest.

⁶FEMA estimates the probable maximum annual loss that NFIP could experience in a year. This represents the estimated maximum payout from a super-catastrophic, low-probability event, commonly expressed as the “one in a thousand year event.” It’s what the threshold of loss would be with 0.1 percent annual chance of exceeding the threshold, per FEMA’s models and calculations.

Appendix II: Selected Information on Federal Insurance Programs

Program information	Sep. 30, 2018	Sep. 30, 2017
Net position	(\$17.3)	(\$37.4)
Probable maximum annual loss ^b	over \$40	over \$40
Fund Information	Fiscal year 2018	Fiscal year 2017
National Flood Insurance Fund		
Total revenue	\$4.76	\$3.22
Total expenses	\$11.41	\$5.25
Net income (loss)	(\$6.64)	(\$2.03)
National Flood Insurance Reserve Fund		
Total revenue	\$0.88	\$1.01
Total expenses	\$0.92	\$1.65
Net income (loss)	(\$0.04)	(\$0.64)

Sources: Department of Homeland Security, Federal Emergency Management Agency. | GAO-19-353

^aCapacity to pay current claims equals NFIP Fund and NFIP Reserve Fund available resources plus remaining borrowing authority from Treasury.

^bProbable maximum annual loss is the maximum payout from a super-catastrophic, low-probability event, commonly expressed as the “one in a thousand year event.” It is what the threshold of loss would be with 0.1 percent annual chance of exceeding the threshold, per FEMA’s models and calculations.

In 2017, we again reported that NFIP premiums do not reflect the full risk of loss, which increases the federal fiscal exposure created by the program, obscures that exposure from Congress and taxpayers, contributes to policyholder misperception of flood risk (they may not fully understand the risk of flooding), and discourages private insurers from selling flood insurance (they cannot compete on rates). We concluded that eliminating rate discounts by requiring all rates to reflect the full risk of loss would help address these problems, but also would make policies less affordable and could reduce consumer participation. We stated that the decreases in affordability could be offset by other actions such as providing means-based assistance. We recommended that Congress consider comprehensive reform to improve NFIP’s solvency and enhance the nation’s resilience to flood risk.⁷ As of December 31, 2018, Congress still was considering various reforms as it worked to reauthorize the program.

⁷GAO, *Flood Insurance: Comprehensive Reform Could Improve Solvency and Enhance Resilience*, [GAO-17-425](#) (Washington, D.C.: Apr. 27, 2017). We identified six areas for reform: (1) addressing the current debt, (2) removing existing legislative barriers to FEMA revising premium rates to reflect the full risk of loss, (3) addressing affordability, (4) increasing consumer participation, (5) removing barriers to private-sector involvement, and (6) protecting NFIP flood resilience efforts.

Pension Benefit Guaranty Corporation

The Pension Benefit Guaranty Corporation (PBGC) is a wholly-owned government corporation established to insure the pension benefits of participants in and beneficiaries of private-sector defined benefit plans. The corporation operates a single-employer program and a multiemployer program. The single-employer program covers defined benefit pension plans that generally are sponsored by one employer. When an underfunded single-employer plan terminates, PBGC becomes the trustee and administers the plan. As of September 30, 2018, the single-employer program insured about 26 million people in approximately 23,400 plans and approximately 861,000 people were receiving benefits payments from PBGC. The multiemployer program insures plans arranged through collective bargaining between labor unions and employers, with two or more employers participating in a plan. PBGC provides financial assistance to multiemployer plans when they become insolvent.⁸ According to PBGC, as of September 30, 2018, the multiemployer program insured about 10.6 million people in approximately 1,400 plans and about 62,300 people were receiving benefits payments from plans receiving financial assistance from PBGC.

Premium rates are set in law by Congress and plan sponsors or plans pay per-participant flat premiums under both programs. In addition, under the single-employer program, a plan sponsor or plan pays a variable-rate premium based on its plan underfunding. PBGC receives no funds from general tax revenue and assets from one program cannot be used to support the other, so both programs must pay claims primarily from nonfederal sources. The single-employer program had positive cash flow during fiscal year 2018 and both programs have been able to maintain enough assets to pay guaranteed benefits and financial assistance to date.

But historically, PBGC's statutory premium structure has not reflected significant risks PBGC insures against—for example, the risk that a single-employer plan sponsor becomes bankrupt, forcing the termination of an underfunded plan, or the risk that a multiemployer plan's financial condition deteriorates, causing it to become insolvent—imposing claims on PBGC programs. As shown in table 10, PBGC's multiemployer

⁸Insolvent plans also are required to reduce or suspend payment of any portion of benefits to beneficiaries that exceeds PBGC's guarantee level. If a plan recovers from insolvency, it must begin repaying the PBGC loan. However, in practice such loans have almost never been repaid, as plans generally do not emerge from insolvency.

program had a negative net position (that is, total liabilities exceeded total assets) at the end of fiscal year 2018. The single-employer program reached a positive net position (for the first time since 2001) by the end of fiscal year 2018. PBGC projects a positive net position in 10 years for the single-employer program, but a negative net position for the multiemployer program (negative \$68.9 billion by the end of fiscal year 2027), although there is inherent uncertainty around such a projection.⁹ PBGC's forecasts for the following decade and beyond based on current economic conditions project a very high likelihood of insolvency for the multiemployer program before the end of fiscal year 2025 if there are no changes in law.

⁹Pension Benefit Guaranty Corporation, *PBGC Projections Report Fiscal Year 2017* (Washington, D.C.: May 31, 2018). According to PBGC models, as of September 30, 2017, the projected present value of the mean net position for the single-employer program in fiscal year 2027 was \$20.1 billion, with a range of results between negative \$2 billion (15th percentile) and \$40 billion (85th percentile). The projected present value of the mean net position for the multiemployer program in fiscal year 2027 was negative \$68 billion, with a range between negative \$96.8 billion (15th percentile) and negative \$42.9 billion (85th percentile).

Appendix II: Selected Information on Federal Insurance Programs

Table 10: Selected Information on Pension Benefit Guaranty Corporation Programs (dollars in billions)

	Single-employer program		Multiemployer program	
	Sep. 30, 2018	Sep. 30, 2017	Sep. 30, 2018	Sep. 30, 2017
Number of people insured	Approx. 26 million	Approx. 28 million	Approx. 10.6 million	Approx. 10 million
Plans under program	Approx. 24,000	Approx. 22,000	Approx. 1,400	Approx. 1,400
Participants receiving benefits or in plans receiving assistance ^a	Approx. 861,000	Approx. 840,000	Approx. 62,300	Approx. 63,000
	Fiscal year (FY) 2018	FY 2017	FY 2018	FY 2017
Benefits or financial assistance paid	\$5.8	\$5.7	\$0.2	\$0.1
Net income (or loss) ^b	\$13.4	\$9.7	\$11.2	(\$6.2)
Assets	\$109.9	\$106.2	\$2.3	\$2.3
Liabilities	\$107.5	\$117.1	\$56.2	\$67.3
Net position	\$2.4	(\$10.9)	(\$53.9)	(\$65.1)
10-year projected mean present value of net position ^c		\$20.1 for FY ended Sep. 30, 2027		(\$68.9) for FY ended Sep. 30, 2027

Source: Pension Benefit Guaranty Corporation. | GAO-19-353

Note: Although long-term projections inherently contain a significant degree of uncertainty, a surplus net financial position signifies that, based on the assumptions used, PBGC estimates it has sufficient assets to pay all current and future guaranteed benefit obligations; a deficit net financial position signifies its assets are not sufficient to pay all future obligations.

^aAs of December 31, 2017, or December 31, 2016.

^bNet income is income (including premium income, investment income or losses, and actuarial charges and adjustments or credits) minus expenses (including administrative and investment expenses). Actuarial charges and adjustments (or credits) arise from changes from mortality and retirement assumptions, changes in interest factors, and expected interest.

^cAccording to PBGC models, as of May 2018, the range for the single-employer projections was between negative \$2 billion (15th percentile) and \$40 billion (85th percentile), and the range for the multiemployer projections was between negative \$96.8 billion (15th percentile) and negative \$42.9 billion (85th percentile).

In 2013, PBGC officials told us that once the multiemployer fund’s cash balance was depleted, the agency would have to rely solely on annual insurance premium receipts to pay financial assistance to plans. The precise effect that the insolvency of the multiemployer insurance fund would have on retirees receiving the PBGC guaranteed benefit would depend on a number of factors—primarily the number of guaranteed

benefit recipients and PBGC's annual premium income at that time. However, the impact likely would be severe.¹⁰

In 2012, we recommended that Congress consider redesigning PBGC's premium structure to more fully reflect the risks posed by plans and sponsors to the agency and improve PBGC's access to additional information needed to assess risk and assist in setting premiums.¹¹ In 2013, we also recommended that Congress consider comprehensive and balanced structural reforms to reinforce and stabilize the multiemployer program.¹² As of December 31, 2018, Congress had yet to authorize a redesign of PBGC's premium structure. However, in December 2014, Congress enacted the Multiemployer Pension Reform Act of 2014, which substantially established in law certain key structural reforms to the multiemployer system, including allowing severely distressed multiemployer plans to reduce accrued pension benefits; expanding PBGC's ability to assist financially distressed plans; and raising multiemployer insurance premiums to provide PBGC with additional resources.

Deposit Insurance Fund

The Federal Deposit Insurance Corporation (FDIC) insures the deposits of commercial banks and savings associations up to the statutory limit of \$250,000. According to FDIC, as of September 30, 2018, there were 5,486 insured depository institutions with total insured deposits of \$7.4 trillion. FDIC administers the federal deposit insurance program through its management of the Deposit Insurance Fund (DIF), which has two primary purposes: (1) to insure the deposits and protect the depositors of insured banks and (2) to resolve failed banks. FDIC manages the DIF by

¹⁰If the multiemployer program became insolvent, participants who relied on PBGC guarantees likely would receive only a very small fraction of current statutory guarantees, according to PBGC, and most participants would receive less than \$2,000 a year, or much less in many cases. The PBGC maximum benefit guarantee for a multiemployer plan participant is based on a statutory formula and depends on the individual's years of service and the accrual rate. In June 2018, we reported that for someone with 30 years of service, the guaranteed annual benefit limit is \$12,870. See GAO, *Central States Pension Fund: Investment Policy Decisions and Challenges Facing the Plan*, [GAO-18-106](#) (Washington, D.C.: June 4, 2018).

¹¹GAO, *Pension Benefit Guaranty Corporation: Redesigned Premium Structure Could Better Align Rates with Risk from Plan Sponsors*, [GAO-13-58](#) (Washington, D.C.: Nov. 7, 2012).

¹²GAO, *Private Pensions: Timely Action Needed to Address Impending Multiemployer Plan Insolvencies*, [GAO-13-240](#) (Washington, D.C.: Mar. 28, 2013).

determining the size of the fund and of the DIF reserve ratio (the ratio of the fund balance to estimated insured deposits). The DIF is funded mainly through quarterly risk-based assessments on insured depository institutions, and it also earns interest income on its securities.¹³ The DIF is reduced by the amount of losses and expenses associated with failed banks and by FDIC operating expenses.

The financial strength of the DIF can be gauged by comparing the fund's actual reserve ratio to the minimum reserve ratio, and by measuring its progress to the designated, or desired, reserve ratio. Section 334 of the Dodd-Frank Wall Street Reform and Consumer Protection Act increased the minimum reserve ratio from 1.15 percent to 1.35 percent and required that the reserve ratio reach that level by September 30, 2020. To meet these requirements, large banks paid temporary surcharges from the third quarter of 2016 through the third quarter of 2018. In addition, under the long-term DIF management plan, the FDIC Board of Directors set the designated reserve ratio at 2.0 percent, with the goal of helping FDIC maintain a stable insurance assessment rate and sustain a positive DIF balance even during a serious economic downturn.¹⁴ In November 2018, FDIC announced that the DIF reserve ratio had reached 1.36 percent (as of September 30, 2018), exceeding the statutorily required minimum reserve ratio of 1.35 percent ahead of the statutory deadline (September 30, 2020).¹⁵

Obligations of FDIC are backed by the full faith and credit of the U.S. government. In addition, FDIC is authorized to borrow up to \$100 billion from the U.S. Treasury and issue and sell up to \$100 billion in obligations

¹³A bank's assessment is calculated by multiplying its assessment rate by its assessment base (both of which are determined quarterly). Generally, a bank's assessment base is its average consolidated total assets minus its average tangible equity. FDIC charges banks different rates for the differing risks they pose to the DIF and uses different methods for large and small banks to determine each bank's risk and corresponding assessment rate. By statute, assessment rates must be risk-based.

¹⁴Additionally, as part of the long-term DIF management plan, FDIC has suspended dividends indefinitely when the fund reserve ratio exceeds 1.5 percent at the end of the year. In lieu of dividends, the plan prescribes progressively lower assessment rates that will become effective when the reserve ratio exceeds 2.0 percent and 2.5 percent.

¹⁵See Federal Deposit Insurance Corporation, *Deposit Insurance Fund Reserve Ratio Exceeds Minimum 1.35 Percent*, FIL-78-2018 (Washington, D.C.: Nov. 28, 2018). According to FDIC, FDIC regulations provided for two changes to deposit insurance assessments upon reaching the minimum: (1) surcharges on large banks ceased; and (2) small banks received assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio.

to the Federal Financing Bank (see table 11). A statutory formula, known as the maximum obligation limitation, limits the amount of obligations the DIF can incur to the sum of its cash, 90 percent of the fair market value of other assets, and the amount authorized to be borrowed from the U.S. Treasury. The maximum obligation limitation for the DIF was \$191.5 billion as of December 31, 2017.

Table 11: Selected Information on the Federal Deposit Insurance Corporation’s Deposit Insurance Fund (dollars in billions)

Program Information	Sep. 30, 2018	Sep. 30, 2017
Insured depository institutions ^a	5,486	5,747
Estimated insured deposits	\$7,377	\$7,104
Total Deposit Insurance Fund (DIF) balance	\$100.2	\$90.5
Reserve ratio (or DIF balance as a percentage of estimated insured deposits)	1.36%	1.27%
Designated reserve ratio (or desired reserve ratio)	2.0%	2.0%
Borrowing authority capacity from the U.S. Treasury	\$100.0	\$100.0
Outstanding debt with the U.S. Treasury	\$0	\$0

Source: Federal Deposit Insurance Corporation. | GAO-19-353

^aCommercial banks, savings institutions, and U.S. insured branches of foreign banks.

FDIC did not use its authority to borrow funds from the U.S. Treasury when the DIF was depleted and fell to negative \$20.9 billion, its lowest point in history, as a result of the 2007–2009 financial crisis.¹⁶ Instead, FDIC first replenished the DIF through increased assessments and a one-time special assessment. These actions were taken pursuant to a restoration plan established to replenish the DIF and raise the reserve ratio to its designated minimum within the time limits prescribed by the Federal Deposit Insurance Act.¹⁷ Finally, FDIC was able to improve the liquidity of the DIF by requiring the banking industry to prepay its quarterly

¹⁶Failures of FDIC-insured banks increased significantly in 2008–2011: from 25 in 2008 to 140 in 2009, 157 in 2010, and 92 in 2011. In the second quarter of 2008, the DIF reserve ratio dropped below the statutory minimum of 1.15 percent of estimated insured deposits. The DIF fell to a negative \$20.9 billion on an accounting basis by year-end 2009.

¹⁷See 12 U.S.C. 1817(b)(3)(E). FDIC established a restoration plan for the DIF in October 2008, and subsequently updated the plan in light of extraordinary circumstances and changes in the law governing management of the DIF. See Federal Deposit Insurance Corporation Restoration Plan, 73 Fed. Reg. 61598 (Oct. 16, 2008); Federal Deposit Insurance Corporation Amended Restoration Plan, 74 Fed. Reg. 9564 (Mar. 4, 2009); Federal Deposit Insurance Corporation Amended Restoration Plan, 74 Fed. Reg. 51062 (Oct. 2, 2009); and Adoption of Federal Deposit Insurance Restoration Plan, 75 Fed. Reg. 66293 (Oct. 27, 2010).

risk-based assessments for the fourth quarter of 2009 and for the next 3 years.¹⁸

National Credit Union Share Insurance Fund

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund and provides up to \$250,000 of insurance per depositor.¹⁹ According to NCUA, by the end of calendar year 2017, the Share Insurance Fund insured the deposits of more than 111 million members in 5,573 credit unions with \$1.38 trillion in assets, and the fund insured \$1.1 trillion of member shares, or dollars deposited.

The Share Insurance Fund is primarily funded by contributions of 1 percent of the insured shares or deposits from each member credit union. Other sources of income include premiums, when assessed as explained below, and investment income. The financial performance of the Share Insurance Fund can be measured by comparing the equity ratio to the normal operating level (or desired equity ratio). The equity ratio is the total of credit unions' contributions to the fund, less any gain or loss on investments, plus accumulated retained earnings, divided by total insured shares. By law, the equity ratio of the Share Insurance Fund cannot decline below 1.20 percent and may not exceed 1.50 percent. If NCUA expects the equity ratio to fall below this threshold, it must establish and implement a restoration plan to rebuild the equity ratio, which must include a premium assessment to each insured credit union. The reported equity ratio at the end of 2017 was 1.46 percent, which is above the normal operating level, set at 1.39 percent as of 2017.²⁰ According to NCUA, a normal operating level of 1.39 percent was set with the goal of

¹⁸According to FDIC, in contrast to a special assessment, a prepaid assessment did not impair bank earnings and capital under applicable accounting rules. The prepayment was counted on the banks' balance sheets as an asset that was reduced each quarter as each prepaid assessment came due.

¹⁹NCUA regulates federally chartered credit unions and the vast majority of state-chartered credit unions. In addition to the Share Insurance Fund, NCUA has an Operating Fund that funds certain NCUA activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund. The standard insurance amount is \$250,000 per share owner, per insured credit union, for each account ownership category.

²⁰NCUA raised the normal operating level from 1.30 percent to 1.39 percent on September 28, 2017. Because the equity ratio exceeded the operating level, on February 15, 2018, the NCUA Board declared a distribution of \$735.7 million to eligible federally insured credit unions. NCUA may make such distributions if there is no outstanding borrowing with the U.S. Treasury. On December 13, 2018, the NCUA Board lowered the normal operating level to 1.38 percent.

ensuring that the Share Insurance Fund could withstand a moderate recession without the equity ratio declining below 1.20 percent over a 5-year period.

The Share Insurance Fund is backed by the full faith and credit of the U.S. government and, according to NCUA, has \$6.0 billion in borrowing authority from the U.S. Treasury, all of which was available as of December 31, 2017. The fund also has the ability to borrow from the NCUA's Central Liquidity Facility up to the amount of the liquidity facility's unused borrowing authority, which was \$6.6 billion as of December 31, 2017. As of December 31, 2017, the Share Insurance Fund had \$12.6 billion in total available borrowing capacity, which is the combination of the borrowing authority from the U.S. Treasury and the liquidity facility (see table 12).²¹

Table 12: Selected Information on the National Credit Union Administration's Share Insurance Fund (dollars in billions)

Program Information	Dec. 31, 2017	Dec. 31, 2016
Federally insured credit unions	5,573	5,785
Members	111.3 million	106.9 million
Insured shares	\$1,127.5	\$1,086.3
Assets	\$16.67	\$12.87
Contributed capital from insured credit unions	\$10.77	\$9.99
Liabilities	\$0.94	\$0.20
Contingent liabilities (insurance losses)	\$0.93	\$0.20
Net position	\$15.7	\$12.7
Equity ratio (or contributed capital deposits and retained earnings, less any gain or loss on investments, divided by total insured shares)	1.46%	1.24%
Normal operating level (or desired equity ratio) ^a	1.39%	1.30%
Total borrowing authority capacity from all sources	\$12.6	\$12.1
Outstanding debt with the U.S. Treasury	\$0	\$0

Source: National Credit Union Administration. | GAO-19-353

^aOn December 13, 2018, the National Credit Union Administration approved a normal operating level of 1.38 percent.

²¹NCUA's Central Liquidity Facility lends funds to credit unions experiencing unusual or unexpected liquidity shortfalls. Membership in the facility is open to all credit unions that purchase a prescribed amount of capital stock. The facility is authorized by statute to borrow, from any source, an amount not to exceed 12 times its subscribed capital stock and surplus. As of December 31, 2017, the facility's statutory borrowing authority was \$6.6 billion, and its borrowing arrangement was exclusively with the Federal Financing Bank.

The recent equity ratio contrasts with low points reached during and after the 2007–2009 financial crisis. NCUA had to take a number of steps to stabilize credit unions, stemming primarily from the failure of five large corporate credit unions.²² NCUA established the Temporary Corporate Credit Union Stabilization Fund, which replaced the Share Insurance Fund as the primary source to absorb the corporates' losses. Congress increased NCUA's borrowing authority with the U.S. Treasury up to \$6 billion through a revolving loan fund to be shared between the Stabilization Fund and Share Insurance Fund. The Stabilization Fund borrowed and repaid a total of \$11.2 billion from the U.S. Treasury from its inception in 2009 through its closure in October 1, 2017.²³ The highest amount of total borrowing outstanding was \$5.1 billion in October 2012.²⁴ However, the Share Insurance Fund's equity ratio fell below 1.20 percent in both 2009 and 2010, and two premiums totaling \$1.7 billion were necessary to restore the equity ratio. NCUA stated that without the premiums the equity ratio would have fallen to 1.07 percent.²⁵

²²Corporate credit unions are financial institutions whose members are credit unions, not individuals, and that provide credit unions with payment services, investment opportunities, and other forms of credit, should credit unions face liquidity needs. Most federally insured credit unions are members of at least one corporate credit union.

²³At its September 2017 open meeting, the NCUA Board closed the Temporary Corporate Credit Union Stabilization Fund effective October 1, 2017, and transferred all Stabilization Fund assets and obligations to the Share Insurance Fund.

²⁴In addition, in March 2009, NCUA's Central Liquidity Facility borrowed \$10 billion from the Federal Financing Bank and lent it to Share Insurance Fund. NCUA subsequently repaid this loan with proceeds from asset sales.

²⁵National Credit Union Administration, *Closing the Stabilization Fund and Setting the Share Insurance Fund Normal Operating Level*, board briefing (Sept. 28, 2017).

Appendix III: Information on Federal Loan Guarantees

Federal loan guarantees are any guarantees, insurance, or other pledges with respect to the payment of all or a part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender. Thus, the federal guarantee transfers some or all of the risks of borrower default from private lenders to the federal government. Table 13 lists the 33 federal guaranteed loan activities that presented liabilities to the federal government as of September 30, 2017.¹

Table 13: Federal Loan Guarantee Activities, by Liabilities, for Fiscal Year Ending September 30, 2017

Federal activities with more than \$1 billion in loan guarantee liabilities		
Agency	Federal activity	Description
1 Agency for International Development	International Assistance Loan Guarantee Programs ^a	Provides loan guarantees that enable foreign countries to borrow from commercial sources at lower rates and provides partial loan guarantees to mobilize local financing in developing countries, which encourage private lenders to extend financing to underserved borrowers in new sectors and regions.
2 Department of Education	Federal Family Education Loan Guarantees	Provided loan guarantees to postsecondary students and their parents until the program's authorization was eliminated in 2010.
3 Department of Housing and Urban Development	General and Special Risk Loan Guarantees	Provides mortgage insurance for purposes that include financing the development and rehabilitation of multifamily housing, residential care facilities, and hospitals.
4 Department of Housing and Urban Development	Mutual Mortgage Insurance Fund Loan Guarantees ^b	Provides mortgage insurance to encourage lenders to make credit available to borrowers who are not adequately served by the conventional market, such as first-time homebuyers, minorities, and lower-income families.
5 Department of Veterans Affairs	Veterans Housing Benefit Loan Guarantees	Helps eligible veterans, active duty personnel, surviving spouses, and members of the Reserves and National Guard purchase, retain, and adapt homes by substituting the federal guaranty for a down payment that might otherwise be required.

¹We identified these activities using the fiscal year 2017 Financial Report of the United States Government and underlying account-level data from the Department of the Treasury's Government-wide Treasury Account Symbol Adjusted Trial Balance System. Guaranteed loan activities may have up to three accounts associated with them—a liquidating, financing, or program account. Government cash flows for loan guarantees may be recorded in liquidating accounts or financing accounts, depending on whether the guarantees were made before, or on or after October 1, 1991, respectively. Program accounts are used to record federal administrative and subsidy costs associated with loan guarantees made after 1991. We did not separately list each account associated with the guaranteed loan activities. When more than one account existed, we aggregated liabilities for that activity into one program. Additionally, we combined six loan guarantee accounts administered by the Agency for International Development into the International Assistance Programs listed in table 13. These accounts included guaranteed loan activities targeted to specific countries and regions, such as Israel, Ukraine, and the Middle East and North Africa.

Appendix III: Information on Federal Loan Guarantees

Federal activities with more than \$1 billion in loan guarantee liabilities

6	Small Business Administration	Business Loan Guarantees	Provides guarantees of loans from private lenders to small businesses for a variety of reasons, such as general business purposes and acquiring fixed assets for expansion or modernization.
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Federal activities with more than \$100 million and less than \$1 billion in loan guarantee liabilities

	Agency	Federal activity	Description
7	Department of Agriculture	Agricultural Credit Insurance Fund Loan Guarantees	Provides loan guarantees for farm ownership, farm operating, conservation, and emergency loans to individuals.
8	Department of Agriculture	Rural Business and Industry Loan Guarantees	Provides loan guarantees for business development in rural areas.
9	Department of Agriculture	Rural Housing Insurance Fund Loan Guarantees	Provides mortgage loan guarantees to low- and moderate-income borrowers in rural areas.
10	Department of Energy	Title 17 Innovative Technology Loan Guarantees	Provides loan guarantees to accelerate the deployment of innovative clean energy technology.
11	Department of Education	Health Education Assistance Loan Guarantees	Provided guarantees of loans from private lenders to health professions students to pay for the costs of their training. New Health Education Assistance Loans have not been made since 1998.
12	Department of Housing and Urban Development	Indian Housing Loan Guarantees	Provides access to private mortgage financing for Indian families, Indian Tribes, and their tribally-designated housing entities that may face barriers to acquiring such financing because of the unique legal status of Indian trust land.
13	Export-Import Bank of the United States	Export-Import Bank Loan Guarantees	Provides loan guarantees to help secure competitive financing for international buyers.
14	Tennessee Valley Authority ^c	Tennessee Valley Authority Loan Guarantees	Provides loan guarantees to help support energy-efficiency projects.

Federal activities with less than \$100 million in loan guarantee liabilities

	Agency	Federal activity	Description
15	Department of Agriculture	Biorefinery Assistance Loan Guarantees	Provides loan guarantees for bioenergy, renewable chemical, and biobased product manufacturing development.
16	Department of Agriculture	Commodity Credit Corporation Export Loan Guarantees	Guarantees payments due from foreign banks and buyers, helping financial institutions in the United States offer competitive credit terms to foreign banks. A portion of the program also guarantees export financing for capital goods and services to improve handling, marketing, processing, storage, or distribution of imported agricultural commodities and products.
17	Department of Agriculture	Rural Business Investment Program Loan Guarantees	Provides loan guarantees to help fill the need for business and development capital in rural areas.
18	Department of Agriculture	Rural Community Facility Loan Guarantees	Provides loan guarantees for essential community facilities in rural areas, such as hospitals and fire stations.

Appendix III: Information on Federal Loan Guarantees

Federal activities with less than \$100 million in loan guarantee liabilities			
Agency	Federal activity	Description	
19	Department of Agriculture	Rural Electrification and Telecommunications Loan Guarantees	Provides loan guarantees to help fund the operation of generating plants, electric transmission, and distribution lines or systems and the construction, expansion, and operation of telecommunications lines and facilities or systems.
20	Department of Agriculture	Rural Energy for America Loan Guarantees	Provides loan guarantees to farmers, ranchers, and small businesses to purchase renewable energy systems and make energy efficiency improvements in rural areas.
21	Department of Agriculture	Rural Water and Waste Water Disposal Loan Guarantees	Provides water and waste disposal guarantees for loans that banks and other eligible lenders make in rural areas and towns with populations of less than 10,000.
22	Department of Defense	Family Housing Improvement Fund Loan Guarantees	Provides loan guarantees to leverage private-sector financing, expertise, and innovation to revitalize and build new, quality on-base family housing faster and more efficiently than traditional military construction processes could allow.
23	Department of Health and Human Services	Health Center Loan Guarantees	Provides guarantees of loans from private lenders to health centers for the costs of developing and operating managed care networks or plans and for the construction, renovation, and modernization of medical facilities.
24	Department of Housing and Urban Development	Community Development Loan Guarantees	Provides loan guarantees to support economic development projects, housing rehabilitation, and the rehabilitation, construction, or installation of public facilities for the benefit of low- to moderate-income persons.
25	Department of Housing and Urban Development	Home Ownership Preservation Entity Fund Loan Guarantees	Provided loan guarantees to help homeowners at risk of default and foreclosure refinance into affordable, sustainable loans. The program ended on September 30, 2011.
26	Department of Housing and Urban Development	Native Hawaiian Housing Loan Guarantees	Provides access to private mortgage financing through loan guarantees to Native Hawaiian families who are eligible to reside on Hawaiian home lands and otherwise would face barriers to acquiring such financing because of the unique legal status of the Hawaiian home lands.
27	Department of Housing and Urban Development	Recovery Fund Loan Guarantees	Provides guarantees of loans made by financial institutions to assist certain nonprofit organizations that were damaged as a result of acts of arson or terrorism.
28	Department of Housing and Urban Development	Title VI Indian Federal Guarantees	Provides guarantees of notes or other obligations issued by Indian Tribes or tribally-designated housing entities for the purpose of financing affordable housing activities.
29	Department of the Interior	Indian Loan Guarantees	Provides loan guarantees targeted to projects (with an emphasis on manufacturing, business services, and tourism) providing increased economic development on Indian reservations.
30	Department of Transportation	Maritime Loan Guarantees (Title XI)	Provides guarantees of debt obligations issued by U.S or foreign ship owners to finance or refinance the construction, reconstruction, or reconditioning of U.S.-flag vessels or eligible export vessels in U.S. shipyards; or debt obligations issued by U.S. shipyard owners to finance the modernization of shipbuilding technology at U.S. shipyards.

Appendix III: Information on Federal Loan Guarantees

Federal activities with less than \$100 million in loan guarantee liabilities		
Agency	Federal activity	Description
31 Department of Transportation	Minority Business Resource Center Loan Guarantees	Provides loan guarantees for small, emerging, and disadvantaged businesses to access government and private financing programs and learn tools to become risk averse, build profitable and sustainable businesses, increase access to contracting opportunities, and create pathways to job creation and retention.
32 Department of Veterans Affairs	Transitional Housing Loan Guarantees	Provided loan guarantees for the construction or rehabilitation of multifamily transitional housing projects specifically designed to provide housing for homeless veterans. The program was cancelled in 2012.
33 Overseas Private Investment Corporation	Overseas Private Investment Corporation Loan Guarantees	Provides loan guarantees that encourage the participation of U.S. private-sector capital and skills in the economic and social development of developing countries and emerging market economies.

Sources: Department of the Treasury and the Office of Management and Budget. | GAO-19-353

Note: Guaranteed loan activities may have up to three accounts associated with them—a liquidating, financing, or program account. We did not separately list each account associated with the guaranteed loan activities. When more than one account existed, we aggregated liabilities for that activity into one program.

^aWe combined six loan guarantee accounts administered by the Agency for International Development into the International Assistance Loan Guarantee Programs listed in the table. These accounts included guaranteed loan activities targeted to specific countries and regions, such as Israel, Ukraine, and the Middle East and North Africa.

^bWe included the loan guarantee liabilities from Department of the Treasury’s (Treasury) Troubled Asset Relief Program Housing Program with those of the Mutual Mortgage Insurance Fund program, because the housing program is intended to encourage refinancing of existing underwater loans into loans guaranteed under the Mutual Mortgage Insurance Fund and shares in the risk of loss. The eligibility window for the housing program’s loan guarantees closed on December 31, 2016, and Treasury’s commitment expires in December 2022.

^cThe Tennessee Valley Authority is a corporate agency of the United States and is the nation’s largest public power provider. Reporting requirements of the Federal Credit Reform Act of 1990 do not apply to the authority’s financing activities

Appendix IV: Information on Federal Employee and Veterans Benefits

Table 14 lists 13 large federal employee and veterans benefit activities—such as pension, health, life, and disability benefits—that transfer risk or losses to the federal government. Each of the activities listed represented \$10 billion or more in benefit liabilities payable for the fiscal year ending September 30, 2017. Combined, the activities accounted for 99 percent of the total federal employee and veterans benefit liabilities of \$7.7 trillion.¹

Table 14: Treasury/Budget Accounts with the Largest Federal Employee and Veterans Benefits Payable, for Fiscal Year Ending September 30, 2017

Treasury/Budget accounts with \$1 trillion or more in benefits payable			
Agency	Federal activity	Description	
1	Department of Defense	Military Retirement Fund	Provides for accrual funding of the military retirement system.
2	Department of Veterans Affairs	Compensation and Pensions	Provides for the payment of compensation, pension, and burial benefits to veterans and survivors.
3	Office of Personnel Management	Civil Service Retirement and Disability Fund	Provides funding for two federal civilian retirement systems: the Civil Service Retirement System and the Federal Employees Retirement System.
Treasury/Budget accounts with \$10 billion or more and less than \$1 trillion in benefits payable			
Agency	Federal activity	Description	
4	Department of Defense	Defense Health Program	Provides care to current and retired members of the Armed Forces, their family members, and other eligible beneficiaries.
5	Department of Defense	Medicare-Eligible Retiree Health Care Fund	Provides for accrual funding for health care to Medicare-eligible retirees.
6	Department of Health and Human Services	Retirement Pay and Medical Benefits for Commissioned Officers	Funds annuities of retired Public Health Service commissioned officers and survivors of retirees, and medical benefits for the service's active duty commissioned officers, retirees, and dependents of members and retirees of the service's Commissioned Corps.
7	Department of Homeland Security	Retired Pay, Coast Guard	Provides for retired pay of military personnel of the Coast Guard and Coast Guard Reserve, members of the former Lighthouse Service, and for annuities payable to beneficiaries of retired military personnel under the Retired Serviceman's Family Protection Plan and Survivor Benefits Plans.

¹We identified these activities using the fiscal year 2017 Financial Report of the United States Government and underlying account-level data from the Department of the Treasury's Government-wide Treasury Account Symbol Adjusted Trial Balance System. These data included 648 different accounts from 121 federal agencies and other entities that contributed to the federal employee or veterans benefits liabilities as of September 30, 2017. These accounts can fund other agency activities besides federal employee and veterans benefits—such as an agency's salaries and expenses.

**Appendix IV: Information on Federal Employee
and Veterans Benefits**

Treasury/Budget accounts with \$1 trillion or more in benefits payable		
Agency	Federal activity	Description
8 Department of State	Foreign Service Retirement and Disability Fund	Provides mandatory funding for the Foreign Service Retirement and Disability Fund for the operations of two separate retirement systems—the Foreign Service Retirement and Disability System and the Foreign Service Pension System.
9 Department of Veterans Affairs	Readjustment Benefits	Provides for the payment of readjustment and rehabilitation benefits to or on behalf of veterans.
10 Office of Personnel Management	Employees Health Benefits Fund	Provides funding for the Federal Employees Health Benefit fund and the Retired Employees Health Benefits fund.
11 Office of Personnel Management	Employees' Life Insurance Fund	Finances payments to a private insurance company for Federal Employees' Group Life Insurance and expenses of the Office of Personnel Management in administering the program.
12 Tennessee Valley Authority ^a	Tennessee Valley Authority Fund	Provides funding for the pensions and post-retirement benefits for its employees' defined benefit pension plan.
13 United States Postal Service	Postal Service Fund	Provides funding for pension benefits and health benefits, as well as other expenses of the U.S. Postal Service.

Legend: Budget Account = Account name in the Appendix of the Budget of the United States Government; Treasury Account = Department of the Treasury federal account title.

Sources: Department of the Treasury and the Office of Management and Budget. | GAO-19-353

^aThe Tennessee Valley Authority is a corporate agency of the United States and is the nation's largest public power provider.

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Tables 15, 16, and 17 list a total of 95 federal activities that met our criteria of transferring risk or losses from adverse events from third parties to the federal government and that we found in the Budget of the United States Government (President's Budget), the Catalog of Federal Domestic Assistance (CFDA), or the Code of Laws of the United States (U.S. Code).¹ These activities can be broadly categorized into activities that, at least in part, provide compensation for property or financial losses—including losses resulting from adverse environmental or manmade events—and activities that offer life, health, or disability benefits to nonfederal employees.²

- Table 15 has information on 39 budget accounts from the President's Budget, generally organized by amount of obligations for fiscal year 2017. While budget obligations create a legal liability for the federal government, they may not necessarily reflect an activity's fiscal exposure if, for example, the activity has dedicated payment streams.
- Table 16 has information on an additional 51 activities found through our sources that met our criteria.
- Table 17 has information on five activities authorized in law that had not triggered losses to the federal government as of December 31, 2018. With the exception of the Terrorism Risk Insurance Program, we identified these programs through an analysis of the U.S. Code, since the programs have not had liabilities or appropriations and could not be found in the Financial Report or the President's Budget. We were able to find some financial and budgetary information on the Terrorism Risk Insurance Program because administrative expenses and potential projected payments under the program are identified in the President's Budget on an annual basis.

¹We also include one federal activity that an outside expert brought to our attention and that we had not identified through the methodologies described in appendix I.

²The information in this appendix excludes federal insurance programs, federal loan guarantee programs, federal employee and veteran benefit activities, and social insurance programs, as we primarily relied on the Department of the Treasury's Financial Report of the United States Government and underlying account-level data from the Department of the Treasury's Government-wide Treasury Account Symbol Adjusted Trial Balance System to identify those programs (see apps. II, III, IV, and VI).

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Table 15: Information on Selected Federal Activities That Transfer Risk or Losses to the Government Found in the President’s Budget (dollars in billions)

President’s Budget accounts with \$1 billion or more in obligations for fiscal year 2017					
Agency	Budget account name	Type of benefit	Description	Total new obligations, unless otherwise noted	
1	Department of Health and Human Services	Grants to States for Medicaid	Life, health, or disability benefits	Assists states in providing medical care to their low-income populations by granting federal matching payments to states with approved plans.	\$422.05
2	Social Security Administration	Supplemental Security Income Program	Life, health, or disability benefits	Provides monthly cash benefits as a federally guaranteed minimum income for low-income individuals who are aged, blind, or disabled.	\$62.54
3	Department of Labor	Unemployment Trust Fund	Property damage or financial loss compensation	Finances the costs of administering unemployment insurance programs, loans made to state unemployment insurance funds, and half of extended benefits during periods of high unemployment. Unemployment insurance programs, which are structured as a partnership between the federal government and states and territories, pay benefits to covered workers who become involuntarily unemployed and meet specified eligibility requirements, such as actively looking for work.	\$34.03
4	Department of Health and Human Services	Children’s Health Insurance Fund	Life, health, or disability benefits	Provides funds to states to help them extend health coverage to uninsured children from low-income families.	\$15.97
5	Department of Homeland Security	Disaster Relief Fund	Property damage or financial loss compensation	Provides a significant portion of the total federal response to presidentially declared major disasters and emergencies.	\$13.17
6	Department of Health and Human Services	Transitional Reinsurance Program	Life, health, or disability benefits	Provided for a transitional, temporary, 3-year reinsurance program to minimize the impact of high-cost enrollees in plans in the individual market for plan years 2014, 2015, and 2016.	\$4.72
7	Department of Transportation	Public Transportation Emergency Relief Program	Property damage or financial loss compensation	Helps transit agencies restore needed transportation services immediately following disaster events.	\$2.10
8	Environmental Protection Agency	Hazardous Substance Superfund	Property damage or financial loss compensation	Provides funds for cleanup of and response activity at contaminated sites and for restoring ground water to beneficial use.	\$1.58

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

President's Budget accounts with \$1 billion or more in obligations for fiscal year 2017

	Agency	Budget account name	Type of benefit	Description	Total new obligations, unless otherwise noted
9	Department of Labor	Energy Employees Occupational Illness Compensation Fund	Life, health, or disability benefits	Provides benefits to employees (or their survivors) of the Department of Energy and to private companies under contract with the Department of Energy who suffer from a radiation-related cancer, beryllium-related disease, or chronic silicosis as a result of their work in producing or testing nuclear weapons.	\$1.24
10	Department of Justice	Victims Compensation Fund	Life, health, or disability benefits	Provides payments for the settlement of claim determinations issued after December 17, 2015, related to the September 11, 2001, attacks.	\$1.00

President's Budget accounts with \$100 million or more and less than \$1 billion in obligations for fiscal year 2017

	Agency	Budget account name	Type of benefit	Description	Total obligations, unless otherwise noted
11	Department of Transportation	Emergency Relief Program	Property damage or financial loss compensation	Provides additional emergency relief discretionary funding to the Federal Highway Administration as needed.	\$0.82
12	Department of Defense	Flood Control and Coastal Emergencies	Property damage or financial loss compensation	Supports emergency operations in response to floods, hurricanes, and other natural disasters, including advance measures, flood fighting, provision of potable water, and the repair of certain damaged flood and storm damage reduction projects. Also supports preparedness activities.	\$0.69
13	Department of Health and Human Services	Vaccine Injury Compensation Program Trust Fund	Life, health, or disability benefits	Provides funds to pay claims for compensation for vaccine-related injury or death.	\$0.31
14	Department of Homeland Security	Emergency Food and Shelter	Property damage or financial loss compensation	Provides emergency economic assistance to keep people off the streets, prevent eviction from their homes, or provide groceries to prevent hunger. This program prepares a population that otherwise could be even more adversely affected by a disaster situation and mitigates potential burdens imposed on recovery efforts to assist such people.	\$0.23, Obligated balance, start of year

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

President's Budget accounts with \$100 million or more and less than \$1 billion in obligations for fiscal year 2017

	Agency	Budget account name	Type of benefit	Description	Total obligations, unless otherwise noted
15	Environmental Protection Agency	Leaking Underground Storage Tank Trust Fund	Property damage or financial loss compensation	Provides funds for preventing and responding to releases from underground storage tanks.	\$0.19
16	United Mine Workers of America Benefit Funds	United Mine Workers of America 1993 Benefit Plan	Life, health, or disability benefits	Provides health benefits to certain retired mine workers and disabled mine workers who are not eligible for benefits under the Coal Industry Retiree Health Benefit Act of 1992 and who are not receiving benefits from employers' benefit plans.	\$0.16
17	Department of Justice	Public Safety Officer Benefits	Property damage or financial loss compensation	Provides death benefits to survivors of public safety officers whose deaths resulted from injury sustained in the line of duty. Provides disability benefits to public safety officers permanently disabled by catastrophic injuries sustained in the line of duty. Provides higher education expenses to the eligible spouses and children of public safety officers killed or permanently disabled in the line of duty.	\$0.14
18	Department of Labor	Special Workers' Compensation Expenses	Life, health, or disability benefits	Provides funds for payments of additional compensation for second injuries under the Longshore and Harbor Workers' Compensation Act.	\$0.11

President's Budget accounts with less than \$100 million in total new obligations, obligated balances at the start of the year, or unobligated balances brought forward, fiscal year 2017

	Agency	Budget account name	Type of benefit	Description	
19	Department of Agriculture	Agriculture Wool Apparel Manufacturers Trust Fund	Property damage or financial loss compensation	Provides for payments to domestic manufacturers negatively affected by tariffs on wool fabric that are higher than tariffs on certain apparel articles made of wool fabric.	
20	Department of Agriculture	Emergency Forest Restoration Program	Property damage or financial loss compensation	Makes financial assistance available to eligible participants on eligible land for certain practices to restore nonindustrial private forest land that has been damaged by a natural disaster.	
21	Department of Agriculture	Pima Agriculture Cotton Trust Fund	Property damage or financial loss compensation	Provides for payments to domestic manufacturers negatively affected by tariffs on cotton fabric that are higher than tariffs on certain apparel articles made of cotton fabric.	
22	Department of Commerce	Fisheries Disaster Assistance	Property damage or financial loss compensation	Provides disaster assistance to fisheries if the Secretary of Commerce determines that a fishery disaster has occurred, subject to appropriation of funds from Congress.	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

President's Budget accounts with less than \$100 million in total new obligations, obligated balances at the start of the year, or unobligated balances brought forward, fiscal year 2017

Agency	Budget account name	Type of benefit	Description
23 Department of Commerce	Fishermen's Contingency Fund	Property damage or financial loss compensation	Provides compensation to U.S. commercial fishermen for damage or loss of fishing gear, vessels, and resulting economic loss caused by obstructions related to oil and gas exploration, development, and production in any area of the Outer Continental Shelf.
24 Department of Health and Human Services	Early Retiree Reinsurance Program	Life, health, or disability benefits	Provided reimbursement to sponsors of participating employment-based plans for a portion of the cost of health benefits for early retirees and their spouses, surviving spouses, and dependents. This program ended in fiscal year 2014.
25 Department of Health and Human Services	Pre-Existing Condition Insurance Program	Life, health, or disability benefits	Provided access to health insurance coverage for people who had been unable to purchase insurance due to pre-existing conditions. This program ended in fiscal year 2014.
26 Department of Justice	Radiation Exposure Compensation Trust Fund	Life, health, or disability benefits	Provides payments to individuals exposed to radiation as a result of atmospheric nuclear tests or uranium mining, milling, or transport.
27 Department of Justice	September 11th Victim Compensation (general fund)	Life, health, or disability benefits	Provides payments for the settlement of claim determinations issued on or before December 17, 2015, related to the September 11, 2001, attacks.
28 Department of Labor	Federal Additional Unemployment Compensation Program, Recovery	Property damage or financial loss compensation	Provides funding for a temporary program established under the American Recovery and Reinvestment Act of 2009 and subsequently extended. This program paid a supplement of \$25 on every week of unemployment compensation. It paid benefits through December 7, 2010, with a phase-out period. As a result of adjudications, benefits continue to be paid but are minimal.
29 Department of Labor	Special Benefits for Disabled Coal Miners	Life, health, or disability benefits	Provides monthly benefits to coal miners disabled due to coal workers' pneumoconiosis (black lung), and to their widows and certain other dependents. Part B of the Act assigned the processing and paying of claims filed between December 30, 1969, when the program originated, and June 30, 1973, to the Social Security Administration. P.L. 107-275 transferred Part B claims processing and payment operations from the Social Security Administration to the Department of Labor's Office of Workers' Compensation Programs. This change was implemented on October 1, 2003.

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

President's Budget accounts with less than \$100 million in total new obligations, obligated balances at the start of the year, or unobligated balances brought forward, fiscal year 2017

Agency	Budget account name	Type of benefit	Description
30 Department of Labor	Workers' Compensation Programs	Life, health, or disability benefits	Makes \$50 million available to the New York State Uninsured Employers Fund for reimbursement of claims related to the September 11, 2001, terrorist attacks and for reimbursement of claims related to the first-response emergency services personnel who were injured, disabled, or died due to such terrorist attacks.
31 Department of State	Fishermen's Guaranty Fund	Property damage or financial loss compensation	Provides compensation to vessel owners for certain financial losses sustained as a result of foreign seizures of U.S. fishing vessels on the basis of claims to jurisdiction not recognized by the United States.
32 Department of State	Fishermen's Protective Fund	Property damage or financial loss compensation	Provides for reimbursement to owners of vessels for amounts of fines, fees, and other direct charges that were paid by owners to a foreign country to secure the release of their vessels and crews and for other specified charges.
33 Department of Transportation	Aviation Insurance Revolving Fund	Property damage or financial loss compensation	Provides direct support for the Federal Aviation Administration aviation insurance program, which may provide insurance without premium at the request of the Secretary of Defense, or the head of a department, agency, or instrumentality designated by the President, when the Secretary of Defense, or the designated head, agrees to indemnify the Secretary of Transportation against all losses covered by the insurance.
34 Department of Transportation	War Risk Insurance Revolving Fund	Property damage or financial loss compensation	Provides insurance against war risk loss or damage to maritime operators until commercial insurance can be obtained on reasonable terms and conditions.
35 Multilateral Assistance to the World Bank Group	Contribution to Multilateral Investment Guarantee Agency	Property damage or financial loss compensation	Provides guarantees against non-commercial risk to private investments in developing countries.
36 Small Business Administration	Surety Bond Guarantees Revolving Funds	Property damage or financial loss compensation	Provides bond guarantees to surety companies for construction, service, and supply contracts or work orders, and reimburses these sureties up to 90 percent of the losses sustained if the contractor defaults.
37 Social Security Administration	Special Benefits for Certain World War II Veterans	Life, health, or disability benefits	Provides benefits to certain individuals who are at least 65 years old; were in the U.S. military forces, including veterans of the Filipino Army and Filipino Scouts, during World War II; and who were eligible for social security insurance for the month of December 1999. To receive this benefit, these individuals must reside outside the United States and meet other requirements for eligibility.
38 United Mine Workers of America Benefit Funds	United Mine Workers of America 1992 Benefit Plan	Life, health, or disability benefits	Provides payments for health care for those miners who retired between July 21, 1992, and September 30, 1994, and their dependents, who are eligible for benefits under an employer plan and cease to be covered, usually because an employer is out of business.

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

President's Budget accounts with less than \$100 million in total new obligations, obligated balances at the start of the year, or unobligated balances brought forward, fiscal year 2017

Agency	Budget account name	Type of benefit	Description
39 United Mine Workers of America Benefit Funds	United Mine Workers of America Combined Benefit Fund	Life, health, or disability benefits	Provides payments for medical care of retired miners and their dependents who were eligible for health care from the 1950 and 1974 United Mine Workers of America Benefit Plans.

Source: GAO analysis of Office of Management and Budget, General Services Administration, and other federal agency documents. | GAO-19-353

Note: The table includes activities that had ended as of September 30, 2017, but showed budgetary activity for fiscal year 2017.

Table 16: Information on Selected Federal Activities That Transfer Risk or Losses to the Government, as of September 30, 2017

Federal activity	Type of benefit
Department of Agriculture	
1 Agriculture Risk Coverage Program	
Provides income support to eligible producers of covered commodities. It is a revenue-based program designed to compensate farmers when crop revenues fall below benchmark revenue levels.	Property damage or financial loss compensation
2 Dairy Indemnity Program	
Protects dairy farmers and manufacturers of dairy products who, through no fault of their own, are directed to remove their milk or dairy products from commercial markets because of contamination from pesticides that have been approved for use by the federal government. Dairy farmers also can be indemnified because of contamination with chemicals or toxic substances, nuclear radiation, or fallout.	Property damage or financial loss compensation
3 Dairy Product Donation	
Addresses low dairy producer margins through periodic purchases of dairy products.	Property damage or financial loss compensation
4 Disaster Relief Appropriations Act, Emergency Forest Restoration Program	
Provides financial assistance to eligible participants on eligible land for certain practices to restore nonindustrial private forest land that has been damaged by a natural disaster. The financial assistance will be cost-share payments to assist participants in establishing practices required to address qualifying damage suffered in connection with a qualifying disaster.	Property damage or financial loss compensation
5 Emergency Assistance for Livestock, Honeybees, and Farm-Raised Fish Program – 2014 Farm Bill	
Provides emergency assistance to eligible producers of livestock, honeybees, and farm-raised fish who have losses due to an eligible adverse weather or eligible loss conditions, including blizzards, disease (including cattle tick fever), water shortages, and wildfires, as determined by the Secretary of Agriculture, that occur on or after October 1, 2011. The program covers losses that are not covered under the Livestock Forage Program and Livestock Indemnity Program.	Property damage or financial loss compensation
6 Emergency Community Water Assistance Grants	
Helps rural residents who have experienced a significant decline in quantity or quality of water to obtain adequate quantities of water that meet the standards of the Safe Drinking Water Act.	Property damage or financial loss compensation
7 Indemnity Program	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Provides indemnity to a wide variety of situations ranging from large livestock depopulations to small fowl depopulations, with various indemnity calculations and processes for determining the indemnity value for each specific species. The Secretary of Agriculture offers an opinion that constitutes an emergency and threatens the U.S. animal population. Payment for the destroyed animals is based on fair market value. Also, under a declaration of extraordinary emergency because of the presence of a plant pest or noxious weed that is new to or not known to be widely prevalent in the United States, the Secretary may pay compensation for economic losses incurred.	Property damage or financial loss compensation
8 Livestock Forage Program – 2014 Farm Bill	
Provides compensation to eligible livestock producers who have suffered grazing losses for covered livestock on land that is native or improved pastureland with permanent vegetative cover or is planted specifically for grazing. It also provides compensation to eligible livestock producers who have suffered grazing losses on rangeland managed by a federal agency, if the eligible livestock producer is prohibited by the federal agency from grazing the normal permitted livestock on the managed rangeland due to a qualifying fire.	Property damage or financial loss compensation
9 Livestock Indemnity Program – 2014 Farm Bill	
Provides benefits to eligible livestock owners or livestock contract growers for livestock deaths in excess of normal mortality caused by adverse weather. It also covers attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators.	Property damage or financial loss compensation
10 Margin Protection Program	
Provides payments to dairy operations when the difference between the all-milk price and the average feed cost falls below a certain, producer-selected, dollar amount. Producers are eligible for a basic level of margin protection for a small administrative fee, and are able to purchase greater coverage for a premium. The Secretary of Agriculture uses administrative fees collected to cover administrative costs incurred to carry out the margin protection program.	Property damage or financial loss compensation
11 Noninsured Assistance	
Provides crop loss assistance comparable to the catastrophic risk-protection level of crop insurance to producers of commercial crops or other agricultural commodities for which the catastrophic risk-protection level of crop insurance is not available.	Property damage or financial loss compensation
12 Price Loss Coverage	
Provides payments when the effective price of a covered commodity is less than the respective reference price for that commodity. The effective price equals the higher of the market-year average price or the national average loan rate for the covered commodity.	Property damage or financial loss compensation
13 Tree Assistance Program – 2014 Farm Bill	
Provides financial assistance to eligible orchardists and nursery tree growers to replant or rehabilitate eligible trees, bushes, and vines damaged by natural disasters.	Property damage or financial loss compensation
Department of Education	
14 Credit Enhancement for Charter School Facilities	
Provides grants to eligible entities to leverage funds through credit enhancement initiatives (including guaranteeing, insuring, and reinsuring credit or property) to assist charter schools in using private-sector capital to acquire, construct, renovate, or lease academic facilities.	Property damage or financial loss compensation
Department of Health and Human Services	
15 Alzheimer's Disease Demonstration Grants to States	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Provides discretionary grants for, among other things, direct services such as home health care, personal care, day care, companion services, short-term care in health facilities, and other respite care to individuals with Alzheimer's disease and related disorders.	Life, health, or disability benefits
16 Basic Health Program (Affordable Care Act)	
Provides funds to states that create a Basic Health Program (Affordable Care Act), a health benefits coverage program for low-income residents who otherwise would be eligible to purchase coverage through the health insurance marketplace. Funds are used to pay Basic Health Program benefits.	Life, health, or disability benefits
17 Coal Miners Respiratory Impairment Treatment Clinics and Services	
Provides medical screening, diagnosis, and treatment services to active, inactive, disabled, and retired coal miners.	Life, health, or disability benefits
18 Coordinated Services and Access to Research for Women, Infants, Children, and Youth	
Provides family-centered care in the outpatient or ambulatory care setting to low-income, uninsured, underinsured, and medically underserved women, children, and youth living with human immunodeficiency virus (HIV) disease, as well as infants living with or exposed to HIV.	Life, health, or disability benefits
19 Demonstration Grants for Domestic Victims of Human Trafficking	
Provides comprehensive case-management services to domestic victims of trafficking that include, but are not limited to, referrals, emergency assistance (such as food, clothing, and shelter), and support to gain access to housing, employability services, mental health screening and therapy, medical care, and some legal services. Health screening and medical care must include treatment for sexually transmitted infections, family planning services, and the full range of legally permissible gynecological and obstetric care, including, but not limited to, examinations, tests, pre-natal services, and nondirective health-related counseling.	Life, health, or disability benefits
20 Family Planning Services	
Provides services including counseling and comprehensive medical and social services necessary to enable individuals to freely determine the number and spacing of their children, and by so doing helping to reduce maternal and infant mortality, and promote the health of mothers, families, and children. Medical services include physical examinations, cancer detection, and laboratory tests.	Life, health, or disability benefits
21 Family Support Payments to States Assistance Payments	
Provides aid to the aged, blind, and the permanently and totally disabled in Guam, Puerto Rico, and the Virgin Islands to cover costs for food, shelter, clothing, and certain other daily living needs.	Life, health, or disability benefits
22 Grants for New and Expanded Services under the Health Center Program	
Provides project grants to expand the current safety net on a national basis by creating new access points (new health centers and sites), expanding services at existing health centers, and expanding networks that facilitate health information and technology-based quality improvements in health centers.	Life, health, or disability benefits
23 Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease	
Provides comprehensive HIV primary care and support services in an outpatient setting for low-income, uninsured, and underinsured people living with HIV or acquired immune deficiency syndrome (AIDS). Such services include medical evaluation, clinical and diagnostic services, and therapeutic measures for preventing and treating the deterioration of the immune system and for preventing and treating conditions arising from HIV/AIDS.	Life, health, or disability benefits
24 Health Center Program (Community Health Centers, Migrant Health Centers, Health Care for the Homeless, and Public Housing Primary Care)	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Provides funds to improve the health of the nation's underserved communities and vulnerable populations by assuring access to accessible, affordable, quality primary health care services and to continue comprehensive, primary health care services in areas already supported by the Health Center Program. Individual health center grant mechanisms include: (1) Community Health Centers, (2) Migrant Health Centers, (3) Health Care for the Homeless, and (4) Public Housing Primary Care Program.	Life, health, or disability benefits
25 HIV Care Formula Grants	
Provides formula grants to improve the quality, availability, and organization of a comprehensive continuum of HIV/AIDS health care, treatment, and support services for eligible individuals living with HIV. Not less than 75 percent of grant funds remaining after reserving funds for administration and clinical quality management must be used to provide core medical services, which include outpatient ambulatory health services, local pharmaceutical assistance, oral health care, health insurance premium and cost-sharing, home health care, hospice services, medical nutritional therapy, substance abuse outpatient care, and mental health services.	Life, health, or disability benefits
26 HIV Emergency Relief Project Grants	
Provides direct financial assistance for comprehensive HIV/AIDS care in certain areas severely affected by HIV.	Life, health, or disability benefits
27 Immunization Cooperative Agreements	
Provides project grants to help states and communities in establishing and maintaining preventive health service programs to immunize individuals against vaccine-preventable diseases.	Life, health, or disability benefits
28 Native Hawaiian Health Care Systems	
Provides funds to raise the health status of Native Hawaiians living in Hawaii to the highest possible level through the provision of comprehensive health promotion and disease prevention services, as well as primary health services, and to provide existing Native Hawaiian health care programs with all resources necessary to effectuate this policy, including primary health care services.	Life, health, or disability benefits
29 Prevention of Disease, Disability, and Death through Immunization and Control of Respiratory and Related Diseases	
Provides funds with the objective to strengthen capacity to prevent disease, disability, and death through immunization and control of respiratory and related diseases. Funds may be used towards prevention of disease, disability, and death through immunization and control of respiratory and related diseases.	Life, health, or disability benefits
30 Preventive Health and Health Services Block Grant Funded Solely with Prevention and Public Health Funds	
Provides funds to states to improve the health status of the population of each grantee for, among other things, emergency medical services and services for sex offense victims.	Life, health, or disability benefits
31 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	
Provides funds for immediate response activities, among others, to state, local, and territorial public health departments during public health emergencies having an overwhelming impact on resources. This program is not intended to establish new public health emergency management programs; rather, it is designed to support the surge needs of existing programs.	Life, health, or disability benefits
32 Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Provides funds to expand delivery of health care services in rural areas, for the planning and implementation of integrated health care networks in rural areas, and for planning and implementation of quality-improvement activities for small health care providers.	Life, health, or disability benefits
33 Special Diabetes Program for Indians Diabetes Prevention and Treatment Projects	
Provides funds for competitive grant programs to implement primary, secondary, and tertiary diabetic prevention and treatment for American Indians and Alaska Natives and related data collection.	Life, health, or disability benefits
34 The Zika Health Care Services Program	
Provides funds to support prevention activities and treatment services for men, women, including pregnant women, and children adversely or potentially affected by the Zika virus. Funds can be used for, among other things, medical care.	Life, health, or disability benefits
35 Urban Indian Health Services	
Provides grants to urban Indians for health-related services, including alcohol and substance abuse treatment and rehabilitation, mental health services, immunization services, and HIV/AIDS care.	Life, health, or disability benefits
Department of Housing and Urban Development	
36 Government National Mortgage Association – Ginnie Mae	
Guarantees the timely payment of principal and interest on securities issued by financial institutions and backed by pools of federally insured or guaranteed mortgage loans. Ginnie Mae provides an explicit guarantee (full faith and credit of the U.S. government) on the securities.	Property damage or financial loss compensation
Department of the Interior	
37 Abandoned Mine Land Reclamation	
Provides grant funds for mine site reclamation projects on eligible lands, which are lands and waters mined or affected by coal mining processes that occurred prior to August 3, 1977 (as well as certain post-1977 and non-coal mining activities). Grants also support project administration. Funds also may be used for abandoned mine land activities, such as abating emergency mining-related dangers to public health and safety, restoring water supply facilities, and developing a self-sustaining state subsidence insurance program.	Property damage or financial loss compensation
38 Endangered Species Conservation, Wolf Livestock Loss Compensation and Prevention	
Provides funds to eligible state and Indian Tribes to support projects that assist livestock producers in undertaking proactive, nonlethal activities to reduce the risk of livestock loss due to predation by wolves and to compensate livestock producers for livestock losses caused by wolves.	Property damage or financial loss compensation
Department of Justice	
39 Antiterrorism Emergency Reserve	
Provides funds for two programs for victims of terrorism or mass violence: the Antiterrorism and Emergency Assistance Program and the International Terrorism Victim Expense Reimbursement Program. For the assistance program, funds may be used for benefits such as compensation, emergency relief, and ongoing assistance. For the reimbursement program, claimants may seek reimbursement for expenses incurred for medical, mental health, funeral and burial, property loss, and other costs.	Property damage or financial loss compensation; life, health, or disability benefits
40 Crime Victim Compensation	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Provides funds to support state crime victim compensation programs, which help pay for some of the expenses resulting from crimes involving violence or abuse. Expenses eligible for compensation include medical expenses attributable to a physical injury resulting from a compensable crime, including expenses for mental health counseling and care; loss of wages attributable to a physical injury resulting from a compensable crime; and funeral expenses attributable to a death resulting from a compensable crime.	Property damage or financial loss compensation; life, health, or disability benefits
Department of Labor	
41 Trade Adjustment Assistance	
Provides assistance to workers affected by foreign trade by providing support, resources, skills, and credential services to help such workers return to the workforce in an in-demand industry. Benefits include weekly subsistence payments and wage supplements to eligible claimants, which are administered under the Unemployment Insurance program. This program is a federal entitlement program.	Property damage or financial loss compensation
42 Longshore and Harbor Workers' Compensation	
Provides compensation for disability or death resulting from injury, including occupational disease, to eligible private employees. This program provides income replacement and supplement; schedule awards for the loss of sight or hearing, dismemberment, or disfigurement, among other things; medical expenses (including hospital care); and funeral expenses. Benefits are typically paid by private insurance carriers or self-insured employers.	Property damage or financial loss compensation; life, health, or disability benefits
Department of Transportation	
43 Emergency Railroad Rehabilitation and Repair	
Provides discretionary grants to states to repair and rehabilitate railroad infrastructure damaged by hurricanes, floods, and other natural disasters in areas for which the President declared a major disaster.	Property damage or financial loss compensation
Environmental Protection Agency	
44 Brownfields Assessment and Cleanup Cooperative Agreements	
Provides funding to inventory, characterize, assess, and conduct planning and community involvement related to brownfield sites; to capitalize a revolving loan fund and provide subgrants to carry out clean-up activities at brownfield sites; and to carry out clean-up activities at brownfield sites that are owned by the grant recipient.	Property damage or financial loss compensation
45 Environmental Pesticide Control, indemnities	
Authorizes indemnity payments to persons who owned a pesticide and suffered losses due to the suspension or cancellation of the registration of the pesticide.	Property damage or financial loss compensation
Farm Credit Administration	
46 Federal Agricultural Mortgage Corporation – Farmer Mac	
Provides a secondary market for a variety of loans made to borrowers in rural America. This includes securitizing assets and guaranteeing the payment of principal and interest on the resulting securities that represent interests in, or obligations secured by, pools of eligible loans, and issuing long-term standby purchase commitments for eligible loans. Farmer Mac is authorized to borrow up to \$1.5 billion from the U.S. Treasury. Any funds borrowed from the U.S. Treasury may be used solely for the purpose of fulfilling Farmer Mac's guarantee obligations.	Property damage or financial loss compensation
Farm Credit System Insurance Corporation	
47 Farm Credit System Insurance Fund	

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Provides funds for the timely payment of principal and interest on insured System debt obligations purchased by investors. The fund derives its revenues from insurance premiums collected from insured System banks and from the investment income earned on its investment portfolio.	Property damage or financial loss compensation
Federal Council on the Arts and the Humanities	
48 Arts and Artifacts Indemnity	
Provides indemnification against loss or damage for eligible art works, artifacts, and objects when borrowed from abroad for exhibition in the United States; when borrowed from the United States for exhibition abroad, preferably when there is an exchange exhibition from a foreign country; when borrowed from the United States for exhibition in the United States as part of exhibitions from abroad, which include foreign-owned objects; and when borrowed from U.S. collections for exhibition in the United States.	Property damage or financial loss compensation
Overseas Private Investment Corporation	
49 Overseas Private Investment Corporation Noncredit Account	
Provides political risk insurance against losses due to expropriation, inconvertibility, and damage due to political violence.	Property damage or financial loss compensation
Securities Investor Protection Corporation	
50 Securities Investor Protection Corporation Fund	
Protects customers against loss resulting from broker-dealer failure. The corporation's funding is derived entirely from assessments on its members (mostly registered brokers or dealers and members of a national securities exchange) and from interest earned on its investments. The corporation may borrow up to \$2.5 billion from the U.S. Treasury, through the Securities and Exchange Commission, in the event that the fund is insufficient to satisfy the claims of customers.	Property damage or financial loss compensation
U.S. Postal Service	
51 Postal Service Insurance	
Provides insurance against loss or damage of mail items.	Property damage or financial loss compensation

Source: GAO analysis of the Code of Laws of the United States and General Services Administration, Office of Management Budget, and agency documents. | GAO-19-353

Note: Government corporations and government-sponsored enterprises besides Fannie Mae and Freddie Mac that carry out activities that met our criteria are listed in this table.

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Table 17: Information on Selected Federal Activities That Have Not Yet Caused Liabilities to the Federal Government but May Do So Following an Adverse Event, as of December 31, 2018

Federal activity	Type of benefit
Department of Transportation, Commercial Space Launch Insurance Program	
Subject to congressional appropriation, makes the federal government responsible for third-party liability claims above a certain amount that arise from a catastrophic launch-related incident that results in injury or damage to people or property not involved in the launch. Launch companies purchase third-party liability insurance up to \$500 million, or the maximum amount available on the world market, whichever is higher. The federal government, subject to the availability of appropriations, provides indemnification for additional losses loss up to \$1.5 billion adjusted for post-1988 inflation, which was about \$3.06 billion in 2015.	Property damage or financial loss compensation
Department of the Treasury, Terrorism Risk Insurance Program	
Requires insurers to make terrorism risk coverage available within certain lines of commercial property and casualty insurance. ^a To assist insurers with the potential financial exposure resulting from this required offer of terrorism risk insurance, certain insurance losses resulting from a certified act of terrorism are eligible for reimbursement through the program. The aggregate exposure of both insurers and the federal government is limited to \$100 billion during any calendar year, with insurers responsible for a minimum amount based on statutory calculation. Some amounts of government exposure are recouped based upon statutory calculation and agency discretion.	Property damage or financial loss compensation
National Aeronautics and Space Administration, Insurance for Space Vehicles	
Allows provision of liability insurance for any user of a space vehicle to compensate all or a portion of claims by third parties for death, bodily injury, or loss of or damage to property resulting from activities carried on in connection with the launch, operations, or recovery of the space vehicle. Appropriations available to the National Aeronautics and Space Administration may be used to acquire such insurance, but shall be reimbursed to the maximum extent practicable by the users.	Property damage or financial loss compensation
National Aeronautics and Space Administration, Space Launch Indemnification	
Subject to available congressional appropriations, allows the federal government to indemnify a provider of domestic space launch or reentry services to the federal government against successful claims by third parties for death, bodily injury, or loss of or damage to property resulting from launch services and reentry services carried out under contract and that the contract defines as unusually hazardous or nuclear in nature. Providers must purchase third-party liability insurance in amounts to compensate up to \$500 million or the maximum probable loss from claims, whichever is higher. The federal government may provide indemnification for losses beyond those appropriated by requesting additional appropriations.	Property damage or financial loss compensation

Appendix V: Information on Selected Federal Activities That Transfer Risk or Losses to the Government

Federal activity	Type of benefit
Nuclear Regulatory Commission, Nuclear Insurance Program (Price-Anderson Act)	
Generally subject to congressional appropriation, indemnifies licensees of the Nuclear Regulatory Commission to cover liability claims from members of the public for personal injury or property damage arising from nuclear incidents that exceeds the level of protection required of the licensee. The aggregate indemnity of all persons indemnified in connection with each nuclear incident cannot exceed \$500 million reduced by the amount of financial protection required that exceeds \$60,000,000. Congress may determine if additional disaster relief is warranted.	Property damage or financial loss compensation

Source: GAO analysis of the Code of Laws of the United States and Office of Management and Budget and agency documents. | GAO-19-353

Note: This table may not include all activities that have not yet caused liabilities to the federal government but may do so following an adverse event. We found the Terrorism Risk Insurance Program in the Financial Report of the United States Government and the Budget of the United States Government. However, the other programs were not included in these sources or the Catalog of Federal Domestic Assistance. GAO identified them through an analysis of search results of key words in the table of contents of the Code of Laws of the United States. Thus, activities that did not appear in the results were not analyzed.

³The Terrorism Risk Insurance Act states that the Secretary of the Treasury, in consultation with the Secretary of Homeland Security and the Attorney General of the United States, shall determine whether an event should be certified as an act of terrorism.

Appendix VI: Fiscal Exposures from Social Insurance Programs

Federal social insurance programs are Social Security, Medicare (Parts A, B, and D), Railroad Retirement, and Black Lung. These programs provide eligible individuals with benefits, such as health insurance, disability, and retirement benefits, thus transferring risk to the federal government.

Fiscal exposures from the four programs are discussed annually in the Statement of Social Insurance (SOSI) in the Financial Reports of the United States Government. Specifically, the SOSI details the present value of the estimated future revenues and expenditures for scheduled benefits over the next 75 years.¹ The amounts in the SOSI and presented below are not considered liabilities in an accounting context. Future benefit payments will be recognized in the Financial Report as expenses and liabilities as they are incurred based on the continuation of the social insurance programs' provisions contained in current law. While future social insurance benefit payments that are not due and payable are not treated explicitly as legal liabilities to the federal government, the SOSI's forward-looking projections are intended to help citizens understand the long-term sustainability of these programs and the fiscal exposures they present.

The social insurance programs are mainly funded by taxes and premiums. Contributions and dedicated taxes consist of: payroll taxes from employers, employees, and self-employed persons; revenue from federal income taxation of Old-Age Survivors and Disability Insurance (OASDI) and railroad retirement benefits; excise tax on the domestic sale of coal; premiums from, and state transfers on behalf of, participants in Medicare; and reimbursements from the General Fund to the OASDI and Medicare Trust Funds. The social insurance trust funds account for all related program income and expenses, and have automatic funding authority to pay future benefits to the extent that funds are available. Taxes, premiums, and other income are credited to the funds, while benefit payments and program administrative costs are paid from the funds.

However, as of January 1, 2017, based on information from the SOSI , the present value of federal expenditures for social insurance programs over 75 years was projected to exceed program revenues by about \$19.0 trillion (see table 18). This represents about 1.5 percent of the present

¹With the exception of the Black Lung program, which has a rolling 25-year projection period through September 30, 2042.

value of the gross domestic product over 75 years.² To illustrate the sustainability of current benefits, the Social Security and Medicare Part A SOSI projections assume that scheduled social insurance benefit payments would continue after related trust funds are projected to be depleted, contrary to current law. The projections for Medicare Parts B and D for fiscal year 2017 include \$30 trillion in transfers of general revenues that, under current law, are used to finance the remainder of the expenditures in excess of revenues.³ We have reported that there are significant uncertainties related to the achievement of projected reductions in Medicare cost growth assumed in the SOSI projections that have prevented us from expressing an opinion on the sustainability of the financial statements in the Financial Report.

²The federal government's current financial position and long-term financial condition can be evaluated both in dollar terms and in relation to the economy as a whole. Gross domestic product is a measure of the size of the nation's economy in terms of the total value of all final goods and services that are produced in a year. Considering financial results relative to gross domestic product is a useful indicator of the economy's capacity to sustain the government's many programs.

³By accounting convention, the transfers of general revenues are eliminated in the consolidation of the SOSI in the Financial Report.

Appendix VI: Fiscal Exposures from Social Insurance Programs

Table 18: Selected Budget and Financial Information for Federal Programs Designated as Social Insurance in the Financial Report of the United States Government, Fiscal Year 2017

Program	Agency	Description	Total gross outlays in most recent year (dollars in billions)	75-year present value of future expenditures in excess of future revenues	
				(percent of gross domestic product ^a)	(dollars in billions) ^b
Social Security	Social Security Administration	Cash benefit for eligible recipients, currently older individuals, dependents, survivors, and certain people with disabilities.	\$944.9	1.2%	-\$15,357.00
Medicare Part A	Department of Health and Human Services	Funds the cost of inpatient hospital and related care for individuals age 65 or older who meet certain insured status requirements, and eligible disabled people.	\$297.6	0.3%	-\$3,532.00
Medicare Part B	Department of Health and Human Services	Supplementary medical insurance for enrolled eligible participants to cover physician and outpatient services not covered by Medicare Part A.	\$314.1	0.0%	\$0.00
Medicare Part D	Department of Health and Human Services	Supplementary medical insurance for enrolled eligible participants to obtain qualified prescription drug coverage.	\$95.3	0.0%	\$0.00
Railroad Retirement	Railroad Retirement Board	Retirement-survivor benefit for the nation's railroad workers and their families.	\$5.4	0.0%	-\$108.90
Black Lung-Disability Benefit Program	Department of Labor	Compensation, medical, and survivor benefits for coal miners totally disabled from pneumoconiosis due to their employment.	\$0.4	0.0%	\$0.03

Legend: Railroad Retirement = Railroad Retirement and Survivor Benefit program; Social Security = Old-Age and Survivors Insurance program and the Disability Insurance program.

Sources: Department of the Treasury and the Office of Management and Budget. | GAO-19-353.

Note: General revenues of \$30.0 trillion used to finance Medicare Parts B and D are included in these calculations. In contrast, such transfers of general revenues that, under current law, are used to finance the remainder of the expenditures in excess of revenues for Medicare Parts B and D are eliminated in the consolidation of the Statement of Social Insurance at the government-wide level by accounting convention.

^aGross domestic product values used are from the 2017 Social Security and Medicare Trustees Reports and represent the present value of gross domestic product over the 75-year projection period, according to the Financial Report of the United States Government.

^bAmounts equal estimated present value of projected revenues and expenditures for scheduled benefits over the next 75 years. The totals reflect all current and projected program participants during the 75-year projection period. This group is referred to as the "Open Group" in the Statement of Social Insurance.

We previously reported on the fiscal problems presented by these programs, in particular Social Security and Medicare. The Social Security and Medicare programs are projected to face financial challenges.⁴ In June 2018, we noted that fiscal spending increases in 2017 were driven by Social Security, Medicare, Medicaid, and interest on debt held by the public. The spending increases were largely a result of the aging of the population and increasing health care costs rather than legislative changes to these programs. Spending on Social Security and these health programs is expected to continue to increase because of long-standing demographic and economic trends.⁵ The 2017 Financial Report of the United States Government, Congressional Budget Office, and our projections all show that, absent policy changes, the federal government's fiscal path is unsustainable and that the ratio of debt to the gross domestic product would surpass its historical high of 106 percent within 14–22 years. All the projections also note that the longer action is delayed, the greater and more drastic changes will have to be.

⁴Social Security programs are funded through two funds: the Old-Age and Survivors Insurance Trust Fund and the Disability Insurance Trust Fund. Although the funds are not expected to be depleted until sometime after 2030, the strains on federal finances have already begun, with Social Security programs paying out more than they take in each year. Also, in their June 2018 report, the Medicare Trustees projected that Medicare's Hospital Insurance Trust Fund (Part A) will be depleted by 2026 with income projected to cover only 91 percent of all hospital-related Medicare spending.

⁵GAO, *The Nation's Fiscal Health: Action Is Needed to Address the Federal Government's Fiscal Future*, [GAO-18-299SP](#) (Washington, D.C.: June 21, 2018).

Appendix VII: GAO Contacts and Staff Acknowledgments

GAO Contacts

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Staff Acknowledgements

In addition to the contact name above, Patrick Ward (Assistant Director), Silvia Arbelaez-Ellis (Analyst in Charge), Katherine Carter, Robert F. Dacey (Chief Accountant), Rachel DeMarcus (Assistant General Counsel), Jill Lacey, Janice Latimer (Assistant Director, Strategic Issues), Scott McNulty, Marc W. Molino, Angela Pun, Barbara Roesmann, Jessica Sandler, Dawn Simpson (Director, Financial Management and Assurance), and Frank Todisco (Chief Actuary) made significant contributions to this report.

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