AN EXAMINATION OF THE FINANCIAL RESULTS OF THE CONSOLIDATED FINANCIAL REPORTS OF THE UNITED STATES GOVERNMENT FOR THE FISCAL YEARS 1995 THROUGH 2010

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ABSTRACT

The federal government of the United States does not have a long and distinguished history of producing consolidated financial reports on which competent decisions by its decision makers can be crafted. Before the early to mid-1990s, the Government Accountability Office (GAO) (called then the General Accounting Office) prescribed accounting rules that federal agencies had to follow in their record keeping. Thus, accounting rules and procedures were promulgated, but they did not have the same deliberative procedures employed by the commercial sector with its Financial Accounting Standards Board (FASB), or even by state and local government finance with its Governmental Accounting Standards Board (GASB). All that began to change with the passing of the Chief Financial Officers Act of 1990 and subsequent other acts that served to improve on the CFO Act of 1990 or add other meaningful procedures to federal government agency accounting and decision processes.

By 1995 Consolidated Financial Reports for the U.S. government were being prepared. These reports are published by the U.S. Department of Treasury and can be found on their website under its Financial Management Services Bureau (www.fms.treas.gov). This research has accessed all those reports and scheduled consolidated federal government operating revenues (primarily taxes), costs and federal debt increases for each of the fiscal years 1995 through 2010 (the fiscal year for the federal government ends on September 30). Further, the paper provides during each of those years, the Gross Domestic Product (GDP) and the disbursal of political power among the Presidency, House of Representatives, and Senate.

Results of the analysis show a clearly unsustainable trajectory. Overall for the fifteen years examined, the federal government has had a 65% increase in revenues (primarily tax revenue, including social security and Medicare) while GDP increased by 96%. Net costs have increased by 168% while federal debt as a percent of GDP has increase by 173%. Placing these factors on an average annual increase gives revenues increasing by 3.7% while net costs increased by 7.5%. In comparing revenues and costs for each year, in 2002 and 2009 when revenues decreased, costs also decreased (2002 revenues decreased by 7%, costs decreased by 11%; 2009 revenues decreased by 17%, costs decreased by 6%). Otherwise, there seems to be little relation to costs depending on revenues. There has been a steady increase in costs and also a steady increase in revenues, although a few years show decreases but not in the same years, except for, as

mentioned, in 2002 and 2009. Debt has never decreased; 2000 shows less than a 1% increase (0.3%), and the years 1998 through 2001 show less than 3% increases, but there have never been decreases in debt outstanding from one year to the next. Debt as a percent of GDP, until 2008, has, throughout the years, ranged from 57% (fiscal year 2000) to 67% (fiscal year 1995), bouncing back forth between those percentages. In fiscal year 2008, debt jumped to 70% of GDP, and in 2009, it was 85% of GDP and in 2010, it was 93% of GDP.

This paper focuses in on each of the years, examines the program/department costs during those years, and relates those program/department costs causing cost increases. The paper also notes which political party was in power during each of those years, although it can be noted that overall, it has not mattered which party was in political power and that in most of those years power has been split between the two parties.