

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis (MD&A) is intended to help the reader understand the results of operations and financial condition of our Government. MD&A is provided as a supplement to, and should be read in conjunction with, *Item 8. Financial Statements and Supplementary Information*.

About Management's Discussion and Analysis

Fiscal years presented

In this MD&A, we analyze the one-year, five-year, and 10-year periods ending September 30, 2018, the most recent period for which a nearly complete set of federal, state, and local financial data is available. A public company is generally required to analyze its immediately prior three fiscal years. While decisions can be made and implemented quickly within companies, and the impact of those decisions may be seen shortly thereafter, this is not generally the case within government. Therefore, we have provided a longer-term view within this MD&A than we would for a company.

Which changes are discussed

Throughout this MD&A, we discuss key changes in revenues and expenditures during the periods presented. We define key changes as those that are the largest dollar changes that when added together comprise at least 75% of the total change being explained. These key changes are highlighted in gray in the tables and then are discussed in the sections following each table. Note that only key changes are discussed, though all changes in major categories are shown in the tables for your information.

Modification of data

In cases where only calendar year annual data was available, we used one simple formula to create federal fiscal year (October 1 to September 30) data – 25% of the prior calendar year figure plus 75% of the current calendar year figure. All the figures in this MD&A that were converted from calendar year to federal fiscal year in this manner are indicated by * (one asterisk). To create state and local fiscal year (July 1 to June 30) data, we used a formula of 50% of the prior calendar year figure plus 50% of the current calendar year figure. All the figures in this MD&A that were converted from calendar year to state and local fiscal year in this manner are indicated by ** (two asterisks). Finally, for tax revenues, we calculated the impact of tax rates vs. tax bases by holding one constant while fluctuating the other. See more information at Exhibit 99.13.

Comparability of data

See discussion of the comparability of data within this MD&A in Exhibit 99.12 *Data comparability considerations*.

Overview

The United States of America (US) is a federal republic composed of 50 states, a federal district of Washington, D.C., five major and various minor insular areas, as well as over 90,000 local governments, including counties, municipalities, townships, school districts, and special district governments. At 3.8 million square miles and with over 329 million people (as of 2020), the US is the world's third-largest country by total area and the third most populous.

The people of the US, through our Government as outlined in our Constitution, seek to form a more perfect union, establish justice, ensure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity.

To achieve the vision of the people, our Government raises money, spends money, and exercises, grants, and rescinds authorities. Our Government generates revenue mainly by taxing individuals and businesses in the US, and to a lesser degree through income on assets invested and charges for government services. Our Government's most significant expenditure is transfer payments to individuals and subsidies, comprising 47% of expenditures in 2018, most significantly for Social Security, Medicare, and Medicaid. Personnel and compensation costs is our Government's second-largest expenditure, comprising 27% of expenditures in 2018. By segment, our Government's most significant expenditures are for securing the blessings of liberty to ourselves and our posterity, comprising 53% of expenditures in 2018.

Trends

During the one-year, five-year, and 10-year periods ending in 2018, we saw a mixture of stagnation, progression towards, and retreat from, achievement of our Constitutional objectives. Our Government's role in these trends is not clear. However, we believe it may be useful to observe these trends in evaluating our Government. The 10 year comparison in this year's report is particularly noteworthy, as the Great Recession was underway during 2008; the Great Recession began in December 2007 and was accompanied by a financial crisis that peaked in September-October 2008 as major financial institutions were on the brink of collapse, prompting the federal government to act. Highlights in key metrics for these years are summarized below.

When comparing 2018 to 2008, we made progress towards our objectives by:

- **growing our economy**, by many measures, including most notably increasing: the S&P 500; private fixed investment; GDP; new home sales; net asset accumulation, including total and average household financial and real estate assets paired with lower mortgage debt; numbers of pension participants, total pension assets, and the rates of return thereon; and numbers of businesses, including those less than one year old; while decreasing workers at or below minimum wage, our overall trade deficit, and bankruptcy filings;
- **reducing overall crime and physical harm**, including most notably reducing reported crime and arrests and certain jailed and imprisoned populations, border apprehensions and persons removed or returned, and workplace violations and non-fatal workplace injuries;
- **improving quality of life for certain populations**, including reducing: the number of children ages four and older that are victims of maltreatment; the median time children spend in foster care; the number of children in poverty; and the number of active duty military personnel who are stationed abroad, while increasing passports in circulation and the number of visas granted; and
- **tending to our environment**, including reducing numbers of poor air quality days in certain large cities and net energy consumption, while increasing energy consumption from nuclear and renewable sources.

We retreated from our objectives through:

- **continuing fiscal unsustainability of our Government**, as our Government's debt continues to grow as a percentage of GDP and per capita;
- **increasing specific crime and physical harm**, including increasing civilian deaths from highway vehicle and other non-structure fires (despite decreased vehicle fires), consumer complaints, intellectual property seizures, airport firearm discoveries, and unauthorized persons with a prior criminal conviction who are removed;
- **increasing challenges to the health of our population**, including increasing rates of obesity and death from most leading and select other causes, costs of natural disasters and acres burned in forest fires, increased crop failures, and increased personal healthcare expenditures;
- **insufficiently protecting our children**, including increasing: child fatalities as a result of maltreatment, primarily neglect and abuse and of children ages birth to one year old and ages eight to 11; children receiving free and reduced price lunch; and homeless children enrolled in school; and
- **increasing challenges to the affordability of higher education and housing**, including increasing costs of higher education, median new home prices, and rent.

Our Government's operations are financially unsustainable. It continues to spend more than it takes in each year, amassing total liabilities and an overall accumulated deficit that reached \$36.8 trillion and \$15.2 trillion, respectively, at September 30, 2018. Expenditures increased 35% between 2008 and 2018, when they reached a record high of \$6.3 trillion annually. Our Government has, however, reduced its annual deficit by 75% from its peak of \$2.3 trillion in 2009 to \$576 billion in 2018 through increased revenue. Increases in revenue have been driven by both overall economic prosperity (primarily increased taxable income and income on invested Government assets) and tax policy changes. See *Part I, Item 1A. Risk Factors, Recently enacted legislation and tax avoidance put downward pressure on tax revenues, reducing Government resources*, for discussion of recent significant tax policy changes that could further impact these trends.

Macroeconomy and related government actions

Key economic indicators

Below are some key economic indicators for the periods discussed in this MD&A:

	2018	2017	2013	2008
Interest rates (Calendar year)				
10-year Treasury Rate	2.91%	2.33%	2.35%	3.66%
US Federal Funds Rate	2.27%	1.30%	0.09%	0.16%
US Bank Prime Loan Rate	5.35%	4.40%	3.25%	3.61%

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Economic indicators				
Gross domestic product (calendar year)	20,612	19,543	16,785	14,713
Gross domestic product (fiscal year)	20,345	19,344	16,638	14,648
Average annual US inflation rate (calendar year)	2.4%	2.1%	1.5%	3.8%
Average annual US inflation rate (fiscal year)	2.4%	2.1%	1.6%	4.4%
<i>Change in average annual US inflation from the respective fiscal year to 2018</i>	<i>—ppt</i>	<i>0.3ppt</i>	<i>0.8ppt</i>	<i>(2.0ppt)</i>
Stock indices				
Standard and Poor's 500 (S&P 500) average daily closing price:				
Federal fiscal year – October 1 to September 30	2,722	2,344	1,556	1,368
<i>Change from the respective year to 2018</i>	<i>—%</i>	<i>16%</i>	<i>75%</i>	<i>99%</i>
State and local fiscal year – July 1 to June 30	2,626	2,267	1,486	1,428
<i>Change from the respective year to 2018</i>	<i>—%</i>	<i>16%</i>	<i>77%</i>	<i>84%</i>
<i>Differences between beginning and ending closing prices of select stock indices, July 1 of the prior year compared to June 30:</i>				
S&P 500	295	325	244	(223)
<i>Change from the respective year to 2017</i>	<i>—%</i>	<i>(9)%</i>	<i>21%</i>	<i>232%</i>
Deutsche Boerse AG German Stock Index, Performance (DAX)	(19)	2,645	1,543	(1,589)
<i>Change from the respective year to 2017</i>	<i>—%</i>	<i>(101)%</i>	<i>(101)%</i>	<i>99%</i>
Nikkei 225: N225 (NIKKEI)	(48,700)	101,024	4,671	(4,657)
<i>Change from the respective year to 2017</i>	<i>—%</i>	<i>(148)%</i>	<i>(1,143)%</i>	<i>(946)%</i>
Financial Times Stock Exchange 100 Index: UKX (FTSE)	324	808	644	(982)
<i>Change from the respective year to 2017</i>	<i>—%</i>	<i>(60)%</i>	<i>(50)%</i>	<i>133%</i>
Chicago Board Options Exchange Volatility Index (VIX) at June 30	25	11	14	40
Asset and service prices				
Gold price (per troy ounce)	\$ 1,282	\$ 1,297	\$ 1,202	\$ 865
West Texas Intermediate (WTI) crude oil spot price (per barrel)	\$ 65.23	\$ 50.80	\$ 97.98	\$ 99.67
Consumer Price Index (average monthly for the fiscal year):				
Consumer price index	249.7	243.8	232.2	214.5
<i>Growth from the respective year to 2018</i>	<i>—%</i>	<i>2%</i>	<i>8%</i>	<i>16%</i>
Food price index	252.5	249.0	236.3	211.2
<i>Growth from the respective year to 2018</i>	<i>—%</i>	<i>1%</i>	<i>7%</i>	<i>20%</i>
Medical care price index	482.4	473.3	422.9	361.6
<i>Growth from the respective year to 2018</i>	<i>—%</i>	<i>2%</i>	<i>14%</i>	<i>33%</i>
Medical care commodities price index	381.2	375.5	334.6	295.0
<i>Growth from the respective year to 2018</i>	<i>—%</i>	<i>2%</i>	<i>14%</i>	<i>29%</i>
Medical care services price index	514.9	504.6	451.0	382.0
<i>Growth from the respective year to 2018</i>	<i>—%</i>	<i>2%</i>	<i>14%</i>	<i>35%</i>
Hospital and related services price index	859.7	822.3	694.0	526.7
<i>Growth from the respective year to 2018</i>	<i>—%</i>	<i>5%</i>	<i>24%</i>	<i>63%</i>
Housing				
US 30-year fixed-rate mortgage interest rate	4.55%	3.99%	3.98%	6.03%
Median new home sales price (in thousands) ¹	\$ 326	\$ 323	\$ 269	\$ 232
Median home value (in thousands) ²	\$ 224	\$ 211	\$ 173	\$ 196
Existing home sales (in thousands of housing units) ³	5,340	5,510	5,078	na
New home sales (in thousands of housing units)	617	613	429	485

[†] Sources: Federal Reserve, Bureau of Labor, Freddie Mac, Energy Information Administration, World Gold Council, Bureau of Economic Analysis, US Census, Bureau of Labor Statistics, Yahoo Finance, Google Finance, Investing.com

^{na} An "na" reference in the table means the data is not available.

¹ December of each year

² Value is the respondent's estimate of how much the property (house and lot) would sell for if it were for sale. Any nonresidential portions of the property (for example, shared spaces in a condominium/co-op), any rental units, and land cost of mobile homes, are excluded from the value. For vacant units, value represents the sales price asked for the property at the time of the interview and may differ from the price at which the property is sold.

³ Existing home sales are based on closing transactions of single-family, townhomes, condominiums, and cooperative homes. Seasonally-adjusted rate.

The first five years discussed in this MD&A

Between fiscal years 2008 and 2013, nominal GDP increased by 14%, with the following sectors experiencing the largest increases: finance, insurance, real estate, rental, and leasing; educational services, healthcare, and social assistance; professional and business services; and government. The S&P 500 index grew 14%, while the average annual US inflation rate decreased from 4.4% in 2008 to 1.6% in 2013. However, there were significant shocks in the system during this period.

In 2007, the housing bubble peaked and shortly thereafter gave way to a financial crisis. The Great Recession began in December 2007 and was accompanied by a financial crisis that peaked in September-October 2008 as major financial institutions were on the brink of collapse, prompting the federal government to act. Major government action first began in March 2008 when the investment firm Bear Stearns collapsed, and the federal government assisted in J.P. Morgan's

takeover of the failed entity. Then in September 2008, Fannie Mae and Freddie Mac were placed in conservatorship by the Federal Housing Finance Agency. Ultimately, a broader package called the Troubled Asset Relief Program (TARP) was authorized by Congress in October 2008 to stabilize the financial system amid the most severe economic downturn since the Great Depression. Its original goal was to buy distressed assets, such as mortgage-backed securities, from financial firms. That was later changed to inject capital directly into banks through the purchase of bank senior preferred shares and warrants. The program was also broadened to include bailouts for auto firms General Motors Company and Chrysler Corporation, mortgage relief for homeowners, and measures to restart credit markets. Congress originally authorized \$700 billion for TARP, which was later reduced to \$475 billion (96% of which has since been returned to our Government, along with a surplus on certain investments that totals more than \$7.9 billion).

During this period, federal and state budget deficits reached record highs as revenues declined and spending increased. Revenues for state and local governments declined significantly because of the economic downturn, prompting some cuts to spending and higher tax rates as states (except Vermont) are not allowed to spend more than they receive.

After President Obama took office in January 2009, he and the Democratic-controlled Congress enacted the American Recovery and Reinvestment Act (ARRA), which was a stimulus package of temporary tax cuts and spending increases with the aim of boosting the macroeconomy. The legislation's numerous spending and revenue provisions can be grouped into several categories according to their focus:

- *Providing funds to states and localities* – for example, by raising federal matching rates under Medicaid, providing aid for education, and increasing financial support for some transportation projects;
- *Supporting people in need* – such as by extending and expanding unemployment benefits and increasing benefits under the Supplemental Nutrition Assistance Program (formerly food stamps);
- *Purchasing goods and services* – for instance, by funding construction and other investment activities that could take several years to complete; and
- *Providing temporary tax relief for individuals and businesses* – such as by raising exemption amounts for the Alternative Minimum Tax, increasing the Earned Income Tax Credit, adding a new Making Work Pay tax credit and a new American Opportunity Credit for higher education, and creating enhanced deductions for depreciation of business equipment.

At the end of fiscal year 2009, the recession waned, and a gradual recovery began. In December 2010, some tax cuts enacted in ARRA and those enacted during President George W. Bush's term were extended for two more years. Some of those were eventually allowed to expire in December 2012 – primarily those affecting high-income taxpayers. In March of 2010, the Affordable Care Act (ACA) was enacted, with most of the associated government revenue increases taking effect on January 1, 2013.

The following five years

The second and final five years of the 10-year window included in this MD&A was marked by economic growth. Overall, between fiscal years 2013 and 2018, nominal GDP grew by 23%, with the following sectors experiencing the largest increases: finance, insurance, real estate, rental, and leasing; professional and business services; educational services, healthcare, and social assistance; and government. The S&P 500 index grew 75%, while the average annual US inflation rate increased from 1.6% in 2013 to 2.4% in 2018.

This period was also one of numerous changes in individual income tax law. In December 2012, following President Obama's reelection, he signed into law an extension of the Bush tax cuts again, albeit this time without the lower tax rates on high-income taxpayers. So, the top two individual income tax rates reverted to their pre-2001 levels of 39.6% and 36%, while the top income tax rate on capital gains moved from 15% to 20%. These tax rates went into effect in January 2013.

Also going into effect in January 2013 were some new taxes from the ACA. This included most notably a new 3.8% tax on unearned income for high-income taxpayers. That is, taxpayers with Adjusted Gross Income (AGI) higher than \$200,000 (single) and \$250,000 (married) began paying a 3.8% tax on income from interest, dividends, and capital gains, among other sources. Furthermore, there was a 0.9 percentage point increase in the employee Medicare tax for those with AGIs higher than \$200,000 (single) and \$250,000 (married). This applies to payroll sources of income such as wages and self-employment income. The ACA also put into effect a higher AGI threshold for the medical expenses itemized deduction.

Specifically, taxpayers under the age of 55 can deduct medical expenses in excess of 10% of AGI. Before, it was 7.5% of AGI.

In tax year 2014, key new healthcare coverage provisions of the ACA went into effect, including healthcare exchange cost subsidies provided to individual taxpayers through the Premium Tax Credit and the individual mandate requiring Americans pay a penalty if they lacked adequate health insurance.

In January 2017, Donald Trump was sworn in as the 45th president of the US, marking the transition from a Democrat to a Republican and the beginning of many policy changes. Among the policy changes was the Tax Cuts and Jobs Act (TCJA), which became law effective January 1, 2018 and for which elements are effective at various dates. The TCJA reduced the top individual income tax rate from 39.6% to 37%, changed the income tax brackets associated with each tax rate, eliminated personal exemptions, capped the state and local tax deduction at \$10,000, nearly doubled the amount of the standard deduction, increased the child tax credit, provided for a 20% deduction of qualified business income and certain dividends for individuals, reduced the corporate income tax rate from 35% to 21%, and required a one-time tax on all foreign profits accumulated prior to the passing of the act, among other provisions.

Subsequent event

At the time of the publishing of this 10-K, the US is grappling with a worldwide pandemic of a respiratory disease, COVID-19, which is spreading from person-to-person caused by a novel (new) coronavirus. This pandemic, as well as our responses to it, have had a significant negative impact on the health and well-being of the US population, as well as on the US economy. Certain positive economic and other trends noted in management's discussion below will likely reverse during the time of COVID-19. Aggregate individual and corporate income will likely decline, and our Government's primary source of revenue – taxes – will decline accordingly, at least temporarily. Another significant source of revenue for our state and local governments, revenue from investments they make, may also be negatively impacted by stock and bond market volatility. In response to this crisis, our Government will need to spend more to help the population regain its health, to support those who are in need of assistance due to the economic impacts of the crisis, and to stimulate the economy once the serious public health risk abates. To date, our Government has passed two major COVID-19 relief bills into law, which will cost an estimated \$3.6 trillion in Government spending and revenue reductions through tax cuts. See key aspects of these laws and other information on COVID-19 outlined in *Item 1A. Risk Factors, The COVID-19 pandemic may hinder our Government's ability to achieve its constitutional objectives, at least in the short-term.*

Other factors affecting this discussion

For each revenue and expenditure table below, we include two rows at the bottom of the table which show the potential impact of inflation and US population growth on the revenues or expenditures analyzed. These inflation and population figures are not meant to provide a precise measure of the impact of inflation and population growth on the respective revenues or expenditures, as such a measurement is not possible. Rather, we have provided these figures as possible benchmarks for how the revenues and expenditures might have been anticipated to change over time due to these factors. To calculate the inflation and population adjustment figures, we multiplied the prior period total revenues or total expenditures by the rates of inflation (using CPIU) and population growth for the respective periods.

Rates of inflation are shown in the *Key economic indicators* table above. During the periods discussed in this MD&A, our total population grew by:

- 2017 to 2018 – 1.7 million people or 1%, 1.0 million through births and deaths and 0.7 million through migration;
- 2013 to 2018 – 10.7 million people or 3%, 6.0 million through births and deaths and 4.7 million through migration; and
- 2008 to 2018 – 22.4 million people or 7%, 13.7 million through births and deaths and 8.7 million through migration.

Our population aged 65 years and older grew by:

- 2017 to 2018 – 1.6 million people or 3%;
- 2013 to 2018 – 7.7 million people or 17%; and
- 2008 to 2018 – 13.6 million people or 35%.

Summary results of operations

(In billions, except percentages)	2018			2017			Changes					
	Total	Federal	State and Local	Total	Federal	State and Local	Total	Federal	State and Local	Total	Federal	State and Local
Revenues	\$ 5,716	\$ 3,359	\$ 2,357	\$ 5,599	\$ 3,340	\$ 2,259	\$ 117	\$ 19	\$ 98	2%	1%	4%
Expenditures	6,292	3,401	2,891	6,069	3,298	2,771	223	103	120	4%	3%	4%
Intergovernmental (expenditures) revenues ¹	—	(736)	736	—	(707)	707	—	(29)	29	—%	(4)%	4%
Net surplus (deficit)	\$ (576)	\$ (778)	\$ 202	\$ (470)	\$ (665)	\$ 195	\$ (106)	\$ (113)	\$ 7	23%	(17)%	4%
Estimated impact of inflation on net surplus (deficit)							\$ (11)	\$ (16)	\$ 5	2%	2%	2%
Estimated impact of population growth on net surplus (deficit)							(3)	(4)	1	1%	1%	1%

(In billions, except percentages)	2018			2013			Changes					
	Total	Federal	State and Local	Total	Federal	State and Local	Total	Federal	State and Local	Total	Federal	State and Local
Revenues	\$ 5,716	\$ 3,359	\$ 2,357	\$ 4,772	\$ 2,803	\$ 1,969	\$ 944	\$ 556	\$ 388	20%	20%	20%
Expenditures	6,292	3,401	2,891	5,280	2,904	2,376	1,012	497	515	19%	17%	22%
Intergovernmental (expenditures) revenues ¹	—	(736)	736	—	(580)	580	—	(156)	156	—%	(27)%	27%
Net surplus (deficit)	\$ (576)	\$ (778)	\$ 202	\$ (508)	\$ (681)	\$ 173	\$ (68)	\$ (97)	\$ 29	(13)%	(14)%	17%
Estimated impact of inflation on net surplus (deficit)							\$ (38)	\$ (51)	\$ 13	8%	8%	8%
Estimated impact of population growth on net surplus (deficit)							(17)	(23)	6	3%	3%	3%

(In billions, except percentages)	2018			2008			Changes					
	Total	Federal	State and Local	Total	Federal	State and Local	Total	Federal	State and Local	Total	Federal	State and Local
Revenues	\$ 5,716	\$ 3,359	\$ 2,357	\$ 3,945	\$ 2,558	\$ 1,387	\$ 1,771	\$ 801	\$ 970	45%	31%	70%
Expenditures	6,292	3,401	2,891	4,650	2,550	2,100	1,642	851	791	35%	33%	38%
Intergovernmental expenditures (revenues) ¹	—	(736)	736	—	(466)	466	—	(270)	270	—%	(58)%	58%
Net surplus (deficit)	\$ (576)	\$ (778)	\$ 202	\$ (705)	\$ (458)	\$ (247)	\$ 129	(320)	\$ 449	18%	(70)%	182%
Estimated impact of inflation on net surplus (deficit)							\$ (116)	\$ (75)	\$ (41)	16%	16%	16%
Estimated impact of population growth on net surplus (deficit)							(52)	(34)	(18)	7%	7%	7%

¹ See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

Our Government ran a net deficit in each of the years discussed in this MD&A and in all intervening years (between 2008 and 2018).

The deficit peaked in 2009, when revenues declined 26% and spending increased 13% as compared to the prior year. The most significant revenue declines were losses incurred on investments at the state and local level as stock markets dropped worldwide, followed by decreased individual and corporate income tax revenues as the Great Recession hit the bottom lines of individuals and businesses. The expenditure increases reflected significant spending on banking, finance, and housing industry support and increases in general support programs, such as unemployment insurance, Social Security, Medicaid, and SNAP, expenditures intended to boost the economy and support the population in the interim. These dynamics illustrate how government finances can be significantly impacted by the health of the overall economy.

In the sections below, we discuss the material changes in our Government's results of operations during the periods presented.

Revenues³⁷

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹
Individual income taxes	\$ 2,109	\$ 1,683	\$ 426	\$ 1,972	\$ 1,587	\$ 385	\$ 137	\$ 96	\$ 41	7%	6%	11%
Payroll taxes	1,189	1,189	—	1,180	1,180	—	9	9	—	1%	1%	—%
Sales and excise taxes	706	95	611	665	84	581	41	11	30	6%	13%	5%
Property taxes	547	—	547	525	—	525	22	—	22	4%	—%	4%
Corporate income taxes	261	205	56	350	297	53	(89)	(92)	3	(25)%	(31)%	6%
Other taxes	206	74	132	186	67	119	20	7	13	11%	10%	11%
Tax revenues	\$ 5,018	\$ 3,246	\$ 1,772	\$ 4,878	\$ 3,215	\$ 1,663	\$ 140	\$ 31	\$ 109	3%	1%	7%
Earnings on investments	\$ 439	\$ —	\$ 439	\$ 455	\$ —	\$ 455	\$ (16)	\$ —	\$ (16)	(4)%	—%	(4)%
Federal Reserve earnings	71	71	—	82	82	—	(11)	(11)	—	(13)%	(13)%	—%
Sales of government resources	24	11	13	19	5	14	5	6	(1)	26%	120%	(7)%
Other non-tax revenues	164	31	133	165	38	127	(1)	(7)	6	(1)%	(18)%	5%
Total non-tax revenues	\$ 698	\$ 113	\$ 585	\$ 721	\$ 125	\$ 596	\$ (23)	\$ (12)	\$ (11)	(3)%	(10)%	(2)%
Total revenues	\$ 5,716	\$ 3,359	\$ 2,357	\$ 5,599	\$ 3,340	\$ 2,259	\$ 117	\$ 19	\$ 98	2%	1%	4%
Estimated impact of inflation on total revenues							\$ 134	\$ 80	\$ 54	2%	2%	2%
Estimated Impact of population growth on total revenues							30	18	12	1%	1%	1%

¹ State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

2017 to 2018 | Federal individual income tax revenue

The federal individual income tax revenue increase of \$96 billion can be attributed \$98 billion* to higher taxable income, offset in part by a decrease of \$2 billion* attributed to changes in average tax rates.

Income changes*

The \$98 billion increase in revenue attributable to higher taxable income reflected a \$671 billion or 6% increase in aggregate AGI, as well as a \$198 billion or 7% decrease in aggregate deductions and exemptions. Following are the income components of AGI shown by AGI group (cohort).

(In billions, except percentages)	2018					2017					Changes									
	Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI	Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		
Less than \$1	\$ 22	\$ 17	\$ (53)	\$ (197)	\$ (211)	\$ 20	\$ 17	\$ (55)	\$ (206)	\$ (224)	\$ 2	\$ -	\$ 2	\$ 9	\$ 13	10%	0%	4%	4%	6%
\$1-\$50K	1,598	11	7	348	1,964	1,594	10	8	353	1,965	4	1	(1)	(5)	(1)	0%	10%	(13)%	(1)%	0%
\$50,001-\$75K	1,022	12	10	269	1,313	991	11	10	264	1,276	31	1	-	5	37	3%	9%	0%	2%	3%
\$75,001-\$100K	882	17	13	270	1,182	866	15	14	264	1,159	16	2	(1)	6	23	2%	13%	(7)%	2%	2%
\$100,001-\$200K	2,092	67	61	616	2,836	1,992	59	61	557	2,669	100	8	-	59	167	5%	14%	0%	11%	6%
\$200,001-\$500K	1,292	118	146	365	1,921	1,182	99	137	307	1,725	110	19	9	58	196	9%	19%	7%	19%	11%
\$500,001-\$1 million	406	86	124	114	730	371	73	124	92	660	35	13	-	22	70	9%	18%	0%	24%	11%
Over \$1 million	511	567	375	297	1,750	472	502	368	242	1,584	39	65	7	55	166	8%	13%	2%	23%	10%
Total	\$ 7,825	\$ 895	\$ 683	\$ 2,082	\$ 11,485	\$ 7,488	\$ 786	\$ 667	\$ 1,873	\$ 10,814	\$ 337	\$ 109	\$ 16	\$ 209	\$ 671	5%	14%	2%	11%	6%

¹ All Other includes interest, dividends, state income tax refunds, business or profession net income (loss), taxable individual retirement arrangement distributions, taxable pensions and annuities, taxable social security benefits, and other income (loss), less: self-employed SEP, self-employed health insurance, retirement account deductions, student loan interest deductions, tuition and fees deduction, domestic production activities deduction, and other deductions.

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above \$100,000, a group which saw its aggregate AGI increase over \$599 billion or 9% for the year. The cohort with the largest dollar and rate increases in AGI was the one with AGI between \$200,001 and \$500,000, at an increase of \$196 billion or 11%, driven primarily by higher wages and salaries but with increases across all sources of income. The increases in AGI for these cohorts were offset in part by a \$1 billion or 0% decrease in AGI for the cohort where AGI is between \$1 and \$50,000, driven primarily by decreased All Other income.

AGI by income type

Over half of the overall \$671 billion increase in AGI was driven by higher wages and salaries, which increased \$337 billion or 5%. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an increase of \$110 billion or 9%, was for the cohort with AGI between \$200,001 and \$500,000. The highest rate of wage and salary growth, at an increase of 10% or \$2 billion, was for the cohort with AGI less than \$1.

Net capital gains income increased \$109 billion or 14%, comprising 16% of the overall increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an aggregate increase of \$65 billion or 13%, was for the cohort with AGI over \$1 million. The highest rate of growth, at 19% or \$19 billion, was for the cohort with AGI between \$200,001 and \$500,000. The average daily closing price of the S&P 500 between these federal fiscal years (October 1 to September 30) increased 16%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased \$16 billion or 2%, comprising 2% of the overall increase in AGI. Experiences varied among cohorts. The largest dollar amount and highest rate of growth, at \$9 billion or 7%, respectively, was for the cohort with AGI between \$200,001 and \$500,000.

Income within the "All Other" category shown in the table above increased \$209 billion or 11%, comprising 31% of the overall increase in AGI. This increase was driven primarily by: a \$96 billion or 7% increase in taxable retirement income, comprising taxable Individual Retirement Account (IRA), pension, annuity, and Social Security distributions; a \$38 billion or 14% increase in dividend income; and a \$19 billion or 18% increase in taxable interest income.

- Within the increase in taxable retirement income, the largest dollar amount of growth, at an increase of \$48 billion or 11% was for the cohort with AGI between \$100,001 and \$200,000. The highest rate of growth, at 26% or \$7 billion, was for the cohort with AGI between \$500,001 and \$1,000,000. During this period, the population of those aged 65 years and older, the cohort most likely to be taking retirement income distributions, increased 3%.
- Within the increase in dividend income, the largest dollar amount of increase and highest of growth, at \$20 billion or 20%, was for the cohort with AGI greater than \$1 million.
- Within the increase in taxable interest income, the largest amount of growth of \$10 billion or 24%, was for the cohort with AGI greater than \$1 million, while the highest rate of growth at 25% or \$2 billion, was for the cohort with AGI between \$500,001 and \$1 million.

AGI mobility – numbers of income tax returns filed by income cohort

(In thousands, except percentages)	2018	2017	Changes	
Less than \$1	1,980	2,045	(65)	(3)%
\$1-\$50K	87,408	88,857	(1,449)	(2)%
\$50,001-\$75K	21,335	20,775	560	3%
\$75,001-\$100K	13,641	13,375	266	2%
\$100,001-\$200K	20,848	19,678	1,170	6%
\$200,001-\$500K	6,733	6,057	676	11%
\$500,001-\$1 million	1,084	981	103	10%
Over \$1 million	528	477	51	11%
Total	153,557	152,245	1,312	1%

The number of income tax returns filed for the lowest income cohorts, those with AGI of \$50,000 or less, decreased by 1.5 million tax returns in aggregate, while the number of tax returns filed increased for all other AGI cohorts. The group with the highest increase in number of returns filed was the cohort with AGI between \$100,001 and \$200,000, at an increase of 1.2 million returns, while the groups with the highest percentage increase in the number of returns filed were the cohorts with AGI between \$200,001 and \$500,000 and with AGI greater than \$1 million, both at an increase of 11%.

Deductions and exemptions

(In billions, except percentages)	2018					2017					Changes									
	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions					
Less than \$1	\$ —	\$ —	\$ 2	\$(213)	\$ (211)	\$ —	\$ —	\$ 12	\$(236)	\$ (224)	\$ —	\$ —	\$(10)	\$ 23	\$ 13	—%	—%	(83)%	10%	6%
\$1-\$50K	85	1,078	143	(162)	1,144	159	634	572	(209)	1,156	(74)	444	(429)	47	(12)	(47)%	70%	(75)%	22%	(1)%
\$50,001-\$75K	79	292	44	7	422	142	131	174	(2)	445	(63)	161	(130)	9	(23)	(44)%	123%	(75)%	450%	(5)%
\$75,001-\$100K	83	195	32	6	316	149	73	127	(3)	346	(66)	122	(95)	9	(30)	(44)%	167%	(75)%	300%	(9)%
\$100,001-\$200K	229	278	53	21	581	391	59	210	(2)	658	(162)	219	(157)	23	(77)	(41)%	371%	(75)%	1,150%	(12)%
\$200,001-\$500K	161	64	15	26	266	249	5	58	(2)	310	(88)	59	(43)	28	(44)	(35)%	1,180%	(75)%	1,400%	(14)%
\$500,001-\$1 million	54	7	—	11	72	81	1	—	(1)	81	(27)	6	—	12	(9)	(33)%	600%	—%	1,200%	(11)%
Over \$1 million	146	2	—	39	187	204	—	—	(1)	203	(58)	2	—	40	(16)	(28)%	100%	—%	4,000%	(8)%
Total	\$ 837	\$ 1,916	\$ 289	\$(265)	\$ 2,777	\$ 1,375	\$ 903	\$ 1,153	\$(456)	\$ 2,975	\$ (538)	\$ 1,013	\$(864)	\$ 191	\$ (198)	(39)%	112%	(75)%	42%	(7)%

¹ Limitations represents the effect of limiting taxable income to no less than zero. If the combination of deductions and exemptions exceeds AGI, the excess deductions and exemptions are disallowed.

The \$198 billion decrease in deductions and exemptions from 2017 to 2018 reflected a \$389 billion shift in total deductions and exemptions from larger itemized deductions and exemptions and into smaller standard deductions, presumably largely due to tax law changes from the TCJA. Unfortunately, we are unable to separate the impact of changes in behavior due to the TCJA. The shift from itemized deductions and exemptions to standard deductions occurred across all AGI cohorts. The cohort with the largest dollar change, at a decrease of \$100 billion or 15% in deductions and exemptions (before limitations), is the cohort with AGI between \$100,001 and \$200,000. The cohort with the largest percent change, at a decrease of 75% or \$10 billion, is the cohort with AGI less than \$1. These decreases in deductions and exemptions were offset in part by lower disallowances due to limitations, which were also seen across all AGI cohorts.

Tax rate changes

There were several key statutory individual income tax rate changes during this period due to the *Tax Cuts and Jobs Act* (TCJA). The TCJA reduced individual income tax rates overall, effective January 1, 2018, including:

- decreasing the top individual income tax rate from 39.6% to 37%;
- eliminating the personal exemptions, and capping the state and local tax deduction at \$10,000, while nearly doubling the amount of the standard deduction;
- increasing the child tax credit; and
- providing a 20% deduction of qualified business income and certain dividends for individuals.

2017 to 2018 | State and local individual income tax revenue

The \$41 billion state and local individual income tax revenue increase can be attributed \$23 billion** to higher taxable income and \$18 billion** to changes in average tax rates.

Income changes**

The \$23 billion increase attributable to higher individual taxable income reflected an approximately \$506 billion or 6% increase in the aggregate AGI of all individual taxpayers in all states that tax individual income. Following are the income components of AGI shown by AGI cohort.

	2018					2017					Changes									
	Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI						
Less than \$1	\$ 13	\$ (37)	\$ (143)	\$ (155)	\$ 12	\$ 11	\$ (35)	\$ (144)	\$ (156)	\$ 1	\$ 1	\$ (2)	\$ 1	\$ 1	8%	9%	6%	(1)%	(1)%	
\$1-\$50K	1,222	11	5	285	1,523	1,221	9	6	290	1,526	1	2	(1)	(5)	(3)	0%	22%	(17)%	(2)%	0%
\$50,001-\$75K	794	11	8	219	1,032	775	9	8	210	1,002	19	2	0	9	30	2%	22%	0%	4%	3%
\$75,001-\$100K	704	14	10	209	937	689	11	10	206	916	15	3	0	3	21	2%	27%	0%	1%	2%
\$100,001-\$200K	1,647	55	47	482	2,231	1,569	44	46	451	2,110	78	11	1	31	121	5%	25%	2%	7%	6%
\$200,001-\$500K	1,013	89	112	271	1,485	933	72	108	227	1,340	80	17	4	44	145	9%	24%	4%	19%	11%
\$500,001-\$1 million	311	61	97	90	559	283	50	94	79	506	28	11	3	11	53	10%	22%	3%	14%	10%
Over \$1 million	390	397	283	202	1,272	355	338	272	169	1,134	35	59	11	33	138	10%	17%	4%	20%	12%
Total	\$ 6,094	\$ 650	\$ 525	\$ 1,615	\$ 8,884	\$ 5,837	\$ 544	\$ 509	\$ 1,488	\$ 8,378	\$ 257	\$ 106	\$ 16	\$ 127	\$ 506	4%	19%	3%	9%	6%

AGI by cohort

For states that tax individual income, AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above \$100,000, a group which saw its aggregate AGI increase over \$457 billion or 9% for the year. The largest dollar amount of growth, at an aggregate increase of \$145 billion or 11%, was for the cohort with AGI between \$200,001 and \$500,000, driven primarily by higher wages and salaries but reflecting increases across all sources of income. The highest rate of AGI growth, at 12% or \$138 billion, was for the cohort with AGI greater than \$1 million, driven primarily by net capital gains but reflecting increases across all sources of income. The increases in AGI for these cohorts were offset in part by an aggregate \$3 billion decrease in AGI, a flat rate change, for the cohort where AGI is between \$1 and \$50,000, driven primarily by decreased All Other income.

AGI by income type

Over half of the overall \$506 billion increase in AGI in states that tax individual income was driven by higher wages and salaries, which increased \$257 billion or 4%. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an increase of \$80 billion or 9%, was for the cohort with AGI between \$200,001 and \$500,000. The highest rate of wage and salary growth, at an increase of 10% or \$28 billion, was for the cohort with AGI between \$500,001 and \$1 million.

Net capital gains income increased \$106 billion or 19%, comprising nearly 21% of the overall increase in AGI in states that tax individual income. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an aggregate increase of \$59 billion or 17%, was for the cohort with AGI over \$1 million. The highest rate of growth, at an increase of 27% or \$3 billion, was for the cohort with AGI between \$75,001 and \$100,000. The average daily closing price of the S&P 500 between these state and local fiscal years (July 1 to June 30) increased 16%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased \$16 billion or 3%, comprising just over 3% of the overall increase in AGI in states that tax individual income. Experiences varied among cohorts. The largest dollar amount and rate of growth, at an increase of \$11 billion or 4%, was for the cohort with AGI greater than \$1 million.

Income within the "All Other" category shown in the table above increased \$127 billion or 9%, comprising 25% of the overall increase in AGI. This increase was driven primarily by a \$49 billion or 6% increase in taxable income from IRAs,

pensions, and annuities; a \$25 billion or 13% increase in dividend income; and a \$20 billion or 8% increase in taxable Social Security benefits.

- Within the increase in taxable IRA, pension, and annuity income, the largest amount of growth of \$24 billion or 10%, was for the cohort with AGI between \$100,001 and \$200,000, while the highest rate of growth, at 29% or \$4 billion, was for the cohort with AGI between \$500,001 and \$1 million.
- Within the increase in dividend income, the largest dollar amount and highest rate of growth, at \$12 billion and 17%, was for the cohort with AGI greater than \$1 million.
- Within the increase in taxable Social Security benefits, the largest dollar amount of growth, at \$9 billion or 12%, was for the cohort with AGI between \$100,001 and \$200,000, while the highest rate of growth, at 33% or \$1 billion, was for the cohort with AGI between \$500,001 and \$1 million.

Tax rate changes

The increase in state and local individual income tax revenue attributable to tax rate changes is due to both more income in higher tax rate brackets and changes in tax rates. Aggregate AGI for all groups with AGI greater than \$200,000 increased 2%, while the aggregate AGI for all groups with AGI less than \$50,000 decreased 1%, and the aggregate AGI for groups with AGI between \$50,001 and \$200,000 remained flat. There were multiple statutory tax rate changes at the state level during this period. Three states increased their income tax rates. Hawaii had the largest rate increase, raising the rate on its highest income bracket by 2.8 percentage points. Three states decreased their income tax rates. Maine had the largest rate decrease, lowering the rate on its highest income bracket by 3.0 percentage points.

2017 to 2018 | Federal sales and excise taxes

The \$11 billion increase in revenue from federal sales and excise taxes, specifically selective sales taxes, primarily reflects an \$8 billion or 38% increase in other selective sales taxes and a \$4 billion or 9% increase in motor fuel taxes.

The \$8 billion increase in other selective sales taxes is due in part to a \$5 billion increase (% increase is not meaningful) related to fees on health insurance providers, which can be attributed in part to the one-year moratorium on the health insurers fees that existed for 2017 only, as well as due to a \$3 billion or 339% increase in other federal fund excise taxes. The other federal fund excise taxes comprise miscellaneous excise taxes, primarily on non-major health care items (e.g. tanning beds).

The \$4 billion increase in motor fuel tax revenue is primarily attributable to increases in highway trust fund deposits and transportation fuels tax. During this period, the number of miles driven increased 1% while the federal gas tax rates remained unchanged.

2017 to 2018 | State and local sales and excise taxes

The \$30 billion increase in revenue from state and local sales and excise taxes reflects a \$22 billion or 6% increase in general sales tax revenues and a \$10 billion or 13% increase in selective sales tax revenues.

General sales tax revenues

General sales tax revenues increased due to increased consumption of taxable goods and services, offset in part by a net decrease in unweighted state-level general sales tax rates. Household consumption of all categories of taxable goods and services increased during the period, led by recreation and entertainment (\$39 billion or 5% increase)**, principal and down payments on cars (\$36 billion or 10%)**, and food and non-alcoholic beverages away from home (\$34 billion or 6%)**.³⁸ State-level general sales tax rates did not increase in any state, while there was a decrease in one state of 0.25 percentage points.³⁹ During the periods presented, local governments both increased and decreased their sales tax rates.

Selective sales tax revenues

Selective sales tax revenues increased across nearly every major category, led by a \$3 billion or 7% increase in tax revenues from motor fuels, a \$2 billion or 7% increase in tax revenues from insurance premiums, and a \$1 billion or 4% increase in tax on tobacco products. The increases in selective sales tax revenues are due to changes in both consumption of the selected goods and services and the related tax rates. Unit consumption of motor fuel/oil increased 13%**⁴⁰, spending on insurance premiums increased 7%⁴¹, and unit consumption of tobacco increased 2%**⁴². The unweighted average of gas and tobacco tax rates across all states increased 7% and 2%, respectively, during this period.³⁹ We are not aware of an aggregated source of data for state and local government tax rates on insurance premiums.

2017 to 2018 | Property taxes

The \$22 billion or 4% growth in revenue from property taxes reflects a 6%** increase in the median home value. In addition, there were various changes in property tax rates in 2018. The aggregate unweighted average of the nominal residential property tax rate for the largest city in each state increased 1%.³⁹ Among this group, the nominal residential property tax rate increased in the largest city in 22 states, with a maximum increase of 13% in Indianapolis, IN, offset in part by decreases in 14 states, with a maximum decrease of 9% in Birmingham, AL.⁴³

2017 to 2018 | Federal corporate income taxes

Federal corporate income tax revenues decreased \$92 billion or 31%. The federal statutory corporate income tax rate in the US was 35% until December 31, 2017, the first quarter of the fiscal year, and then was reduced to 21% on January 1, 2018 with the enactment of the TCJA, for the remaining three quarters of the fiscal year. For companies headquartered in the US that earn income from overseas sources, such income was taxed only when repatriated back to the US. Effective January 1, 2018, the TCJA requires foreign income of US businesses to be taxed at 21% but provides one-time reduced tax rates for all undistributed and deferred post-1986 foreign profits accumulated in the form liquid assets (15.5% tax rate) and illiquid assets (8% tax rate), which can be paid in installments over eight years, interest-free. The IRS has not yet published 2018 C-Corporation taxable income.

2017 to 2018 | State and local earnings on investments⁴⁴

State and local earnings on investments (primarily funds held by retirement, workers' compensation, and other trusts) decreased \$16 billion or 4% due to a decrease in stock market performance, offset in part by a \$330 billion or 4% increase in investment balances. During these periods, these funds were invested primarily in US corporate equities (57% of funds invested for both periods), corporate and foreign bonds (12% for both periods), mutual funds (11% for both periods), and miscellaneous assets (increasing from 7% to 8%). Using state and local fiscal year (July 1 to June 30) starting and ending stock prices to calculate the annual changes, there were decreases of 9%, 60%, 101%, and 148% in the annual change in the S&P 500, FTSE, DAX, and NIKKEI, respectively. During the same period, the US Prime rate increased from 4.1% to 5.4%. Of the overall 4% increase in investment balances, the largest increases were in corporate equities (\$147 billion or 6% increase), corporate and foreign bonds (\$55 billion or 11%), and mutual funds (\$35 billion or 7%), offset in part by decreases in commercial paper (\$9 billion or 17%), mortgage-backed securities (\$5 billion or 64%), and security repurchase agreements (\$1 billion or 17%).

2017 to 2018 | Federal Reserve earnings

The \$11 billion or 13% decrease in revenue from Federal Reserve earnings reflects a decrease in income of the Federal Reserve itself, the majority of which is remitted to the Treasury by law. The Federal Reserve's income declined as it purchased \$152 billion or 6% fewer securities (including Treasury securities and federal agency and government-sponsored enterprise mortgage-backed securities) and it earned returns on those securities.

Note that the interest payments made by the federal government to the Federal Reserve and the earnings received by the federal government from the Federal Reserve can be seen as offsetting each other, in part. This is because these are largely the same dollars; the federal government pays interest on its debt securities held by the Federal Reserve, the

Federal Reserve receives those dollars, and then the Federal Reserve remits most of those dollars back to the federal government. We report the inflows in non-tax revenues and the outflows in net interest paid because the Federal Reserve is a separate legal entity from the federal government.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹
Individual income taxes	\$ 2,109	\$ 1,683	\$ 426	\$ 1,656	\$ 1,316	\$ 340	\$ 453	\$ 367	\$ 86	27%	28%	25%
Payroll taxes	1,189	1,189	—	966	966	—	223	223	—	23%	23%	—%
Sales and excise taxes	706	95	611	588	84	504	118	11	107	20%	13%	21%
Property taxes	547	—	547	454	—	454	93	—	93	20%	—%	20%
Corporate income taxes	261	205	56	326	273	53	(65)	(68)	3	(20)%	(25)%	6%
Other taxes	206	74	132	174	60	114	32	14	18	18%	23%	16%
Tax revenues	\$ 5,018	\$ 3,246	\$ 1,772	\$ 4,164	\$ 2,699	\$ 1,465	\$ 854	\$ 547	\$ 307	21%	20%	21%
Earnings on investments	\$ 439	\$ —	\$ 439	\$ 378	\$ —	\$ 378	\$ 61	\$ —	\$ 61	16%	—%	16%
Federal Reserve earnings	71	71	—	76	76	—	(5)	(5)	—	(7)%	(7)%	—%
Sales of government resources	24	11	13	26	12	14	(2)	(1)	(1)	(8)%	(8)%	(7)%
Other non-tax revenues	164	31	133	128	16	112	36	15	21	28%	94%	19%
Total non-tax revenues	\$ 698	\$ 113	\$ 585	\$ 608	\$ 104	\$ 504	\$ 90	\$ 9	\$ 81	15%	9%	16%
Total revenues	\$ 5,716	\$ 3,359	\$ 2,357	\$ 4,772	\$ 2,803	\$ 1,969	\$ 944	\$ 556	\$ 388	20%	20%	20%
Estimated impact of inflation on total revenues							\$ 359	\$ 211	\$ 148	8%	8%	8%
Estimated impact of population growth on total revenues							163	96	67	3%	3%	3%

¹ State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

[INTERACTIVE ANALYSIS](#)

2013 to 2018 | Federal individual income tax revenue

The federal individual income tax revenue increase of \$367 billion can be attributed \$346 billion* to higher taxable income and \$21 billion* to changes in average tax rates.

Income changes*

The \$346 billion increase in revenue attributed to higher taxable income reflected a \$2,390 billion or 26% increase in aggregate AGI, offset in part by a \$71 billion or 3% increase in aggregate deductions and exemptions. Following are the income components of AGI shown by AGI group (cohort).

(In billions, except percentages)	2018					2013					Changes									
	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other ¹	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other ¹	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other ¹	Total AGI	Wages and Salaries	Capital Gains	Partnership and S-Corp	All Other ¹	Total AGI
Less than \$1	\$ 22	\$ 17	\$ (53)	\$ (197)	\$ (211)	\$ 19	\$ 14	\$ (43)	\$ (187)	\$ (197)	\$ 3	\$ 3	\$ (10)	\$ (10)	\$ (14)	16%	21%	(23)%	(5)%	(7)%
\$1-\$50K	1,598	11	7	348	1,964	1,552	6	7	386	1,951	46	5	0	(38)	13	3%	83%	0%	(10)%	1%
\$50,001-\$75K	1,022	12	10	269	1,313	913	8	9	250	1,180	109	4	1	19	133	12%	50%	11%	8%	11%
\$75,001-\$100K	882	17	13	270	1,182	816	11	13	238	1,078	66	6	0	32	104	8%	55%	0%	13%	10%
\$100,001-\$200K	2,092	67	61	616	2,836	1,649	39	55	439	2,182	443	28	6	177	654	27%	72%	11%	40%	30%
\$200,001-\$500K	1,292	118	146	365	1,921	856	62	115	222	1,255	436	56	31	143	666	51%	90%	27%	64%	53%
\$500,001-\$1 million	406	86	124	114	730	270	47	97	70	484	136	39	27	44	246	50%	83%	28%	63%	51%
Over \$1 million	511	567	375	297	1,750	357	331	279	195	1,162	154	236	96	102	588	43%	71%	34%	52%	51%
Total	\$ 7,825	\$ 895	\$ 683	\$ 2,082	\$ 11,485	\$ 6,432	\$ 518	\$ 532	\$ 1,613	\$ 9,095	\$ 1,393	\$ 377	\$ 151	\$ 469	\$ 2,390	22%	73%	28%	29%	26%

¹ All Other includes interest, dividends, state income tax refunds, business or profession net income (loss), taxable individual retirement arrangement distributions, taxable pensions and annuities, taxable social security benefits, and other income (loss), less: self-employed SEP, self-employed health insurance, retirement account deductions, student loan interest deductions, tuition and fees deduction, domestic production activities deduction, and other deductions.

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above \$100,000, a group which saw its aggregate AGI increase over \$2,154 billion or 42%. The cohort with the largest dollar and percentage increase in AGI is the one with AGI between \$200,001 and \$500,000, at an increase of \$666 billion or 53%, driven primarily by higher wages and salaries but with increases across all sources of income. The increases in AGI for these cohorts were offset in part by a \$14 billion or 7% decrease in AGI for the cohort where AGI is less than \$1, driven by decreased Partnership and S-Corporation and All Other income.

AGI by income type

Just over 58% of the overall \$2,390 billion increase in AGI was driven by higher wages and salaries, which increased \$1,393 billion or 22%. All AGI cohorts saw wage and salary growth. The largest dollar amount of growth, at an increase of \$443 billion or 27%, was for the cohort with AGI between \$100,001 and \$200,000. The highest rate of wage and salary growth, at 51% or \$436 billion, was for the cohort with AGI between \$200,001 and \$500,000.

Net capital gains income increased \$377 billion or 73%, comprising 16% of the overall increase in AGI. All AGI cohorts saw increases in net capital gains income. The largest dollar amount of growth, at an increase of \$236 billion or 71%, was for the cohort with AGI over \$1 million. The highest rate of growth, at 90% or \$56 billion, was for the cohort with AGI between \$200,001 and \$500,000. The average daily closing price of the S&P 500 between these federal fiscal years (October 1 to September 30) increased 75%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased \$151 billion or 28%, comprising 6% of the overall increase in AGI. Most of the increase was for the cohorts with AGI of \$200,001 and greater, where Partnership and S-Corporation income increased an aggregate of \$154 billion or 31%. The highest rate of growth, at 34% or \$96 billion, was for the cohort with AGI greater than \$1 million.

Income within the "All Other" category shown in the table above increased \$469 billion or 29%, comprising 20% of the overall increase in AGI. This increase was driven primarily by a \$311 billion or 29% increase in taxable retirement income, with IRA, pension, and annuity income comprising 70% of the total change. The largest dollar amount of taxable retirement income growth, at an increase of \$154 billion or 49%, was for the cohort with AGI between \$100,001 and \$200,000. The highest rate of taxable retirement income growth, at 93% or \$96 billion, was for the cohort with AGI between \$200,001 and \$500,000. During this period, the population of those aged 65 years and older, the cohort most likely to be taking retirement income distributions, increased 18%.

AGI mobility – numbers of income tax returns filed by income cohort

(In thousands, except percentages)	2018	2013	Changes	
Less than \$1	1,980	2,116	(136)	(6)%
\$1-\$50K	87,408	91,292	(3,884)	(4)%
\$50,001-\$75K	21,335	19,168	2,167	11%
\$75,001-\$100K	13,641	12,457	1,184	10%
\$100,001-\$200K	20,848	16,231	4,617	28%
\$200,001-\$500K	6,733	4,405	2,328	53%
\$500,001-\$1 million	1,084	719	365	51%
Over \$1 million	528	358	170	47%
Total	153,557	146,746	6,811	5%

The number of income tax returns filed for the lowest income cohorts, those with AGI of \$50,000 or less, decreased by more than 4.0 million tax returns in aggregate, while the number of tax returns filed increased for all other AGI cohorts. The group with the highest increase in the number of returns filed was the cohort with AGI between \$100,001 and \$200,000, at an increase of over 4.6 million returns, while the group with the highest percentage increase in the number of returns filed was the cohort with AGI between \$200,001 and \$500,000, at an increase of 53%.

Deductions and exemptions

(In billions, except percentages)	2018					2013					Changes									
	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions					
Less than \$1	\$ —	\$ —	\$ 2	\$(213)	\$ (211)	\$ —	\$ —	\$ 13	\$(210)	\$ (197)	\$ —	\$ —	\$(11)	\$(3)	\$ (14)	—%	—%	(85)%	1%	(7)%
\$1-\$50K	85	1,078	143	(162)	1,144	173	623	593	(215)	1,174	(88)	455	(450)	53	(30)	(51)%	73%	(76)%	(25)%	(3)%
\$50,001-\$75K	79	292	44	7	422	145	111	162	(2)	416	(66)	181	(118)	9	6	(46)%	163%	(73)%	(450)%	1%
\$75,001-\$100K	83	195	32	6	316	151	58	119	(1)	327	(68)	137	(87)	7	(11)	(45)%	236%	(73)%	(700)%	(3)%
\$100,001-\$200K	229	278	53	21	581	336	40	172	(4)	544	(107)	238	(119)	25	37	(32)%	595%	(69)%	(625)%	7%
\$200,001-\$500K	161	64	15	26	266	185	3	42	(1)	229	(24)	61	(27)	27	37	(13)%	2,033%	(64)%	nm	16%
\$500,001-\$1 million	54	7	—	11	72	60	1	2	(1)	62	(6)	6	(2)	12	10	(10)%	600%	(100)%	nm	16%
Over \$1 million	146	2	—	39	187	151	—	1	(1)	151	(5)	2	(1)	40	36	(3)%	100%	(100)%	nm	24%
Total	\$ 837	\$ 1,916	\$ 289	\$(265)	\$ 2,777	\$ 1,201	\$ 836	\$ 1,104	\$(435)	\$ 2,706	\$(364)	\$ 1,080	\$(815)	\$ 170	\$ 71	(30)%	129%	(74)%	(39)%	3%

¹ Limitations represents the effect of limiting taxable income to no less than zero. If the combination of deductions and exemptions exceeds AGI, the excess deductions and exemptions are disallowed.

^{nm} An "nm" reference in the table means the figure is not meaningful.

The \$71 billion increase in net deductions and exemptions during this period was impacted significantly by the shift in mix of deductions and exemptions discussed in the 2017 to 2018 comparison above, presumably driven by the TCJA. As we are unable to isolate the impact of the TCJA, we have excluded the 2017 to 2018 comparison here (see above for that analysis) and instead compare 2013 to 2017 in this section. Excluding the change from 2017 to 2018, the change in total deductions/exemptions in the table above would be a \$269 billion increase instead of a \$71 billion increase. Most of the adjusted \$269 billion increase was for itemized deductions, which increased \$174 billion or 14%. However, standard deductions also increased (\$67 billion or 8%), as did exemptions (\$49 billion or 5%) and limitations (\$21 billion or 5%). Cohorts with AGI of \$100,000 or less experienced at least a partial shift from itemized deductions to standard deductions, whereas cohorts with AGI of \$100,001 or greater experienced increases in both itemized and standardized deductions. Changes in exemptions and limitations varied amongst the cohorts with no discernable pattern.

Tax rate changes

There were several key statutory individual income tax rate changes during this period, among them:

- effective January 1, 2018, the TCJA reduced individual income tax rates overall, as discussed under *2017 to 2018 | Federal individual income tax revenue* above;
- the mid-fiscal year 2013 expiration of several tax cuts as part of the American Taxpayer Relief Act of 2012, which primarily affected high-income taxpayers, including:
 - increasing the top federal individual income tax bracket rate from 35% to 39.6%;
 - increasing the second highest federal individual income tax bracket rate from 33% to 35%;
 - increasing the top federal individual income tax rates on both capital gains and qualified dividends from 15% to 20%;
 - increasing the federal estate tax rate from 35% to 40%; and
 - phasing out certain itemized deductions and personal exemptions; and
- new income taxes effective mid-fiscal year 2013 as part of the Affordable Care Act, including:
 - a new 3.8% Unearned Income Medicare Contribution tax that applies to high-income tax returns;
 - tighter restrictions on what qualifies as an expenditure under Health Savings Accounts and Flexible Savings Accounts; and
 - an increase in the AGI threshold for the medical expenditures itemized deduction from 7.5% of AGI to 10% of AGI for taxpayers under 55.

2013 to 2018 | Payroll tax revenue

The \$223 billion increase in payroll tax revenue was driven primarily by a \$184 billion or 27% increase in Social Security tax revenues. These increased tax revenues reflect a \$160 billion* increase attributable to higher taxable income, driven by a \$1,359 billion* or 23%* increase in earnings subject to Social Security taxes.

The remaining \$24 billion* increase in Social Security tax revenues is attributable to higher tax rates in 2018, reflecting a temporary reduction of 2 percentage points in the employee share of Social Security tax rate for calendar years 2011 and 2012. Federal fiscal year 2013 includes 3 months of calendar 2012, therefore a quarter of the lower Social Security tax rate was included in the fiscal year 2013 tax revenues. The overall Social Security tax rate (employee and employer combined) was 12.4%* in fiscal year 2018 and 11.9%* in fiscal year 2013.

2013 to 2018 | State and local sales and excise taxes

The \$107 billion growth in revenue from state and local sales and excise taxes reflects a \$76 billion or 23% increase in general sales tax revenues and a \$31 billion or 19% increase in selective sales tax revenues.

General sales tax revenues

General sales tax revenues increased due to increased consumption of taxable goods and services, and a net increase in unweighted state-level general sales tax rates. Household consumption of most categories of taxable goods and services increased during the period, led by recreation and entertainment (\$167 billion or 27% increase)**; food and non-alcoholic beverages away from home (\$155 billion or 31%)**; and principal and down payments on cars (\$125 billion or 45%)**.³⁸ State-level general sales tax rates increased in seven states by between 0.2 and 1.0 percentage points, while there were decreases in three states of between 0.25 and 1.0 percentage points.³⁹ During the periods presented, local governments also both increased and decreased their sales tax rates.

Selective sales tax revenues

Selective sales tax revenues increased across nearly every major category, led by an \$8 billion or 20% increase in tax revenues from motor fuels and a \$5 billion or 29% increase in tax revenues from insurance premiums, offset in part by a \$1 billion or 4% decrease in tax revenues from public utilities. The increases in selective sales tax revenues are due to changes in both consumption of the selected goods and services and the related tax rates. Unit consumption of motor fuel/oil decreased 21%**⁴⁰, spending on insurance premiums increased 33%⁴¹, and spending on household utilities and fuels increased 9%**³⁸. The unweighted average of gas tax rates across all states increased 32% during this period.³⁹ We are not aware of an aggregated source of data for state and local government tax rates on insurance premiums or household utilities and fuels.

2013 to 2018 | State and local earnings on investments⁴⁴

State and local earnings on investments increased \$61 billion or 16% due to stock market performance as well as a \$1,046 billion or 29% increase in investment balances. During these periods, these funds were invested primarily in US corporate equities (57% of funds invested for both periods), corporate and foreign bonds (decreasing from 13% to 12%), mutual funds (increasing from 10% to 11%), and miscellaneous assets (increasing from 5% to 8%). Using state and local fiscal year (July 1 to June 30) starting and ending stock prices to calculate the annual changes, there was a 21% increase in the S&P 500, while there were 50%, 101%, and 1,143% decreases in the FTSE, DAX, and NIKKEI, respectively. During the same period, the US Prime rate increased from 3.5% to 4.1%. Of the overall 29% increase in investment balances, the largest increases were in corporate equities (\$582 billion or 49% increase), mutual funds (\$155 billion or 43%), and miscellaneous assets (\$124 billion or 80%), offset in part by a decrease in mortgage-backed securities (\$9 billion or 17%). Miscellaneous assets consist primarily of venture capital, partnerships, and real estate investment trusts (REITs).

2013 to 2018 | State and local other non-tax revenues

The \$21 billion or 19% increase in state and local other non-tax revenues primarily relates to miscellaneous general revenue streams, not classified as a tax, including but not limited to recovery of losses charged off in a prior fiscal year, premiums on bonds issued, revenues from sponsorship agreements, recoveries of expenditures made in a prior fiscal year, receipts from escheats and other unclaimed monies, and recorded profits from sale of investments. We are not aware of a government source for revenue from each of these revenue streams.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹	Total	Federal	State and Local ¹
Individual income taxes	\$ 2,109	\$ 1,683	\$ 426	\$ 1,451	\$ 1,146	\$ 305	\$ 658	\$ 537	\$ 121	45%	47%	40%
Payroll taxes	1,189	1,189	—	914	914	—	275	275	—	30%	30%	—%
Sales and excise taxes	706	95	611	517	67	450	189	28	161	37%	42%	36%
Property taxes	547	—	547	410	—	410	137	—	137	33%	—%	33%
Corporate income taxes	261	205	56	362	304	58	(101)	(99)	(2)	(28)%	(33)%	(3)%
Other taxes	206	74	132	179	65	114	27	9	18	15%	14%	16%
Tax revenues	\$ 5,018	\$ 3,246	\$ 1,772	\$ 3,833	\$ 2,496	\$ 1,337	\$ 1,185	\$ 750	\$ 435	31%	30%	33%
Earnings on investments	\$ 439	\$ —	\$ 439	\$ (67)	\$ —	\$ (67)	\$ 506	\$ —	\$ 506	(755)%	—%	(755)%
Federal Reserve earnings	71	71	—	34	34	—	37	37	—	109%	109%	—%
Sales of government resources	24	11	13	36	20	16	(12)	(9)	(3)	(33)%	(45)%	(19)%
Other non-tax revenues	164	31	133	109	8	101	55	23	32	50%	288%	32%
Total non-tax revenues	\$ 698	\$ 113	\$ 585	\$ 112	\$ 62	\$ 50	\$ 586	\$ 51	\$ 535	523%	82%	1,070%
Total revenues	\$ 5,716	\$ 3,359	\$ 2,357	\$ 3,945	\$ 2,558	\$ 1,387	\$ 1,771	\$ 801	\$ 970	45%	31%	70%
Estimated impact of inflation on total revenues							\$ 651	\$ 422	\$ 229	16%	16%	16%
Estimated impact of population growth on total revenues							295	191	104	7%	7%	7%

¹ State and local revenue excludes transfers from the federal government. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

2008 to 2018 | Federal individual income tax revenue

The \$537 billion federal individual income tax revenue increase can be attributed \$426 billion* to higher individual taxable income and \$111 billion* to changes in average tax rates.

Income changes*

The \$426 billion increase in revenue attributable to higher taxable income reflected a \$3,116 billion or 37% increase in aggregate AGI, offset in part by a \$163 billion or 6% increase in aggregate deductions and exemptions. Following are the income components of AGI shown by AGI cohort.

PART II
Item 7

	2018					2008					Changes									
	Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI		Wages and Salaries	Capital Gains Partnership and S-Corp	All Other ¹	Total AGI						
Less than \$1	\$ 22	\$ 17	\$(53)	\$(197)	\$ (211)	\$ 23	\$ 15	\$(82)	\$(106)	\$ (150)	\$ (1)	\$ 2	\$ 29	\$(91)	\$ (61)	(4)%	13%	35%	(86)%	(41)%
\$1-\$50K	1,598	11	7	348	1,964	1,564	5	2	360	1,931	34	6	5	(12)	33	2%	120%	250%	(3)%	2%
\$50,001-\$75K	1,022	12	10	269	1,313	936	8	8	232	1,184	86	4	2	37	129	9%	50%	25%	16%	11%
\$75,001-\$100K	882	17	13	270	1,182	792	10	10	202	1,014	90	7	3	68	168	11%	70%	30%	34%	17%
\$100,001-\$200K	2,092	67	61	616	2,836	1,407	36	42	347	1,832	685	31	19	269	1,004	49%	86%	45%	78%	55%
\$200,001-\$500K	1,292	118	146	365	1,921	652	61	90	193	996	640	57	56	172	925	98%	93%	62%	89%	93%
\$500,001-\$1 million	406	86	124	114	730	210	50	76	69	405	196	36	48	45	325	93%	72%	63%	65%	80%
Over \$1 million	511	567	375	297	1,750	340	389	233	195	1,157	171	178	142	102	593	50%	46%	61%	52%	51%
Total	\$ 7,825	\$ 895	\$ 683	\$ 2,082	\$ 11,485	\$ 5,924	\$ 574	\$ 379	\$ 1,492	\$ 8,369	\$ 1,901	\$ 321	\$ 304	\$ 590	\$ 3,116	32%	56%	80%	40%	37%

¹ See prior federal AGI tables for the definition of All Other.

AGI by cohort

AGI increased for nearly all income cohorts, most significantly for the cohorts with AGI above \$100,000, a group which saw its aggregate AGI increase over \$2,847 billion or 65%. The cohort with the largest dollar increase in AGI is the one with AGI between \$100,001 and \$200,000, at an increase of \$1,004 billion or 55%, driven primarily by higher wages and salaries but with increases across all sources of income. The cohort with the largest percentage increase in AGI is the one with AGI between \$200,001 and \$500,000, at an increase of 93% or \$925 billion, driven primarily by higher wages and salaries but with increases across all sources of income. The increases in AGI for these cohorts were offset in part by a \$61 billion or 41% decrease in AGI for the cohort where AGI is less than \$1, driven primarily by a decrease in All Other income.

AGI by income type

Over 60% of the \$3,116 billion increase in AGI was driven by higher wages and salaries, which increased \$1,901 billion or 32%. Nearly all AGI cohorts saw wage and salary growth. The largest dollar amount of wage and salary growth, at an increase of \$685 billion or 49%, was for the cohort with AGI between \$100,001 and \$200,000. The highest rate of growth, at 98% or \$640 billion, was for the cohort with AGI between \$200,001 and \$500,000.

Net capital gains income, making up just over 10% of the overall change in AGI, increased \$321 billion or 56%. All AGI cohorts saw an increase in net capital gains income. The largest dollar amount of increase, at \$178 billion or 46%, was for the cohort with AGI over \$1 million. The highest rate of increase, at 120% or \$6 billion, was for the cohort with AGI between \$1 and \$50,000. The average daily closing price of the S&P 500 between these federal fiscal years (October 1 to September 30) increased 99%, which may have contributed to increases in capital gains.

Partnership and S-Corporation income increased \$304 billion or 80%, comprising just under 10% of the overall increase in AGI. More than 80% of the increase was for the top three cohorts, where AGI is above \$200,000, a group which saw an aggregate increase in Partnership and S-Corporation income of \$246 billion or 62%. The highest rate of growth, at 250% or \$5 billion, was for the cohort with AGI between \$1 and \$50,000.

Income within the "All Other" category shown in the table above increased \$590 billion or 40%, comprising 19% of the overall increase in AGI. This increase was driven primarily by a \$571 billion or 69% increase in taxable retirement income, with IRA, pension, and annuity income comprising 72% of the total change. By income type and cohort, the largest dollar amount of growth in taxable retirement income, at an increase of \$261 billion or 127%, was for the cohort with AGI between \$100,001 and \$200,000. The highest rate of taxable retirement income growth, at 197% or \$132 billion, was for the cohort with AGI between \$200,001 and \$500,000. During this period, the population of those aged 65 years and older, the cohort most likely to be taking retirement income distributions, increased 34%.

AGI mobility – numbers of income tax returns filed by income cohort

(In thousands, except percentages)	2018	2008	Changes	
Less than \$1	1,980	2,345	(365)	(16)%
\$1-\$50K	87,408	91,076	(3,668)	(4)%
\$50,001-\$75K	21,335	19,260	2,075	11%
\$75,001-\$100K	13,641	11,733	1,908	16%
\$100,001-\$200K	20,848	13,753	7,095	52%
\$200,001-\$500K	6,733	3,481	3,252	93%
\$500,001-\$1 million	1,084	596	488	82%
Over \$1 million	528	339	189	56%
Total	153,557	142,583	10,974	8%

The number of income tax returns filed for the lowest income cohorts, those with AGI of \$50,000 or less, decreased by more than 4.0 million tax returns in aggregate, while the number of tax returns filed increased for all other AGI cohorts. The group with the highest increase in number of returns filed was the cohort with AGI between \$100,001 and \$200,000, at an increase of nearly 7.1 million returns, while the group with the highest percentage increase in the number of returns filed was the cohort with AGI between \$200,001 and \$500,000, at an increase of 93%.

Deductions and exemptions

(In billions, except percentages)	2018					2008					Changes									
	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions	Itemized Deductions	Standard Deductions	Exemptions	Limitations ¹	Total Deductions / Exemptions					
Less than \$1	\$ —	\$ —	\$ 2	\$(213)	\$ (211)	\$ —	\$ —	\$ 14	\$(164)	\$ (150)	\$ —	\$ —	\$(12)	\$(49)	\$ (61)	—%	—%	(86)%	(30)%	41%
\$1-\$50K	85	1,078	143	(162)	1,144	232	537	529	(189)	1,109	(147)	541	(386)	27	35	(63)%	101%	73%	14%	3%
\$50,001-\$75K	79	292	44	7	422	194	87	155	(4)	432	(115)	205	(111)	11	(10)	(59)%	236%	72%	275%	(2)%
\$75,001-\$100K	83	195	32	6	316	181	38	106	—	325	(98)	157	(74)	6	(9)	(54)%	413%	70%	100%	(3)%
\$100,001-\$200K	229	278	53	21	581	345	21	134	(2)	498	(116)	257	(81)	23	83	(34)%	1,224%	60%	1,150%	17%
\$200,001-\$500K	161	64	15	26	266	170	2	29	(2)	199	(9)	62	(14)	28	67	(5)%	3,100%	(48)%	1,400%	34%
\$500,001-\$1 million	54	7	—	11	72	57	—	3	(1)	59	(3)	7	(3)	12	13	(5)%	100%	(100)%	1,200%	22%
Over \$1 million	146	2	—	39	187	146	—	2	(6)	142	—	2	(2)	45	45	—%	100%	(100)%	750%	32%
Total	\$ 837	\$ 1,916	\$ 289	\$(265)	\$ 2,777	\$ 1,325	\$ 685	\$ 972	\$(368)	\$ 2,614	\$(488)	\$ 1,231	\$(683)	\$ 103	\$ 163	(37)%	180%	(70)%	28%	6%

¹ Limitations represents the effect of limiting taxable income to no less than zero. If the combination of deductions and exemptions exceeds AGI, the excess deductions and exemptions are disallowed.

The \$63 billion increase in net deductions and exemptions during this period was impacted significantly by the shift in mix of deductions and exemptions discussed in the 2017 to 2018 comparison above, presumably driven by the TCJA. As we are unable to isolate the impact of the TCJA, we have excluded the 2017 to 2018 comparison here (see above for that analysis) and instead compare 2008 to 2017 in this section. Excluding the change from 2017 to 2018, the change in total deductions/exemptions in the table above would be a \$361 billion increase instead of a \$163 billion increase. Most of the adjusted \$361 billion increase was for standard deductions and exemptions, which increased \$218 billion or 32% and \$181 billion or 19%, respectively. Itemized deductions increased \$40 billion or 4%. Cohorts with AGI of \$100,000 or less experienced at least a partial shift from itemized deductions to standard deductions, whereas cohorts with AGI of \$100,001 or greater experienced increases in both itemized and standardized deductions. Changes in limitations varied amongst the cohorts with no discernable pattern.

Tax rate changes

Key changes in statutory federal individual income tax rates during this period were the same as those discussed above under *Fiscal year 2018 compared with fiscal year 2013*.

2008 to 2018 | Payroll tax revenue

The \$275 billion increase in payroll tax revenue primarily reflected a \$202 billion or 30% increase in Social Security tax revenues, as well as a \$67 billion or 34% increase in Medicare tax revenues.

Social Security payroll tax revenues

The \$202 billion increase in Social Security tax revenues primarily reflects a \$229 billion* increase attributable to higher taxable income, driven by a \$1,826 billion* or 34%* increase in earnings subject to Social Security taxes. The overall Social Security tax rate (employee and employer combined) was 12.4% in each year.

Medicare payroll tax revenues

The \$67 billion increase in Medicare tax revenues primarily reflects a \$67 billion* increase attributable to higher taxable income, driven by a \$2,273 billion* or 34%* increase in earnings subject to Medicare taxes.

The overall base Medicare tax rate (employee and employer combined) was 2.9% in each year. Beginning in calendar year 2013, however, individuals paid an additional 0.9% (on top of the base 2.9%) Medicare tax on their wages, compensation, or self-employment income exceeding \$200,000 for single filers (\$250,000 for married filing jointly, \$125,000 for married filing separately).

2008 to 2018 | State and local sales and excise taxes

The \$161 billion growth in revenue from state and local sales and excise taxes reflects a \$106 billion or 35% increase in general sales tax revenues and a \$55 billion or 38% increase in selective sales tax revenues.

General sales tax revenues

General sales tax revenues increased due to increased consumption of taxable goods and services, and a net increase in unweighted state-level general sales tax rates. Household consumption of most categories of taxable goods and services increased during the period, led by: food and non-alcoholic beverages away from home (\$224 billion or 52% increase)**; recreation and entertainment (\$192 billion or 32%); technology (\$139 billion or 29%); and household supplies, jewelry, and personal care (\$126 billion or 32%).³⁸ State-level general sales tax rates increased in 16 states by between 0.12 and 1.3 percentage points, while there was a decrease in one state of 0.38 percentage points.³⁹ During the periods presented, local governments also both increased and decreased their sales tax rates.

Selective sales tax revenues

Selective sales tax revenues increased across nearly every major category, led by an \$11 billion or 28% increase in tax revenues from motor fuels and a \$7 billion or 42% increase in tax revenues from insurance premiums, offset in part by a \$1 billion or 2% decrease in tax revenues from public utilities. The increases in selective sales tax revenues are due to changes in both consumption of the selected goods and services and the related tax rates. Unit consumption of motor fuel/oil decreased 8%⁴⁰, spending on insurance premiums increased 47%⁴¹, and spending on household utilities and fuels increased 13%.³⁸ The unweighted average of gas tax rates across all states increased 38% during this period.³⁹ We are not aware of an aggregated source of data for state and local government tax rates on insurance premiums or household utilities and fuels.

2008 to 2018 | State and local earnings on investments⁴⁴

State and local earnings on investments increased \$506 billion or 755% due to a \$1,197 billion or 35% increase in investment balances, offset in part by a decrease in stock market performance. During these periods, these funds were invested primarily in US corporate equities (increasing from 51% to 57% of funds invested), corporate and foreign bonds (decreasing from 13% to 12%), mutual funds (decreasing from 14% to 11%), and miscellaneous assets (increasing from 4% to 8%). Using state and local fiscal year (July 1 to June 30) starting and ending stock prices to calculate the annual

changes, there was a 946% increase in the annual change in the NIKKEI, while there were decreases of 99%, 133%, and 232%, in the annual change in the DAX, FTSE, and S&P 500, respectively. Of the overall 35% increase in investment balances, the largest increases were in corporate equities (\$868 billion or 49% increase), miscellaneous assets (\$138 billion or 97%), and Treasury securities (\$135 billion or 95%), offset in part by a decrease in agency- and GSE-backed securities (\$97 billion or 49%) and mortgage-backed securities (\$14 billion or 83%). Miscellaneous assets consist primarily of venture capital, partnerships, and REITs.

Expenditures by function⁴⁵

We review expenditures in this MD&A in two ways, by function and by reporting segment. This section discusses expenditures by function.

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Transfer payments to individuals and subsidies	\$ 2,982	\$ 2,206	\$ 776	\$ 2,936	\$ 2,202	\$ 734	\$ 46	\$ 4	\$ 42	2%	—%	6%
Personnel and compensation	1,691	587	1,104	1,623	573	1,050	68	14	54	4%	2%	5%
Payments to others for goods and services	705	143	562	674	120	554	31	23	8	5%	19%	1%
Capital expenditures	559	180	379	534	172	362	25	8	17	5%	5%	5%
Net interest paid	395	325	70	333	262	71	61	62	(1)	18%	24%	(1)%
Other	(40)	(40)	—	(31)	(31)	—	(8)	(8)	—	25%	25%	—%
Total expenditures	\$ 6,292	\$ 3,401	\$ 2,891	\$ 6,069	\$ 3,298	\$ 2,771	\$ 223	\$ 103	\$ 120	4%	3%	4%
Estimated impact of inflation on total expenditures							\$ 145	\$ 79	\$ 66	2%	2%	2%
Estimated impact of population growth on total expenditures							32	17	15	1%	1%	1%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

2017 to 2018 | State and local transfer payments to individuals and subsidies

The \$42 billion growth in state and local transfer payments to individuals and subsidies was driven primarily by a \$35 billion or 6% increase in Medicaid and CHIP payments. This increase reflects:

- 0.7 million or 1% growth in person-year equivalent enrollment, driven primarily by increases in aged enrollees, children enrollees, and adult enrollees of 0.2 million each, or 3%, 1%, and 1%, respectively; and
- a \$74 or 1% increase in annual per enrollee spending, driven by a \$420 or 7% increase in per enrollee spending for the expansion adults (adults made newly eligible for Medicaid under the ACA beginning in 2014), offset in part by a \$324 or 2% decrease in per enrollee spending for the aged, the second most expensive group served.⁴⁶

The majority of the growth in Medicaid benefit expenditures was in the form of capitation payments, which are payments made to Medicaid healthcare providers at a set amount for each enrolled person assigned to them during the period, based on average expected healthcare utilization for that enrollee, regardless of whether the enrollee seeks care.

2017 to 2018 | State and local personnel and compensation

The \$54 billion increase in state and local personnel and compensation payments reflects growth of \$40 billion or 5% in compensation for current employees and \$14 billion or 4% in compensation for former employees.

Current employees

The 5% increase in compensation for current employees was driven by a 3%** or \$1.27** per hour increase in compensation (excluding pension), including 3%** growth in wages and salaries and 3%** growth in health insurance benefits. In addition, there was a 1%** increase in the number of state and local government full-time equivalent employees, including a 2%** increase in full-time equivalent non-education employees during this period.

Compensation for current employees is reported net of current employee contributions to their own pensions. We count the employer portion of pension contributions as expenditures when paid out to the former employees and therefore include them in compensation for former employees below. Pension contributions made by current employees to their own pensions fell 1% during this period. Contributions made by state and local government employers on behalf of their employees grew 7% during this period, primarily related to defined benefit plans, which made up 93% of total employer pension contributions in 2018 and increased 7% during the period.

Former employees

The 4% increase in compensation for former employees was driven by a 3% increase in the number of retirees receiving periodic benefits and a 2% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 3% during this period.

2017 to 2018 | Federal payments to others for goods and services

The \$23 billion increase in federal payments to others for goods and services was driven by a \$19 billion or 77% increase in net costs associated with the federal government having taken conservatorship over Fannie Mae and Freddie Mac during the financial crisis and a \$7 billion or 93% increase in expenditures related to re-estimates of costs of rural housing insurance, offset in part by a \$3 billion or 34% decrease in costs of Federal Housing Administration programs.

2017 to 2018 | Federal net interest paid

The \$62 billion or 24% increase in federal net interest paid was driven by a \$982 billion or 7% increase in federal marketable Treasury securities outstanding along with increased interest rates. The 10-year Treasury rate increased 0.58ppt or 25% during this period.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Transfer payments to individuals and subsidies	\$ 2,982	\$ 2,206	\$ 776	\$ 2,447	\$ 1,881	\$ 566	\$ 535	\$ 325	\$ 210	22%	17%	37%
Personnel and compensation	1,691	587	1,104	1,434	534	900	257	53	204	18%	10%	23%
Payments to others for goods and services	705	143	562	646	130	516	59	13	46	9%	10%	9%
Capital expenditures	559	180	379	493	173	320	66	7	59	13%	4%	18%
Net interest paid	395	325	70	295	221	74	100	104	(4)	34%	47%	(5)%
Other	(40)	(40)	—	(35)	(35)	—	(5)	(5)	—	14%	14%	—%
Total expenditures	\$ 6,292	\$ 3,401	\$ 2,891	\$ 5,280	\$ 2,904	\$ 2,376	\$ 1,012	\$ 497	\$ 515	19%	17%	22%
Estimated impact of inflation on total expenditures							\$ 398	\$ 219	\$ 179	8%	8%	8%
Estimated impact of population growth on total expenditures							180	99	81	3%	3%	3%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

2013 to 2018 | Federal transfer payments to individuals and subsidies

The \$325 billion increase in federal transfer payments to individuals and subsidies reflects increases across all major programs except unemployment insurance, SNAP, and SSI. The most significant changes are discussed below.

Social Security

Social Security payments increased \$174 billion or 22%, driven by:

- a 5.0 million person or 9% increase in the number of OASDI recipients, including an increase of 5.7 million recipients or 12% for OASI, offset in part by a decrease of 0.7 million recipients or 6% for DI; and
- a 10% increase in the average monthly benefit payment, including increases of \$143 or 12% for OASI and \$84 or 9% for DI.

The average OASI recipient age increased from 71 to 72 during these periods, while the average DI recipient age increased 7%, from 46 years old in 2013 to 49 years old in 2018. The population aged 65 years and older, the cohort we track that is most likely to be receiving OASI benefits, increased 17%.

Medicare

Medicare payments (net of premiums received) increased \$124 billion or 22%, driven by a 7.7 million* person or 15%* increase in Medicare enrollees and a 10%* increase in average costs per beneficiary (net of premiums received). Medicare premiums received increased \$31 billion or 45% during this period.

Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 17% during this period. General medical care cost inflation was 14%, with prices of medical commodities inflating 14%, medical services inflating 14%, and hospitals inflating 24%.⁴⁷

2013 to 2018 | State and local transfer payments to individuals and subsidies

The \$210 billion growth in state and local transfer payments to individuals and subsidies was driven primarily by a \$186 billion or 44% increase in Medicaid and CHIP payments. This increase reflects:

- 15.2 million or 26% growth in person-year equivalent enrollment, including growth of 0.6 million adults (4% growth), 0.6 million aged enrollees (11% growth), and 12.2 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a \$1,048 or 15% increase in annual per enrollee spending, driven by a \$3,046 or 18% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by a \$748 or 5% decrease in per enrollee spending for the aged, the second most expensive group served.⁴⁶

The majority of the growth in Medicaid benefit expenditures was in the form of capitation payments.

2013 to 2018 | State and local personnel and compensation

The \$204 billion increase in state and local personnel and compensation payments comprised growth of \$137 billion or 22% in compensation for current employees and \$67 billion or 25% in compensation for former employees.

Current employees

The 22% increase in compensation for current employees was driven by a 14%** or \$5.33** per hour increase in compensation (excluding pension), including 13%** growth in wages and salaries and 16%** growth in health insurance benefits. In addition, there was a 3%** increase in the number of state and local government full-time equivalent employees, including a 3%** increase in full-time equivalent education employees during this period.

Pension contributions made by current employees to their own pensions grew 21% during this period. Contributions made by state and local government employers on behalf of their employees grew 51% during this period, primarily related to defined benefit plans, which made up 93% of total employer pension contributions in 2018 and increased 53% during the period.

Former employees

The 25% increase in compensation for former employees was driven by a 19% increase in the number of retirees receiving periodic benefits and a 9% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 17% during this period.

2013 to 2018 | Federal net interest paid

The \$104 billion or 47% increase in federal net interest paid was driven by a \$2,573 billion or 22% increase in federal marketable Treasury securities outstanding along with along with increased interest rates. The 10-year Treasury rate increased 0.56ppt or 24% during this period.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Transfer payments to individuals and subsidies	\$ 2,982	\$ 2,206	\$ 776	\$ 1,847	\$ 1,411	\$ 436	\$ 1,135	\$ 795	\$ 340	61%	56%	78%
Personnel and compensation	1,691	587	1,104	1,304	472	832	387	115	272	30%	24%	33%
Payments to others for goods and services	705	143	562	720	258	462	(15)	(115)	100	(2)%	(45)%	22%
Capital expenditures	559	180	379	511	161	350	48	19	29	9%	12%	8%
Net interest paid	395	325	70	272	252	20	123	73	50	45%	29%	250%
Other	(40)	(40)	—	(4)	(4)	—	(36)	(36)	—	900%	900%	—%
Total expenditures	\$ 6,292	\$ 3,401	\$ 2,891	\$ 4,650	\$ 2,550	\$ 2,100	\$ 1,642	\$ 851	\$ 791	35%	33%	38%
Estimated impact of inflation on total expenditures							\$ 766	\$ 420	\$ 346	16%	16%	16%
Estimated impact of population growth on total expenditures							348	191	157	7%	7%	7%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

2008 to 2018 | Federal transfer payments to individuals and subsidies

The \$795 billion increase in federal transfer payments to individuals and subsidies reflects increases across all major programs except unemployment insurance. The most significant changes are discussed below.

Social Security

Social Security payments increased \$370 billion or 61%, driven by:

- a 12.0 million person or 24% increase in the number of OASDI recipients, including increases of 10.9 million recipients or 26% for OASI and 1.1 million recipients or 12% for DI; and
- a 28% increase in the average monthly benefit payment, including increases of \$324 or 32% for OASI and \$202 or 23% for DI.

The average OASI recipient age increased from 71 to 72 during these periods, while the average DI recipient age increased 9% from 45 to 49 in 2018. The population aged 65 years and older, the cohort we track that is most likely to be receiving OASI benefits, increased 35%.

Medicare

Medicare payments (net of premiums received) increased \$246 billion or 55%, reflecting a 14.1 million* person or 32%* increase in Medicare enrollees combined with a 21%* increase in average cost per beneficiary (net of premiums received). Medicare premiums received increased \$46 billion or 84% during this period.

Our population aged 65 years and older (one eligibility requirement for Medicare) grew by 35% during this period. General medical care cost inflation was 29%, with prices of medical commodities inflating 29%, medical services inflating 35%, and hospitals inflating 63%.⁴⁷

2008 to 2018 | State and local transfer payments to individuals and subsidies

The \$340 billion growth in state and local transfer payments to individuals and subsidies was driven primarily by a \$294 billion or 95% increase in Medicaid and CHIP payments. This increase reflects:

- 26.2 million or 55% growth in person-year equivalent enrollment, including growth of 5.3 million children (23% growth), 4.8 million adults (44% growth), and 12.2 million enrollees newly eligible for Medicaid through the Affordable Care Act; and
- a \$1,082 or 16% increase in annual per enrollee spending, driven by a \$3,809 or 23% increase in per enrollee spending for the disabled, the most expensive group served, offset in part by a \$389 or 3% decrease in per enrollee spending for the aged, the second most expensive group served.⁴⁶

The majority of the growth in Medicaid benefit expenditures was in the form of capitation payments.

2008 to 2018 | State and local personnel and compensation

The \$272 billion increase in state and local personnel and compensation payments comprised growth of \$140 billion or 22% in compensation for current employees and \$132 billion or 66% in compensation for former employees.

Current employees

The 22% increase in compensation for current employees was driven by a 23%** or \$8.10** per hour increase in compensation (excluding pension), including 21%** growth in wages and salaries and 36%** growth in health insurance benefits. Meanwhile, the change in the number of state and local government full-time equivalent employees was flat, reflecting a 2%** increase in full-time equivalent education employees during this period, offset by a 2%** decrease in full-time equivalent non-education employees.

Pension contributions made by current employees to their own pensions grew 33% during this period. Contributions made by state and local government employers on behalf of their employees grew 92% during this period, primarily related to defined benefit plans, which made up 93% of total employer pension contributions in 2018 and increased 100% during the period.

Former employees

The 66% increase in compensation for former employees was driven by a 42% increase in the number of retirees receiving periodic benefits and a 24% increase in the average benefit payment per recipient. The increase in number of retirees receiving benefits may be driven in part by our aging population; our population aged 65 years and older grew by 35% during this period.

Expenditures by segment⁴⁵

(In billions, except percentages)	2018			2017			Changes					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Justice and Domestic Tranquility	\$ 473	\$ 67	\$ 406	\$ 447	\$ 55	\$ 392	\$ 26	\$ 12	\$ 14	6%	22%	4%
Common Defense	874	873	1	835	834	1	39	39	—	5%	5%	—%
General Welfare	1,447	429	1,018	1,410	440	970	37	(11)	48	3%	(3)%	5%
Blessings of Liberty	3,355	2,052	1,303	3,238	1,979	1,259	117	73	44	4%	4%	3%
General government support and other	143	(20)	163	139	(10)	149	4	(10)	14	3%	(100)%	9%
Total expenditures	\$ 6,292	\$ 3,401	\$ 2,891	\$ 6,069	\$ 3,298	\$ 2,771	\$ 223	\$ 103	\$ 120	4%	3%	4%
Estimated impact of inflation on total expenditures							\$ 145	\$ 79	\$ 66	2%	2%	2%
Estimated impact of population growth on total expenditures							32	17	15	1%	1%	1%

(In billions, except percentages)	2018			2013			Changes					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Justice and Domestic Tranquility	\$ 473	\$ 67	\$ 406	\$ 400	\$ 55	\$ 345	\$ 73	\$ 12	\$ 61	18%	22%	18%
Common Defense	874	873	1	833	832	1	41	41	—	5%	5%	—%
General Welfare	1,447	429	1,018	1,232	451	781	215	(22)	237	17%	(5)%	30%
Blessings of Liberty	3,355	2,052	1,303	2,678	1,576	1,102	677	476	201	25%	30%	18%
General government support and other	143	(20)	163	137	(10)	147	6	(10)	16	4%	100%	11%
Total expenditures	\$ 6,292	\$ 3,401	\$ 2,891	\$ 5,280	\$ 2,904	\$ 2,376	\$ 1,012	\$ 497	\$ 515	19%	17%	22%
Estimated impact of inflation on total expenditures							\$ 398	\$ 219	\$ 179	8%	8%	8%
Estimated impact of population growth on total expenditures							180	99	81	3%	3%	3%

(In billions, except percentages)	2018			2008			Changes					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Justice and Domestic Tranquility	\$ 473	\$ 67	\$ 406	\$ 366	\$ 40	\$ 326	\$ 107	\$ 27	\$ 80	29%	68%	25%
Common Defense	874	873	1	741	740	1	133	133	—	18%	18%	—%
General Welfare	1,447	429	1,018	1,021	368	653	426	61	365	42%	17%	56%
Blessings of Liberty	3,355	2,052	1,303	2,358	1,390	968	997	662	335	42%	48%	35%
General government support and other	143	(20)	163	164	12	152	(21)	(32)	11	(13)%	(267)%	7%
Total expenditures	\$ 6,292	\$ 3,401	\$ 2,891	\$ 4,650	\$ 2,550	\$ 2,100	\$ 1,642	\$ 851	\$ 791	35%	33%	38%
Estimated impact of inflation on total expenditures							\$ 766	\$ 420	\$ 346	16%	16%	16%
Estimated impact of population growth on total expenditures							348	191	157	7%	7%	7%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this Annual Report).

Justice and Domestic Tranquility (JDT)

This segment's expenditures comprise a small portion (8%) of the overall Government budget. The majority (more than 60%) of this segment's expenditures comprises state and local government crime and disaster expenditures, of which more than 65% are law enforcement and corrections expenditures. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Crime and disaster	\$ 361	\$ 60	\$ 301	\$ 338	\$ 46	\$ 292	\$ 23	\$ 14	\$ 9	7%	30%	3%
Child safety and miscellaneous social services	91	1	90	87	1	86	4	—	4	5%	—%	5%
Safeguarding consumers and employees	21	6	15	22	8	14	(1)	(2)	1	(5)%	(25)%	7%
Total Justice and Domestic Tranquility	\$ 473	\$ 67	\$ 406	\$ 447	\$ 55	\$ 392	\$ 26	\$ 12	\$ 14	6%	22%	4%
As a percentage of total expenditures	8%	2%	14%	7%	2%	14%						
Estimated impact of inflation on segment expenditures	\$ 10	\$ 1	\$ 9							2%	2%	2%
Estimated impact of population growth on segment expenditures	2	—	2							1%	1%	1%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

[INTERACTIVE ANALYSIS](#)

Federal crime and disaster

The \$14 billion increase in federal crime and disaster expenditures was driven primarily by a \$13 billion or 177% increase in disaster relief expenditures. The number of billion-dollar weather and climate disaster incidents decreased by 2 or 13% during this period.⁴⁸ Hurricanes Harvey, Maria, and Irma all occurred in late fiscal year 2017, and the costs associated with addressing these disasters were part of the fiscal year 2018 results.

State and local crime and disaster

The \$9 billion increase in state and local crime and disaster expenditures was driven primarily by a \$7 billion or 4% increase in law enforcement and corrections costs, reflecting a \$5 billion or 4% increase in law enforcement expenditures and a \$2 billion or 3% increase in corrections expenditures.

The \$5 billion increase in law enforcement expenditures was driven mainly by a \$4 billion or 4% increase in police protection operations costs. Annualized gross payroll costs (including wages and healthcare costs, excluding pension benefits) for state and local police protection employees grew \$2 billion or 3% during this period, while the number of state and local police protection employees increased 1%. During this period, the violent crime rate decreased 4% and related arrests increased 1%, while the property crime rate decreased 7% and related arrests decreased 7%.

The \$2 billion increase in corrections expenditures comprised mainly a \$2 billion or 3% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections employees grew \$1 billion or 3% during this period, while the number of correctional employees decreased 1%. Comparing these years, there was a 2% and 1% decrease in the number of people incarcerated in state prisons and local jails, respectively.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Crime and disaster	\$ 361	\$ 60	\$ 301	\$ 306	\$ 50	\$ 256	\$ 55	\$ 10	\$ 45	18%	20%	18%
Child safety and miscellaneous social services	91	1	90	75	1	74	16	—	16	21%	—%	22%
Safeguarding consumers and employees	21	6	15	19	4	15	2	2	—	11%	50%	—%
Total Justice and Domestic Tranquility	\$ 473	\$ 67	\$ 406	\$ 400	\$ 55	\$ 345	\$ 73	\$ 12	\$ 61	18%	22%	18%
As a percentage of total expenditures	8%	2%	14%	8%	2%	15%						
Estimated impact of inflation on segment expenditures	\$ 30	\$ 4	\$ 26							8%	8%	8%
Estimated impact of population growth on segment expenditures	14	2	12							3%	3%	3%

[INTERACTIVE ANALYSIS](#)

PART II
Item 7

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

State and local crime and disaster

The \$45 billion increase in state and local crime and disaster expenditures was driven primarily by a \$29 billion or 17% increase in law enforcement and corrections costs, reflecting a \$20 billion or 20% increase in law enforcement expenditures and a \$9 billion or 12% increase in corrections expenditures. In addition, fire protection costs increased \$10 billion or 22%.

The \$20 billion increase in law enforcement expenditures was driven mainly by a \$20 billion or 21% increase in police protection operations costs. Annualized gross payroll costs for state and local police protection employees grew \$10 billion or 17% during this period, while the number of state and local police protection employees increased 4%. During this period, the violent crime rate remained flat and related arrests increased 6%, while the property crime rate decreased 19% and related arrests decreased 25%.

The \$9 billion increase in corrections expenditures comprised mainly an \$8 billion or 14% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections employees grew \$6 billion or 16% during this period, while the number of correctional employees remained flat. Comparing these years, there was a 7% decrease in the number of people incarcerated in state prisons, while the number of people incarcerated in local jails increased 1%.

The \$10 billion increase in fire protection costs reflects an increase of \$4 billion or 18% in annualized gross payroll costs for state and local fire protection employees, while the number of state and local fire protection employees increased 3%. Overall non-natural disaster fire incidents increased 1% during this period.

State and local child safety and miscellaneous social services

The \$16 billion increase in state and local child safety and miscellaneous social services expenditures was due to a \$15 billion or 20% increase in the costs of public welfare operations.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Crime and disaster	\$ 361	\$ 60	\$ 301	\$ 278	\$ 35	\$ 243	\$ 83	\$ 25	\$ 58	30%	71%	24%
Child safety and miscellaneous social services	91	1	90	69	—	69	22	1	21	32%	nm	30%
Safeguarding consumers and employees	21	6	15	19	5	14	2	1	1	11%	20%	7%
Total Justice and Domestic Tranquility	\$ 473	\$ 67	\$ 406	\$ 366	\$ 40	\$ 326	\$ 107	\$ 27	\$ 80	29%	68%	25%
As a percentage of total expenditures	8%	2%	14%	8%	2%	16%						
Estimated impact of inflation on segment expenditures							\$ 61	\$ 7	\$ 54	16%	16%	16%
Estimated impact of population growth on segment expenditures							27	3	24	7%	7%	7%

^{nm} An "nm" reference in the table means the figures is not meaningful.

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Federal crime and disaster

The \$25 billion increase in federal crime and disaster expenditures was driven primarily by a \$9 billion or 516% increase in disaster relief expenditures and a \$7 billion or a non-meaningful % change increase in national flood insurance reserve

expenditures. The number of billion-dollar weather and climate disaster incidents increased by 2 or 17% during this period.⁴⁸

State and local crime and disaster

The \$58 billion increase in state and local crime and disaster expenditures was driven primarily by a \$38 billion or 23% increase in costs of law enforcement and corrections, reflecting a \$29 billion or 33% increase in law enforcement expenditures and a \$9 billion or 12% increase in corrections expenditures. In addition, fire protection costs increased \$13 billion or 32%.

The \$29 billion increase in law enforcement expenditures was driven by a \$29 billion or 34% increase in police protection operations costs. Annualized gross payroll costs for state and local police protection employees grew \$13 billion or 24% during this period, while the number of state and local police protection employees decreased 2%. During this period, property and violent crime rates decreased 31% and 19%, respectively, while arrests for property and violent crimes decreased 29% and 13%, respectively.

The \$9 billion increase in corrections expenditures was driven by a \$12 billion or 20% increase in correctional operations costs. Annualized gross payroll costs for state and local corrections employees grew \$6 billion or 17% during this period, while the number of correctional employees decreased 6%. Comparing these years, there was a 6% and 8% decrease in the number of people incarcerated in local jails and state prisons, respectively.

The \$13 billion increase in fire protection costs reflects an increase of \$6 billion or 27% in annualized gross payroll costs for state and local fire protection employees, while the number of state and local fire protection employees decreased 2%. Overall non-natural disaster fire incidents decreased 12% during this period.

Common Defense

This segment's expenditures comprise 14% of the overall Government budget. Slightly more than 70% of this segment's expenditures are costs of national defense, while most of the rest (slightly more than 20%) comprise costs of support for veterans. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
National defense	\$ 631	\$ 631	\$ —	\$ 599	\$ 599	\$ —	\$ 32	\$ 32	\$ —	5%	5%	—%
Support for veterans	178	177	1	175	174	1	3	3	—	2%	2%	—%
Foreign affairs and foreign aid	49	49	—	46	46	—	3	3	—	7%	7%	—%
Immigration and border security	16	16	—	15	15	—	1	1	—	7%	7%	—%
Total Common Defense	\$ 874	\$ 873	\$ 1	\$ 835	\$ 834	\$ 1	\$ 39	\$ 39	\$ —	5%	5%	—%
As a percentage of total expenditures	14%	26%	—%	14%	25%	—%						
Estimated impact of inflation on segment expenditures							\$ 20	\$ 20	\$ —	2%	2%	2%
Estimated impact of population growth on segment expenditures							4	4	—	1%	1%	1%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

National defense

The \$32 billion increase in national defense expenditures reflects:

- a \$10 billion or 5% increase in operations and maintenance expenditures, mostly for the Army, which fund the training, supply, and equipment maintenance of military units as well as the infrastructure of military bases;

- a \$9 billion or 13% increase in research and development expenditures, mostly for the Air Force; and
- a \$9 billion or 8% increase in military procurement expenditures, mostly for the Army and Navy and primarily for the procurement of items other than aircraft, missiles, ammunition, weapons, or tracked combat vehicles, and for space related items.

Comparing these years, the number of active duty military personnel and civilian military personnel increased 1% and 2%, respectively.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
National defense	\$ 631	\$ 631	\$ —	\$ 633	\$ 633	\$ —	\$ (2)	\$ (2)	\$ —	—%	—%	—%
Support for veterans	178	177	1	139	138	1	39	39	—	28%	28%	—%
Foreign affairs and foreign aid	49	49	—	47	47	—	2	2	—	4%	4%	—%
Immigration and border security	16	16	—	14	14	—	2	2	—	14%	14%	—%
Total Common Defense	\$ 874	\$ 873	\$ 1	\$ 833	\$ 832	\$ 1	\$ 41	\$ 41	\$ —	5%	5%	—%
As a percentage of total expenditures	14%	26%	—%	16%	29%	—%						
Estimated impact of inflation on segment expenditures							\$ 63	\$ 63	\$ —	8%	8%	8%
Estimated impact of population growth on segment expenditures							28	28	—	3%	3%	3%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Federal support for veterans

The \$39 billion increase in federal support for veterans' expenditures was driven primarily by a \$20 billion or 40% increase in veterans medical care costs and a \$20 billion or 30% increase in pension and disability benefits expenditures, despite a 10% decline in the number of veterans.

The 40% increase in veterans medical care costs was driven primarily by a \$9 billion or 100% increase in veterans Medical Community Care expenditures and a \$7 billion or 17% increase in veterans medical services costs. Veterans medical community care expenditures are for hospital care and medical services from community providers that are not provided through the Veterans Choice Program, and veterans medical services costs are for inpatient and outpatient care, including treatment in facilities not under the jurisdiction of the Department of Veterans Affairs, as well as salaries and medical supplies for nursing home and hospital care. There was a 7% increase in the number of patients who received care at a Veterans Health Administration facility during this period, while medical care inflation was 14%.

The 30% increase in pension and disability benefits expenditures was driven primarily by growth of \$21 billion or 35% in veteran compensation payments. This growth primarily reflects a 1 million or 27% increase in the number of disability compensation recipients, and a \$3,042 or 23% increase in the average annual disability compensation payment. There was also a 46 thousand or 12% increase in the number of surviving beneficiary compensation recipients, and an \$895 or 6% increase in the average annual surviving beneficiary compensation payment. The overall growth in compensation payments reflects changes in underlying veteran demographics; there was a 65% increase in veteran/beneficiary claimants who served in the Gulf War Era, partially offset by a 55% decrease in veteran/beneficiary claimants who served in World War II.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
National defense	\$ 631	\$ 631	\$ —	\$ 616	\$ 616	\$ —	\$ 15	\$ 15	\$ —	2%	2%	—%
Support for veterans	178	177	1	85	84	1	93	93	—	109%	111%	—%
Foreign affairs and foreign aid	49	49	—	29	29	—	20	20	—	69%	69%	—%
Immigration and border security	16	16	—	11	11	—	5	5	—	45%	45%	—%
Total Common Defense	\$ 874	\$ 873	\$ 1	\$ 741	\$ 740	\$ 1	\$ 133	\$ 133	\$ —	18%	18%	—%
As a percentage of total expenditures	14%	26%	—%	16%	29%	—%						
Estimated impact of inflation on segment expenditures							\$ 122	\$ 122	\$ —	16%	16%	16%
Estimated impact of population growth on segment expenditures							55	55	—	7%	7%	7%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

 INTERACTIVE ANALYSIS

Federal support for veterans

The \$93 billion increase in federal support for veterans expenditures was driven primarily by a \$44 billion or 107% increase in pension and disability benefits expenditures and a \$36 billion or 98% increase in veterans medical care costs, despite a 20% decline in the number of veterans.

The 107% increase in pension and disability benefits expenditures primarily reflects a 1.8 million or 61% increase in the number of disability compensation recipients, and a \$5,919 or 58% increase in the average annual disability compensation payment. There was also an 85 thousand or 25% increase in the number of surviving beneficiary compensation recipients, and a \$2,460 or 18% increase in the average annual surviving beneficiary compensation payment. The overall increase in compensation payments reflects changes in underlying veteran demographics; there was a 243% increase in veteran/beneficiary claimants who served in the Gulf War Era, partially offset by a 76% decrease in veteran/beneficiary claimants who served in World War II.

The 98% increase in veterans medical care costs was driven primarily by a \$19 billion or 63% increase in medical services expenditures and a \$9 billion or 100% increase in veterans medical community care expenditures. There was a 15% increase in the number of patients who received care at a Veterans Health Administration facility between 2008 and 2018, while medical care inflation was 33%.

Foreign affairs and foreign aid

The \$20 billion increase in federal foreign affairs and foreign aid expenditures was driven primarily by a \$15 billion or 85% increase in foreign military sales trust fund expenditures and an \$8 billion or 782% increase in global health programs expenditures.

The foreign military sales trust fund facilitates contracts, agreements and sales of defense articles, defense services, and design and construction services between the US federal government and authorized foreign recipient governments or international organizations. The 85% increase in foreign military sales trust fund expenditures is due, in part, to a 95% increase in foreign military sales, with the largest foreign sales in 2018 being made to Saudi Arabia, Kuwait, Poland, United Arab Emirates, and Iraq, comprising 26%, 13%, 9%, 6%, and 4%, respectively, of the total 2018 sales.

The 782% increase in global health programs expenditures relates to increased federal obligations for programs for funding, equipment, and technical assistance to build the capacity of public health institutions and organizations in developing countries, and for, but not limited to programs for: child survival and maternal health; immunization and oral rehydration; prevention, treatment, control of, and research on, HIV/AIDS and other infectious diseases; assistance to communities severely affected by HIV/AIDS; and disaster preparedness training for health crises.

General Welfare (GW)

This segment's expenditures comprise approximately a quarter of the overall Government budget. Expenditures for standard of living and aid to the disadvantaged comprise just over 70% of this segment's expenditures. Over 68% of the expenditures for standard of living and aid to the disadvantaged are for state and local medical assistance to the poor, including Medicaid and CHIP. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Economy and infrastructure	\$ 264	\$ 58	\$ 206	\$ 259	\$ 62	\$ 197	\$ 5	\$ (4)	\$ 9	2%	(6)%	5%
Standard of living and aid to the disadvantaged	1,019	320	699	992	329	663	27	(9)	36	3%	(3)%	5%
Health (excluding Medicaid and Medicare)	164	51	113	159	49	110	5	2	3	3%	4%	3%
Total General Welfare	\$ 1,447	\$ 429	\$ 1,018	\$ 1,410	\$ 440	\$ 970	\$ 37	\$ (11)	\$ 48	3%	(3)%	5%
As a percentage of total expenditures	23%	13%	35%	23%	13%	35%						
Estimated impact of inflation on segment expenditures							\$ 34	\$ 11	\$ 23	2%	2%	2%
Estimated impact of population growth on segment expenditures							7	2	5	1%	1%	1%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

State and local standard of living and aid to the disadvantaged expenditures

The \$36 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a \$35 billion or 6% increase in Medicaid and CHIP benefits payments, as discussed within *Expenditures by function, 2017 to 2018 / State and local transfer payments to individuals and subsidies* above.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Economy and infrastructure	\$ 264	\$ 58	\$ 206	\$ 237	\$ 62	\$ 175	\$ 27	\$ (4)	\$ 31	11%	(6)%	18%
Standard of living and aid to the disadvantaged	1,019	320	699	850	339	511	169	(19)	188	20%	(6)%	37%
Health (excluding Medicaid and Medicare)	164	51	113	145	50	95	19	1	18	13%	2%	19%
Total General Welfare	\$ 1,447	\$ 429	\$ 1,018	\$ 1,232	\$ 451	\$ 781	\$ 215	\$ (22)	\$ 237	17%	(5)%	30%
As a percentage of total expenditures	23%	13%	35%	23%	16%	33%						
Estimated impact of inflation on segment expenditures							\$ 93	\$ 34	\$ 59	8%	8%	8%
Estimated impact of population growth on segment expenditures							42	15	27	3%	3%	3%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

State and local standard of living and aid to the disadvantaged expenditures

The \$188 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a \$186 billion or 44% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, 2013 to 2018 / State and local transfer payments to individuals and subsidies* above.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Economy and infrastructure	\$ 264	\$ 58	\$ 206	\$ 250	\$ 88	\$ 162	\$ 14	\$ (30)	\$ 44	6%	(34)%	27%
Standard of living and aid to the disadvantaged	1,019	320	699	638	242	396	381	78	303	60%	32%	77%
Health (excluding Medicaid and Medicare)	164	51	113	133	38	95	31	13	18	23%	34%	19%
Total General Welfare	\$ 1,447	\$ 429	\$ 1,018	\$ 1,021	\$ 368	\$ 653	\$ 426	\$ 61	\$ 365	42%	17%	56%
As a percentage of total expenditures	23%	13%	35%	22%	14%	31%						
Estimated impact of inflation on segment expenditures							\$ 169	\$ 61	\$ 108	16%	16%	16%
Estimated impact of population growth on segment expenditures							77	28	49	7%	7%	7%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Federal standard of living and aid to the disadvantaged expenditures

The \$78 billion increase in federal standard of living and aid to the disadvantaged expenditures was driven by many items. The items that each increased \$10 billion or more were:

- \$41 billion of newly available refundable tax credits paid to families and individuals to assist them in purchasing health insurance (the Premium Tax Credit);
- a \$27 billion or 76% increase in food and nutritional assistance (SNAP) payments;
- an \$18 billion or 44% increase in refundable Earned Income Tax Credits, reflecting an 8%* increase in the number of tax returns with qualifying tax credits claimed and a \$424* or 21%* increase in the average amount of each tax credit, driven primarily by the ARRA³⁷;
- a \$13 billion or 76% increase in Pell grants, reflecting a 28% increase in the number of Pell grant recipients and a 52% or \$1,352 increase in the average grant per recipient, driven primarily by the ARRA; and
- an \$11 billion or 26% increase in Supplemental Security Income payments, reflecting a 10%* increase in the number of recipients and a \$1,126* or 24%* increase in the average annual payment per recipient, partially offset by
- a \$14 billion or 100% decrease in refundable recovery rebate tax credits, payments to taxpayers of up to \$600 per qualifying adult and \$300 per qualifying child, which were provided as part of the 2008 Economic Stimulus Act of 2008³⁷, and
- a \$15 billion or 45% decrease in refundable child tax credits, reflecting a temporary provision enacted in the Economic Stimulus Act of 2008 that provided anyone eligible for a stimulus payment an additional \$300 for each qualifying child, which increased expenditures in 2008³⁷.

The 76% increase in SNAP payments reflects a 44% increase in the average monthly number of participants and a 22% increase in the average monthly benefit per person. The 48% increase in average number of monthly participants was likely due to the Great Recession, as well as due to the impact of the ARRA, which eased eligibility requirements, and new program tools that made it easier for people to apply for, and continue receiving, benefits. The 22% increase in the average monthly benefit per person reflects an 18% increase in maximum allotments, which are adjusted annually for changes in cost of living, and which during this period reflected the impact of the ARRA, which increased the maximum allotments for participants by 14% (effective April 1, 2009 to October 31, 2013). Inflation of the cost of food for this period was 20%.

State and local standard of living and aid to the disadvantaged expenditures

The \$303 billion increase in state and local standard of living and aid to the disadvantaged expenditures was driven by a \$294 billion or 95% increase in Medicaid and CHIP payments, as discussed within *Expenditures by function, 2008 to 2018 / State and local transfer payments to individuals and subsidies* above.

Blessings of Liberty (BL)

This segment's expenditures comprise approximately half of our Government's expenditures. Wealth and savings (primarily Social Security, government obligations, including pension obligations and interest on debt, and Medicare) expenditures comprise nearly 70% of the segment's expenditures, with education expenditures comprising most of the remainder. See Exhibit 99.05 for more information on the largest items in each of this segment's expenditure categories.

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Education	\$ 921	\$ —	\$ 921	\$ 939	\$ 48	\$ 891	\$ (18)	\$ (48)	\$ 30	(2)%	(100)%	3%
Wealth and savings	2,324	1,997	327	2,192	1,878	314	132	119	13	6%	6%	4%
Sustainability and self-sufficiency	110	55	55	107	53	54	3	2	1	3%	4%	2%
Total Blessings of Liberty	\$ 3,355	\$ 2,052	\$ 1,303	\$ 3,238	\$ 1,979	\$ 1,259	\$ 117	\$ 73	\$ 44	4%	4%	3%
As a percentage of total expenditures	53%	60%	45%	53%	60%	45%						
Estimated impact of inflation on segment expenditures							\$ 77	\$ 47	\$ 30	2%	2%	2%
Estimated impact of population growth on segment expenditures							17	10	7	1%	1%	1%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Federal wealth and savings expenditures

The \$119 billion increase in federal wealth and savings expenditures was driven primarily by a \$61 billion or 17% increase in government obligations, including interest on debt costs, and a \$43 billion or 5% increase in Social Security expenditures.

The 17% increase in government obligations was driven by increased net interest on debt, due to higher federal marketable Treasury securities outstanding and increased interest rates, as discussed within *Expenditures by function, 2017 to 2018 / Federal net interest paid* above.

The 5% increase in Social Security expenditures reflects increased benefits payments, as discussed within *Expenditures by function, 2017 to 2018 / Federal transfer payments to individuals and subsidies, Social Security* above.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Education	\$ 921	\$ —	\$ 921	\$ 743	\$ (30)	\$ 773	\$ 178	\$ 30	\$ 148	24%	100%	19%
Wealth and savings	2,324	1,997	327	1,813	1,536	277	511	461	50	28%	30%	18%
Sustainability and self-sufficiency	110	55	55	122	70	52	(12)	(15)	3	(10)%	(21)%	6%
Total Blessings of Liberty	\$ 3,355	\$ 2,052	\$ 1,303	\$ 2,678	\$ 1,576	\$ 1,102	\$ 677	\$ 476	\$ 201	25%	30%	18%
As a percentage of total expenditures	53%	60%	45%	51%	54%	46%						
Estimated impact of inflation on segment expenditures							\$ 202	\$ 119	\$ 83	8%	8%	8%
Estimated impact of population growth on segment expenditures							92	54	38	3%	3%	3%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

State and local education expenditures

The \$148 billion increase in state and local education expenditures was driven primarily by a \$126 billion or 21% increase in costs of elementary and secondary education and a \$22 billion or 14% increase in costs of higher education.

The 21% increase in costs of elementary and secondary education during this period primarily reflects:

- a 14% increase in salaries and wages, including 13% for instruction employees and 17% for support employees; and
- a 30% increase in employee benefits, including 30% for instruction employees and 29% for support employees.

Within public elementary and secondary schools, the numbers of students enrolled and teachers both increased 2% and the student/teacher ratio remained flat at 16.0 students per teacher.

The 14% increase in costs of higher education expenses during this period primarily reflects:

- a 15% increase in costs of instruction, including a 17% increase in salaries and wages;
- a 25% increase in costs of academic support, including libraries, academic administration, course curriculum development, and ancillary support; and
- a 16% increase in costs of institutional support, the day-to-day operational costs for institutions (excluding physical plant operations), including general administrative services, executive direction and planning, legal and fiscal operations, and community relations; partially offset by
- a 44% decrease in costs of auxiliary enterprises, essentially self-supporting operations of institutions that furnish a service to students, faculty, or staff, such as residence halls and food services.

Within higher education institutions, the number of faculty staff was flat and administrative staff decreased 8%, while the number of students enrolled decreased 1%. The student/faculty ratio declined 2% from 15.2 to 14.9, while the student/administrative staff ratio increased 7% from 48.6 to 52.2.

Federal wealth and savings expenditures

The \$461 billion increase in federal costs of wealth and savings was driven primarily by a \$174 billion or 21% increase in Social Security expenditures, a \$117 billion or 38% increase in government obligations, and a \$91 billion or 18% increase in Medicare expenditures. The increases in Social Security and Medicare expenditures reflect increased benefits payments, as discussed within *Expenditures by function, 2013 to 2018 / Federal transfer payments to individuals and subsidies* above.

The 38% increase in government obligations was driven by increased net interest on debt, due to higher federal marketable Treasury securities outstanding and increased interest rates, as discussed within *Expenditures by function, 2013 to 2018 / Federal net interest paid* above.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Education	\$ 921	\$ —	\$ 921	\$ 739	\$ 10	\$ 729	\$ 182	\$ (10)	\$ 192	25%	(100)%	26%
Wealth and savings	2,324	1,997	327	1,499	1,336	163	825	661	164	55%	49%	101%
Sustainability and self-sufficiency	110	55	55	120	44	76	(10)	11	(21)	(8)%	25%	(28)%
Total Blessings of Liberty	\$ 3,355	\$ 2,052	\$ 1,303	\$ 2,358	\$ 1,390	\$ 968	\$ 997	\$ 662	\$ 335	42%	48%	35%
As a percentage of total expenditures	53%	60%	45%	51%	55%	46%						
Estimated impact of inflation on segment expenditures							\$ 389	\$ 229	\$ 160	16%	16%	16%
Estimated impact of population growth on segment expenditures							176	104	72	7%	7%	7%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

 INTERACTIVE ANALYSIS

State and local education expenditures

The \$192 billion increase in state and local education expenditures was driven primarily by a \$139 billion or 24% increase in costs of elementary and secondary education and a \$50 billion or 39% increase in costs of higher education.

The 24% increase in costs of elementary and secondary education during this period primarily reflects:

- a 16% increase in salaries and wages, including 15% for instruction employees and 18% for support employees; and
- a 48% increase in employee benefits, including 49% for instruction employees and 47% for support employees.

Within public elementary and secondary schools, the number of students enrolled increased 3%, while the number of teachers decreased 1%, and the student/teacher ratio increased 4%, from 15.4 to 16.0 students per teacher.

The 39% increase in higher education expenses during this period primarily reflects:

- a 57% increase in costs of instruction, including a 34% increase in salaries and wages;
- a 61% increase in costs of institutional support; and
- a 79% increase in costs of academic support.

Within higher education institutions, the number of faculty and administrative staff increased 10% and 156%, respectively, along with an 8% increase in the number of students enrolled. From 2008 to 2018, the student/faculty ratio declined 2%, from 15.3 to 14.9, while the student/administrative staff ratio declined 58% from 123.7 to 52.2.

Federal wealth and savings expenditures

The \$661 billion increase in federal wealth and savings expenditures was driven primarily by a \$371 billion or 60% increase in Social Security expenditures and a \$198 billion or 51% increase in Medicare expenditures. These increases reflect increased benefits payments, as discussed within *Expenditures by function, 2008 to 2018 / Federal transfer payments to individuals and subsidies* above.

General government support and other

The costs of central government functions, including general property and records management and general claims against our Government that are not allocable to one agency, are not allocated to our segments and are considered general government support.

Other expenditures include non-grant assistance from the federal government to territories and state and local governments (e.g. direct borrowing subsidies through the Build America Bonds program) and the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments (we assumed the federal government source was accurate).

Fiscal year 2018 compared with fiscal year 2017

(In billions, except percentages)	2018			2017			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Costs of central government functions	\$ 183	\$ 20	\$ 163	\$ 171	\$ 22	\$ 149	\$ 12	\$ (2)	\$ 14	7%	(9)%	9%
Other	(40)	(40)	—	(32)	(32)	—	(8)	(8)	—	—%	25%	—%
Total general government support and other	\$ 143	\$ (20)	\$ 163	\$ 139	\$ (10)	\$ 149	\$ 4	\$ (10)	\$ 14	3%	100%	9%
As a percentage of total expenditures	2%	1%	6%	2%	—%	5%						
Estimated impact of inflation on segment expenditures	\$ 5	\$ 1	\$ 4	\$ 5	\$ 1	\$ 4	\$ 5	\$ 1	\$ 4	2%	2%	2%
Estimated impact of population growth on segment expenditures	1	—	1	1	—	1	1	—	1	1%	1%	1%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Other federal expenditures decreased \$8 billion due primarily to \$8 billion in annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Fiscal year 2018 compared with fiscal year 2013

(In billions, except percentages)	2018			2013			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Costs of central government functions	\$ 183	\$ 20	\$ 163	\$ 171	\$ 24	\$ 147	\$ 12	\$ (4)	\$ 16	7%	(17)%	11%
Other	(40)	(40)	—	(34)	(34)	—	(6)	(6)	—	18%	18%	—%
Total general government support and other	\$ 143	\$ (20)	\$ 163	\$ 137	\$ (10)	\$ 147	\$ 6	\$ (10)	\$ 16	4%	100%	11%
As a percentage of total expenditures	2%	1%	6%	3%	—%	6%						
Estimated impact of inflation on segment expenditures	\$ 13	\$ 2	\$ 11	\$ 13	\$ 2	\$ 11	\$ 13	\$ 2	\$ 11	8%	8%	8%
Estimated impact of population growth on segment expenditures	6	1	5	6	1	5	6	1	5	3%	3%	3%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Other federal expenditures decreased \$6 billion due primarily to \$6 billion in annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Fiscal year 2018 compared with fiscal year 2008

(In billions, except percentages)	2018			2008			Changes ²					
	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local	Total	Federal ¹	State and Local
Costs of central government functions	\$ 183	\$ 20	\$ 163	\$ 168	\$ 16	\$ 152	\$ 15	\$ 4	\$ 11	9%	25%	7%
Other	(40)	(40)	—	(4)	(4)	—	(36)	(36)	—	900%	900%	—%
Total general government support and other	\$ 143	\$ (20)	\$ 163	\$ 164	\$ 12	\$ 152	\$ (21)	\$ (32)	\$ 11	(13)%	(267)%	7%
As a percentage of total expenditures	2%	1%	6%	4%	—%	7%						
Estimated impact of inflation on segment expenditures							\$ 28	\$ 3	\$ 25	16%	16%	16%
Estimated impact of population growth on segment expenditures							12	1	11	7%	7%	7%

¹ Federal expenditures exclude transfers to state and local governments. See separate schedule and discussion of intergovernmental transfers at Note 23 – Intergovernmental transfers (Part II, Item 8 within this annual report).

² Key changes are highlighted in gray in the table above and are discussed in the sections below.

INTERACTIVE ANALYSIS

Other federal expenditures decreased \$36 billion due primarily to \$36 billion in annual variations in the discrepancy between grants from the federal government to state and local governments as reported by the federal government versus as reported by state and local governments.

Key metrics by segment

In this section, we analyze by segment certain key metrics that measure progress towards our constitutional objectives of justice and domestic tranquility, common defense, general welfare, and security of the blessings of liberty to ourselves and our posterity. We chose metrics for which government data was available and that seemed representative of the status of these objectives. There are more metrics on our website at <https://usafacts.org/>, which you can access by selecting the “More detail” links next to the tables below.

As discussed in *Part I, Item 1A. Risk Factors*, in a free society, human behavior cannot be fully regulated or controlled. Government provides services, promulgates regulations, and enacts legislation intended to make progress towards our constitutional objectives; however, people are responsible for making their own choices. In addition, there are many other forces influencing these key metrics, including the natural world, governments and citizens of other countries, and businesses and philanthropic organizations worldwide. Therefore, one should not assume that the revenue and expenditures discussed above and the legislation discussed throughout this document caused the key metrics discussed in this section.

Justice and Domestic Tranquility (JDT)

The JDT segment works to establish justice and ensure domestic tranquility among the US population. Its reporting units are crime and disaster, safeguarding consumers and employees, and child safety and miscellaneous social services. Overall, the long-term trend for the past decade shows we:

- **made meaningful progress** on: numbers of overall crimes reported and related arrests; youth in jails and prisons, as well as overall numbers of those in prison for property and drug crimes; highway vehicle fires; median losses per fraud complaint; workplace violations, non-fatal workplace injuries, and back wages recovered; children adopted from foster care and the median time they spent in foster care; children ages four and older that are victims of maltreatment; and the number of children in poverty; and
- **regressed notably** in: people in prison for public order and other offenses; civilian deaths from fires that are vehicle and other non-structure fires; the numbers and estimated costs of billion-dollar natural disasters; acres and cost per acre burned in wildland fires; all types of consumer complaints and consumer product safety injuries; highway crashes; victimization of children ages birth to one year old; child fatalities as a result of maltreatment of children, primarily neglect and abuse and of children ages birth to one year old and ages eight to 11; children receiving free and reduced price lunch, and homeless children enrolled in school.

Shorter-term trends may differ.

Crime and disaster

The crime and disaster reporting unit seeks to reduce crime, administer justice, and mitigate and prevent disasters.

Crime

(In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Crimes reported ¹ (fiscal year):							
Property crimes ²	7,219	7,683	8,652	9,774	(6)%	(17)%	(26)%
<i>Property crimes per 100,000 people</i>	2,210	2,363	2,734	3,215	(6)%	(19)%	(31)%
Violent crimes ³	1,210	1,248	1,168	1,394	(3)%	4%	(13)%
<i>Violent crimes per 100,000 people</i>	370	384	369	459	(4)%	—%	(19)%
Murder/non-negligent manslaughter (MNM)	16	17	14	16	(6)%	14%	—%
<i>MNMs per 100,000 people</i>	5	5	5	5	—%	—%	—%
Arrests by crime:	10,311	10,555	11,303	14,007	(2)%	(9)%	(26)%
Drug abuse violations	1,654	1,633	1,501	1,703	1%	10%	(3)%
<i>Drug abuse violations arrests per 100,000 people</i>	506	502	475	560	1%	7%	(10)%
Sale/manufacturing	na	238	269	305	na	na	na
Possession	na	1,395	1,232	1,398	na	na	na
Property crimes ²	1,167	1,250	1,559	1,687	(7)%	(25)%	(31)%
<i>Property crimes arrests rate (of property crimes reported)</i>	16%	16%	18%	17%	—ppt	(2)ppt	(1)ppt
Driving under the influence (DUI) of alcohol or narcotics	1,001	991	1,167	1,483	1%	(14)%	(33)%
<i>DUI arrests per 1,000 miles driven</i>	309	308	391	499	—%	(21)%	(38)%
Violent crimes ³	521	519	480	595	—%	9%	(12)%
<i>Violent crimes arrests rate (of violent crimes reported)</i>	43%	42%	41%	43%	1ppt	2ppt	—ppt
Other	5,968	6,162	6,596	8,539	(3)%	(10)%	(30)%

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

² Crimes reported by local law enforcement to the Federal Bureau of Investigation

² Property crimes are offenses of burglary, larceny-theft, motor vehicle theft, and arson.

³ Violent crimes are offenses of murder and nonnegligent manslaughter, rape, robbery, and aggravated assault.

Crimes reported

Property crimes and violent crimes reported had generally been declining at accelerating rates each year of the decade covered by this report, and at even higher rates if you adjust for population growth. Declines were seen across most crime sub-categories and major regions (Northeast, Midwest, South, West).

In 2016, this trend temporarily reversed for violent crimes, as reported crimes increased across all sub-categories and in every major region, with the exception of the Northeast. Rates dropped again for most sub-categories and regions in 2017 and 2018 but remained elevated when compared to recent history:

- *By major region* - the change in violent crimes from 2017 to 2018 ranged from a decrease of 5% in the Midwest (to a rate of 361 violent crimes reported per 100,000 people) to remaining flat in the West (to a rate of 423 violent crimes reported per 100,000 people).

- *By state/territory* - the change in violent crimes from 2017 to 2018 ranged from a decrease of 20% in West Virginia (to a rate of 290 violent crimes reported per 100,000 people) to an increase of 10% in New Mexico (to a rate of 857 violent crimes reported per 100,000 people).
- *By type* - Aggravated assaults accounted for 67% of violent crimes reported to law enforcement in 2018, with the number of aggravated assaults reported up 2% from 2017, while robbery offenses accounted for 23% (down 3%), rape accounted for 8% (same as 2017), and murder accounted for 1% (same as 2017).

Arrests

Arrests for property crimes and violent crimes followed similar trends as crimes reported, with property crime arrests decreasing in all periods and violent crime arrests decreasing over the past decade but increasing in 2017 and 2018. Arrests for drug abuse violations also decreased over the past decade but increased in 2017 and 2018. When comparing 2008 to 2017 (the latest available data), we see a shift in the distribution of drug abuse violation arrests towards those for possession (vs. sale/manufacturing) of heroin or cocaine and their derivatives and synthetic or manufactured drugs. Arrests for DUIs decreased for all periods before increasing slightly in 2018.

Underlying the overall arrests trends, there are demographical points to note:

- Youth (under age 18) are more often arrested for property crimes (18% of their arrests in 2018) than violent crimes (7% of their arrests in 2018) and are comprising a disproportionately smaller percentage of all arrests over time (an 8-percentage point decline overall between 2008 and 2018 – compared to a 2-percentage point decline in the percentage of the total population they represent); and
- Black people have been arrested at a rate (27% of total arrests in 2018) that is significantly higher than the rate they comprise of the US population (13% in 2018) throughout the periods discussed in this report. In 2018, Black people accounted for more than 50% of the population arrested for murder and nonnegligent manslaughter and robbery offenses.

Incarceration

December 31, except as otherwise noted (In thousands, except percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Incarcerated population: ¹	2,123	2,154	2,223	2,310	(1)%	(4)%	(8)%
Persons in jail (last weekday in June) ²	738	745	731	786	(1)%	1%	(6)%
Persons in federal and state prison ³	1,465	1,489	1,577	1,608	(2)%	(7)%	(9)%
Youth in jail (actuals, last weekday in June)	3,400	3,600	4,600	7,700	(6)%	(26)%	(56)%
Youth in state prisons (actuals)	699	893	1,188	2,717	(22)%	(41)%	(74)%
Sentenced prisoners by crime committed:							
Violent crimes	706	723	718	730	(2)%	(2)%	(3)%
Property crimes	209	224	267	261	(7)%	(22)%	(20)%
Drug crimes	253	263	306	346	(4)%	(17)%	(27)%
Public order and other ⁴	217	222	216	182	(2)%	—%	19%

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¹ Prisoners held in local jails were excluded from the total to prevent double counting.

² Jails are correctional facilities that confine persons before or after adjudication and are usually operated by local law enforcement authorities. Jail sentences are usually for 1 year or less.

³ State and federal prisoner populations differ from the jail inmate population in terms of conviction status, offense distribution, and average length of stay. Prison facilities also differ from local jail facilities in average size, treatment and programming resources, and crowding, among other characteristics.

⁴ Public order includes weapons, drunk driving, and court offenses; commercialized vice, morals, and decency offenses; and liquor law violations and other public-order offenses.

Our incarcerated populations decreased over the past decade. However, there are racial and other dynamics of note:

- Black (non-Hispanic) people are disproportionately jailed and imprisoned, comprising 33% of each those jailed and imprisoned in 2018 as compared to 13% of the US population. However, the percentages of the jailed and imprisoned populations they comprise are decreasing (declines of 6 and 5 percentage points between 2008 and 2018 of those jailed and imprisoned, respectively) despite remaining 13% of the US population during this period.
- The opposite is true for white (non-Hispanic) people, who represent a disproportionately small percentage of those incarcerated - 50% of those jailed and 30% of those imprisoned in 2018, while comprising 60% of the US population. The percentage of those jailed who are white increased 7 percentage points between 2008 and 2018, while the percentage of those imprisoned who are white decreased 2 percentage points. Meanwhile, white people decreased as a percentage of the US population (a 2-percentage point decrease between 2008 and 2018).
- Hispanic people comprised 15% of those jailed and 23% of those imprisoned in 2018 as compared to 18% of the US population. The percentage of those jailed who are Hispanic decreased 2 percentage points between 2008 and 2018, while the percentage of those imprisoned who are Hispanic increased 2 percentage points.
- The offenses for which people are imprisoned has changed, with violent crime, property crime, and drug offenses decreasing and public order offenses increasing.
- Numbers of incarcerated youth are decreasing.

Fire (non-natural disaster)

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Fire incidents (in thousands, except rates):	1,319	1,319	1,240	1,452	—%	6%	(9)%
Home structure fires ¹	363	357	370	387	2%	(2)%	(6)%
<i>Home structure fires per 100,000 housing units</i>	262	260	277	297	1%	(5)%	(12)%
Other structure fires ²	136	142	118	129	(4)%	15%	6%
Highway vehicle fires ³	182	168	164	207	8%	11%	(12)%
<i>Highway vehicle fires per 1 billion miles driven</i>	56	52	55	70	8%	2%	(20)%
Other fires ⁴	638	653	589	730	(2)%	8%	(13)%
Civilian deaths from fire incidents:	3,655	3,400	3,240	3,320	8%	13%	10%
Home structure fire civilian deaths ¹	2,720	2,630	2,755	2,555	3%	(1)%	6%
<i>Rate of deaths per home structure fire</i>	0.7%	0.7%	0.7%	0.7%	—ppt	—ppt	—ppt
Other structure fire civilian deaths ²	190	185	100	195	3%	90%	(3)%
<i>Rate of deaths per other structure fire</i>	0.1%	0.1%	0.1%	0.2%	—ppt	—ppt	(0.1)ppt
Highway vehicle fire civilian deaths ³	490	400	300	350	23%	63%	40%
<i>Rate of deaths per highway vehicle fire</i>	0.3%	0.2%	0.2%	0.2%	0.1ppt	0.1ppt	0.1ppt
Other fire civilian deaths ⁴	255	185	85	220	38%	200%	16%
<i>Rate of deaths per other fire</i>	0.0%	0.0%	0.0%	0.0%	—ppt	—ppt	—ppt

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² Homes are dwellings, duplexes, manufactured homes (also called mobile homes), apartments, rowhouses, and townhouses.

³ Includes other residential properties, such as hotels and motels, dormitories, barracks, rooming and boarding homes, and the like.

⁴ Highway vehicles include any vehicle designed to operate normally on highways, such as automobiles, motorcycles, buses, trucks, and trailers, but not manufactured homes on foundations.

⁵ Other fires include fires in non-highway vehicles (i.e., trains, boats, ships, aircraft, farm, and construction vehicles), outside property fires, outside wilderness fires, and fires in rubbish, among others.

Fire incidents

The number of fire incidents have fluctuated but ultimately declined over the past decade, both on an absolute basis and per housing unit and mile driven. The overall decrease was led by a 92 thousand or 13% decrease in "other" fires. In 2018, the leading cause of fires was cooking for both residential and non-residential buildings, comprising 51% and 31% of those fires, respectively.

Civilian deaths from fire incidents

Civilian deaths from fire incidents have also fluctuated but increased overall in the past decade, led by a 165 or 6% increase in deaths from home structure fire incidents and a 140 or 40% increase in deaths from highway vehicle fire incidents. As a percentage of fire incidents, deaths for all types of fire incidents shown have remained less than 1% throughout the past decade.

Disasters

Calendar year (Dollars in billions, others actuals or as noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Billion-dollar disaster incidents ¹	14	16	9	12	(13)%	56%	17%
Billion-dollar disaster cost estimate ¹	\$ 91	\$ 306	\$ 23	\$ 64	(70)%	296%	42%
<i>Cost per billion-dollar disaster</i> ¹	\$ 6	\$ 19	\$ 3	\$ 5	(68)%	100%	20%
Disaster deaths	247	3,278	113	303	(92)%	119%	(18)%
Billion-dollar disaster incidents							
Severe storm	8	8	6	6	—%	33%	33%
Severe storm cost	\$ 12	\$ 17	\$ 10	\$ 9	(29)%	20%	33%
<i>Cost per severe storm</i>	\$ 2	\$ 2	\$ 2	\$ 2	—%	—%	—%
Tropical cyclone	2	3	—	3	(33)%	nm	(33)%
Tropical cyclone cost	\$ 49	\$ 265	\$ —	\$ 37	(82)%	nm	32%
<i>Cost per tropical cyclone</i>	\$ 25	\$ 88	\$ —	\$ 12	(72)%	nm	108%
Flood	—	2	2	1	(100)%	(100)%	(100)%
Flood cost	\$ —	\$ 3	\$ 3	\$ 10	(100)%	(100)%	(100)%
<i>Cost per flood</i>	\$ —	\$ 2	\$ 2	\$ 10	(100)%	(100)%	(100)%
Drought	1	1	1	1	—%	—%	—%
Drought cost	\$ 3	\$ 3	\$ 10	\$ 7	—%	(70)%	(57)%
<i>Cost per drought</i>	\$ 3	\$ 3	\$ 10	\$ 7	—%	(70)%	(57)%
Wildfire	1	1	—	1	—%	nm	—%
Wildfire cost	\$ 24	\$ 18	\$ —	\$ 1	33%	nm	2,300%
<i>Cost per wildfire</i>	\$ 24	\$ 18	\$ —	\$ 1	33%	nm	2,300%
Other disaster	2	1	—	—	100%	nm	nm
Other disaster cost	\$ 3	\$ 1	\$ —	\$ —	200%	nm	nm
<i>Cost per other disaster</i>	\$ 2	\$ 1	\$ —	\$ —	100%	nm	nm
Wildland fires							
Acres burned in wildland fires (thousands)	8,767	10,026	4,320	5,292	(13)%	103%	66%
<i>Acres burned per wildland fire</i>	151	140	91	67	8%	66%	125%

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{nm} An "nm" reference in the table means the figure is not meaningful.

¹ Data is limited to billion-dollar disasters as provided by National Oceanic and Atmospheric Administration, as they account for roughly 80% of the total estimated US losses for all combined severe weather and climate events. These loss estimates reflect direct effects of weather and climate events (not including indirect effects) and constitute total estimated losses (both insured and uninsured). Because most of the data sources provide only insured losses, a "factor approach" (based on approximate average insurance participate rates) is used for conversion into the corresponding total estimated losses. For more detailed information regarding the cost estimates see <https://www.ncdc.noaa.gov/monitoring-content/billions/docs/smith-and-katz-2013.pdf>.

Disaster incidents

The numbers of billion-dollar disaster incidents have fluctuated, with peaks in 2008 and 2011, and a decline thereafter until 2015 when they began increasing again across most disaster types. The number of billion-dollar disaster incidents increased 17% in the past decade. The most frequent type of disaster is severe storm, followed by tropical cyclone and flood.

Disaster costs

Total estimated costs for billion-dollar disasters increased 42% in the past decade, with the most expensive disaster type per disaster being tropical cyclone, followed by wildfire. Per billion-dollar disaster, estimated costs increased 20% over the past decade. The increase in estimated total disaster costs in 2017 reflects \$131 billion, \$95 billion, and \$53 billion related to hurricanes Harvey, Maria, and Irma, respectively.

Disaster deaths

Like billion-dollar disaster incidents, disaster deaths have fluctuated during the past decade, sharply rising in 2017. From 2017 to 2018, there was a decrease in deaths of 3,031 people, or 92%, primarily related to 2,981 deaths attributed to Hurricane Maria in 2017.

Acres burned

Acres burned in wildland fires (in all wildland fires, not just those declared disasters) increased over the past decade but decreased in 2018. Acres burned per wildland fire increased in all periods. Acres burned in wildland fires, categorized as either lightning-caused or human-caused, increased by 3.5 million acres or 66% over the past decade. Human-caused fires increased 2.2 million acres or 64%, and lightning-caused fires increased 1.3 million acres or 68%. The Great Basin region had the largest number and percent increase in total acres burned, at an increase of 1.9 million acres or 1,333%, while the Southern Area region had the largest acre decrease at 613 thousand acres, and the Northern Rockies region had the largest percent decrease at 36%.

Safeguarding consumers and employees

The safeguarding consumers and employees reporting unit seeks to keep people away from harm by regulating, primarily commercial interests.

Safeguarding consumers

Consumer complaints and product safety injuries

Calendar year (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Consumer fraud complaints	1,504	1,309	1,159	621	15%	30%	142%
Consumer fraud complaints per 100,000 people	460	403	367	204	14%	25%	125%
Median loss per fraud complaint	\$ 375	\$ 429	\$ 388	\$ 500	(13)%	(3)%	(25)%
Identity theft complaints	444	371	290	315	20%	53%	41%
Identity theft complaints per 100,000 people	136	114	92	104	19%	48%	31%
Other consumer complaints ¹	1,177	1,240	685	326	(5)%	72%	261%
Other consumer complaints per 100,000 people	360	381	217	107	(6)%	66%	236%
Consumer financial protection (CFP) complaints ²	257	243	108	na	6%	138%	na
CFP complaints per 100,000 people	79	75	34	na	5%	132%	na
Consumer product safety injuries ³	13,249	13,728	12,759	11,902	(3)%	4%	11%

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

¹ Other consumer complaints are complaints made to the FTC that are other than fraud or identity theft complaints, including: auto-related complaints; banks and lenders; computer equipment and software; credit bureaus, information furnishers, and report users; credit cards; debt collection; education; funeral services; home repair, improvement, and products; and television and electronic media.

² These complaints were reported by the Consumer Financial Protection Bureau while all other complaints in this table were reported by the Federal Trade Commission.

³ These are calendar year national estimates of the number of persons treated in US hospital emergency departments with consumer product-related injuries and are derived by summing the statistical weights for the appropriate injury cases. The data system allows for reporting of up to two products for each person's injury, so a person's injury may be counted in two product groups.

Consumer complaints

Consumer complaints have grown throughout the period of this report, driven primarily by increased fraud and other consumer complaints, though all categories of complaints have increased.

- *Fraud complaints* are made by adults of all ages with no notable concentrations. Victims who report the method of initial contact primarily report that the fraud was initiated via phone, and those who report transferring funds most often report doing so through wire transfer.
- *Identity theft complaints* are also made by adults of all ages, with a plurality (26%) in the 30-39 year old age group, and most often comprise credit card fraud, followed by other identity theft.
- *Other consumer complaints* made to the Federal Trade Commission have increased due primarily to third-party debt collection complaints.
- *Consumer financial protection complaints* have grown, driven primarily by increases in credit-related complaints, including credit reporting and debt collection. These complaints are made to the Consumer Financial Protection Bureau, which originated in 2010 in response to the financial crisis and Great Recession.

Consumer fraud losses

The median loss per fraud complaint has fluctuated over the past decade but decreased in recent years. In 2018, 75% of the reports resulted in no loss, while the group with the largest number of reported losses (22% of the reports) was the group with losses between \$1 and \$100. Five percent of losses reported were more than \$10,000, the top loss group. By type of fraud, the largest median amount paid per fraud in 2018 was for business and job opportunities at \$1,304 per fraud.

Consumer product safety injuries

Consumer product safety injuries have fluctuated from year to year, peaking in 2017. The largest numbers of injuries relate to home structures and construction materials, sports and recreational equipment, and home furnishings and fixtures. Injuries related to home structures and construction materials increased 20% when comparing 2018 to 2008, while sports and recreational equipment injuries decreased 9%, and injuries related to home furnishings and fixtures increased 30%, over this same period.

Transportation safety

Calendar year (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Transportation crashes	6,760	6,479	5,713	5,839	4%	18%	16%
Highway crashes	6,735	6,453	5,687	5,811	4%	18%	16%
<i>Highway crashes per 100 million miles driven</i>	210	204	192	192	3%	9%	9%
Transportation fatalities (actuals)	38,501	39,368	34,691	39,562	(2)%	11%	(3)%
Highway fatalities	36,560	37,473	32,893	37,423	(2)%	11%	(2)%
<i>Highway fatalities per 100,000 highway crashes</i>	543	581	578	644	(7)%	(6)%	(16)%

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Nearly all transportation crashes (99% in 2018) and transportation fatalities (95% in 2018) are highway crashes and fatalities.

Highway crashes have increased, in absolute terms and per mile driven, over the past decade. Highway fatalities dropped 9% in each calendar year 2008 and 2009 and had remained at roughly 33,000 fatalities per year thereafter until 2015, when they jumped to over 35,000 and then jumped again to over 37,000 in 2016 before decreasing 1% in 2017 and 2% in 2018. Nearly a third of highway fatalities (29% or 10,710 in 2018) involved a driver with a Blood Alcohol Concentration of 0.08 (an illegal level in all 50 States, DC, and Puerto Rico) or higher. Since 2008, distraction-affected fatalities decreased 51%, to 2,841 in 2018.

Safeguarding employees

Calendar year, except as otherwise noted (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Workplace violations (actual) ¹	49,641	51,307	61,303	67,165	(3)%	(19)%	(26)%
<i>Workplace violations per 100,000 employees</i>	32	33	43	46	(3)%	(26)%	(30)%
Non-fatal workplace injuries	3,544	3,476	3,753	4,634	2%	(6)%	(24)%
<i>Non-fatal injuries per 100,000 employees</i>	2,275	2,267	2,608	3,188	—%	(13)%	(29)%
Fatal workplace injuries (actual)	5,250	5,147	4,585	5,214	2%	15%	1%
<i>Rate of fatality of workplace injuries</i>	0.1%	0.1%	0.1%	0.1%	—ppt	—ppt	—ppt
Back wages recovered (fiscal year)	\$ 304,914	\$ 270,404	\$ 249,954	\$ 185,288	13%	22%	65%
<i>Back wages recovered per injury</i>	\$ 86	\$ 78	\$ 67	\$ 40	10%	28%	115%

⁺ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Workplace violations are those reported by the Occupational Safety and Health Administration, including violations relating to fall protection, hazard communication, scaffolding, respiratory protection, control of hazardous energy, ladders, powered industrial trucks, machinery and machine guarding, and electrical wiring methods.

The work safety outcomes discussed here are all generally positive. Workplace violations and non-fatal workplace injuries are down roughly a quarter over the past decade, while fatal workplace injuries have increased 1%. As a rate per workplace injury, fatal injuries have been steady over the past decade. Back wages recovered, in total and per injury, have increased.

Fatal workplace injuries disproportionately take the lives of men (92% of the incidents in 2018). In 2018, 91% of fatal workplace injuries occurred in private industry, with the balance occurring in government. By private industry, in 2018, 43% of the incidents occurred in goods-producing industries, 49% of which were in construction, while the other 57% of the incidents occurred in service-providing industries, of which nearly a third were in transportation and warehousing.

Child safety and miscellaneous social services

The child safety and miscellaneous social services reporting unit works to maintain the welfare and safety of all children.

Child family situation

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Children in single parent households (in thousands, calendar year)	19,646	19,973	20,531	19,501	(2)%	(4)%	1%
<i>Children in single parent households per 10,000 children</i>	2,680	2,714	2,791	2,632	(1)%	(4)%	2%
Children in foster care (fiscal year)	437,283	442,995	400,394	463,792	(1)%	9%	(6)%
<i>Children in foster care per 10,000 children</i>	60	60	54	63	—%	11%	(5)%
Percentage of foster children fostered by relatives	27%	32%	28%	24%	(5)ppt	(1)ppt	3ppt
Children entering foster care	262,791	270,081	254,719	280,423	(3)%	3%	(6)%
Children exiting foster care	251,161	248,386	237,721	288,778	1%	6%	(13)%
Median months in foster care	13	13	13	16	—%	—%	(19)%
Percentage of foster children reunited with parents	49%	49%	51%	52%	—ppt	(2)ppt	(3)ppt
Percentage of foster children discharged to live with other relatives	7%	7%	8%	8%	—ppt	(1)ppt	(1)ppt
Children adopted from foster care ¹	62,997	59,469	50,800	55,236	6%	24%	14%
<i>Rate of children adopted from foster care (as a percentage of children in foster homes) ¹</i>	14%	13%	13%	12%	1ppt	1ppt	2ppt

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Adoptions are those with Public Child Welfare Agency involvement.

Children in single parent households

The numbers of children in single parent households, including the rates thereof, have not changed materially during the periods presented here. In 2018, 83% of single-family households were headed by single mothers, while 17% were headed by single fathers.

Children in foster care

The numbers of children in foster care and their median stay have decreased over the past decade. In 2018, the primary cause of children being in foster care was neglect, at 62% of cases, followed by drug abuse by a parent, at 36%. The ratio of male and female children in foster care has been relatively consistent over the last decade, with 52% male and 48% female in 2018. However, there have been some other demographic shifts over this period including:

- the median age of children exiting foster care decreased from 9 to 8 years old;
- the percentage of children in foster care who are African-American decreased 9 percentage points, with all other races and ethnicities remaining flat or increasing over the same period; and
- the race with the most children in foster care is white, at 44% of foster children in 2018, having grown consistently over the past decade.

The percentages of foster children reunited with their parents or other relatives have declined over the past decade, while the numbers and rates of children adopted with welfare agency involvement have increased.

Crimes against children

Fiscal year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Child victims¹ (nearest thousand)	677,000	674,000	656,000	716,000	—%	3%	(5)%
<i>Victimization rate by age (per 1,000 children):</i>							
Birth-1	26.7	25.3	23.1	21.7	6%	16%	23%
1-3	11.1	11.1	11.4	12.1	—%	(3)%	(8)%
4-7	9.4	9.6	10.3	11.0	(2)%	(9)%	(15)%
8-11	8.1	8.0	7.6	9.2	1%	7%	(12)%
12-17	6.2	6.1	5.8	13.9	2%	7%	(55)%
Boys ³	49%	49%	49%	49%	—ppt	—ppt	—ppt
Girls ³	51%	51%	51%	51%	—ppt	—ppt	—ppt
White (non-Hispanic)	44%	45%	44%	45%	(1)ppt	—ppt	(1)ppt
African-American (non-Hispanic)	21%	21%	21%	22%	—ppt	—ppt	(1)ppt
Hispanic	22%	22%	22%	21%	—ppt	—ppt	1ppt
Neglect ²	61%	64%	62%	62%	(3)ppt	(1)ppt	(1)ppt
Physical abuse ²	11%	16%	14%	14%	(5)ppt	(3)ppt	(3)ppt
Sexual abuse ²	7%	7%	7%	8%	—ppt	—ppt	(1)ppt
Child fatalities as a result of maltreatment	1,780	1,710	1,550	1,720	4%	15%	3%
<i>Fatality rate by age (per 100,000 children):</i>							
Birth-1	22.8	21.9	18.1	17.2	4%	26%	33%
1-3	5.2	4.5	5.0	5.1	16%	4%	2%
4-7	1.3	1.3	1.5	1.4	—%	(13)%	(7)%
8-11	0.6	0.6	0.3	0.5	—%	100%	20%
12-17	0.5	0.4	0.2	0.9	25%	150%	(44)%
Boys ³	58%	58%	58%	57%	—ppt	—ppt	1ppt
Girls ³	42%	42%	42%	43%	—ppt	—ppt	(1)ppt
White (non-Hispanic)	40%	42%	39%	39%	(2)ppt	1ppt	1ppt
African-American (non-Hispanic)	33%	31%	33%	30%	2ppt	—ppt	3ppt
Hispanic	14%	15%	15%	16%	(1)ppt	(1)ppt	(2)ppt
Neglect ²	73%	75%	71%	32%	(2)ppt	2ppt	41ppt
Physical abuse ²	46%	42%	47%	23%	4ppt	(1)ppt	23ppt
Sexual abuse ²	1%	1%	1%	—%	—ppt	—ppt	1ppt

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

² Victims of maltreatment are defined as children who experienced or who were at risk of experiencing abuse or neglect.

³ A child may have suffered from more than one type of maltreatment and therefore, the total number of reported maltreatments exceeds the number of fatalities and the total percentage of reported maltreatments exceeds 100%. The percentages are calculated against the number of child fatalities in the reporting states. Prior to 2009, "multiple maltreatment types" was a separate category. In 2009, the current method of reporting each of the multiple maltreatment types began, resulting in increases in each of the maltreatment categories in 2009 and later years when compared to prior years.

⁴ May not add to 100% due to unknown population.

Children victimized and who suffer fatalities as a result of reported maltreatment are most often victims of their parents, one year old or younger, neglected, and white. However, African-American children disproportionately suffer victimization and death from reported maltreatment, comprising 14% of the child population in 2018, while comprising 21% of child victims and 33% of child fatalities as a result of reported maltreatment.

Reported child victimization rates decreased over the past decade across most demographics, though victimization rates increased for:

- children ages birth to 1, increasing 23%; and
- Hispanic children, increasing 1 percentage point.

Child fatalities as a result of reported maltreatment increased over the past decade. Increased fatality rates were seen in children less than one year old, ages 1-3, ages 8-11, and for boys. By race and ethnicity, the percentage of child fatalities that were non-Hispanic white and African-American children increased, while those that were Hispanic children decreased.

In 2018, parents represented 92% of the perpetrators of reported child victimization, while 13% were nonparents, and 3% were unknown (figures don't add to 100% due to multiple perpetrator situations). In 2008, parents represented 81% of the perpetrators, while 10% were nonparents, and 9% were unknown.

Child welfare

School year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Children in poverty (in thousands, calendar year)	11,869	12,759	15,801	14,068	(7)%	(25)%	(16)%
<i>Rate of children in poverty</i>	16%	17%	20%	19%	(1)ppt	(4)ppt	(3)ppt
Percentage of children receiving free or reduced lunch at school	74%	73%	70%	60%	1ppt	4ppt	14ppt
Homeless children enrolled in school and known to our Government (in thousands) ¹	1,505	1,354	1,203	774	11%	25%	94%
<i>Homeless children enrolled in school and known to our Government per 10,000 children</i>	205	184	164	104	11%	25%	97%

^{*} We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Years represent the school year ending in the year noted. Includes the District of Columbia and Puerto Rico. Enrolled students include those aged 0 to 2, 3 through 5 not in Kindergarten, enrolled in Kindergarten through grade 12, and ungraded. Grade 13 is included for school year 2014. Data is inconsistently reported year over year by state and local educational agencies. Numbers reflect the number of homeless students known to the Government rather than the total number of homeless students in the country. The 2010-2011 school year and earlier contains duplicate counts.

Child poverty

Children in poverty represent roughly a third of the overall US population in poverty. The number of children in poverty and child poverty rates decreased when compared to a decade ago.

The race and ethnicity with the highest rates of child poverty are the non-Hispanic Black population, ranging from 30% to 35% of children, and the Hispanic population, ranging from 24% to 33% of children, for the periods presented in this report. White and Asian populations have lower rates of child poverty, ranging from 9% to 13% for non-Hispanic white children and 10% to 15% for Asian children, during the periods presented. Child poverty rates for all populations decreased when comparing 2018 to 2008.

Free and reduced lunch

The percentage of children receiving free or reduced lunch at school is growing consistently, including in recent years despite reduced numbers of children in poverty in those years. Any child at a participating school may purchase a meal through the National School Lunch Program. Children from families with incomes at or below 130% of the federal poverty level are eligible for free meals. Those with incomes between 130% and 185% of the federal poverty level are eligible for reduced-price lunch, for which students can be charged no more than 40 cents. These eligibility requirements have not changed in the past decade. The increased percentage of children receiving free or reduced lunch at school may be due to the 2010 Healthy Hunger-Free Kids Act, which allows qualifying schools in high-poverty areas to provide free meals to all students without requiring students to demonstrate eligibility.

Homeless children

Homeless children enrolled in school and known to our Government increased over the past decade. Most (74% in 2018) homeless children are "doubled up," or living with others due to loss of housing, economic hardship, or a similar reason. The next largest source of primary nighttime residence for homeless children, at 12% of the homeless in 2018, was

shelters, transitional housing, or awaiting foster care. The fastest growing forms of nighttime residence were doubling up and unsheltered, growing 84% and 158%, respectively, from 2008 to 2018.

Common Defense (CD)

CD works to provide for the common defense of the US population. Its reporting units are national defense and support for veterans, immigration and border security, and foreign affairs and foreign aid. Overall, the long-term trend for the past decade shows we:

- **made meaningful progress** on bringing home our active duty military personnel who were stationed abroad, visas granted, border apprehensions and numbers of people removed or returned, and passports in circulation; and
- **regressed notably** in naturalizations, numbers of VA patients, unauthorized persons with a prior criminal conviction who are removed, intellectual property seizures, and airport firearm discoveries.

Shorter-term trends may differ.

National defense and support for veterans

The national defense and support for veterans reporting unit provides for our common defense by maintaining and managing the military and providing benefits for veterans, as well as by keeping Americans safe abroad.

National defense

Calendar year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Total armed forces, excluding reserves (in thousands, fiscal year)	2,057	2,035	2,111	2,087	1%	(3)%	(1)%
Number of active duty military stationed in (in thousands): ¹							
US	1,304	1,295	1,370	1,402	1%	(5)%	(7)%
Abroad	1,139	1,133	1,209	1,113	1%	(6)%	2%
	165	161	161	289	2%	2%	(43)%
Number of active duty military deaths from:	na	na	na	1,440	na	na	na
Hostile/terrorist	na	na	na	353	na	na	na
Accidents	na	na	na	506	na	na	na
Self-inflicted	na	na	na	259	na	na	na
Illness	na	na	na	244	na	na	na
Homicide	na	na	na	47	na	na	na
Undetermined or pending	na	na	na	31	na	na	na
Number of US civilian deaths overseas by cause:	724	822	858	727	(12)%	(16)%	—%
Vehicle accident	167	264	229	217	(37)%	(27)%	(23)%
Homicide	132	159	176	125	(17)%	(25)%	6%
Suicide	112	106	145	111	6%	(23)%	1%
Drowning	136	122	115	98	11%	18%	39%
Disaster	—	2	—	1	(100)%	—%	(100)%
Terrorist, hostage, and execution	6	8	16	35	(25)%	(63)%	(83)%
Other accident	107	125	153	118	(14)%	(30)%	(9)%
Other	64	36	24	22	78%	167%	191%

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

¹ Details may not add to total. Totals and by location were taken from two separate data sources. In addition, numbers have been rounded.

Armed forces

Overall numbers of armed forces (excluding reserve forces) remain at roughly the same level they were a decade ago, however, the number of active duty military personnel have decreased, despite participating in one additional major conflict. The mix of station location changed when comparing 2018 to 2008; there was a decline in those stationed abroad, primarily in the “undistributed” geography, mostly in the Navy followed by the Marines. This decline was offset in part by increased numbers of active duty military personnel stationed in the US, particularly with the Navy, offset in part by decreases in the Army.

Active duty military deaths

We do not have recent (post-2010) data for active duty military deaths, so we are unable to analyze trends.

US civilian deaths overseas

The numbers of deaths of US civilians overseas fluctuates from year to year but were flat compared to a decade ago, reflecting an increase in drownings and uncategorized deaths, offset by decreases in nearly all other categories of death. Compared to a decade ago, drownings increased by 38 instances or 39%, primarily reflecting an increase of 44 drownings in Baja.

Support for veterans

Calendar year, except as otherwise noted (In thousands, except percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Number of veterans	17,964	18,205	19,589	22,425	(1)%	(8)%	(20)%
Rates of veteran:							
Unemployment	4%	4%	7%	5%	—ppt	(3)ppt	(1)ppt
Poverty	7%	7%	7%	6%	—ppt	—ppt	1ppt
Disability	29%	30%	29%	25%	(1)ppt	—ppt	4ppt
Number of unique VA patients (fiscal year)	6,116	6,056	5,690	5,298	1%	7%	15%

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click [“More detail”](#) to access it.

The number of veterans has decreased consistently over the past decade, while indicators of veteran well-being were mixed.

Veteran unemployment

The veteran unemployment rate has fluctuated year to year, but is down approximately one percentage point compared to a decade ago, while overall unemployment has trended downward since 2011. As of 2018, the veteran unemployment rate was generally consistent with the overall unemployment rate. See discussion of overall unemployment at *General Welfare, Economy and Infrastructure, Employment Profile (calendar year 2018)* below.

Veteran poverty

The veteran poverty rate has not changed materially in the last decade, but overall it is trending higher, despite veteran unemployment being flat and veteran compensation and pension payments increasing. In 2018, the veteran poverty rate was less than the poverty rate of all persons of 11.8%. In 2017 (except as otherwise noted, the latest available date):

- female veterans had higher poverty rates than male veterans (9% for females and 6% for males), including much higher rates for those in the service industry (11% for females and 4% for males);
- disabled female veterans had higher poverty rates than disabled male veterans (16% for females and 9% for males), primarily for those ages 35-53 years old (19% for females and 13% for males);

- female veterans had lower median household income than male veterans, at \$60,223 for females and \$61,986 for males;
- Black/African American veterans had the highest poverty rate among female veterans at 13%, while female veterans of Some Other Race (a race other than white, Black/African American, American Indian/Alaska Native, Asian, or Native Hawaiian/Other Pacific Islander) had the lowest rate at 3%;
- American Indian/Alaska Native veterans had the highest poverty rate among male veterans at 13%, while white male veterans had the lowest rate at 6%;
- post-9/11, World War II, and peacetime veterans had higher poverty rates than veterans of other conflicts;
- the lowest poverty rates for male and female veterans were in the Northeast; and
- in 2018, the rate of veterans in poverty by state/district/territory ranged from 4% in each Hawaii, Maryland, New Hampshire, and Wyoming to 17% in Puerto Rico. The highest rates of veteran poverty were in:
 - Puerto Rico, at 17%, while the overall unemployment rate for the territory was 11%;
 - Washington DC, at 10%, while the overall unemployment rate for the district was 6% (the 2nd highest in the country);
 - West Virginia at 10%, while the overall unemployment rate for the state was 5.2% (the 3rd highest in the country); and
 - Louisiana at 10%, while the overall unemployment rate for the state was 4.8% (the 6th highest in the country).

Veteran disability

The veteran disability rate has fluctuated year to year and increased in the past decade but is currently roughly four percentage points higher than it was a decade ago. The most prevalent service-connected disabilities are Tinnitus (the perception of noise or ringing in the ears), hearing loss, post-traumatic stress disorder (PTSD), general scars, limitation of knee flexion, and lumbosacral or cervical strain, which comprised 8%, 5%, 4%, 4%, 4%, and 4%, respectively, of the disabilities of veterans receiving disability compensation at the end of fiscal year 2018.

VA patients

While the overall veteran population declines, the number of unique patients being treated at VA medical centers is increasing. According to the GAO, this is due in part to servicemembers returning from US military operations in Afghanistan and Iraq and the growing needs of an aging veteran population. The proportion of living veterans who served in World War II and the Korean War decreased 9 and 6 percentage points, respectively, while the proportion of living veterans who served in Vietnam and the Gulf War increased 1 and 19 percentage points, respectively, over the past decade.

Immigration and border security

The immigration and border security reporting unit manages the US immigration process, including borders and customs responsibilities.

Authorized entry to the US

Fiscal year (In thousands, except percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Naturalizations (citizenship) ¹	762	707	780	1,047	8%	(2)%	(27)%
<i>Naturalizations as a percentage of attempts (total naturalizations and denials)</i>	89%	90%	90%	90%	(1)ppt	(1)ppt	(1)ppt
Green Cards (permanent residence) granted ²	1,097	1,127	991	1,107	(1)%	11%	(3)%
Visas granted	9,028	9,682	9,164	6,603	(7)%	(1)%	37%

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Naturalization is the process by which US citizenship is granted to a foreign citizen or national after he or she fulfills the requirements established by Congress in the Immigration and Nationality Act.

² Foreign nationals granted lawful permanent residence

The number of employees working in citizenship and immigration services within the Department of Homeland Security increased 70% over the past decade.

Naturalizations (citizenship)

Naturalization is the way a person not born in the US voluntarily becomes a US citizen. General requirements for naturalization require the applicant to be at least 18 years old at the time of filing, be a permanent resident (have a "Green Card") for at least five years, demonstrate continuous residence in the US for at least five years immediately preceding the date of filing, and be able to read, write, and speak basic English, amongst some of the requirements.

Naturalizations decreased in the last decade, as did naturalizations as a percentage of attempted naturalizations. Throughout the periods presented in this report, most people who naturalized were:

- females, including 55% of those who naturalized in 2018;
- 21 years of age or older, including 98% in 2018;
- married, including 65% in 2018;
- working in an unknown occupation, working in management, professional, and related occupations, not working, or working in service occupations, including 34%, 19%, 17%, and 10%, respectively, in 2018; and
- born in Asia or North America, including 36% each in 2018.

Green Cards (permanent residence)

A Green Card allows a person to live and work permanently in the US. There are a few eligibility categories that allow an individual to apply for a Green Card: through family, through employment, as a Special Immigrant, for victims of abuse, through registry, and through other categories. Most people who apply for a Green Card will need to complete two forms – an immigrant petition and a Green Card application. Someone else usually must file the petition on behalf of the applicant (e.g. family, spouse, employer).

Green Cards granted followed similar demographic trends as naturalizations. Throughout the periods presented in this report, most people who were granted Green Cards were:

- females, including 53% of those granted Green Cards in 2018;
- 21 years of age or older, including 76% in 2018;
- married, including 57% in 2018;
- either immediate family members (44% in 2018) or otherwise related (20% in 2018) to US citizens; and
- born in Asia or North America, including 36% and 38%, respectively, in 2018.

The categories of Green Card recipients with the largest numerical and percentage growth, respectively, between 2008 and 2018 were refugees, with growth of 65,704 people or 73%, and "certain Iraqis and Afghans employed by the U.S. Government and their spouses and children," at 4,517% growth or 10,074 people. The categories with the largest numerical and percentage declines between 2008 and 2018 were asylees, declining 46,187 people or 60%, and parolees, declining nearly 99% or 1,155 people.

Visas

The numbers of visas granted increased over the past decade but decreased in 2018. Most visas are granted to temporary visitors for business or pleasure, including 75% of visas granted in 2018. The next largest category of visa recipients are temporary workers and their families, at 9% in 2018, followed by students and their families and exchange visitors and their families, at 4% each in 2018. The category of visa recipients with the largest numerical growth between 2008 and 2018 was temporary visitors for business or pleasure, with growth of 2.1 million people or 45%.

Unauthorized entry to the US

Fiscal year (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Border apprehensions of illegal aliens	404	311	421	724	30%	(4)%	(44)%
<i>Rate of apprehensions per attempted crossing (apprehensions plus estimated undocumented population)</i>	<i>na</i>	<i>na</i>	4%	6%	<i>na</i>	<i>na</i>	<i>na</i>
Persons removed or returned ¹	489	388	611	1,171	26%	(20)%	(58)%
<i>Rate of those removed or returned per estimated undocumented person in the population</i>	<i>na</i>	<i>na</i>	6%	10%	<i>na</i>	<i>na</i>	<i>na</i>
Persons removed with a prior criminal conviction	148	110	198	105	35%	(25)%	41%
<i>Rate of those removed that had a prior criminal conviction</i>	45%	38%	46%	29%	7ppt	(1)ppt	16ppt

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

¹ Removals are the compulsory and confirmed movement of an inadmissible or deportable alien out of the US based on an order of removal. An alien who is removed has administrative or criminal consequences placed on subsequent reentry owing to the fact of the removal. Returns are the confirmed movement of an inadmissible or deportable alien out of the US not based on an order of removal.

The number of employees working in immigration and customs enforcement and in customs and border protection, within the Department of Homeland Security, increased 11% and 15%, respectively, over the past decade. The number of border agents increased 12% nationwide and 8% at the southwest US border over the past decade.

Border apprehensions

Border apprehensions have decreased over the past decade. Nearly all (98% in 2018) border apprehensions occur at the southwest border of the US, and a plurality (38% in 2018) of all illegal aliens apprehended are from Mexico. However, over the last decade, the number of illegal aliens apprehended from Mexico decreased 77%, while the number of illegal aliens apprehended from other locations increased 301%.

Persons removed or returned

The number of persons removed or returned decreased 58% over the past decade. Of those removed in 2018: 64% were Mexican nationals, of whom 43% had a prior criminal conviction; 15% were Guatemalan nationals, of whom 40% had a prior criminal conviction; and 9% were Honduran nationals, of whom 45% had a prior criminal conviction. Of those returned in 2018: 42% were from North America, including 26% from Mexico and 11% from Canada, and 40% were from Asia, including 18% from the Philippines and 10% from China.

Estimated unauthorized immigrant population in the US

January 1	2000	2005	2010	2010 ¹	2015 ²	2015 ³	2016 ³	2017 ³	2018 ³
Unauthorized immigrants[†]									
Estimated population (in thousands)	8,460	10,490	10,790	11,590	11,960	11,440	11,750	11,410	11,390
Period of entry									
1980 to 1989	na	21.1%	18.7%	na	na	15.0%	14.0%	13.5%	13.7%
1990 to 1999	na	49.7%	42.6%	na	na	36.5%	34.8%	33.5%	33.5%
2000 to 2009	na	29.2%	38.8%	na	na	41.2%	40.1%	39.4%	37.2%
2010 or later	na	—%	—%	na	na	7.3%	11.1%	12.4%	15.6%
Gender and age									
Male	na	na	57.0%	na	52.6%	52.6%	52.3%	52.0%	51.4%
Female	na	na	43.0%	na	47.4%	47.4%	47.7%	48.0%	48.6%
Under 18 years	na	na	11.4%	na	8.7%	9.9%	8.9%	9.5%	9.8%
18 to 24 years	na	na	12.0%	na	9.5%	10.3%	9.2%	8.4%	7.4%
25 to 34 years	na	na	35.1%	na	29.5%	30.6%	28.9%	27.4%	25.8%
35 to 44 years	na	na	27.7%	na	30.2%	30.1%	31.2%	31.5%	31.9%
45 to 54 years	na	na	10.2%	na	15.1%	14.2%	15.3%	16.6%	17.5%
55+years	na	na	3.6%	na	7.0%	4.9%	6.5%	6.6%	7.6%
Country of birth									
Mexico	55.3%	56.9%	61.5%	58.9%	55.0%	54.2%	50.8%	51.4%	47.6%
El Salvador	5.1%	4.5%	5.7%	5.8%	6.3%	6.3%	6.4%	6.6%	6.4%
Guatemala	3.4%	3.5%	4.8%	4.5%	5.2%	5.2%	5.2%	5.3%	5.4%
Honduras	1.9%	1.7%	3.1%	3.3%	3.7%	3.7%	3.7%	4.4%	4.0%
Philippines	2.4%	2.0%	2.6%	2.5%	3.1%	3.1%	3.5%	2.6%	3.2%
India	1.4%	2.7%	1.9%	2.3%	3.9%	3.9%	4.8%	4.3%	4.7%
Columbia	1.2%	1.0%	1.0%	1.0%	1.2%	1.1%	1.2%	1.1%	1.8%
China	2.2%	2.2%	1.2%	2.6%	2.7%	2.8%	3.6%	3.6%	3.6%
Other countries	27.1%	25.5%	18.2%	19.1%	18.3%	19.7%	20.8%	20.7%	23.3%

[†] The most recent data available from our Government is shown in this table. Additional years of key metrics data not shown in this table may be found on our website. Click ["More detail"](#) to access it.

^{**} The unauthorized resident immigrant population is defined as all foreign-born non-citizens who are not legal residents and calculated as: the legally resident population (includes all persons who were granted lawful permanent residence; granted asylum; admitted as refugees; or admitted as nonimmigrants for a temporary stay in the US and not required to leave by January of the respective year) on January 1 of the respective year less the total foreign-born population living in the US on the same date. Under section 249 of the Immigration and Nationality Act (INA), the registry provision, qualified persons who have resided continuously in the US since prior to January 1, 1972 may apply for legal permanent resident (LPR) status. Additionally, persons who had resided continuously in the US since prior to January 1, 1982 as unauthorized residents were eligible to adjust for LPR status under the Immigration Reform and Control Act (IRCA) of 1986.

^{na} An "na" reference in the table means the data is not available.

¹ Revised by DHS to be consistent with estimates derived from the 2010 Census.

² 2015 estimates should not be compared with DHS estimates previously released for 2000-2010 due to the use of the 2010 Census population estimates versus the 2000 Census population estimates. A revision for 2010 to be consistent with the 2010 Census has been provided by DHS.

³ 2015-2018 incorporate minor updates to improve upon the methodology employed in previous years. A revision for 2015 to be consistent with the new methodology has been provided by DHS.

Due to a change in methodology, we are not able to compare the estimated undocumented population consistently across all periods presented in this report. However, the estimated undocumented population has increased, with a shift in the mix of immigrants towards older people and countries of birth other than Mexico.

Other border security

Fiscal year, except as otherwise noted (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Intellectual property seizures ¹	34	34	24	15	(1)%	39%	126%
<i>Intellectual property seizures per 100 border agents</i>	174	175	112	86	(1)%	55%	102%
Drugs seized at the border coming into the US (kgs)	414	618	1,348	na	(33)%	(69)%	na
Airport firearm discoveries (actual, calendar year)	4,244	3,957	1,813	926	7%	134%	358%

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^{na} An "na" reference in the table means the data is not available.

¹ Products that are seized because they infringe on US trademarks, copyrights, and patents.

Intellectual property seizures

Intellectual property seizures have more than doubled over the last decade, and the average border agent is seizing more goods. There have been changes in the sources and nature of the goods seized:

- *Country of origin* – China, Hong Kong, and India were consistently the top three sources of goods seized during the periods of this report, while many of the other originators have changed; three of the top 10 originators in 2008 were not among the top 10 in 2018. In 2018, most seized goods originated in China or Hong Kong, including 54% and 31%, respectively, of the value of goods seized. In 2008, 81% of the value of goods seized originated in China, while the second highest originator was India at 6% of the value seized, followed by Hong Kong at 5%.
- *Commodities seized* – In 2018, the aggregate Manufacturer's Suggested Retail Price (MSRP) of intellectual property seizures was \$1.4 billion, compared to \$0.3 billion in 2008. The top (those 7% or more of aggregate MSRP) commodities seized in 2018 were watches/jewelry (44% of aggregate MSRP), handbags/wallets (16%), pharmaceuticals/personal care (9%), and wearing apparel/accessories (8%). In 2008, the top commodities seized were footwear (38% of aggregate MSRP), handbags/wallets/backpacks (11%), pharmaceuticals (10%), wearing apparel (9%), and consumer electronics/electronic articles (8%).

The increase in the MSRP of seizures of the top commodities over the past decade was six-fold the increase in paid consumption of these goods. Paid consumption of luggage and similar personal items; clothing and footwear; and audio-video, photographic, and information processing equipment and media increased 28%, 24%, and 19%, respectively, in the past decade. We were unable to find data on paid consumption of jewelry and watches in 2008.

Drug seizures

We do not have border drug seizures data for periods prior to 2012. However, for the periods for which we do have data, total kilograms of drugs seized at the border have declined, reflecting decreased seizures of marijuana, offset in part by increased seizures of methamphetamine. The decline in marijuana seizures began in 2014, when kilograms seized decreased 23% from the prior year. Recreational use of marijuana was legalized in Colorado and Washington states in 2012. Eight additional states, and the District of Columbia, legalized recreational use of marijuana from 2012-2018.

Airport firearm discoveries

Firearm discoveries at Transportation Security Administration airport checkpoints have consistently increased each year. In 2018, discoveries were made at 249 airports, with the greatest numbers discovered at Hartsfield-Jackson Atlanta International Airport and Dallas/Fort Worth International Airport at 298 and 219 discoveries, respectively. Of the overall number of firearms discovered in 2018, 86% were loaded.

Foreign affairs and foreign aid

The foreign affairs and foreign aid reporting unit aims to support American interests and values around the world through diplomacy.

Fiscal year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Number of valid passports in circulation (in thousands)	137,589	136,114	117,444	92,039	1%	17%	49%
Foreign aid obligations by type (in millions):							
Governance	\$ 20,991	\$ 18,002	\$ 18,743	\$ 22,036	17%	12%	(5)%
Health and population	\$ 8,916	\$ 9,930	\$ 9,087	\$ 7,331	(10)%	(2)%	22%
Humanitarian	\$ 8,200	\$ 8,502	\$ 4,904	\$ 4,517	(4)%	67%	82%
Infrastructure	\$ 153	\$ 806	\$ 2,078	\$ 4,428	(81)%	(93)%	(97)%
Other	\$ 6,878	\$ 7,881	\$ 8,415	\$ 6,680	(26)%	(38)%	8%

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The number of passports in circulation has increased consistently, outpacing the rate of population growth. We are not aware of a government source for data on where Americans are traveling with their passports.

Aid by category

Foreign aid has fluctuated over the past decade, with a shift towards humanitarian aid and away from infrastructure aid. Growth in health and population aid and humanitarian aid outpaced inflation. According to the Congressional Research Service (CRS), "Adjusted for inflation, annual foreign assistance funding over the past decade was the highest it has been since the Marshall Plan in the years immediately following World War II. Key foreign assistance trends in the past decade include growth in development aid, particularly global health programs; increased security assistance directed toward U.S. allies in the antiterrorism effort; and high levels of humanitarian assistance to address a range of crises."⁴⁹

Infrastructure aid has been significantly reduced. According to CRS, "The [infrastructure] aid programs in Iraq and Afghanistan supported the building of schools, health clinics, roads, power plants, and irrigation systems.... The Afghanistan Infrastructure Fund... wound down as the U.S. military presence in that country declined... In Iraq alone, more than \$10 billion went to economic infrastructure. Economic infrastructure is now also supported by U.S. assistance in a wider range of developing countries through the Millennium Challenge Corporation. In this case, recipient countries design their own assistance programs, most of which, to date, include an infrastructure component."

Aid by country

According to CRS, "More than 170 countries and territories received some form of U.S. assistance in FY2018, reflecting the broad use of aid as a diplomatic tool. Top U.S. bilateral aid recipients are typically countries that are strategic allies in the Middle East, important partners in counterterrorism efforts, or global health focus countries. Top recipients also often include countries that face humanitarian crises brought on by natural disaster or conflict. In FY2018, the top 10 recipient countries accounted for approximately 37% of aide obligations."

Afghanistan received the most aid in FY2018 of \$6 billion, followed by Israel of \$3 billion, Jordan of \$2 billion, Iraq of \$1 billion, Ethiopia of \$900 million, and Syria, Kenya, Nigeria and South Sudan all receiving \$800 million. Aid to Afghanistan increased significantly (453%) in 2002, generally grew annually from there, peaked at \$13.4 billion in 2011 and has generally declined since with some annual fluctuations.

Aid to Israel has been relatively steady over the past 30 years, exceeding \$2 billion in 1981 and remaining between \$2 billion and \$4 billion annually since. Through 2020, according to the Congressional Research Service, "Israel is the largest cumulative recipient of U.S. foreign assistance since World War II... To date, the United States has provided Israel \$146

billion (current, or noninflation-adjusted, dollars) in bilateral assistance and missile defense funding. Almost all U.S. bilateral aid to Israel is in the form of military assistance, although from 1971 to 2007 Israel also received significant economic assistance... In 2016, the U.S. and Israeli governments signed their third 10-year Memorandum of Understanding (MOU) on military aid, covering FY2019 to FY2028. Under the terms of the MOU, the United States pledges to provide – subject to congressional appropriation - \$38 billion in military aid...to Israel. This MOU replaced a previous \$30 billion 10-year agreement, which ran through FY2018... The United States and Israel have maintained strong bilateral relations based on a number of factors, including robust domestic U.S. support for Israel and its security; shared strategic goals in the Middle East; a mutual commitment to democratic values; and historical ties dating from U.S. support for the creation of Israel in 1948. U.S. foreign aid has been a major component in cementing and reinforcing these ties."⁵⁰

General Welfare (GW)

This segment works to promote the general welfare of the US population. Its reporting units are economy and infrastructure, standard of living and aid to the disadvantaged, and health. Overall, the long-term trend for the past decade shows we:

- **made meaningful progress** on growing our economy as measured by increases in: GDP; the S&P 500 index; private fixed investment; numbers of businesses, including those less than one year old; and new home sales, and by decreases in workers at or below minimum wage, our overall net trade deficit, bankruptcy filings, and bank failures; and we made meaningful progress in reducing the percentage of Americans who are uninsured; and
- **regressed notably** in: increasing rates of senior employment; increasing median housing prices – both new homes and rent; deterioration of the condition of our roads; and in multiple health-related factors, including rates of obesity, out-of-pocket costs for healthcare, and deaths from all leading and select other causes.

Shorter-term trends may differ.

Economy and infrastructure

The economy and infrastructure reporting unit seeks to encourage economic growth and development, and to limit economic volatility. It also works to ensure there are jobs for those who can work and to maintain minimum wages.

Economy

Investment, Gross Domestic Product (GDP), and trade

Calendar year, except as otherwise noted (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Investment and GDP							
S&P 500 (end of December) (actual)	2,507	2,674	1,848	903	(6)%	36%	178%
<i>S&P 500 adjusted for inflation (2018 base)</i>	2,507	2,739	1,992	1,053	(8)%	26%	138%
Private fixed investment (in billions) ¹	\$ 3,596	\$ 3,343	\$ 2,721	\$ 2,507	8%	32%	43%
Residential	\$ 795	\$ 755	\$ 510	\$ 516	5%	56%	54%
Nonresidential	\$ 2,755	\$ 2,588	\$ 2,211	\$ 1,991	6%	25%	38%
<i>Private fixed investment per capita</i>	\$ 11,002	\$ 10,282	\$ 8,609	\$ 8,244	7%	28%	33%
<i>Private fixed investment adjusted for inflation (2018 base)</i>	\$ 3,596	\$ 3,425	\$ 2,933	\$ 2,924	5%	23%	23%
GDP (in billions)	\$ 20,612	\$ 19,543	\$ 16,785	\$ 14,713	5%	23%	40%
<i>GDP (in billions) adjusted for inflation (2018 base, using GDP deflator)</i>	\$ 20,612	\$ 20,019	\$ 18,214	\$ 17,229	3%	13%	20%
<i>GDP per capita</i>	\$ 63,065	\$ 60,110	\$ 53,107	\$ 48,383	5%	19%	30%

Trade											
Annual goods, services, and income trade by largest surplus (deficit) between the US and other countries (in millions):											
	\$	(449,693)	\$	(365,269)	\$	(336,854)	\$	(696,523)	23%	33%	(35)%
China	\$	(408,943)	\$	(361,839)	\$	(328,734)	\$	(308,264)	13%	24%	33%
Netherlands	\$	92,142	\$	105,576	\$	88,749	\$	64,632	(13)%	4%	43%
Mexico	\$	(96,033)	\$	(85,493)	\$	(64,553)	\$	(81,003)	12%	49%	19%
Germany	\$	(79,692)	\$	(71,885)	\$	(76,611)	\$	(58,432)	11%	4%	36%
United Kingdom	\$	79,244	\$	58,727	\$	19,728	\$	8,241	35%	302%	862%
Singapore	\$	58,037	\$	48,864	\$	39,261	\$	29,959	19%	48%	94%
Japan	\$	(78,681)	\$	(82,422)	\$	(89,269)	\$	(93,422)	(5)%	(12)%	(16)%
Other	\$	(15,767)	\$	23,203	\$	74,575	\$	(258,234)	(168)%	(121)%	(94)%

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¹ Private fixed investment (PFI) measures spending by private businesses, nonprofit institutions, and households on fixed assets in the US economy. Fixed assets consist of structures, equipment, and software that are used in the production of goods and services. PFI encompasses the creation of new productive assets, the improvement of existing assets, and the replacement of worn out or obsolete assets.

S&P 500

The S&P 500 peaked in 2007, dropped and bottomed out in 2009 in connection with the Great Recession, and began climbing again, surpassing its pre-recession value in 2013, and increasing for the rest of the decade until 2018 when it declined.

Private fixed investment

Private fixed investment followed the same trend. Over the past decade, private fixed investment in nonresidential investments increased 38%, while residential investments increased 54%. Within nonresidential, the largest increases were in intellectual property, which increased \$332 billion or 58%, followed by equipment, which increased \$279 billion or 54%, over the past decade. Within residential, the largest dollar and percentage increase was in non-permanent structures, which increased \$161 billion or 58%, followed by single family residential structures, which increased \$99 billion or 53%.

GDP

Gross domestic product (GDP) has grown over the past decade, even when adjusted for inflation and population. By industry, the largest increases were in: finance, insurance, real estate, rental, and leasing (up \$1.6 trillion or 58%); professional and business services (up \$796 billion or 45%); educational services, healthcare, and social assistance (up \$597 billion or 50%); and government (up \$568 billion or 29%). The lowest growth was in agriculture, forestry, fishing, and hunting (up \$31 billion or 21%). Mining declined \$61 billion or 16%, the only decline in the major industry categories.

Trade

The US has an overall net trade deficit with other countries, comprising largely a deficit with China. China accounted for 91% of our overall net trade deficit in 2018, made up mostly of a deficit in the trading of goods. The country with whom we had the largest trade surplus in 2018 was the Netherlands. The majority of that surplus comprised a surplus of income, meaning Americans earned more income in the Netherlands than the Dutch earned in the US. The country with the second largest trade surplus in 2018 and the largest surplus growth over the past decade was the United Kingdom, where the majority of the surplus in 2018 was also a surplus of income, having shifted from a surplus of services in 2008.

Businesses

(In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Businesses (end of March)							
Establishments less than one year old	734	733	629	678	—%	17%	8%
Net change in establishments (number of openings less closings)	90	106	95	22	(15)%	(5)%	309%
Bankruptcy filings							
Business bankruptcy filings (fiscal year)	22	23	35	39	(4)%	(37)%	(44)%
<i>Business bankruptcy filings per 10,000 businesses</i>	na	39	60	65	na	na	na
Non-business bankruptcy filings (fiscal year)	751	768	1,073	1,004	(2)%	(30)%	(25)%
<i>Non-business bankruptcy filings per 100,000 adults</i>	296	305	442	437	(3)%	(33)%	(32)%
Bank failures (calendar year)	—	8	24	25	(100)%	(100)%	(100)%
<i>Bank failures per 100,000 banks</i>	—	164	413	356	(100)%	(100)%	(100)%

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Businesses

Establishments less than one year old and net changes in establishments vary from year to year and decreased in and around the Great Recession. Between 2006 and 2014, the latest year for which the data is available, the service industry had the largest increase in the number of firms, at 286 thousand or 13%, and the agricultural services, forestry, and fishing industry had the largest rate of increase in the number of firms, at 25% or 27 thousand, while the construction industry had the largest decrease and rate of decrease in the number of firms, at 127 thousand or 24%.

Bankruptcy filings

Bankruptcy filings have decreased over the past decade, both business and non-business. Bank failures increased from 2008 to 2010 when they peaked in frequency and declined until they reached zero in 2018.

Housing

Calendar year (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Homeownership rate (inverse is rental rate)	64%	64%	65%	68%	—ppt	(1)ppt	(4)ppt
Homeowners							
New home sales	617	613	429	485	1%	44%	27%
<i>New home sales per 100,000 adults</i>	243	244	177	211	—%	37%	15%
Median new home price	\$ 326	\$ 323	\$ 269	\$ 232	1%	21%	41%
<i>Median home price adjusted for inflation (2018 base)</i>	\$ 326	\$ 331	\$ 290	\$ 271	(2)%	12%	20%
Median new home size (sq ft)	2,435	2,457	2,478	2,234	(1)%	(2)%	9%
Median new home lot size (sq ft)	8,511	8,431	8,596	8,854	1%	(1)%	(4)%
Vacancy rates ¹	3%	3%	4%	6%	—ppt	(1)ppt	(3)ppt
Renters							
Median gross rent (actual)	\$ 1,058	\$ 1,012	\$ 905	\$ 824	5%	17%	28%
<i>Median gross rent adjusted for inflation (2018 base)</i>	\$ 1,058	\$ 1,037	\$ 976	\$ 961	2%	8%	10%
Vacancy rates ¹	7%	7%	8%	10%	—ppt	(1)ppt	(3)ppt

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¹ Vacancy rates are from the Current Population Survey/Housing Vacancy Survey and represent the unweighted average of vacancy rates for housing with 1 unit, 2 or more units, and 5 or more units.

Rates of homeownership had decreased over the past decade while rates of renting a home had increased, until 2018, when this trend reversed. This is generally true across all major regions of the US.

Homeowners

New home sales peaked in 2005, bottomed out in 2011 after a 76% decline from the peak amidst the Great Recession, and have been increasing annually since, yet have not reached pre-recession levels. In the past decade, unit sales of new homes increased, with a decline in units sold in the Northeast (3 thousand homes or 9%) offset by increases in all other regions. The South saw the largest increase in unit sales (82 thousand or 31%), while the West saw the largest rate increase (40% or 46 thousand).

The median price of a new home followed a similar pattern as new home sales, decreasing during the Great Recession and increasing since, surpassing pre-recession highs in 2013. In the past decade, the largest dollar increase in median sales price was in the Northeast (\$141,000 or 41% increase), while the largest rate increase was in the Midwest (46% or \$92,000 increase).

The median size of new homes sold increased 9% over the past decade, with increases in all major regions of the US, while the median lot size of new homes sold decreased 4%, with decreases in all major regions. Vacancy rates for homeowner units decreased 3 percentage points over the past decade. In 2018, homeowner vacancy rates for 1 unit was 1%, 2 or more units was 4%, and 5 or more units was 4%.

Renters

Median gross rents increased for each of the periods presented. Median gross rent was \$1,058 in 2018, up 10% from a decade ago after adjusting for inflation. In the past decade, the largest dollar and rate increase in median gross rents was in the West (up \$328 or 33%). By State or territory, the District of Columbia had the largest dollar increase at \$505 and Colorado had the largest rate increase at 52%, while Nevada had the lowest dollar and rate increase (up \$97 and 10%). Vacancy rates for rental units decreased 3 percentage points over the past decade. Among the groupings reported, rentals with 5 or more units had the highest vacancy rates, higher than both those with 1 unit and with 2 or more units.

Jobs and wages

Calendar year (In thousands, except percentages, rates, or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Total working age employment ¹	146,056	144,103	136,248	139,383	1%	7%	5%
<i>Jobs per person in working age population (ages 16-64) ²</i>	<i>0.70</i>	<i>0.69</i>	<i>0.66</i>	<i>0.70</i>	<i>1%</i>	<i>6%</i>	<i>—%</i>
Total senior employment ¹	9,706	9,234	7,681	5,979	5%	26%	62%
<i>Jobs per person in senior population (ages 65+) ²</i>	<i>0.20</i>	<i>0.19</i>	<i>0.19</i>	<i>0.16</i>	<i>6%</i>	<i>12%</i>	<i>27%</i>
Median annual wage (actual)	\$ 38,640	\$ 37,690	\$ 35,080	\$ 32,390	3%	10%	19%
<i>Median annual wage adjusted for inflation (2018 base)</i>	<i>\$ 38,640</i>	<i>\$ 38,611</i>	<i>\$ 37,813</i>	<i>\$ 37,776</i>	<i>—%</i>	<i>2%</i>	<i>2%</i>
Workers at or below minimum wage	1,711	1,824	3,300	2,226	(6)%	(48)%	(23)%
<i>Workers at or below minimum wage per 1,000 hourly employees</i>	<i>21</i>	<i>23</i>	<i>43</i>	<i>30</i>	<i>(9)%</i>	<i>(51)%</i>	<i>(30)%</i>
Federal minimum wage per hour	\$ 7.25	\$ 7.25	\$ 7.25	\$ 5.85	—%	—%	24%
<i>Federal minimum wage per hour adjusted for inflation (2018 base)</i>	<i>\$ 7.25</i>	<i>\$ 7.43</i>	<i>\$ 7.81</i>	<i>\$ 6.82</i>	<i>(2)%</i>	<i>(7)%</i>	<i>6%</i>

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Total working age employment is from the current population survey (CPS) and represents average annual national non-farm employment.

² Total working age employment divided by the working age population of the US.

Jobs

Total working age employment increased during the periods presented in this report but has not kept pace with growth in the working age population; over the past decade, total working age employment increased 5% while the working age population increased 5%, resulting in no change in jobs per person of working age. Over this same time period, however, total senior employment increased 62% while the senior population increased 35%, resulting in an increase of 27% in jobs per senior.

Demographically:

- *Gender* - The number of employed women increased more over the past decade (up 8% to 73 million workers) than did the number of employed men (up 7% to 83 million workers).
- *Race and ethnicity* - The number of employed Asian people increased at the greatest rate (up 42% to 10 million workers) followed closely by Hispanic people (up 33% to 27 million workers), while the number of employed white people increased by 2% (to 121 million workers).
- *Type of job* - The number of jobs that increased the most were in food preparation and serving related; personal care and service; healthcare practitioners; technical, business and financial operations; management; and computer and mathematical fields (each adding more than 1 million jobs in a decade), while the number of jobs that decreased the most were in office and administrative support and in production (each losing around 1 million jobs). Production jobs include but are not limited to: assemblers and fabricators; food processing workers; metal workers and plastic workers; printing, textile, apparel, and furnishings workers; and woodworkers.

Wages

The median annual wage increased across all job categories over the past decade and outpaced inflation by 2%. By job (not adjusted for inflation):

- The largest dollar increase in median annual wages was in management jobs, increasing \$16,570 or 19% to \$104,240.
- The largest percentage increase was in farming, fishing, and forestry, increasing 31% or \$5,960 to \$25,380.
- The smallest dollar increase was in sales and related, increasing \$3,870 or 16% to \$28,180.
- The smallest percentage increase was in education, training, and library, increasing 12% or \$5,470 to \$49,700.

The job category with the highest median annual wage is management, at \$104,240 in 2018. The job category with the lowest median annual wage is food preparation and serving related, at \$23,070 in 2018.

The number of workers paid at or below minimum wage decreased 23% over the past decade, as opposed to growth in total employment (7%) and the working age population (5%). The federal minimum wage per hour increased at a rate (24%) greater than that of median annual wages (19%), pre- and post-inflation. As of January 1, 2018, the District of Columbia, Guam, and 30 states had higher minimum wages than the federal minimum wage, up to \$11.50 per hour in the District of Columbia. Five states had no state level minimum wage.

Employment Profile (calendar year 2018)

We also analyze employment by family and individual units (FIUs) and income cohort. See *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* of this report for a discussion of FIUs and income cohorts. An important thing to note when viewing the table below is that the income cohorts are based on average total Market Income, which equals the sum of average: wages and salaries, supplements to wages and salaries, self-employment income, interest income, rental income, S-Corporation income, dividend income, capital gains income, net retirement income, and other market income. Therefore, an FIU can be counted as unemployed in the table below but still have income.

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Family and Individual Unit Sub Group /Income %	16 + Population (in K)	Employed (in K)	Not Participating (in K)	Unemployed (in K)	Employment- Population Ratio	Labor Force Participation Rate	Unemployment Rate	Avg. Number of Hours Worked per Week per Unit		% of Units with # of Primary Earners		
								Primary Earners	All Earners	0 Earners	1 Earner	2 Earners
All Family and Individual Units	262,660	156,663	99,659	6,338	59.6%	62.1%	3.9%	35.9	39.7	28%	49%	23%
Bottom 5% (\$0)	5,979	439	5,319	221	7.3%	11.0%	33.5%	—	—	100%	—%	—%
Bottom 5%-20% (\$0-\$10K)	29,567	7,057	21,364	1,146	23.9%	27.7%	14.0%	7.7	8.2	69%	29%	1%
Second 20% (\$10K-\$36K)	44,212	22,031	20,827	1,354	49.8%	52.9%	5.8%	23.2	25.5	33%	62%	4%
Middle 20% (\$36K-\$69K)	49,397	30,536	17,610	1,251	61.8%	64.4%	3.9%	35.6	39.1	17%	71%	11%
Fourth 20% (\$69K-\$128K)	59,707	42,471	16,004	1,232	71.1%	73.2%	2.8%	50.0	55.5	9%	55%	36%
Top 2%-20% (\$128K-\$785K)	66,227	50,455	14,771	1,001	76.2%	77.7%	1.9%	64.0	71.2	5%	34%	62%
Top 1% (\$785K+)	3,629	2,609	976	44	71.9%	73.1%	1.7%	64.5	71.5	4%	39%	57%
Married No Kids	58,074	41,607	15,249	1,218	71.6%	73.7%	2.8%	61.0	67.4	8%	28%	64%
Bottom 5%	391	39	332	20	10.0%	15.1%	33.8%	—	—	100%	—%	—%
Bottom 5%-20%	2,424	691	1,679	54	28.5%	30.7%	7.2%	17.1	17.8	54%	34%	11%
Second 20%	3,952	1,925	1,916	111	48.7%	51.5%	5.4%	33.9	37.0	23%	47%	30%
Middle 20%	7,244	4,193	2,839	212	57.9%	60.8%	4.8%	46.4	49.4	12%	48%	41%
Fourth 20%	16,816	12,674	3,769	373	75.4%	77.6%	2.9%	64.5	70.1	3%	29%	69%
Top 2%-20%	25,390	20,891	4,076	423	82.3%	83.9%	2.0%	74.2	83.4	1%	18%	81%
Top 1%	1,298	1,013	272	13	78.1%	79.0%	1.2%	74.1	84.4	1%	27%	72%
Married Parents	63,729	43,536	18,971	1,222	68.3%	70.2%	2.7%	65.0	68.5	2%	31%	67%
Bottom 5%	198	30	158	10	15.0%	20.1%	25.3%	—	—	100%	—%	—%
Bottom 5%-20%	1,585	578	946	61	36.5%	40.3%	9.6%	25.5	26.2	31%	54%	15%
Second 20%	4,712	2,461	2,097	154	52.2%	55.5%	5.9%	44.7	46.9	3%	65%	32%
Middle 20%	9,851	5,814	3,762	275	59.0%	61.8%	4.5%	54.3	57.3	1%	51%	48%
Fourth 20%	19,379	13,715	5,322	342	70.8%	72.5%	2.4%	66.2	69.9	—%	29%	71%
Top 2%-20%	26,204	19,758	6,089	357	75.4%	76.8%	1.8%	74.7	78.8	—%	17%	83%
Top 1%	1,430	984	433	13	68.8%	69.7%	1.3%	73.8	78.2	—%	27%	73%
Single No Kids	61,114	44,206	14,783	2,125	72.3%	75.8%	4.6%	29.8	32.9	21%	79%	—%
Bottom 5%	2,605	264	2,218	123	10.1%	14.8%	31.8%	—	—	100%	—%	—%
Bottom 5%-20%	10,740	4,005	6,147	588	37.3%	42.8%	12.8%	10.3	10.7	58%	42%	—%
Second 20%	14,673	11,077	3,032	564	75.5%	79.3%	4.8%	29.6	31.6	14%	86%	—%
Middle 20%	15,746	13,770	1,544	432	87.4%	90.2%	3.0%	39.3	42.5	3%	97%	—%
Fourth 20%	11,161	10,107	775	279	90.6%	93.1%	2.7%	42.0	48.0	1%	99%	—%
Top 2%-20%	4,935	4,478	358	99	90.7%	92.8%	2.2%	43.6	53.4	2%	98%	—%
Top 1%	191	172	15	4	90.1%	92.3%	2.3%	47.1	54.1	1%	99%	—%
Single Parents	21,080	12,333	7,680	1,067	58.5%	63.6%	8.0%	27.4	31.4	24%	76%	—%
Bottom 5%	909	75	773	61	8.2%	14.9%	44.9%	—	—	100%	—%	—%
Bottom 5%-20%	3,483	928	2,228	327	26.7%	36.0%	26.0%	6.8	7.6	66%	34%	—%
Second 20%	6,450	4,197	1,894	359	65.1%	70.6%	7.9%	30.8	33.5	6%	94%	—%
Middle 20%	5,465	3,840	1,451	174	70.3%	73.4%	4.3%	38.6	43.4	3%	97%	—%
Fourth 20%	3,231	2,362	754	115	73.1%	76.7%	4.7%	41.5	50.3	1%	99%	—%
Top 2%-20%	1,147	825	304	18	71.9%	73.4%	2.1%	43.4	57.2	1%	99%	—%
Top 1%	33	20	12	1	61.0%	63.4%	3.9%	44.0	53.6	1%	99%	—%
Elderly (age 65+)	58,662	14,981	42,975	706	25.5%	26.7%	4.5%	11.1	14.1	70%	24%	7%
Bottom 5%	1,876	32	1,837	7	1.7%	2.1%	18.2%	—	—	100%	—%	—%
Bottom 5%-20%	11,334	855	10,363	116	7.5%	8.6%	12.0%	2.3	2.6	89%	10%	—%
Second 20%	14,426	2,371	11,888	167	16.4%	17.6%	6.6%	4.7	7.0	81%	17%	2%
Middle 20%	11,091	2,919	8,013	159	26.3%	27.8%	5.2%	10.1	14.2	68%	28%	4%
Fourth 20%	9,119	3,612	5,384	123	39.6%	41.0%	3.3%	21.1	27.1	48%	39%	13%
Top 2%-20%	8,551	4,504	3,942	105	52.7%	53.9%	2.3%	34.4	40.9	28%	46%	26%
Top 1%	677	419	244	14	61.9%	64.0%	3.2%	43.2	49.4	19%	46%	35%

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

In 2018, of the 262.7 million FIUs age 16 and older:

- 156.7 million FIUs or 59.6% of FIUs were employed (including the self-employed);
- 99.7 million FIUS or 37.9% were not participating in the workforce (neither employed nor actively looking for work); and
- 6.3 million FIUs or 2.4% were unemployed (not employed and had been actively looking for a job for the prior four weeks). The 3.9% unemployment rate shown in the cohort table above is different from this rate, as the rate in the table above represents the unemployed divided by the labor force (those employed and unemployed, excluding those not participating) rather than being divided by all FIUs age 16 and older.

Employed

By family type

Of the 156.7 million FIUs that were employed in 2018, the families without children had the highest employment rates. By family type:

- 41.6 million FIUs or 72% of the married without kids FIUs were employed;
- 43.5 million FIUs or 68% of the married parent FIUs were employed;
- 44.2 million FIUs or 72% of the single without kids FIUs were employed;
- 12.3 million FIUs or 59% of the single parent FIUs were employed; and
- 15.0 million FIUs or 26% of the elderly FIUs were employed.

By income cohort and disability status

Generally, the percentage of FIUs employed increase as we move up the income cohorts; the employment rate climbs from 7.3% in the lowest 5% income cohort to 76.2% in the second highest cohort, and then declines to 71.9% for the top 1% cohort. Of the working age population that was employed in 2018, 4% had a disability.

Not participating (not working, not looking)

By family type

Of the 99.7 million FIUs that were not participating in the workforce in 2018, a plurality (43.0 million FIUs or 43%) were elderly (age 65 and older). The remainder was, by family type:

- 15.2 million married without kids FIUs (26% of their family type) or 15% of the FIUs aged 16 and older that were not participating;
- 19.0 million married parent FIUs (30% of their family type) or 19% of those not participating;
- 14.8 million single without kids FIUs (24% of their family type) or 15% of those not participating; and
- 7.7 million single parent FIUs (36% of their family type) or 8% of those not participating.

By income cohort and disability status

Generally, the rates of FIUs not participating in the labor force decrease as we move up the income cohorts; the rate of those not participating decreases from 89.0% in the lowest 5% income cohort until it reaches 22.3% in the second highest income cohort, and then increases to 26.9% for the top 1% cohort. Of the working age population that was not participating in 2018, 25% had a disability.

Unemployed (not working, actively looking)

By family type

A third of the 6.3 million FIUs who were unemployed were single without kids, while the elderly comprised the fewest number of FIUs unemployed. By family type:

- 1.2 million FIUs or 19% of the FIUs aged 16 and older that were unemployed were married without kids;
- 1.2 million or 19% were married parents;
- 2.1 million or 34% were single without kids;
- 1.1 million or 17% were single parents; and
- 0.7 million or 11% were elderly.

By income cohort and disability status

Generally, the rate of FIUs unemployed decreases as we move up the income cohorts; the unemployment rate (the percentage of the FIUs age 16 and older that are unemployed) increases from 3.7% for the lowest 5% income cohort to 3.9% for the second lowest income cohort, and then decreases for each cohort through the top 1% cohort where the unemployment rate is 1.2%. Of the working age population that was unemployed in 2018, 8% had a disability.

Workweek

In 2018, the workweek averaged 39.7 hours for all FIUs. The number of hours in a workweek generally rises with incomes, ranging from zero for the bottom 5% income cohort to 71.5 hours among the top 1% income cohort. There may be multiple people in an FIU who work, so this is not the number of hours worked by each individual.

Transportation infrastructure

Fiscal year, except as otherwise noted (In thousands, except percentages and otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Percentage of roads in unsatisfactory condition by type (calendar year):							
Interstates ¹	3%	3%	3%	3%	—ppt	—ppt	—ppt
Other freeways and expressways	7%	8%	8%	7%	(1)ppt	(1)ppt	—ppt
Other principal arterials	14%	14%	13%	12%	—ppt	1ppt	2ppt
Minor arterials	19%	20%	18%	14%	(1)ppt	1ppt	5ppt
Major collectors	20%	22%	20%	16%	(2)ppt	—ppt	4ppt
Collectors	48%	50%	53%	45%	(2)ppt	(5)ppt	3ppt
Percentage of bridges in poor condition ²	8%	8%	9%	na	—ppt	(1)ppt	na
Hours of delay per commuter per year per urban highway commuter ³	na	54	48	42	na	na	na
Fuel wasted due to urban commuter delays (million gallons) ³	na	6.8	6.7	6.4	na	na	na
Passenger trains							
Number of Amtrak passengers (in millions)	31.7	31.7	30.9	28.7	—%	3%	10%
Amtrak hours of delay, due to:	96	95	79	95	1%	22%	1%
Host railroad issue (e.g. freight train interference)	55	53	45	65	4%	22%	(15)%
Amtrak issue (e.g. equipment failure, passenger handling, holding)	27	28	22	23	(4)%	23%	17%
Other (e.g. weather, customs and immigration, law enforcement)	14	14	12	7	—%	17%	100%
Average age of Amtrak locomotive and car fleets (years):							
Locomotives (diesel and electric)	19.9	19.3	21.9	19.6	3%	9%	2%
Car fleets (railcar and trainset fleets)	31.3	30.6	28.6	24.5	2%	9%	28%

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

¹ Unsatisfactory condition means an International Roughness Index (IRI) value greater than 170, as used by the National Cooperative Highway Research Program (NHCPR). These percentages were derived from <https://www.bts.gov/topics/national-transportation-statistics>.

² Poor condition means a bridge that has a condition rating of 4 or less for the deck, superstructures, substructures, or culvert, as defined by the Federal Highway Administration (<https://www.fhwa.dot.gov/bridge/britab.cfm>).

³ Data is based on an analysis by Texas A&M Transportation Institute, Mobility Division and reported by the Bureau of Transportation Statistics (a 494 urban area average).

Roads

All types of roads except interstates and other freeways and expressways became more unsatisfactory in condition over the past decade, while bridges improved in condition. As of 2018, the roads in the worst condition, at 48% unsatisfactory, are the collectors. Collectors are, for rural areas, routes that serve intra-county rather than statewide travel, and in urban areas, streets that provide direct access to neighborhoods and arterials. As of 2018, 8% of bridges were in poor condition.

Road congestion in urban areas is one of the major causes for commuter delays. Hours of delay per year per urban highway commuter increased 12 hours when comparing 2008 to 2017, the latest date for which data are available. The city that reported the greatest increase in hours of delay was Los Angeles at an increase of 26 hours, while only one city reported a decline – Cape Coral, Florida with a decline of one hour. Fuel wasted due to urban commuter delays increased 6% from 2008 to 2017, the latest date for which data are available.

Passenger trains

The number of Amtrak passengers has increased, and they are experiencing more delays in their travels. During the past decade, host railroad-caused delays decreased, whereas Amtrak and other causes increased. Amtrak owns its trains, however, over 70% of the miles traveled by Amtrak trains are on tracks owned by other railroads known as “host railroads.” Host railroads range from large, publicly traded companies based in the US or Canada, to state and local government agencies and small businesses. The leading cause of delay to Amtrak trains on host railroads is freight train interference, which is typically caused by a freight railroad requiring an Amtrak train to wait so that its freight trains can operate first.

The average age of Amtrak trains has increased over the past decade. Amtrak operates a fleet of predominantly custom-built equipment, a significant portion of which is at or nearing the end of its useful service life. Amtrak’s railcar fleet is averaging nearly 33 years of age, and its diesel locomotives nearly 21 years of age, both at or beyond Amtrak’s estimated useful commercial life of 30 years for railcars and 20-25 years for locomotives before key factors affecting a locomotive or car fleet become significant. With a long lead-time to procure any replacement units, Amtrak is focused on the continued modernization of its passenger car, locomotive, and trainset fleets.

Standard of living and aid to the disadvantaged

The standard of living and aid to the disadvantaged reporting unit seeks to maintain a minimum standard of living for all Americans and reduce levels of poverty among the US population, including children, by providing for their basic needs including welfare, free and subsidized school lunches, and child healthcare.

Poverty

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Rate of poverty of all persons - Official Poverty Measure ¹	12%	12%	15%	13%	—ppt	(3)ppt	(1)ppt
Rate of poverty of all persons - Supplemental Poverty Measure ¹	13%	13%	16%	na	—ppt	(3)ppt	na

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click [“More detail”](#) to access it.

^{na} An “na” reference in the table means the data is not available.

¹ The poverty rate is calculated by the Census based on income for the calendar year shown, for the population as of March of the following year. For example, the 2018 poverty rate is for the population living in March of 2019 that would be considered in poverty based on calendar year 2018 income.

There are two primary government poverty measures, the Official Poverty Measure (OPM) and the Supplemental Poverty Measure (SPM), which began in 2010. The key differences are that the SPM uses a different definition of income and a different poverty threshold. The OPM income or resource measure is pre-tax cash income, while the SPM income or resource measure is cash income plus in-kind government benefits (such as food stamps and housing subsidies) minus

nondiscretionary expenditures (e.g. taxes and work expenses). The OPM poverty thresholds are based on the cost of food multiplied by 3 to allow for expenditures on other goods and services, adjusted for changes in prices, while the SPM thresholds are based on a broad measure of necessary expenditures (food, clothing, shelter, and utilities) and are based on recent, annually updated expenditure data, adjusted for geographic differences in the cost of living. The two measures (OPM and SPM) may produce different pictures of who is counted as poor.

We discuss and show the details of both poverty measures below. Note that the rates in the table above are per individual, while the tables below are per family and individual unit (FIU), consistent with our other cohort tables.

Poverty profile using Official Poverty Measure (calendar year 2018)

Family and Individual Unit Sub Group/% of Poverty Threshold %	Average Per Unit			Top Earner Gender		Race, Ethnicity of Unit Head							Urban/Rural		Region			
	# of Units (in K)	Persons	Children (Under 18)	Age of Unit Head	% Male	% Female	% White (all ethnicities)	% Black (all ethnicities)	% Asian (all ethnicities)	% Other Race (all ethnicities)	% Hispanic (all races)	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All Families	149,989	2.2	0.5	50.1	56%	44%	78%	14%	6%	2%	15%	84%	83%	17%	17%	21%	38%	24%
<100% of poverty threshold	20,504	1.9	0.6	47.1	40%	60%	69%	22%	6%	3%	21%	80%	79%	21%	16%	19%	43%	22%
100%-200%	26,700	2.1	0.6	50.3	48%	52%	76%	17%	4%	3%	22%	79%	79%	21%	15%	20%	41%	23%
200%-300%	23,533	2.2	0.5	49.9	56%	44%	78%	15%	5%	2%	18%	83%	80%	20%	16%	22%	40%	22%
300%-400%	20,045	2.2	0.5	49.4	60%	40%	79%	14%	5%	2%	15%	85%	82%	18%	16%	23%	38%	23%
400%+	59,206	2.3	0.4	51.1	64%	36%	83%	9%	7%	1%	9%	87%	87%	13%	19%	22%	35%	25%
Single No Kids	51,586	1.2	—	40.5	52%	48%	74%	18%	6%	2%	16%	86%	85%	15%	17%	21%	37%	24%
<100% of poverty threshold	10,091	1.1	—	40.4	46%	54%	68%	22%	7%	3%	17%	85%	80%	20%	16%	20%	40%	23%
100%-200%	9,353	1.2	—	40.1	48%	52%	73%	20%	4%	3%	21%	83%	80%	20%	14%	22%	41%	23%
200%-300%	8,530	1.2	—	39.4	52%	48%	73%	20%	4%	3%	17%	86%	83%	17%	16%	23%	40%	21%
300%-400%	7,654	1.2	—	39.4	54%	46%	75%	18%	6%	2%	16%	87%	86%	14%	18%	23%	36%	24%
400%+	15,957	1.2	—	41.8	58%	42%	78%	13%	8%	2%	11%	87%	90%	10%	21%	19%	33%	27%
Single Parents	14,060	2.9	1.7	35.8	25%	75%	67%	26%	3%	3%	26%	83%	81%	19%	15%	21%	41%	23%
<100% of poverty threshold	4,011	3.1	2.0	34.3	16%	84%	62%	31%	3%	3%	29%	79%	78%	22%	14%	19%	46%	20%
100%-200%	3,948	3.0	1.8	35.6	24%	76%	66%	27%	2%	4%	32%	79%	80%	20%	15%	22%	41%	22%
200%-300%	2,488	2.7	1.5	36.1	29%	71%	71%	23%	3%	2%	24%	87%	81%	19%	15%	22%	39%	23%
300%-400%	1,481	2.7	1.5	36.6	32%	68%	71%	22%	4%	3%	20%	88%	85%	15%	15%	20%	42%	23%
400%+	2,133	2.5	1.4	37.9	37%	63%	73%	19%	6%	3%	16%	88%	88%	12%	18%	20%	35%	27%
Married No Kids	24,069	2.4	—	50.5	70%	30%	84%	8%	7%	1%	13%	83%	82%	18%	17%	21%	39%	23%
<100% of poverty threshold	823	2.2	—	52.4	59%	41%	78%	12%	8%	2%	16%	77%	71%	29%	14%	13%	55%	18%
100%-200%	1,758	2.4	—	50.8	68%	32%	79%	10%	8%	3%	26%	71%	77%	23%	15%	15%	46%	24%
200%-300%	2,462	2.5	—	51.1	68%	32%	81%	11%	6%	2%	24%	73%	76%	24%	14%	19%	45%	22%
300%-400%	2,758	2.5	—	50.5	71%	29%	82%	10%	6%	2%	19%	78%	79%	21%	14%	20%	42%	23%
400%+	16,269	2.4	—	50.4	71%	29%	86%	7%	7%	1%	9%	87%	85%	15%	19%	23%	36%	23%
Married Parents	24,654	4.3	2.0	40.6	76%	24%	81%	8%	9%	2%	20%	75%	84%	16%	16%	22%	37%	25%
<100% of poverty threshold	1,435	4.8	2.6	39.0	75%	25%	76%	11%	10%	3%	44%	50%	82%	18%	14%	15%	43%	28%
100%-200%	3,659	4.7	2.4	38.6	81%	19%	79%	11%	7%	3%	38%	59%	80%	20%	14%	17%	42%	28%
200%-300%	3,995	4.4	2.1	39.3	78%	22%	81%	10%	7%	3%	27%	71%	80%	20%	15%	21%	40%	25%
300%-400%	3,664	4.3	2.0	40.2	77%	23%	80%	10%	8%	2%	18%	80%	81%	19%	14%	24%	39%	23%
400%+	11,900	4.0	1.8	41.9	73%	27%	82%	6%	11%	1%	10%	82%	88%	12%	19%	23%	34%	24%
Elderly (65+)	35,620	1.7	—	72.6	52%	48%	84%	11%	4%	1%	8%	88%	79%	21%	18%	21%	38%	22%
<100% of poverty threshold	4,143	1.4	0.1	73.9	35%	65%	73%	20%	5%	2%	17%	80%	78%	22%	17%	20%	43%	21%
100%-200%	7,982	1.5	—	74.3	41%	59%	81%	14%	4%	2%	11%	86%	75%	25%	17%	20%	41%	22%
200%-300%	6,058	1.7	—	73.5	51%	49%	85%	10%	3%	1%	7%	90%	78%	22%	18%	22%	38%	22%
300%-400%	4,488	1.8	—	72.7	57%	43%	86%	9%	3%	1%	6%	90%	79%	21%	17%	24%	36%	23%
400%+	12,948	1.9	—	71.1	61%	39%	89%	6%	4%	1%	4%	91%	83%	17%	19%	22%	36%	23%

* We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

** Poverty as defined by the Official Poverty Measure (OPM), officially used by the Census Bureau since 1963. Varies by family size, composition, and age of householder. Poverty line set as equal to three times the cost of a minimum diet in 1963 (adjusted for inflation). Uses gross income before tax as resource measure.

Over the past decade, the average poverty rate of our population increased until 2013 when it started to decline. Demographically, in 2018:

- *Geographic region* -The region with the highest poverty rate remained the South, at 43% of all FIUs in poverty.
- *Race and ethnicity* -
 - White people accounted for the largest portion of FIUs in poverty, at 69% of heads of FIUs below the poverty line in 2018, while they represented an even greater portion of heads of all FIUs (78%).
 - Black people were disproportionately represented among the poor, comprising 14% of heads of all FIUs, while representing 22% of heads of FIUs below the poverty line in 2018.
 - Hispanic people (included within each applicable race as well) were also disproportionately represented among the poor, comprising 15% of the heads of all FIUs, while representing 21% of heads of FIUs below the poverty line in 2018.
- *Gender* - Families where women were the primary earners accounted for 44% of all FIUs in 2018 but 60% of the poor. In particular, women disproportionately supported elderly poor families, where they were head-of-household for 48% of all elderly FIUs but 65% of the elderly poor FIUs. The same was true for families who were married with no kids, where women were head-of-household for 30% of this population but 41% of the subset that was below the poverty line.
- *Family type* - In 2018, by family type, the largest number of people in poverty were single people without kids. Single parents had the highest poverty rate, 29%, and were disproportionally represented among the poor (20% of the poor while 9% of all FIUs). Single people without kids had a 20% poverty rate and were also disproportionally represented among the poor, representing 49% of the poor and 34% of all FIUs. All other family types were under-represented among the poor (i.e. they comprised a smaller portion of the poor than they did of all FIUs).

Poverty profile using Supplemental Poverty Measure (calendar year 2018)

Family and Individual Unit SubGroup/% of Poverty Threshold ¹	# of Units (in K)	Average Per Unit			Top Earner Gender		Race, Ethnicity of Unit Head					Location			Regional Distribution			
		Persons	Children (Under 18)	Age of Unit Head	% Male	% Female	% White	% Black	% Asian	% Other Race	% Hispanic	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
All Families	149,989	2.2	0.5	50.1	56%	44%	78%	14%	6%	2%	15%	84%	83%	17%	17%	21%	38%	24%
<100% of poverty threshold	21,648	1.9	0.5	49.5	45%	55%	70%	20%	7%	2%	23%	75%	83%	17%	17%	16%	41%	26%
100%-200%	41,452	2.2	0.6	49.2	51%	49%	74%	18%	5%	2%	22%	79%	82%	18%	17%	20%	39%	24%
200%-300%	31,403	2.3	0.5	49.0	58%	42%	79%	13%	5%	2%	14%	86%	82%	18%	16%	23%	38%	23%
300%-400%	21,236	2.2	0.4	49.8	60%	40%	82%	10%	6%	1%	10%	89%	82%	18%	17%	24%	36%	22%
400%+	34,250	2.1	0.3	52.5	65%	35%	86%	7%	6%	1%	6%	89%	84%	16%	19%	23%	37%	22%
Single No Kids	51,586	1.2	—	40.5	52%	48%	74%	18%	6%	2%	16%	86%	85%	15%	17%	21%	37%	24%
<100% of poverty threshold	9,699	1.2	—	39.7	50%	50%	68%	21%	8%	3%	21%	79%	84%	16%	16%	17%	40%	27%
100%-200%	14,103	1.2	—	40.6	50%	50%	70%	22%	5%	3%	19%	84%	83%	17%	17%	21%	38%	24%
200%-300%	10,932	1.2	—	39.5	52%	48%	74%	18%	5%	3%	15%	88%	84%	16%	17%	23%	36%	24%
300%-400%	7,194	1.2	—	40.3	53%	47%	78%	14%	6%	2%	12%	89%	85%	15%	18%	23%	36%	23%
400%+	9,658	1.1	—	42.2	57%	43%	81%	10%	7%	1%	8%	90%	87%	13%	20%	21%	35%	24%
Single Parents	14,060	2.9	1.7	35.8	25%	75%	67%	26%	3%	3%	26%	83%	81%	19%	15%	21%	41%	23%
<100% of poverty threshold	3,313	3.0	1.8	35.0	19%	81%	61%	32%	4%	3%	34%	73%	83%	17%	16%	16%	45%	23%
100%-200%	6,075	2.9	1.7	35.2	23%	77%	66%	28%	3%	3%	29%	82%	82%	18%	16%	21%	41%	22%
200%-300%	2,816	2.8	1.6	36.3	30%	70%	72%	20%	3%	4%	18%	89%	79%	21%	13%	23%	41%	23%
300%-400%	1,030	2.6	1.4	37.0	36%	64%	76%	16%	5%	4%	15%	92%	79%	21%	16%	23%	39%	23%
400%+	827	2.6	1.4	40.1	39%	61%	79%	15%	4%	2%	15%	91%	85%	15%	17%	24%	36%	23%
Married No Kids	24,069	2.4	—	50.5	70%	30%	84%	8%	7%	1%	13%	83%	82%	18%	17%	21%	39%	23%
<100% of poverty threshold	1,609	2.4	—	51.6	62%	38%	78%	10%	10%	2%	23%	69%	79%	21%	16%	14%	45%	26%
100%-200%	3,808	2.6	—	51.0	69%	31%	79%	11%	8%	2%	26%	69%	82%	18%	16%	15%	41%	27%
200%-300%	4,519	2.6	—	50.0	71%	29%	83%	9%	6%	2%	17%	81%	82%	18%	16%	21%	39%	24%
300%-400%	4,215	2.5	—	49.5	69%	31%	84%	9%	5%	2%	10%	88%	82%	18%	17%	23%	37%	23%
400%+	9,918	2.3	—	50.9	71%	29%	87%	5%	6%	1%	6%	89%	84%	16%	18%	24%	37%	20%

PART II
Item 7

Family and Individual Unit SubGroup/% of Poverty Threshold ¹	Top Earner																	
	Average Per Unit			Gender		Race, Ethnicity of Unit Head												
	# of Units (in K)	Persons	Children (Under 18)	Age of Unit Head	% Male	% Female	% White	% Black	% Asian	% Other Race	% Hispanic	% US-Born	% Urban	% Rural	% Northeast	% Midwest	% South	% West
Married Parents	24,654	4.3	2.0	40.6	76%	24%	81%	8%	9%	2%	20%	75%	84%	16%	16%	22%	37%	25%
<100% of poverty threshold	1,692	4.6	2.2	40.4	74%	26%	75%	11%	11%	3%	44%	48%	90%	10%	17%	11%	40%	33%
100%-200%	7,056	4.5	2.1	38.9	79%	21%	78%	11%	8%	3%	34%	63%	83%	17%	15%	18%	39%	28%
200%-300%	6,171	4.3	2.0	40.0	76%	24%	81%	8%	8%	2%	16%	80%	82%	18%	16%	23%	38%	24%
300%-400%	4,127	4.1	1.9	41.1	74%	26%	83%	7%	9%	1%	10%	85%	83%	17%	16%	27%	36%	22%
400%+	5,608	4.0	1.8	42.9	73%	27%	84%	5%	11%	1%	7%	84%	88%	12%	18%	25%	35%	23%
Elderly (65+)	35,620	1.7	—	72.6	52%	48%	84%	11%	4%	1%	8%	88%	79%	21%	18%	21%	38%	22%
<100% of poverty threshold	5,335	1.6	0.1	73.6	39%	61%	76%	17%	6%	2%	15%	80%	81%	19%	18%	18%	40%	25%
100%-200%	10,410	1.6	—	73.8	45%	55%	80%	14%	4%	2%	11%	85%	78%	22%	18%	19%	39%	23%
200%-300%	6,965	1.7	—	72.7	53%	47%	86%	10%	3%	1%	6%	91%	79%	21%	17%	24%	37%	22%
300%-400%	4,670	1.8	—	71.8	57%	43%	88%	7%	4%	1%	4%	92%	79%	21%	18%	24%	37%	21%
400%+	8,240	1.8	—	71.2	64%	36%	92%	4%	3%	1%	3%	93%	80%	20%	18%	23%	39%	20%

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

² Poverty threshold as defined by the Supplemental Poverty Measure (SPM) for 2013 from the Census Bureau. The SPM extends the official poverty measure by taking account of many of our Government programs designed to assist low-income families and individuals that are not included in the current official poverty measure. It uses different methodologies for household size and adjusts for cost of living differences across geographies.

The Supplemental Poverty Measure shows us, in 2018, demographically:

- **Geographic region**- The region with the highest poverty rate remained the South, at 41% of all FIUs in poverty.
- **Race and ethnicity** - White people accounted for the largest portion of FIUs in poverty, at 70% of heads of FIUs below the poverty line in 2018, while they represented an even greater portion of heads of all FIUs (78%). Black and Hispanic people were disproportionately represented among the poor, comprising 14% and 15% of heads of all FIUs, respectively, while representing 20% and 23%, respectively, of heads of FIUs below the poverty line in 2018.
- **Gender** - Families where women were the primary earners accounted for 44% of all FIUs in 2018 but 55% of the poor. In particular, women disproportionately supported elderly poor families, where they were head-of-household for 48% of all elderly FIUs but 61% of the elderly poor FIUs. The same was true for families who were married with no kids, where women were head-of-household for 30% of this population but 38% of the subset that was below the poverty line.
- **Family type** - In 2018, by family type, the largest number of people in poverty were single people without kids. Single parents had the highest poverty rate, 24%, and were disproportionally represented among the poor (15% of the poor while 9% of all FIUs). Single people without kids had a 19% poverty rate and were also disproportionally represented among the poor, representing 45% of the poor and 34% of all FIUs. The elderly had a 15% poverty rate and were also disproportionally represented among the poor, representing 25% of the poor and 24% of all FIUs. Married families were under-represented among the poor (i.e. they comprised a smaller portion of the poor than they did of all FIUs).

Subsidized housing

Calendar year	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
People in subsidized housing (in thousands)	9,535	9,653	10,077	9,635	(1)%	(5)%	(1)%
People in subsidized housing per 100,000 people	2,917	2,969	3,188	3,168	(2)%	(9)%	(8)%

* We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

The number of people in subsidized housing has fluctuated but decreased over the past decade. Demographically:

- **Gender** - Over the past decade, 75% to 78% of HUD subsidized households were headed by a woman, and 33% to 38% were headed by a woman with a child in the household.
- **Family type** - Over the past decade, 30% to 37% of HUD subsidized households had only one adult with children, while the number of households with two or more adults with children decreased 8 percentage points to only 4% in 2018.
- **Race** - Households where the head-of-household is Black comprised 42% of the subsidized households in 2018 while households headed by a white person followed at 35%. Over the past decade, the Black head-of-household percentage increased 3 percentage points, while the white head-of household percentage decreased 6 percentage points.
- **Age** - Households where the head-of-household is age 25 to 50 comprised 40% of the subsidized households in 2018, down from 44% in 2008, while households headed by a person over 62 years old followed at 36% in 2018, up from 31% in 2008.

Consumption

Calendar year	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Total household cash expenditures (consumption) (in billions)	\$ 12,955	\$ 12,353	\$ 10,500	\$ 9,587	5%	23%	35%
Cash expenditures per household	\$101,539	\$ 97,866	\$ 85,743	\$ 82,092	4%	18%	24%
Cash expenditures per household adjusted for inflation (2018 base)	\$101,539	\$100,256	\$ 92,423	\$ 95,744	1%	10%	6%

* We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

One measure of standard of living may be household consumption. Total household cash expenditures have outpaced inflation by 6% over the past decade. In 2018, our largest household cash expenditures were for healthcare (24% of our expenditures), housing (17%), food (12%), and transportation (11%). The largest dollar increases in aggregate household expenditures over the last decade were in healthcare (growth of \$1.1 trillion or 55%), food both in and out of the home (\$424 billion or 39%), housing (\$369 billion or 20%), transportation (\$257 billion or 22%), recreation and entertainment (\$212 billion or 35%), and technology (\$146 billion or 30%).

As a comparison, medical care inflation was 33%, food inflation was 20%, overall inflation was 16%, population growth was 7%, and the median annual wage grew 19% over the past decade.

Health

The health reporting unit seeks to maintain good public health in America, by incentivizing healthy behavior and managing the public healthcare delivery system.

Health conditions

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Percent of adults with: ¹							
Asthma ²	15%	14%	14%	13%	1ppt	1ppt	2ppt
Diabetes ³	11%	11%	10%	9%	—ppt	1ppt	2ppt
Heavy drinker ⁴	6%	6%	6%	5%	—ppt	—ppt	1ppt
Smoker ⁵	16%	17%	19%	18%	(1)ppt	(3)ppt	(2)ppt
Exercise 1x/mo + ⁶	76%	74%	75%	74%	2ppt	1ppt	2ppt
Obese ⁷	31%	31%	29%	26%	—ppt	2ppt	5ppt
Overweight ⁸	36%	35%	35%	36%	1ppt	1ppt	—ppt
Low sleep ⁹	36%	na	36%	na	na	—ppt	na

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

¹ Data represents the median crude prevalence of conditions across all states and the District of Columbia.

² Individuals who have ever been told that they have asthma.

³ Individuals who have ever been told by a medical professional that they have diabetes.

⁴ Males having 14+ drinks per week, females having 7+ drinks per week.

⁵ Individuals who smoke cigarettes every day or some days.

⁶ Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.

⁷ Individuals with a body mass index (BMI) greater than 29.9.

⁸ Individuals with a body mass index (BMI) between 25.0 and 29.9.

⁹ Individuals who sleep on average less than 7 hours during a 24-hour period.

Americans report experiencing higher rates of asthma, diabetes, heavy drinking, and obesity than they were a decade ago. They also report exercising more frequently. We look at these factors and others by family and individual unit (FIU) and income cohort in the table below.

Health profile (calendar year 2018)

Percent of adults who have health condition

Family and Individual Unit Sub Group/Income %	% Asthma ¹	% Diabetes ²	% Heavy Drinker ³	% Smoker ⁴	% Exercise 1x / mo + ⁵	% Obese ⁶	% Overweight ⁷	% Low Sleep ⁸
All Families	14.0%	10.7%	6.5%	13.1%	78.0%	29.8%	35.2%	33.6%
Bottom 20% (\$0-\$10K)	17.2%	18.3%	5.4%	19.3%	65.3%	32.0%	31.9%	34.5%
Second 20% (\$10K-\$36K)	15.1%	13.2%	6.0%	16.9%	71.5%	31.6%	34.0%	34.8%
Middle 20% (\$36K-\$69K)	13.8%	10.5%	6.7%	15.1%	77.2%	31.5%	34.8%	34.9%
Fourth 20% (\$69K-\$128K)	13.0%	8.1%	6.5%	10.7%	82.7%	29.4%	35.9%	33.4%
Top 20% (\$128K+)	12.5%	7.1%	7.2%	8.1%	85.7%	26.4%	37.4%	31.5%
Married No Kids	12.9%	9.6%	7.4%	11.7%	81.3%	29.5%	35.5%	32.8%
Bottom 20%	15.8%	19.6%	4.8%	20.4%	66.3%	34.1%	34.5%	36.5%
Second 20%	13.7%	13.4%	7.4%	15.3%	71.5%	34.0%	35.0%	34.1%
Middle 20%	13.0%	12.6%	5.8%	16.2%	76.0%	33.8%	35.3%	33.3%
Fourth 20%	12.9%	9.1%	7.0%	11.3%	82.4%	30.5%	34.5%	33.4%
Top 20%	12.4%	7.3%	8.4%	9.2%	85.3%	26.5%	36.4%	31.8%
Married Parents	12.8%	5.5%	5.3%	10.0%	82.5%	30.2%	36.9%	34.6%
Bottom 20%	18.3%	11.4%	3.9%	19.5%	66.0%	35.6%	35.9%	38.8%
Second 20%	14.2%	8.0%	4.7%	15.4%	74.2%	35.4%	34.6%	35.9%
Middle 20%	13.8%	6.6%	4.4%	13.5%	76.0%	34.3%	36.1%	38.0%
Fourth 20%	12.4%	5.1%	5.3%	9.9%	83.6%	30.5%	36.9%	34.5%
Top 20%	12.1%	4.5%	5.9%	7.3%	86.7%	27.1%	37.7%	33.0%
Single No Kids	16.1%	7.6%	8.4%	19.2%	78.7%	29.6%	32.4%	37.2%
Bottom 20%	18.7%	11.7%	7.1%	24.3%	70.8%	31.6%	29.1%	38.2%
Second 20%	16.8%	8.0%	7.9%	21.5%	76.5%	30.7%	32.1%	38.7%
Middle 20%	14.6%	6.4%	9.3%	18.7%	80.3%	30.1%	32.8%	37.7%
Fourth 20%	14.6%	5.0%	9.0%	14.1%	84.8%	26.8%	34.6%	35.4%
Top 20%	14.3%	4.6%	9.1%	10.7%	88.9%	24.3%	36.5%	32.4%
Single Parents	17.7%	6.7%	6.3%	20.4%	74.1%	35.3%	30.4%	42.7%
Bottom 20%	20.7%	9.1%	5.4%	26.3%	67.9%	36.7%	27.1%	42.7%
Second 20%	19.0%	6.0%	5.8%	22.0%	70.0%	35.4%	30.8%	44.5%
Middle 20%	15.8%	5.5%	7.5%	19.9%	77.1%	35.4%	30.1%	41.9%
Fourth 20%	15.2%	6.2%	6.7%	13.0%	83.0%	34.8%	32.3%	41.5%
Top 20%	15.9%	6.8%	7.1%	11.6%	84.8%	27.8%	38.7%	36.7%
Elderly (65+)	12.9%	21.1%	4.7%	9.1%	70.7%	28.5%	37.4%	26.9%
Bottom 20%	14.9%	27.9%	3.9%	12.1%	58.7%	30.3%	35.0%	27.8%
Second 20%	12.5%	22.6%	4.2%	11.2%	66.3%	29.4%	36.6%	27.1%
Middle 20%	12.5%	19.8%	5.3%	8.4%	74.4%	28.4%	38.2%	26.6%
Fourth 20%	11.7%	16.3%	4.7%	6.3%	79.3%	27.1%	39.4%	26.7%
Top 20%	12.5%	14.9%	5.8%	5.4%	82.5%	25.3%	39.4%	25.6%

¹ Individuals who have ever been told that they have asthma.

² Individuals who have ever been told by a medical professional that they have diabetes.

³ Males having 14+ drinks per week, females having 7+ drinks per week.

⁴ Individuals who smoke cigarettes every day or some days.

⁵ Individuals who in the past month have participated in any physical activities or exercises such as running, calisthenics, golf, gardening, or walking for exercise outside of regular job.

⁶ Individuals with a body mass index (BMI) greater than 29.9.

⁷ Individuals with a body mass index (BMI) between 25.0 and 29.9.

⁸ Individuals who sleep on average less than 7 hours during a 24-hour period.

By income cohort, the higher the income, the lower the rates of asthma, diabetes, smoking, obesity, and low sleep, and the higher the rates of heavy drinking, exercise, and being overweight. In 2018, the conditions where the gap between the

lowest and highest income cohorts were greatest (greater than a 10-percentage point delta) were diabetes, smoking, and exercise:

- Higher income earners report lower instances of diabetes, at 7.1% of top earners compared to 18.3% of those who earn the least.
- Smokers accounted for just 8.1% of top earners, compared with 19.3% of those who earn the least.
- Those with higher income report exercising more often than the poor, with 85.7% of the top income cohort and 65.3% of the bottom income cohort exercising at least one time per month.

There is no family type that is consistently healthier than the others by all of these measures. The elderly often represent the extremes of these measures in both positive and negative respects; they have the highest rates of diabetes and the lowest rates of heavy drinking, smoking, exercising, obesity, and low sleep. The two conditions where the gap between family types were greatest in 2018 were diabetes and low sleep. Married parents comprised 5.5% of those who reported having diabetes, while 21.1% of the elderly reported having this condition. The elderly accounted for 26.9% of those who slept on average less than seven hours a day, compared with 42.7% of single parents.

Overall, in 2018, 65.0% of Americans were either overweight or obese. The highest rate of obesity was among single parents, while the lowest was among the elderly. The highest rate of those overweight was among the elderly, while the lowest was among single parents. The rate of obesity has increased over the last decade, while the rate of those overweight has decreased.

By major racial and ethnic group, there is no group that is consistently healthier than the others by all of these measures. The race or ethnicity with the highest and lowest rates of these measures are:

- *Asthma* - highest - Black people at 17%, lowest - Hispanic people at 12%
- *Diabetes* - highest - Black people at 14%, lowest - white people at 10%
- *Heavy drinker* - highest - white people at 7%, lowest - Black people at 5%
- *Smoking* - highest - Black people at 15%, lowest - Hispanic people at 10%
- *Exercise* - highest - white people at 79%, lowest - Black people at 73%
- *Obese* - highest - Black people at 38%, lowest - white people at 29%
- *Overweight (but not obese)* - highest - Hispanic people at 38%, lowest - Black people at 33%
- *Low sleep* - highest - Black people at 44%, lowest - white people at 31%

All these populations generally follow the overall trend that the higher the income, the lower the rates of asthma, diabetes, smoking, and obesity, and the higher the rates of heavy drinking, exercise, and being overweight (but not obese). Low sleep doesn't follow a consistent trend based on income for any of the races or ethnicities.

Longevity and mortality

Calendar year	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Life expectancy at birth (years)	78.7	78.6	78.8	78.2	—%	—%	1%
Average age at death (years)	73.3	73.1	73.2	72.6	—%	—%	1%
Total deaths	2,839	2,814	2,597	2,472	1%	9%	15%
Deaths by leading and other select causes (in thousands):							
Circulatory diseases	869	859	801	809	1%	8%	7%
Cancers	615	615	600	580	—%	3%	6%
Respiratory diseases	283	279	261	245	1%	8%	16%
Accidents	167	170	131	122	(2)%	27%	37%
Mental disorders	135	136	156	105	(1)%	(13)%	29%
Heroin poisoning	15	15	8	3	—%	88%	400%
Other opioid	13	14	11	9	(7)%	18%	44%
Other synthetic narcotics ¹	31	28	3	2	11%	933%	1,450%
Firearm deaths	40	40	34	32	—%	18%	25%
Suicides	48	47	41	36	2%	17%	33%

⁴ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

⁷ Synthetic opioid analgesics other than methadone, including drugs such as fentanyl and tramadol.

During the periods presented, both life expectancy at birth and average age at death increased by 1%. Life expectancy for males and females, Hispanic people, and non-Hispanic Black and white people, all increased, with the largest increase at 1.3 years, for non-Hispanic Black males. In 2018, male life expectancy at birth was 76.2 years and female was 81.2 years. For non-Hispanic Black people, life expectancy at birth was 74.9 years, while for non-Hispanic white people it was 78.7 years.

Causes of death

The leading causes of death, as shown in the table above, remained the leading causes throughout the periods shown in this report. Most leading causes of death have increased over the past decade, even when adjusting for population growth, except in the case of circulatory diseases and cancer, where the rates of death grew the same or slower than the rate of population growth. Though they are not leading causes of death, heroin, opioid, and other synthetic narcotic deaths have increased at rates far exceeding those of the leading causes over the past decade. Other synthetic narcotics had the most significant increase of 1,450% over the past decade, followed by heroin poisoning with an increase of 400%. Demographically:

- *Age and gender* – the age group between 25 to 34 made up the largest group of other synthetic narcotics and heroin death increases over the past decade at 32%, followed by those between the ages of 35 to 44 at 26%, and those between the ages of 65 and 74 at 19%. Male deaths more than doubled those of female deaths within each of these age groups.
- *Race and ethnicity* – White people experienced the most other synthetic narcotic deaths and heroin deaths making up 82% of the increase over the past decade, with Black people following at 17%.

Though also not a leading cause of death, deaths from firearms increased 25% over the past decade. In 2018, 61% of these deaths were suicides, 35% were homicides, and the remainder was not classified. Demographically:

- *Geography* - Metropolitan areas housed 82% of the firearm deaths, while 18% occurred in non-metropolitan areas.
- *Age* - A plurality of firearm deaths occurred for those between ages 20 and 34, at 32% of the deaths, while the least number occurred for those under 19, at 8% of the deaths.
- *Race and ethnicity* - White people experienced the most firearm deaths at 72%, while Black people experienced 25% of the deaths.

Suicide was the 10th leading cause of death overall in the US in 2018, with more than two and a half times as many suicides (48,344) as there were homicides (18,830). Demographically:

- suicide was the second leading cause of death among individuals between the ages of 10 and 34 and the fourth among individuals between the ages of 35 and 54;
- among females, the suicide rate was highest for those aged 45-64 (10.2 per 100,000);
- among males, the suicide rate was highest for those aged 75 and older (39.9 per 100,000); and
- rates of suicide were highest for American Indian non-Hispanic males (34.8 per 100,000) and females (10.5 per 100,000), followed by white non-Hispanic males (30.4 per 100,000) and females (8.3 per 100,000).

Healthcare affordability

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Total personal healthcare expenditures (in billions) ¹	\$ 3,048	\$ 2,928	\$ 2,409	\$ 2,008	4%	27%	52%
<i>Personal healthcare expenditures per capita</i>	\$ 9,326	\$ 9,006	\$ 7,622	\$ 6,603	4%	22%	41%
<i>Personal healthcare expenditures adjusted for inflation (medical inflation, 2018 base) (in billions)</i>	\$ 3,048	\$ 2,983	\$ 2,747	\$ 2,678	2%	11%	14%
Out-of-pocket healthcare expenditures (in billions) ²	\$ 389	\$ 374	\$ 330	\$ 300	4%	18%	30%
<i>Percentage of personal healthcare expenditures paid out-of-pocket</i>	11%	11%	12%	12%	—ppt	(1)ppt	(1)ppt
Percentage of disposable income spent on healthcare ³	22%	22%	22%	21%	—ppt	—ppt	1ppt
Percentage of Americans that are uninsured	9%	9%	15%	15%	—ppt	(6)ppt	(6)ppt

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

² Personal healthcare expenditures include hospital, physician and clinical, prescription drug, dental services, and other professional and durable products expenditures, as aggregated by the Centers for Medicare and Medicaid Services, Office of the Actuary, and National Health Statistics Group.

³ Out-of-pocket expenses are costs for medical care that aren't reimbursed by insurance, including deductibles, coinsurance, and copayments for covered services plus all costs for services that aren't covered.

³ See the definition of disposable income at the Wealth creation table below.

Total personal healthcare expenditures rose 52% over the last decade, or 41% per capita. These expenditures increased across all major categories, with the largest dollar increases in hospital (\$401 billion or 56% increase), physician and clinical (\$256 billion or 53%), and prescription drug (\$106 billion or 43%) expenditures.

Private health insurance, Medicare, Medicaid, and individual "out-of-pocket" expenditures (excluding insurance premiums) made up 32%, 21%, 16%, and 11%, respectively, of the total personal healthcare expenditures payment sources in 2018. Department of Defense healthcare expenditures grew at the lowest rate (23%), with payments from every other source growing at higher rates (ranging from 30% to 102%), over the past decade. The largest dollar increases by payment source were for private health insurance followed by Medicare and then Medicaid. As a percentage of personal healthcare expenditures, out-of-pocket payments decreased over the past decade.

In 2018, households spent 22% of their disposable household cash income on healthcare as compared to 21% in 2008. Over the past decade, as a percentage of disposable household income, spending in nearly every major healthcare category increased, with the largest increases in expenditures for hospitals, at a 0.6 percentage point increase, and for pharmaceutical products, at a 0.5 percentage point increase.

In 2018, 9% of Americans were uninsured, including 5% of children, a decrease from 15% of Americans, including 10% of children, in 2008. Experience varies by race and ethnicity, with white non-Hispanic people having the lowest uninsured rates at 6% in 2018, down from 10% in 2008, and American Indian/Alaska Native people having the highest rates at 19% in 2018, down from 30% in 2008.

Blessings of Liberty (BL)

This segment works to secure the blessings of liberty to the US population and its posterity. Its reporting units are education, wealth and savings, sustainability and self-sufficiency, and the American Dream. Overall, the long-term trend for the past decade shows we:

- **made meaningful progress** on: net asset accumulation, including total and average household financial and real estate assets paired with lower mortgage debt, numbers of pension participants, total pension assets and the rates of return thereon; the number of associate's degrees granted; civil rights crimes reported; environmental sustainability and self-sufficiency, including reduced net energy consumption, increased energy consumption from renewable sources, and number of days reaching unhealthy level for air quality; increased consumption of grains and soy vs. meat and poultry; and rates of midterm voting;

- **regressed notably** in the cost of higher education, total government debt as a percentage of GDP and per capita, and crop failures.

Shorter-term trends may differ.

Education

The education reporting unit seeks to increase educational attainment in the US.

Pre-kindergarten to grade 12

Calendar year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Head Start ¹ funded enrollment (in thousands) (fiscal)	887	899	904	907	(1)%	(2)%	(2)%
Head Start ¹ funded enrollment per 10,000 children age birth-5	449	452	455	447	(1)%	(1)%	—%
Percentage of 3-5 year-olds enrolled in educational programs:							
Full day	41%	42%	39%	37%	(1)ppt	2ppt	4ppt
Half day	23%	22%	26%	26%	1ppt	(3)ppt	(3)ppt
Percentage of 5- to 17-year-olds enrolled in public elementary and secondary school	na	94%	93%	92%	na	na	na
Rate of high school graduates as percentage of freshman cohort	85%	85%	81%	na	—ppt	4ppt	na
Percentage of population 25 years and over with a high school diploma or GED (no more or less education)	29%	29%	30%	31%	—ppt	(1)ppt	(2)ppt
% students at or above proficient NAEP ² reading level							
4 th grade	na	37%	35%	na	na	na	na
8 th grade	na	36%	36%	na	na	na	na
% students at or above proficient NAEP ² math level							
4 th grade	na	40%	42%	na	na	na	na
8 th grade	na	34%	35%	na	na	na	na

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

^{na} An "na" reference in the table means the data is not available.

¹ Head Start provides programs that promote school readiness of children ages birth to five from low-income families by supporting their development in a comprehensive way. The programs offer a variety of service models, depending on the needs of the local community, including programs based in schools, child care centers, and family child care homes. Some programs offer home-based services that assigned dedicated staff who conduct weekly visits to children in their own home and work with the parent as the child's primary teacher.

² National Assessment of Educational Progress, the largest nationally representative and continuing assessment of what America's students know and can do in various subject areas. Since NAEP assessments are administered uniformly using the same sets of test booklets across the nation, NAEP results serve as a common metric for all states and selected urban districts. The assessment stays essentially the same from year to year, with only carefully documented changes. This permits NAEP to provide a clear picture of student academic progress over time.

Enrollment and graduation

Head Start funded enrollment decreased 2% over the past decade. The percentage of children ages three to five that are enrolled in education programs also increased from 2008 to 2018, from 63% to 64%, with those enrolled in full day programs increasing and those enrolled in half day programs decreasing.

As a percentage of the applicable population, enrollment in public elementary and secondary schools was generally consistent over the past decade, though the data is not available for 2018.

The rate of high school graduates as a percentage of those that began high school increased from 2010 (the most recent comparative period for which data is available) to 2018. The percentage of the population age 25 years and older whose highest schooling is a high school diploma or GED (no more or less education) decreased over the past decade. In 2018, demographically:

- *Gender* – the rates for males and females were similar at 30% and 27% of each population, respectively;
- *Age* – the rates increased with age, with 25- to 34-year-olds at 26%, 35- to 54-year-olds at 26%, and 55-year-olds and older at 32%; and
- *Race and ethnicity* – Asian people have the lowest rate at 19%, followed by people who are non-Hispanic white at 28%, white at 29%, Hispanic of any race at 31%, and Black at 33%.

Educational proficiency

The NAEP scores are provided every two years. Using the most recent data available in our reporting window, between 2009 and 2017, the reading proficiency rates increased for both 4th and 8th graders, while the math proficiency rates decreased for both 4th and 8th graders. There are notable demographic variances, in 2017:

- *Race and ethnicity* – Asian children are the most proficient in both reading (56% are proficient at grade 4, 55% at grade 8) and math (64% at grade 4, 62% at grade 8), followed by white children in reading (47% at grade 4, 45% at grade 8) and math (51% at grade 4, 44% at grade 8). Hispanic and Black children perform at the lowest end of the range, with Black children the least proficient at reading (20% at grade 4, 18% at grade 8) and math (19% at grade 4, 13% at grade 8) and Hispanic children not faring much better at reading (23% at both grades) and math (26% at grade 4, 20% at grade 8).
- *Gender* – boys are more proficient in math, while girls are more proficient in reading. However, by grade 8 girls are nearly as proficient in math as boys. For math, boys were 42% proficient at grade 4 and 35% proficient at grade 8, while girls were 38% proficient and 33% proficient, respectively. For reading, girls were 39% proficient at grade 4 and 41% at grade 8, while boys were 34% proficient and 31% proficient, respectively.
- *Residential area* – For both reading and math, students are more proficient when they live in suburbs, followed by rural areas, then cities, then towns.
- *State* – Students in Massachusetts are the most proficient in reading for both 4th and 8th grades, at 50% and 40%, respectively, while 4th grade students in New Mexico and 8th grade Students in DC have the lowest proficiency in reading, at 25% and 20%, respectively. Students in Louisiana have the lowest proficiency in 8th grade math at 19%. There is no state data available for 4th grade math proficiency.

Higher education

Calendar year (In thousands, except percentages)	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Average annual cost of undergraduate education	\$ 23,833	\$ 23,091	\$ 20,995	16,227	3%	14%	47%
<i>Average annual cost of undergraduate education adjusted for inflation (2018 base)</i> ¹	\$ 23,833	\$ 23,655	\$ 22,631	18,926	1%	5%	26%
Rate of college enrollment as percentage of recent high school graduates	69%	67%	66%	69%	2ppt	3ppt	—ppt
Rate of graduation from four-year institutions within six years of start	62%	60%	60%	58%	2ppt	2ppt	4ppt
Rate of graduation from two-year institutions within three years of start	33%	32%	29%	28%	1ppt	4ppt	5ppt
Number of associate's degrees conferred by postsecondary institutions	1,011	1,006	1,005	787	—%	1%	28%
Percentage of population 25 years and over with a bachelor's degree or higher	35%	34%	32%	29%	1ppt	3ppt	6ppt

⁺ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Cost is the average undergraduate tuition, fees, room, and board rates charged for full-time students in degree-granting postsecondary institutions, both 2-year and 4-year institutions. Adjusted for inflation at the source.

Average annual cost (adjusted for inflation)

The average annual cost of undergraduate education, adjusted for inflation, has increased 26% over the past decade. The cost for 4-year institutions increased more than that for 2-year institutions, at 23% and 22% growth, respectively. Among the components of the cost of education, tuition and fees and dormitory room costs increased the most at 30% and 31% growth, respectively. Inflation over the decade was 17%.

Enrollment

The overall rate of college enrollment by recent high school graduates has fluctuated but remains at the same level as a decade ago. From 2008 to 2018, the rate of enrollment in 4-year institutions rose 2.7 percentage points, while enrollment in 2-year institutions dropped 2.2 percentage points. The rate of male enrollment rose 1.1 percentage points, with enrollment in 4-year institutions increasing 1.1 percentage points and enrollment in 2-year institutions flat. The rate of female enrollment declined 0.2 percentage points, with enrollment in 2-year institutions decreasing 4.5 percentage points and enrollment in 4-year institutions increasing 4.3 percentage points. From 2008 to 2016, the latest date for which data is available, the rate of college enrollment by students coming from low-income and high-income families increased by 9.5 and 0.6 percentage points, respectively, while enrollment by middle-income students decreased 0.2 percentage points.

Graduation

The rates of graduation from both 4-year and 2-year institutions have increased over the past decade. However, the rates vary by type of institution and the gender and race of the student.

4-year institutions

For 4-year institutions, in most years, the rates of graduation from for-profit institutions are less than half of the rates from each public and nonprofit institutions. In 2018, these rates were 25%, 61%, and 67%, respectively. Over the past decade, graduation rates from 4-year institutions increased overall and for all types of institutions.

Females graduate from 4-year institutions at higher rates than men, at 65% and 59%, respectively, in 2018. These graduation rates reflect increases of 4.6 and 5.4 percentage points among males and females, respectively, over the past decade. By institution type, males and females both graduated at the highest rates from nonprofit 4-year institutions.

By race and ethnicity, Asian people enjoyed the highest rate of graduation from 4-year institutions, at 75% in 2018, while American Indian/Alaska Native people had the lowest rate, at 41%.

2-year institutions

For 2-year institutions, in most years, the rates of graduation for both males and females from public institutions are less than half of the rates from each for-profit and nonprofit institutions. In 2018, these overall graduation rates were 27%, 62%, and 62%, respectively. By race and ethnicity, Asian people enjoyed the highest rate of graduation, at 39% in 2018, while Black people had the lowest rate, at 28%.

Over the past decade, graduation rates from 2-year institutions increased 5 percentage points. The rates increased in nonprofit, public, and for-profit institutions, by 14.0, 6.3, and 3.7 percentage points, respectively. By gender, graduation rates increased 5.6 and 4.3 percentage points among males and females, respectively.

Degrees

Associate's degree

The number of associate's degrees conferred by postsecondary institutions increased 28% over the last decade. In 2018, demographically:

- *Gender* – 39% of the degrees were conferred to males, while 61% were conferred to females; and
- *Race and ethnicity* – a majority (54%) of the degrees were earned by white non-Hispanic students, with the second and third largest populations, Hispanic and Black non-Hispanic students, earning 23% and 13% of the degrees, respectively.

Bachelor's or higher degree

The percentage of the population 25 years and older with a bachelor's degree or higher increased 6 percentage points over the last decade.

In 2018, demographically:

- *Gender* – females had a 1.7 percentage point higher rate than males of obtaining a master's degree (10% and 9%, respectively, rounded) and a 0.3 percentage point higher rate for bachelor's degrees (22% each, rounded), while males had a 0.5 percentage point higher rate of obtaining professional degrees (2%) than women (1%) and a 0.9 percentage point higher rate for doctorate degrees (3% and 2%, respectively);
- *Age* – the rates of bachelor's degrees decrease with age, with 25- to 34-year-olds at 28%, 35- to 54-year-olds at 23%, and 55-year-olds and older at 18%, while rates of master's, professional, and doctorate degrees all generally have higher rates in the older age groups; and
- *Race and ethnicity* – Asian people had the highest rate of earning all degrees, at 31% for bachelor's, 18% for master's, 3% for professional, and 5% for doctorate degrees, while Hispanic people of any race have the lowest rates at 13% for bachelor's, 4% for master's, and 1% for each professional and doctorate degrees.

Education profile (calendar year 2018)

One way to analyze education outcomes is by family and individual units (FIUs) and income cohorts. As discussed under *Part I, Item 1. Purpose and Function of Our Government, Customers, Cohorts of our population* of this report, although we categorize the families based on presence of children under 18, if a person is aged 18 or older and still living in the family with relatives, she would not be her own economic unit unless she had her own subfamily. Therefore, in the table below, households that are "no kids" may have students currently living in the home, either young adult students still living at home or adults who have gone back to school.

Family and Individual Unit Sub Group/Income %	Educational Attainment of Unit Head				# of Students in Household (in thousands)				
	% Some H.S.	% H.S. Diploma	% Some College	% College Graduate	Pre-School (Aged 3+)	K-12		College	
						Public	Private	Full-Time	Part-Time
All Family and Individual Units	10%	27%	28%	35%	5,057	48,375	5,761	13,396	4,432
Bottom 20% (\$0-\$10K)	23%	34%	27%	16%	450	5,037	415	2,858	447
Second 20% (\$10K-\$36K)	13%	36%	31%	21%	736	8,046	580	2,064	788
Middle 20% (\$36K-\$69K)	8%	29%	31%	31%	961	9,560	889	1,946	884
Fourth 20% (\$69K-\$128K)	5%	23%	28%	44%	1,287	11,720	1,415	2,692	1,074
Top 20% (\$128K+)	2%	14%	22%	62%	1,556	13,494	2,417	3,644	1,198
Single No Kids	9%	28%	29%	34%	8	688	91	5,101	1,447
Bottom 20%	17%	33%	31%	19%	1	230	33	2,267	248
Second 20%	11%	35%	32%	22%	—	171	16	1,243	396
Middle 20%	5%	28%	31%	37%	4	163	20	751	441
Fourth 20%	2%	18%	24%	56%	1	65	4	505	238
Top 20%	1%	12%	17%	71%	2	49	14	216	108
Single Parents	18%	31%	31%	20%	1,343	15,740	1,004	1,148	484
Bottom 20%	39%	32%	22%	8%	350	3,608	245	282	83
Second 20%	16%	38%	35%	10%	460	5,095	277	321	182
Middle 20%	8%	31%	38%	23%	298	4,005	258	281	93
Fourth 20%	5%	18%	31%	46%	172	2,077	157	164	95
Top 20%	3%	12%	21%	64%	43	688	59	75	23
Married No Kids	7%	26%	28%	39%	4	823	157	3,370	968
Bottom 20%	19%	35%	23%	24%	—	29	8	128	16
Second 20%	18%	34%	26%	22%	—	56	2	185	54
Middle 20%	14%	34%	31%	22%	2	119	10	323	89
Fourth 20%	7%	29%	32%	32%	1	248	57	935	299
Top 20%	2%	18%	26%	55%	1	362	77	1,793	508
Married Parents	8%	20%	25%	46%	3,644	30,012	4,390	3,210	1,099
Bottom 20%	26%	31%	24%	19%	93	928	103	104	24
Second 20%	24%	32%	24%	20%	262	2,506	261	217	67
Middle 20%	18%	32%	29%	20%	638	5,070	578	454	188
Fourth 20%	7%	24%	30%	39%	1,103	9,103	1,175	974	362
Top 20%	2%	11%	20%	68%	1,532	12,197	2,247	1,438	455
Elderly (age 65+)	12%	30%	27%	31%	58	1,112	119	567	435
Bottom 20%	24%	37%	25%	15%	6	240	27	77	77
Second 20%	12%	36%	29%	23%	14	219	23	97	88
Middle 20%	6%	27%	31%	36%	19	202	22	138	72
Fourth 20%	5%	21%	28%	46%	10	228	22	114	80
Top 20%	2%	16%	22%	60%	8	198	20	122	104

[†] We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

In 2018, 35% of all heads-of-households had a college degree, with the percentage climbing with each income cohort, from 16% at the lowest income cohort to 62% at the highest. Another 28% had some college education, and 27% had only a high school diploma. Ten percent of all heads-of-households had no college degree or high school diploma.

By family type, married parents are most likely to be among the college-educated, at 46% of the heads of these households having graduated college. The least likely are single parents, at 20% having graduated college. The highest-educated group is single with no kids in the top 20% by income, with 71% holding college degrees. Those with the least education are single parents in the bottom 20% by income, of whom just 8% are college graduates and 39% have only some high school education.

Wealth and savings

The wealth and savings reporting unit encourages wealth creation through fair taxation and tools for homeownership, and encourages saving for retirement through pension plans, Social Security, and Medicare, while seeking to maintain a manageable balance between current expenditures and future debt.

Wealth creation

Calendar year	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Rate of savings as a percentage of disposable income ¹	14%	14%	13%	11%	—ppt	1ppt	3ppt
Total household financial assets (primarily at market value) (in billions)	\$ 83,684	\$ 84,509	\$ 67,765	\$ 48,062	(1)%	23%	74%
Average financial assets (per household)	\$ 651,484	\$ 669,518	\$ 553,371	\$ 411,554	(3)%	18%	58%
Average financial assets adjusted for inflation (2018 base)	\$ 651,484	\$ 685,872	\$ 596,484	\$ 479,995	(5)%	9%	36%
Homeownership rate (as a percentage of households)	64%	64%	65%	68%	—ppt	(1)ppt	(4)ppt
Average real estate assets (per household)	\$ 246,806	\$ 237,983	\$ 185,510	\$ 197,559	4%	33%	25%
Average real estate assets adjusted for inflation (2018 base)	\$ 246,806	\$ 243,796	\$ 199,963	\$ 230,413	1%	23%	7%
Average home mortgage debt (per household)	\$ 79,498	\$ 78,659	\$ 77,063	\$ 90,572	1%	3%	(12)%
Average home mortgage debt adjusted for inflation (2018 base)	\$ 79,498	\$ 80,580	\$ 83,067	\$ 105,634	(1)%	(4)%	(25)%

¹ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available.

¹ Disposable income is a USAFacts defined value equal to market income plus government transfers to households (includes Social Security, Medicare, Medicaid, Supplemental Security Income, SNAP, EITC, etc), minus direct taxes (including payroll taxes, personal income taxes, taxes on owner-occupied housing, etc).

The rate of savings as a percentage of disposable income increased 3 percentage points over the past decade, due to increases in income that outpaced increases in expenditures. Disposable income increased primarily due to higher wages and salaries (36% increase) and government benefits (53% increase), as well as due to sole proprietor/partnership income (65% increase), retirement benefit distributions (43% increase), and capital gains (95% increase). See analysis of the taxable components of income in *Revenues, Federal individual income tax revenue* above. Expenditures increased primarily in the categories of health (55% increase), food (39% increase), and housing (20% increase).

Financial assets

Total and average (per household) financial assets (excluding real estate) increased over the past decade, 74% and 58%, respectively. Total household financial assets increased \$35.6 trillion, primarily reflecting increases in corporate equities (\$10.8 trillion), pension entitlements (\$10.2 trillion), mutual fund shares (\$5.1 trillion), and time and savings deposits (\$3.5 trillion). Average household financial assets increased at a lower rate than total household financial assets due to a 10% increase in the number of households.

Real estate

In 2018, 64% of households owned their home. The percentage of families that are homeowners fell 4 percentage points over the last decade, including:

- *By geography*, the largest decrease was at 4.5 percentage points in the South, while the lowest decreases were at 2.9 percentage points in each the Midwest and the Northeast;
- *By race and ethnicity*, the largest decrease was among Black people at 6.1 percentage points, and the lowest decrease was among non-Hispanic white people at 2.0 percentage points; and
- *By income group*, the rate of decrease was 4.8 percentage points among households with family income greater than or equal to the median family income and 1.5 percentage points among households with family income less than the median.

Average real estate assets (not included in financial assets) per household increased 25% over the past decade, while average mortgage debt decreased 12%. Since 2012, average real estate asset values per household have been climbing, and since 2015, average home mortgage debt per household has been climbing. In 2018, average real estate assets less average mortgage debt per household was \$167,308.

Wealth profile (calendar year 2016, only produced every three years)

	Average Assets (thousands)	Average Debt (thousands)	Average Net Worth (thousands)	Ratio of Debt Payments to Income (Avg.)	% Families Past Due on Debt (60 Days)	% Families that Saved
All families	\$ 787	\$ 95	\$ 692	10.8%	5.8%	55.4%
Bottom 20% of income ¹	109	20	90	16.2%	8.0%	32.1%
Second 20% of income ¹	163	34	129	14.6%	7.8%	45.2%
Middle 20% of income ¹	269	62	207	15.3%	7.7%	57.2%
Fourth 20% of income ¹	441	110	374	15.7%	3.9%	64.8%
Top 20% of income ¹	2,912	251	2,661	8.2%	1.6%	77.6%
Under 35	144	68	76	14.1%	8.6%	56.7%
Age 35-44	422	133	289	15.2%	9.1%	56.7%
Age 45-54	862	135	728	11.7%	6.0%	55.1%
Age 55-64	1,276	108	1,168	9.1%	4.4%	55.0%
Age 65-74	1,133	66	1,067	7.9%	3.2%	54.3%
Age 75+	1,104	37	1,067	6.0%	1.4%	53.5%

[†] Data from the Survey of Consumer Finances, The Federal Reserve Board. This source has a subset of this data for more recent periods.

¹ The income classifier used is "usual" income, designed to capture a version of household income with transitory fluctuations smoothed away in order to approximate the economic concept of "permanent" income. Usual income differs from actual income when the respondent reports that the family experienced a negative or positive income "shock" that is unlikely to persist, say from a temporary unemployment spell or an unexpected salary bonus; respondents are given the option to report their usual income if they believe they experienced a temporary deviation. The definition of "family" is a primary economic unit (PEU), distinct from everyone else in the household. The PEU is intended to be the economically dominant single person or couple (whether married or living together as partners) and all other persons in the household who are financially interdependent with that economically dominant person or couple.

By income cohort, in 2016, families in the top 20% of income had higher average net worth than all other income cohorts, including 611% higher net worth than the next highest income cohort, and 2,857% higher net worth than the lowest income cohort.

Families in all income cohorts held a plurality (24% overall) of their assets in primary residences. By age, average assets in 2016 grew as we moved up each age cohort, peaked at ages 55 to 64 years old, and then decreased again for those age 65 and older. Except for those age 55 to 64, families of each age group held the largest portion of their assets in primary residences, followed by other non-financial assets (except for those under age 35, where other financial assets was the second highest category). Those age 55 to 64 held a plurality of their assets, 24%, in other nonfinancial assets.

Families in all income and age cohorts held a majority (67% overall) of their debt in primary residence mortgages. The second highest debt category for all income and age cohorts was education loans, except for the top 20% income cohort and age cohorts 45 and older, where other residential debt was the second highest category. By age, average debt in 2016 grew as we moved up each age cohort, peaked at ages 45 to 54 years old, and then decreased again for those age 55 and older.

The ratio of debt payments to income did not follow a discernable pattern as we moved between income cohorts, with the highest ratio in the fourth income quintile from the bottom and the lowest ratio in the top income quintile. The ratio of debt payments to income, however, peaked at age 35 to 44 and then decreased as we moved up the age cohorts.

The percentage of families that were past due on debt by 60 days or more decreased as we moved up the income cohorts. By age, the rates peaked at age 35 to 44, then decreased as we moved up the age cohorts.

The percentage of families that saved increased as we moved up the income cohorts. By age, the rates of those who saved did not vary greatly, clustering around 50%-55%, with the maximum variance in savings rates between age cohorts at 4.2 percentage points.

Retirement

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Elderly (65+) poverty rate	10%	10%	10%	10%	—ppt	—ppt	—ppt
Number of active participants in private pension plans (in thousands) ¹	96,449	94,625	91,955	86,233	2%	5%	12%
<i>Active participants in private pension plans as a percentage of the working age population</i>	46%	45%	45%	43%	1ppt	1ppt	3ppt
Private retirement plan assets per active participant ¹	\$ 95,730	\$ 103,134	\$ 85,595	\$ 54,544	(7)%	12%	76%
<i>Private retirement plan assets per active participant adjusted for inflation (2018 base)</i>	\$ 95,730	\$ 105,653	\$ 92,264	\$ 63,615	(9)%	4%	50%
Annual rate of return earned by pension plans with 100 or more participants	(3.3)%	14.8%	14.9%	(21.6)%	(18.1)ppt	(18.2)ppt	18.3ppt
Number of active participants in 401(k) type private pension plans (in thousands) ¹	70,335	68,187	64,495	59,976	3%	9%	17%
<i>Active participants in 401(k) type private pension plans as a percentage of the working age population</i>	34%	33%	31%	30%	1ppt	3ppt	4ppt
401(k) type private retirement plan assets per active participant ¹	\$ 74,347	\$ 80,314	\$ 64,801	\$ 37,185	(7)%	15%	100%
<i>401(k) type private retirement plan assets per active participant adjusted for inflation (2018 base)</i>	\$ 74,347	\$ 82,276	\$ 69,850	\$ 43,369	(10)%	6%	71%
Rate of return earned by 401(k) type plans with 100 or more participants	(4.5)%	15.8%	18.3%	(24.9)%	(20.3)ppt	(22.8)ppt	20.4ppt

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¹ Active participants include any workers currently in employment covered by a plan and who are earning or retaining credited service under a plan. This category includes any nonvested former employees who have not yet incurred a break in service. Active participants also include individuals who are eligible to elect to have the employer make payments to a Code section 401(k) plan.

Elderly poverty

The rate of the elderly in poverty, 10%, is equal to the rate of a decade ago. In 2018, by gender, the rate of poverty was higher among female elderly, at 11% of the respective population, than among male elderly, at 8% of the respective population. The poverty rates were the highest among elderly Black at 19%, down from 20% in 2008, whereas the poverty rates were the lowest among the elderly whites at 7%, down from 8% in 2008.

Private pension plan participation

The number of active participants in private pension plans, including 401(k) type plans, has increased over the past decade, outpacing the increase in the working age population. Underlying the overall increase is a 24% increase in active participation in defined contribution plans, offset in part by a 31% decrease in active participation in defined benefit plans. Defined contribution plans are pension plans where the periodic contribution by the sponsor is known but the ultimate benefit to be provided is unknown. Defined benefit plans are pension plans where the ultimate benefit to be provided by the sponsor is known and the contribution amount may vary to reach that goal.

Private pension plan assets per active participant increased over the past decade. In 2018, average pension plan assets per active participant amounted to \$95,730 in all private pension plans and \$74,347 in 401(k) type plans. Annual rates of return on private pension plan assets were negative in 2018, as they were a decade ago, at a negative 3.3% for all private pension plans and a negative 4.5% for 401(k) type plans in 2018, compared to a negative 21.6% for private pension plans and a negative 24.9% for 401(k) type plans in 2008. For comparative purposes, using beginning and ending federal fiscal

year (October 1 to September 30) closing prices, the S&P 500 produced a 15.2% return in 2018 and a loss of 28.5% in 2008.

Government obligations

Fiscal year	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Total Government debt held by the public as % of GDP	86%	86%	85%	54%	—ppt	1ppt	32ppt
Total Government debt held by the public per person	\$ 54,455	\$ 51,697	\$ 45,311	\$ 26,278	5%	20%	107%

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Total Government debt held by the public as a percentage of GDP increased 32 percentage points over the last decade, with Government debt held by the public increasing 122% and GDP increasing 40%. Per person in the US, total Government debt held by the public increased 107%. See additional discussion of our Government's debt at *Financial Condition, Debt* below.

Sustainability and self-sufficiency

The sustainability and self-sufficiency reporting unit works to protect our environment, manage our natural resources responsibly, and increase our self-sufficiency.

Energy and water

Calendar year	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Energy							
Primary energy consumption (quadrillion Btu) ¹	101	98	97	99	3%	4%	2%
Energy consumption from renewable sources and nuclear (quadrillion Btu)	20	19	18	16	5%	11%	25%
Net consumption of energy (quadrillion Btu) ²	5	10	15	26	(50)%	(67)%	(81)%
Spot price of West Texas Intermediate (WTI) crude oil per barrel	\$ 65.23	\$ 50.80	\$ 97.98	\$ 99.67	28%	(33)%	(35)%
Spot price of Henry Hub natural gas per million Btu	\$ 3.15	\$ 2.99	\$ 3.73	\$ 8.86	6%	(15)%	(64)%
Coal prices per short ton – open market	\$ 32.69	\$ 31.80	\$ 37.29	\$ 32.05	3%	(12)%	2%
Water							
Water use per day (billions of gallons) ³	na	na	na	na	na	na	na

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^{na} An "na" reference in the table means the data is not available.

¹ Primary energy is energy in the form found at its original source, which has not been converted or transformed.

² Net consumption of energy is primary energy consumption less energy production.

³ The USGS had estimated water use for the US every 5 years since 1950. In 2016, it stopped, and we are not aware of a new source for this data.

Energy

Primary energy consumption increased over the past decade, though at a rate lower than the increase in the portion of our energy consumption that is fueled by renewable sources and nuclear. Over the past decade, consumption of fossil fuels decreased 1.8 quadrillion Btu or 2%, while renewable energy consumption increased 4.1 quadrillion Btu or 58% and consumption of nuclear electric power increased 12 trillion Btu or less than 1%. By source, over the past decade:

- *Fossil fuels* - Consumption of coal decreased (9.1 quadrillion Btu or 41%), while consumption of other fossil fuels increased, with petroleum up 122 trillion Btu or less than 1% and natural gas up 7.3 quadrillion Btu or 31%. The

price of a barrel of crude oil dropped 35% in the past decade, while the price of natural gas dropped 64%. Coal prices increased 2% between 2008 and 2018.

- *Renewable sources* - Consumption of energy from all renewable energy sources increased, with wind increasing the most (1.9 quadrillion Btu or 355%) followed by biofuels (1.2 quadrillion Btu or 31%), with geothermal having the smallest increase (16 million Btu or 9%). Biofuel is biomass converted directly into liquid fuels, of which the two most common types in use today are ethanol and biodiesel.

By sector, primary energy consumption increased over the past decade across the industrial sector (2.4 quadrillion Btu or 12% increase), the transportation sector (1.1 quadrillion Btu or 4% increase), the commercial sector (0.7 quadrillion Btu or 16% increase), and the residential sector (93 trillion Btu or 1% increase). On the contrary, the electric power sector consumption decreased by 1.8 quadrillion Btu or 5%.

Over the past decade, we have increased our energy self-sufficiency, decreasing our net consumption of energy from 26 quadrillion Btu in 2008 to 5 quadrillion Btu in 2018. Our production of all sources of energy increased, except for coal, and our overall consumption decreased. In 2018 as compared to 2008, we imported 21% fewer barrels of crude oil.

Water use

Water use data is not available for certain recent years and was only produced every five years. However, between 2005 and 2015, the latest ten-year period the data was available, water use declined by 88 billion gallons per day or 21%. All major use categories saw declines over this ten-year period, except mining where water use increased 4%. The largest gallon and percentage decreases were for thermoelectric power, for which water use decreased 68 billion gallons per day or 34% over ten years.

Environment quality and violations

Calendar year, except as otherwise noted	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Air							
Emissions (million metric tons of CO ₂ equivalents)	6,677	6,488	6,770	7,210	3%	(1)%	(7)%
Atmospheric CO ₂ (parts per million)	408.5	406.6	396.5	385.6	—%	3%	6%
Days reaching “unhealthy for sensitive groups” level or worse air quality ¹	799	721	677	1,193	11%	18%	(33)%
Air violations (facilities, fiscal year)	2,259	1,870	na	na	21%	na	na
<i>Air violations as % of facilities inspected</i>	3%	2%	na	na	1ppt	na	na
Water							
Water quality – suspended sediment concentration of largest pollutants (per liter of water): ²	210.8	225.5	212.0	237.0	(7)%	(1)%	(11)%
Silica	9.3	9.0	9.1	9.0	3%	2%	3%
Dissolved organic carbon	4.1	4.4	4.6	4.8	(7)%	(11)%	(15)%
Nitrogen	2.0	2.2	2.3	2.4	(9)%	(13)%	(17)%
Nitrate plus nitrite	1.6	1.8	1.4	1.4	(11)%	14%	14%
Drinking water violations (facilities, fiscal year)	49,254	50,052	55,430	na	(2)%	(11)%	na
<i>Drinking water violations as % of facilities inspected</i>	87%	90%	100%	na	(2)ppt	(12)ppt	na
Other (fiscal year)							
Hazardous waste violations (facilities)	8,134	8,575	7,856	na	(5)%	4%	na
Pesticide violations (number of federal violations)	2,057	2,296	1,297	na	(10)%	59%	na

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¹ Shown are the number of days among 35 major US cities combined in which the Air Quality Index (AQI) for ozone and fine particulate pollution (PM_{2.5}) combined was unhealthy for sensitive groups or above. A number of factors influence ozone formation, including emissions from cars, trucks, buses, power plants, and industries, along with weather conditions. Weather is especially favorable for ozone formation when it’s hot, dry and sunny, and winds are calm and light. Fine particle pollution can be emitted directly from cars, trucks, buses, power plants and industries, along with wildfires and woodstoves. But it also forms from chemical reactions of other pollutants in the air.

² This data provides streamflow, nutrient, pesticide, and sediment data collected and analyzed by the National Water Quality Network and other historical water-quality networks from 1963-2019.

Air

Emissions (CO₂ equivalents) decreased over the past decade. By emission type, carbon dioxide (CO₂) and methane emissions decreased by 9% and 8%, respectively, while nitrous oxide and fluorinated gas emissions increased 3% and 11%, respectively. Overall emissions decreased in the commercial, electricity generation, and residential sectors by 76%, 25%, and 9%, respectively over the last decade, while the transportation, agriculture, and industry sectors increased by 417%, 4%, and less than 1%, respectively.

Below is a brief summary of the various emission types:

- *Carbon dioxide* - enters the atmosphere through burning fossil fuels (coal, natural gas, and oil), solid waste, trees and wood products, and also as a result of certain chemical reactions. Carbon dioxide is removed from the atmosphere (or "sequestered") when it is absorbed by plants as part of the biological carbon cycle.
- *Methane* - emitted during the production and transport of coal, natural gas, and oil. Methane emissions also result from livestock and other agricultural practices and by the decay of organic waste in municipal solid waste landfills.
- *Nitrous oxide* - emitted during agricultural and industrial activities, as well as during combustion of fossil fuels and solid waste.
- *Fluorinated gases* - synthetic gases that are emitted from a variety of industrial processes. Fluorinated gases are sometimes used as substitutes for stratospheric ozone-depleting substances (e.g., chlorofluorocarbons, hydrochlorofluorocarbons, and halons). These gases are typically emitted in smaller quantities, but they are potent.

Despite decreased emissions in the US, atmospheric CO₂ as measured from the Mauna Loa Observatory, has increased consistently. In the cities tracked, the number of days the air was considered unhealthy for sensitive groups decreased over the past decade. In 2018, the city with the highest number of unhealthy air days was Los Angeles (110 days, as compared to 122 days in 2008). Columbus and Orlando each had 3 unhealthy air days, the lowest of the cities tracked, in 2018, as compared to 22 and 6 unhealthy air days, respectively, in 2008. Unhealthy air days are generally caused by emissions from cars, trucks, buses, power plants, and industries, along with wildfires and woodstoves.

Within this reporting period, we have limited data on air violations. However, the number of facilities inspected decreased when comparing 2011 and 2018, while the number of violations increased from 2015 to 2018.

Water

One measure of water quality that our Government tracks regularly is the quantity of suspended solids in the water. Suspended solids can clog fish gills, either killing them or reducing their growth rate, and reduces light penetration, which reduces the ability of algae to produce food and oxygen. When the water slows down, as when it enters a reservoir, the suspended sediment settles out and drops to the bottom, a process called siltation. This causes the water to clear, but as the silt or sediment settles it may smother bottom-dwelling organisms, cover breeding areas, and smother eggs.

Nutrients, such as nitrogen and phosphorus, are essential for plant and animal growth and nourishment, but the overabundance of certain nutrients in water can cause adverse health and ecological effects. Nitrogen, in the forms of nitrate, nitrite, or ammonium, is a nutrient needed for plant growth. If excess nitrogen is found in the crop fields, the drainage water can introduce it into streams, which will drain into other larger rivers and might end up in the Gulf of Mexico, where excess nitrogen can lead to hypoxic conditions (lack of oxygen).

During the periods presented, water quality as measured by the quantity of suspended solids improved overall, though levels of nitrate plus nitrite increased notably. Nitrate can get into water directly as the result of runoff of fertilizers containing nitrate. Some nitrate enters water from the atmosphere, which carries nitrogen-containing compounds derived from automobiles and other sources, derived either naturally from chemical reactions or from the combustion of fossil

fuels, such as coal and gasoline. Nitrate can also be formed in water bodies through the oxidation of other forms of nitrogen, including nitrite, ammonia, and organic nitrogen compounds such as amino acids. Ammonia and organic nitrogen can enter water through sewage effluent and runoff from land where manure has been applied or stored.

Regarding drinking water violations, the number of facilities with violations decreased during the periods reported, while the number of facilities inspected increased 1% for each of those periods.

Agriculture

Calendar year, except as otherwise noted (In millions of metric tons, except for percentages or otherwise noted)	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Crops harvested (in millions of acres)	317	319	321	327	(1)%	(1)%	(3)%
<i>Crops harvested per 1,000 acres of cropland</i>	<i>938</i>	<i>955</i>	<i>955</i>	<i>970</i>	<i>(2)%</i>	<i>(2)%</i>	<i>(3)%</i>
Crop failures (in millions of acres)	11	9	12	9	22%	(8)%	22%
Domestic production of grains and soy (market year)	481	482	468	435	—%	3%	11%
Domestic consumption of grains and soy (market year)	390	390	370	341	—%	5%	14%
Excess of grains and soy production over consumption	91	92	98	94	(1)%	(7)%	(3)%
Domestic production of meat and poultry ¹	44	42	56	56	5%	(21)%	(21)%
Domestic consumption of meat and poultry ¹	38	37	48	48	3%	(21)%	(21)%
Excess of meat and poultry production over consumption ¹	6	5	8	8	20%	(25)%	(25)%

⁺ We limited the key metrics data in this table to the years presented to be consistent with the previous sections of this MD&A. The most recent data in those sections is 2018, as that is the latest date for which comprehensive Government-wide financial data is available. Additional years of key metrics data may be found on our website. Click "[More detail](#)" to access it.

¹ Beef, veal and swine are categorized as meat.

Over the past decade, crops harvested, absolute and per acre, remained fairly consistent, while crop failures fluctuated and increased overall. Over the past decade, the US has remained self-sufficient for its major food sources of grains, soy, meat, and poultry by producing more than it consumes. Over this period, our consumption of grain increased, while our consumption of meat and poultry decreased.

American Dream

The American Dream reporting unit works to equalize opportunity for economic mobility, civil rights, and democratic and community participation in the US.

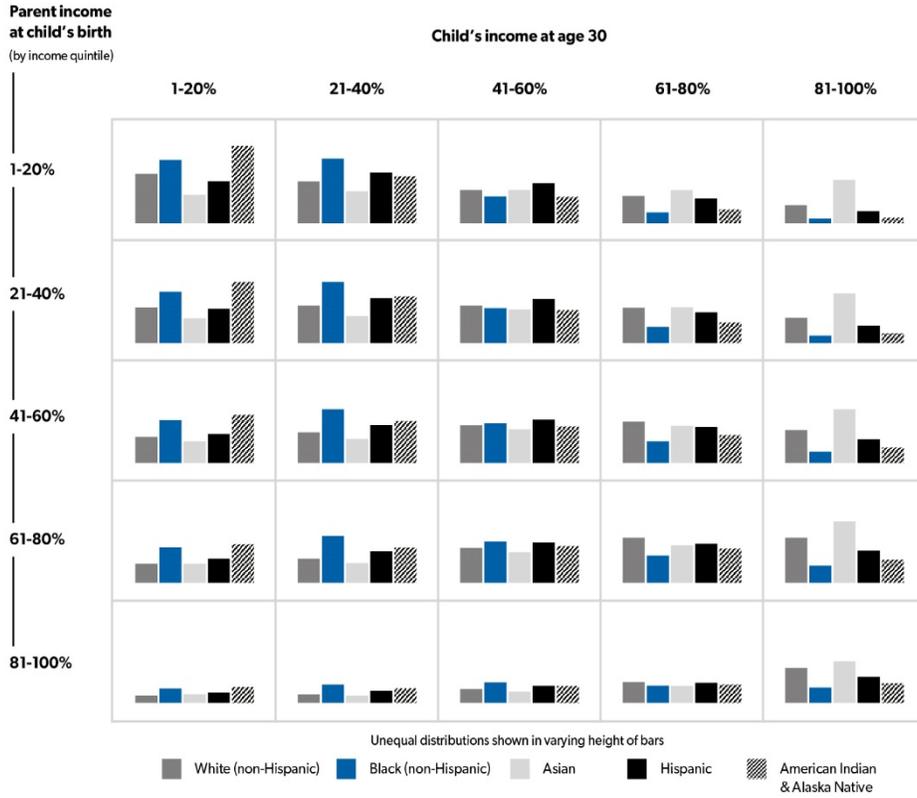
Economic mobility

Our Government seeks to equalize economic mobility opportunity in the US, where each kid has an equal opportunity to move to a higher income group than the one into which he or she is born. By income quintile (shown below), this would mean that every child would have a 20% chance of ending up in any quintile.

The chart below (from a study in March 2018 that linked data from the Census Bureau and the IRS) shows differences in economic mobility by race and ethnicity.⁵¹ Looking at the bottom quintile alone shows how both income and race/ethnicity can impact a child's likelihood of moving up. On average, among kids born into the bottom quintile:

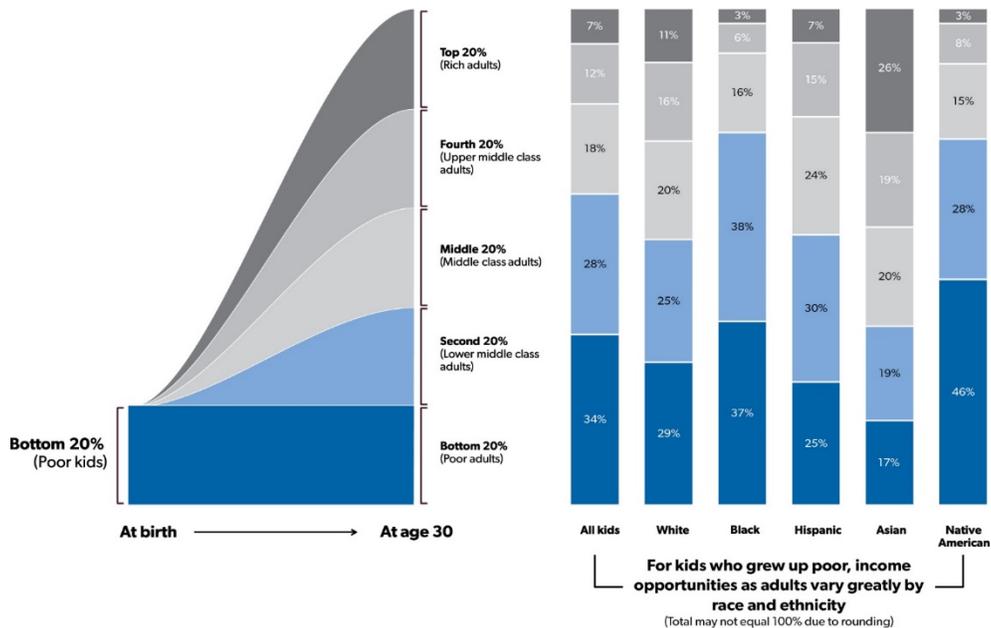
- Asian kids have an 83% chance of moving up;
- Hispanic kids have a 75% chance of moving up;
- White (non-Hispanic) kids have a 71% chance of moving up;
- Black (non-Hispanic) kids have a 63% chance of moving up; and
- American Indian/Alaska Native kids have a 55% chance of moving up.

What is a person's likely income around age 30 compared to his or her parents' income at birth?



What economic mobility looks like for children in poverty

Poor kids who start out in the bottom 20% have a certain likelihood to "move up" to higher income levels as adults depending on many factors including race and ethnicity.



Civil rights

Our Government seeks to ensure that minorities are protected and to reduce the number of civil rights crimes in the US.

	2018	2017	2013	2008	Change 2018 vs. 2017	Change 2018 vs. 2013	Change 2018 vs. 2008
Hate crime incidents	7,120	7,175	5,928	7,783	(1)%	20%	(9)%
<i>Hate crime incidents (per 1 million people)</i>	22	22	19	26	—%	16%	(15)%
Equal employment charges (fiscal year)	76,418	84,254	93,727	95,402	(9)%	(18)%	(20)%
<i>Equal employment charges (per 1 million employees)</i>	491	549	651	656	(11)%	(25)%	(25)%
<i>Equal employment charges (per 1 million job openings)</i>	2,357	2,617	3,081	3,150	(10)%	(23)%	(25)%
Housing discrimination complaints (fiscal year)	7,788	8,186	8,368	10,552	(5)%	(7)%	(26)%
<i>Housing discrimination complaints per housing unit</i>	56	60	63	81	(7)%	(11)%	(31)%
Health discrimination investigations	899	921	4,465	3,401	(2)%	(80)%	(74)%
<i>Health discrimination investigations per 1,000,000 people</i>	3	3	14	11	—%	(79)%	(73)%

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Civil rights outcomes have been mixed over the past decade. Overall, reports of hate crime incidents decreased over the past decade, with the largest decrease (17%) reported for race/ethnicity/ancestry, partially offset by increases in gender and gender identity (our source began reporting in 2013), disability (104%), and multiple-bias (2,700%) reports. Overall reported hate crimes had been declining but reversed trend in 2013, and increased through 2018, up 20% from 2013. Reported hate crimes increased, when comparing 2018 to 2013, across every category except sexual orientation, which decreased by 3%, while race, ethnicity, and ancestry hate crimes reported increased the most (up 15%).

Compared to a decade ago, equal employment charges increased overall, and results were mixed across categories. Charges increased for retaliation, disability, color, and equal pay, while they decreased for race, sex, national origin, religion, and age.

Housing discrimination complaints and health discrimination investigations can fluctuate significantly but decreased over the periods included in this report.

Democratic participation

Our Government seeks to encourage civic participation, including voting. The voting-age population was 246 million in 2016 (the latest presidential election included within this MD&A), an increase of 4% over 2012. Among people of voting age, 64% were registered to vote in 2016; among citizens of voting age, the registered proportion was 70%. That level has changed little since 1996 but is down from a peak of 75% in 1992.

Calendar year	2016	2012	2008	2004	Change 2016 vs. 2012	Change 2016 vs. 2008	Change 2016 vs. 2004
Rate of citizen voting in presidential elections	61%	62%	64%	64%	(1)ppt	(3)ppt	(3)ppt
<i>Rate of voting per registered voter</i>	87%	87%	90%	88%	—ppt	(3)ppt	(1)ppt

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The proportion of US citizens of voting age who voted in presidential elections has decreased. Voting rates have varied by demographic:

- the voting rate for women has been higher than for men since 1980;

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- by age, the lowest voting rate in 2016, 39%, was among 18 to 24-year-olds, while the highest, 68%, was among voters 65 and older;
- among people with less than a ninth-grade education, the voting rate in 2016 was 18%, while among those with a bachelor's degree or more, it was 71%; and
- regionally, the voting rate in 2016 was highest in the Midwest (61%) and lowest in the West (53%).

By race and ethnicity, the voting rate for citizens in 2016 was highest among non-Hispanic white people, at 64%, followed by Black people, at 56%. Participation in 2016 was lowest among Asian (34%) and Hispanic (33%) people. The voting rate among Black people jumped from 56% in 2004 to 61% in 2008, the year Barack Obama was elected the nation's first Black president, and was 62% in 2012 for his second term, before dropping again to 56% in 2016 when Obama left office.

Calendar year	2018	2014	2010	2006	Change	Change	Change
					2018 vs. 2014	2018 vs. 2010	2018 vs. 2006
Rate of citizen voting in midterm elections	53%	42%	46%	48%	11ppt	7ppt	5ppt
Rate of voting per registered voter	49%	39%	42%	44%	10ppt	7ppt	5ppt

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Voting rates are even lower in nationwide midterm elections when citizens choose all members of the US House of Representatives and a third of the Senate but not the president. The midterm-voting rate had been falling but reversed trend and grew in 2018, resulting in overall growth for the decade.

The voting-age population was 250 million in the 2018 midterm elections, an increase of 4% over 2014. Among people of voting age, 61% were registered to vote in 2018.

Since 1986, women have been more likely to vote in midterm elections than men. As in presidential elections, voting frequency in midterms increases with age and educational attainment. The age group 65 years and older had the highest rate amongst all age groups reported in 2018 at 64%. The group with bachelor's degrees or higher had the highest rate of voting frequency at 64% in 2018. By race and ethnicity, white, non-Hispanic people had their highest midterm voting rate in 2018, when it reached 57%, the highest rate among all races and ethnicities for any of the periods reported. Hispanic people of any race consistently had the lowest mid-term voting rates, but they too experienced their highest rate in 2018, when it reached 29%. The Midwest region had the highest midterm voting rate throughout the periods shown above, ranging from a low of 42% in 2014 to a high of 54% in 2018. The region with the lowest voting rate was the South for all midterm periods presented, ranging from a low of 39% in 2010 to 47% in 2018, except for 2014 when the voting rate was lowest in the Northeast at 36%.

Community participation

Our Government seeks to encourage the building of strong communities throughout the US.

Fiscal year, except as otherwise noted	2018	2017	2013	2008	Change	Change	Change
					2018 vs. 2017	2018 vs. 2013	2018 vs. 2008
Volunteering rate	na	26%	25%	26%	na	na	na
Median volunteer hours per year	na	na	50	52	na	na	na
Total giving (in millions, tax year)	\$ 196,956	\$ 256,065	\$ 194,664	\$ 172,936	(23)%	1%	14%
Total giving adjusted for inflation (2018 base)	\$ 196,956	\$ 262,320	\$ 209,830	\$ 201,695	(25)%	(6)%	(2)%
Total giving per \$100,000 of Adjusted Gross Income	\$ 169	\$ 233	\$ 214	\$ 209	(27)%	(21)%	(19)%

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^{na} An "na" reference in the table means the data is not available.

Volunteering

The proportion of Americans taking part in volunteer activities remained relatively consistent over the past decade, among males and females and across all age groups and education levels. Data by level of education, by age group, and by gender for 2016 and 2018 were not available at the time of this report's release. Volunteering in 2017 was most prevalent among people ages 65 and older and least prevalent in the youngest age group tracked, ages 15 to 24. People with higher levels of education (a bachelor's degree or higher) and women were more likely to volunteer than people with less education and men. In 2015, the latest year which the detailed data was available, men who volunteered were most likely to engage in general labor (12%); coach, referee, or supervise sports teams (9%); or collect, prepare, distribute, or serve food (9%). Female volunteers were most likely to collect, prepare, distribute, or serve food (13%); tutor or teach (11%); or fundraise (10%).

With respect to median volunteer hours, the number of hours per year remained consistent between 2008 and 2015. The most hours were worked by those ages 65 and older, while the least hours were worked by those ages 16 to 24.

Philanthropy

Americans claimed \$197 billion in charitable deductions in tax year 2018, for an average of \$13,267 per tax return with claims. This is compared with \$173 billion in charitable deductions, or an average of \$4,406 per tax return, in 2008. Though charitable deductions increased over the past decade, they dropped 23% from 2017, likely due to changes in tax law from the TCJA, which made claiming the standard deduction more attractive than itemizing deductions (including charitable deductions), for many tax filers.

Charitable deductions generally increase as income increases. By income cohort:

- the group with the greatest aggregate dollars claimed and number of associated tax returns in both 2018 and 2008 were those with AGI between \$100,001 and \$200,000, who claimed an aggregate of \$35 billion in charitable deductions in 2018, or an average of \$7,063 per tax return, and an aggregate of \$41 billion in 2008, or an average of \$3,780 per tax return;
- the group with the greatest dollars claimed per tax return were those with AGI of \$10 million or more, who claimed an aggregate of \$48 billion in charitable deductions in 2018, or an average of \$2.4 million per tax return. This is compared to an aggregate of \$20 billion in 2008, or an average of \$1.6 million per tax return.

Financial condition⁴⁴

Liquidity and capital resources

Cash and other monetary assets

Our Government's cash and other monetary assets increased \$253 billion or 24% in 2018 to \$1,310 billion, including \$508 billion of federal funds and \$802 billion of state and local funds.

Cash and other monetary assets increased \$237 billion or 87% at the federal level, primarily relating to operating cash held by the Treasury, which fluctuates due to Treasury's management of the balance and timing of our Government's cash position, including investment and borrowing decisions.

Cash and other monetary assets increased \$16 billion or 2% at the state and local government level, primarily reflecting a \$14 billion or 2% increase in non-pension cash and other monetary asset balances.

Our Government holds cash and monetary assets primarily to fund near-term operations and existing obligations and where otherwise required by law. It also holds international monetary assets in the International Monetary Fund (IMF). The IMF promotes international monetary cooperation and a stable payments system to facilitate growth in the world economy. Further discussion of the federal government's IMF related assets can be found in *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 2 – Cash and other monetary assets.*

Debt and equity securities

Our Government's debt and equity securities comprise mainly corporate equities, corporate and foreign bonds, and agency and government-sponsored enterprise (GSE)-backed securities, primarily held at the state and local level. These securities are predominantly US dollar-denominated securities, but also include foreign currency-denominated securities.

Government debt and equity securities increased \$330 billion or 7% in 2018 to \$5,075 billion. Of the total increase, state and local investments increased \$334 billion, while federal investments decreased \$4 billion. At the state and local level, there was a \$276 billion increase in investments of pension assets, which are not considered liquid assets our Government can use for general operations, as well as an increase of \$58 billion related to non-pension assets, reflecting increases in agency and GSE-backed securities of \$33 billion and corporate equities of \$14 billion.

Off balance sheet assets, liabilities, and other arrangements

There are significant resources available to our Government that extend beyond the assets reflected in the accompanying balance sheets. Those resources include stewardship land (e.g. national parks, wildlife refuges, national forests, and other lands of national and historical significance) and heritage assets (e.g. national monuments and historical sites of historical, natural, cultural, educational, or artistic significance) in addition to our Government's sovereign powers to tax and set monetary policy.

The federal government states that stewardship land and heritage assets are not expected to be used to meet the obligations of the federal government, and as such, they are not recorded as assets on the balance sheet. However, our Government does generate revenues from these assets. See *Part II, Item 8, Financial Statements and Supplementary Data, Note 22 – Stewardship land and heritage assets* within this annual report for more information.

The primary cash inflows of our Government come from its ability to tax and set monetary policy, for which there are no assets recorded on the balance sheet. Tax revenue comprised 88% and 87% of our Government's total revenues for 2018 and 2017, respectively.

Our Government has certain obligations and rights related to its relationship with GSEs that may not be recorded on the balance sheet. See *Note 8 – Investments in government-sponsored enterprises* in *Part II, Item 8, Financial Statements and Supplementary Data, Notes to financial statements* within this annual report for more information.

Our Government also has certain other obligations that are not legal liabilities in our balance sheets. See *Note 18 – Contingencies* and *Note 19 – Commitments* for more information.

Debt

Total Government debt held by the public increased \$990 billion, or 6%, in 2018 to \$17,798 billion.

Federal government

The unified federal budget surplus or deficit is the difference between total federal spending and receipts (e.g. taxes) in a given year. Our Government borrows from the public (increases federal debt levels) to finance deficits by issuing Treasury bills, bonds, and notes. During a budget surplus (i.e. when receipts exceed spending), our Government typically uses those excess funds to reduce the debt held by the public. Total federal government debt held by the public was \$14,721 billion at September 30, 2018.

Foreign governments and other overseas entities top the list of holders of federal debt securities, owning \$6,270 billion or 39% of the total federal debt held by the public at September 30, 2018. That proportion has fluctuated over the years and was 48% in 2008 (the first year discussed in this MD&A). The biggest foreign holders of our federal government's debt in 2018 were China, holding \$1,124 billion or 7%, and Japan with \$1,040 billion or 6%, of the balance.

The second-largest category of holders of federal debt securities are American households and businesses, which owned \$6,117 billion at September 30, 2018, or 38% of the total federal debt held by the public.

The third-largest holder of federal debt is the Federal Reserve, the US central bank. The Federal Reserve's holdings jumped to \$2,595 billion at September 30, 2018 from \$476 billion at September 30, 2008, comprising 16% and 7%, respectively, of the total federal debt held by the public, as it sought to bring the country out of the Great Recession and keep the economy growing afterwards. To do that, the Federal Reserve bought large amounts of Treasury securities to keep long-term interest rates low. Buying Treasury securities pushes up their price, which in turn lowers the interest rate, or yield. That makes it cheaper for companies and individuals to borrow, since many types of loans, including home mortgages, are linked to Treasury yields.

State and local government

State and local governments generally borrow to finance construction projects, including schools, hospitals, and roads. When these governments borrow, they sell bonds, which represent money that must later be repaid with interest. The state and local government debt balance was \$3,077 billion at September 30, 2018.

We are not aware of an aggregated source for a listing of holders of the state and local government debt held by the public.

Intergovernmental debt

In addition to debt held by the public, our federal government had \$5,825 billion in federal intergovernmental debt outstanding at September 30, 2018, which arose when one part of our federal government borrowed from another. This amount represents debt issued by the Treasury and held by federal government accounts, including the Social Security (\$2,896 billion) and Medicare (\$302 billion) trust funds. Because these amounts are both liabilities of the Treasury and assets of federal government trust funds, they are eliminated as part of the consolidation process for the federal government financial statements. However, when those securities are redeemed, for example, to pay future Social Security benefits, the Treasury will need to obtain the resources necessary to reimburse the trust funds.

There is also intergovernmental debt between the federal and the state and local governments, which generally arises when state and local governments invest in Treasury securities. We eliminated the state and local government holdings of Treasury securities when preparing our combined balance sheets. See *Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 23 – Intergovernmental transfers* for more information.

Contractual obligations

The following table summarizes the payments due by fiscal year for our Government's outstanding contractual obligations as of September 30, 2018:

(In billions)	2019	2020-2021	2022-2023	Thereafter	Total
Long-term debt: ¹					
Federal government Treasury securities principal payments	\$ 4,206	\$ 3,679	\$ 2,502	\$ 4,282	\$ 14,669
Federal government Treasury securities interest payments ²	272	420	303	1,355	2,350
State and local government principal payments ³	*	*	*	*	3,077
Federal government long-term operating leases ⁴	*	*	*	*	37
Federal undelivered orders ⁵	*	*	*	*	1,199
Federal other commitments ⁶	*	*	*	*	559
Total contractual obligations	\$ 4,478	\$ 4,099	\$ 2,805	\$ 5,637	\$ 21,891

* We are not aware of a source for this data by year.

¹ Excludes unamortized discounts and agency securities. See Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 11 – Debt securities held by the public and accrued interest within this annual report.

- ² *These amounts represent estimates of the amounts due for interest on federal government debt obligations. We calculated the interest payments using the September 2018 Monthly Statement of the Public Debt report from the Treasury (found at https://www.treasurydirect.gov/govt/reports/pd/mspd/2018/2018_sep.htm). We multiplied the outstanding Treasury security balances by each security's interest rate, to arrive at an annual expected interest payment. This sum was then multiplied by the number of years remaining on each security as of September 30, 2018, and grouped to arrive at the estimated interest payments for the years presented.*
- ³ *This amount represents total state and local government debt outstanding on the 2018 balance sheet. We are not aware of an aggregated source that provides the amount of principal debt payments in each of the years shown above. This amount does not include expected interest on the state and local government debt obligations as we are not aware of an aggregated source for this data.*
- ⁴ *This amount represents the federal long-term operating leases at September 30, 2018 that require then-future use of financial resources. See Note 19 – Commitments for more information. We are not aware of an aggregated source for state and local government long-term operating lease commitments.*
- ⁵ *This amount represents the federal government undelivered orders at September 30, 2018, which represent the value of goods and services ordered that had not yet been received as of that date. See Note 19 – Commitments for more information. We are not aware of an aggregated source for state and local government undelivered orders.*
- ⁶ *This amount represents other federal government commitments at September 30, 2018 that may require then-future use of financial resources. See Note 19 – Commitments for more information. We are not aware of an aggregated source for other state and local government commitments.*

Companies are also required to report in the table above within their Form 10-Ks future capital lease obligation payments. We are not aware of a federal or state and local aggregated source for this data and as such, the table above omits this information.

Other expected uses of capital

We expect our Government will continue to invest in major government functions and programs, such as Social Security, Medicare, infrastructure, education, and training, to name a few, in alignment with its overall objectives.

Social insurance

The largest outlays of the federal government are the various social insurance programs (e.g. Social Security and Medicare) and grants to the states for Medicaid. Our Government records liabilities for social insurance programs when payments are due and payable to beneficiaries or service providers. These liabilities do not encompass total expected future expenditures.

The Treasury, in its *Financial Report of the United States* (the Financial Report), provides Statements of Social Insurance (SOSI). The SOSI provide estimates of the potential future obligations for the most significant social insurance programs – Social Security, Medicare, Railroad Retirement, and Black Lung. The estimates represent the actuarial present values of the projected future net expenditures for the programs, generally based on continuation of then-current program provisions and economic and demographic assumptions from the respective programs' trustees over the following 75 years. The estimates at September 30, 2018 show net present values of estimated then-future net expenditures for Social Security, Medicare, and other social insurance programs of \$16.1 trillion, \$37.6 trillion, and \$0.1 trillion, respectively. More information on these programs and the related fiscal projections can be found at *Exhibit 99.06* and *Exhibit 99.07* of this Form 10-K.

Deferred maintenance and repairs

Deferred maintenance and repairs result from maintenance not being performed on assets on a timely basis. The consequences of not performing regular maintenance and repairs could include increased safety hazards, poor service to the public, higher costs in the future, and inefficient operations. The federal government estimates the cost to bring its property, plant, and equipment to an acceptable condition. These estimates exclude the cost of expanding the capacity of assets or upgrading them to serve needs beyond those originally intended. The federal government estimated that the deferred maintenance and repairs on its buildings, structures, and land was \$167 billion as of September 30, 2018. Estimated deferred maintenance and repairs costs are not recognized as a liability on the balance sheets.

Sustainability

Federal

Our federal government operates at a deficit nearly every year, with cash outflows exceeding inflows. We do not expect existing cash, cash equivalents, short-term investments, and cash flows from operations to be sufficient to fund federal government operations. Rather, we rely on our federal government's ability to issue debt securities or to adjust tax and other revenues to fund its activities. This is true for at least the next 12 months and thereafter for the foreseeable future.

Our federal government's ability to issue debt securities is subject to a statutory debt limit (the Debt Limit) and is impacted by its credit rating. The sum of debt held by the public and intergovernmental debt equals gross federal debt, which (with some adjustments) is the amount subject to the Debt Limit. At both September 30, 2017 and 2018, the debt subject to the Debt Limit was \$21.5 trillion, but there was no Debt Limit due to Congress' temporary suspension of it. During both fiscal years 2017 and 2018, delays in raising the debt limit resulted in the Treasury implementing "extraordinary measures" on a temporary basis, to enable the federal government to protect the full faith and credit of the US by continuing to pay the nation's bills. These extraordinary measures permit the federal government to continue to honor pre-existing commitments; they do not increase spending or authorize new spending. As of September 30, 2018, and 2017, the federal government had the top two highest possible ratings among the largest credit rating agencies in the US. See *Item 7A. – Quantitative and Qualitative Disclosures about Market Risk, Sovereign credit rating* for further information.

According to the Treasury, an important item for citizens to understand is the current fiscal policy and the importance and magnitude of policy reforms necessary to make it sustainable. According to the Treasury, a sustainable policy is one where the ratio of debt held by the public to Gross Domestic Product (GDP) (the debt-to-GDP ratio) is stable or declining over the long term. GDP measures 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. The debt-to-GDP ratio is a measure commonly used to gauge a nation's ability to pay its debt, as GDP is one measure of a country's ability to generate the financial resources needed to service its debt. Total Government debt (federal and state and local) held by the public (excluding intergovernmental debt) was \$17,798 billion at September 30, 2018, or 85% of GDP, down from 84% of GDP at September 30, 2017. Total federal debt (including intergovernmental debt) was 76% of GDP, while federal debt held by the public (excluding intergovernmental debt) was 70% of GDP, at September 30, 2018.

The projections in the Financial Report at the end of 2018 indicate that the debt-to-GDP ratio was projected to reach 530% in 2093 and to rise continuously thereafter. The debt-to-GDP ratio rises at an accelerating rate despite primary deficits (the total budget deficit excluding net payments) that flatten out because higher levels of debt lead to higher net interest expenditures, and higher net interest expenditures lead to higher debt. Preventing the debt-to-GDP ratio from rising over the 75 years following 2018 was estimated by the Treasury to require some combination of spending reductions and revenue increases that amount to 4% of GDP over the projection period, an increase of 2 percentage points from their 2017 estimates. While this estimate of the "75-year fiscal gap" is highly uncertain, the Treasury believes it is nevertheless nearly certain that then-current fiscal policies cannot be sustained indefinitely.

State and local

We are not aware of a consolidated state and local government source that analyzes its financial sustainability.

Application of critical accounting policies

Preparing financial statements requires preparers to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by the application of accounting policies. As the combined financial statements in this annual report represent the aggregation of financial data prepared by other entities, and as we do not have complete information about the accounting policies used to prepare the data, we are unable to determine what are the critical accounting policies.