

³ At the federal level, social insurance administration employees are primarily those responsible for administering Social Security and Medicare and therefore have been allocated to "Secure the Blessings of Liberty to Ourselves and Our Posterity." State and local social insurance administration employees administer unemployment and job services and therefore are allocated to "Promote the General Welfare."

⁴ Federal employees are as of March of 2014, the latest date available.

For 2019, 37% of government employees were represented by unions, including 30% of federal government employees, 32% of state government employees, and 43% of local government employees.³⁰

Talented employees are critical to the success of our Government, and the market for talented employees is competitive. The Government Accountability Office has found that mission-critical skills gaps within the federal workforce pose a high risk to the nation. Regardless of whether the shortfalls are in such government-wide occupations as cybersecurity and acquisitions, or in agency-specific occupations such as nurses at the Veterans Health Administration (VHA), skills gaps impede the federal government from cost-effectively serving the public and achieving results. Agencies can have skills gaps for different reasons: they may have an insufficient number of people or their people may not have the appropriate skills or abilities to accomplish mission-critical work. Moreover, current budget and long-term fiscal pressures, the changing nature of federal work, and a potential wave of employee retirements that could produce gaps in leadership and institutional knowledge, threaten to aggravate the problems created by existing skills gaps. Indeed, the government's capacity to address complex challenges such as disaster response, national and homeland security, and rapidly-evolving technology and privacy security issues requires a skilled federal workforce able to work seamlessly with other agencies, with other levels of government, and across sectors.³¹

Available information

Our website can be found at <https://usafacts.org>, where we make available free of charge a variety of information. Our goal is to maintain the website as a portal through which users can easily find or navigate to pertinent information about our Government, including:

- USAFacts Annual Report – a detailed annual score card for our Government;
- USAFacts 10-K (this report) – an annual report for our Government in the style of a corporate Form 10-K;
- Facts in Focus – brief topical analyses; and
- a database containing the data used in these reports, plus additional data and analysis.

In addition to our website, we use social media to communicate with the public. You can follow us on Twitter at @usafacts and Facebook and Instagram at USAFacts.

Item 1A. Risk Factors

Our Government's operations, financial results, and satisfaction of its customers are subject to various risks and uncertainties, including those described below.

The COVID-19 pandemic may hinder our Government's ability to achieve its constitutional objectives, at least in the short-term.³²

The Centers for Disease Control (CDC) is responding to a worldwide pandemic of respiratory disease spreading from person-to-person caused by a novel (new) coronavirus. The disease has been named "coronavirus disease 2019" (abbreviated "COVID-19"). On March 11, 2020, the COVID-19 outbreak was characterized as a pandemic by the World Health Organization (WHO). At the time of this filing, the US is in the acceleration phase of the pandemic, and all 50 states have reported cases to the CDC. This situation poses a serious public health risk.

The complete clinical picture with regard to COVID-19 is not fully known. Reported illnesses have ranged from very mild (including some with no reported symptoms) to severe, including illness resulting in death. As of April 13, 2020, there have

been 22,492 related deaths and 578,476 confirmed cases of COVID-19 in the US. For current data visit the [USA Facts.org website](https://usafacts.org). At this time, there is no vaccine to protect against COVID-19 and no medications approved to treat it. Nonpharmaceutical interventions will be the most important response strategy to try to delay the spread of the virus and reduce the impact of the disease.

The CDC expects that widespread transmission of COVID-19 in the United States will occur. In the coming months, most of the US population will be exposed to this virus. Widespread transmission of COVID-19 could translate into large numbers of people needing medical care at the same time. Schools, childcare centers, and workplaces may experience more absenteeism. Unemployment insurance claims reached more than 10 million for the two weeks preceding March 28, 2020, compared to 217,000 for the week of March 14, 2020. Mass gatherings may be sparsely attended or postponed. Public health and healthcare systems may become overloaded, with elevated rates of hospitalizations and deaths. Other critical infrastructure, such as law enforcement, emergency medical services, and sectors of the transportation industry may also be affected. Healthcare providers and hospitals may be overwhelmed.

On March 16, 2020, the White House announced a program called "15 Days to Slow the Spread," which is a nationwide effort to slow the spread of COVID-19 through the implementation of social distancing at all levels of society. The social distancing guidelines were subsequently extended beyond 15 days and are now recommended through April 30.

These circumstances and our response to them may have a significant negative impact on the health and well-being of the US population, as well as on the US economy. On March 27, 2020, the "Coronavirus Aid, Relief, and Economic Security Act" or the "CARES Act" was passed into law. This bill attempts to address economic impacts of, and otherwise respond to, the COVID-19 outbreak by:

- authorizing emergency loans to distressed businesses, including air carriers, and suspending certain aviation excise taxes;
- providing funding for forgivable bridge loans and additional funding for grants and technical assistance to small businesses;
- providing funding for \$1,200 tax rebates to individuals (subject to income limitations), with additional \$500 payments per qualifying child;
- establishing limits on requirements for employers to provide paid leave;
- revising tax provisions regarding withdrawals from retirement plans, tax due dates, losses, charitable deductions, and business interest;
- providing additional funding for the prevention, diagnosis, and treatment of COVID-19;
- limiting liability for volunteer health care professionals;
- prioritizing Food and Drug Administration (FDA) review of certain drugs and allowing emergency use of certain diagnostic tests that are not approved by the FDA;
- expanding health-insurance coverage for diagnostic testing and requiring coverage for preventative services and vaccines;
- revising other provisions, including those regarding the medical supply chain, the national stockpile, the health care workforce, the Healthy Start program, telehealth services, nutrition services, Medicare, and Medicaid;
- temporarily suspending payments for federal student loans and otherwise revising provisions related to campus-based aid, supplemental educational-opportunity grants, federal work-study, subsidized loans, Pell grants, and foreign institutions; and
- authorizing the Department of the Treasury to temporarily guarantee money-market funds.

This pandemic will impact most facets of Our Government and our population. Nearly all government agencies are responding, and many have issued related statements. You can review the responses from each federal agency at <https://www.usa.gov/government-coronavirus-response>. However, Our Government will face challenges in responding. The GAO reports that "Recent hurricanes, wildfires, and other events have highlighted the challenges the federal government faces in responding effectively to natural and man-made disasters—both in terms of immediate response and for long-term recovery efforts."³³ For ongoing analysis of the impact of COVID-19, please see USA Facts' Coronavirus hub at <https://usafacts.org/issues/coronavirus/>.

Government data is often untimely and inconsistent, inhibiting informed decision-making.

Unlike information about a corporation, the data for our Government come from numerous and varied sources. The current state of this data poses significant challenges, including:

- Each of the sources may prepare the data on different accounting bases (e.g. cash vs. accrual) and for different time periods (e.g. a point in time vs. a full year, calendar year vs. fiscal year), preventing comparability.
- The data is often not provided timely, sometimes years after-the-fact even for material data sets. For example, the latest date for which we have detailed corporate tax information is 2015. The latest date for which we have Medicaid enrollment data that is not estimates is 2012. The latest date for which we have consolidated financial data for our more than 90,000 state and local governments is 2017. And data on student enrollment and teacher populations is missing for some recent years.
- Sometimes the data conflicts with other data provided by our Government for the same metrics. For example, there are conflicting figures from the same or different government agencies for research and development spending, Unemployment Insurance benefits, Supplemental Security Income payments, and healthcare costs.

This lack of availability and comparability of data makes analysis of our Government challenging, hampering the knowledge and decision-making capability of our leaders, regulators, citizens, and all other interested parties. We have highlighted these and other key data challenges for this 10-K in Exhibits 99.12 and 99.13 to this report.

In a free society, human behavior cannot be fully regulated or controlled.

Our Government provides services, promulgates regulations, and enacts legislation intended to make progress towards our Constitutional objectives; however, citizens are responsible for making their own choices as to employment, healthcare, education, and the like. They may choose wisely or poorly, and they may or may not take advantage of the opportunities open to them. For example:

- While our Government seeks to create a stable economic climate that favors full employment and low inflation, it cannot guarantee these outcomes. Company investment, hiring decisions, and individuals' desire to work are beyond our Government's control.
- Our Government provides access to healthcare and discourages unhealthful behavior (for example, by imposing high excise taxes on tobacco and requiring warning labels); however, individuals may still choose to engage in unhealthful behavior such as smoking.
- Our Government sets emissions standards for automobiles to limit air pollution, but citizens are still free to drive as much as they wish.
- Our Government seeks to promote transportation safety by issuing drivers' licenses, imposing speed limits, requiring the use of seatbelts in cars and regulating the trucking, rail, and airline industries. Even so, accidents will occur as a result of human error or unforeseeable mechanical failures.

Government personnel security clearance processing challenges put us at risk.³¹

A high-quality and timely government-wide personnel security clearance process is essential to minimize the risks of unauthorized disclosures of classified information and to identify and assess individuals with criminal histories or other questionable behavior. As of October 1, 2015, the latest date for which data are available, approximately 4.2 million government and contractor employees, at nearly 80 executive branch agencies, were eligible to hold a personnel security clearance. Current challenges in the personnel security clearance process include:

- *Timeliness* - For fiscal year 2016, the government-wide average for the fastest 90% of initial secret clearance investigations ranged from 92 days to 135 days, while investigations for the fastest 90% of initial top-secret clearances ranged from 168 days to 208 days. In both areas, these timeframes significantly exceed established

timeliness objectives. As of February 2019, there was a backlog of approximately 565,000 background investigations.

- *Investigation quality* – The executive branch has not established measures for the quality of background investigations. Establishing performance measures is one element of a framework for effectively managing program performance to achieve desired outcomes.
- *Resolution of previously identified issues* - Several critical areas of previously identified areas for reform - such as the implementation of continuous evaluation, and the issuance of a reciprocity policy - remain incomplete. The GAO made numerous recommendations to executive branch agencies to address risks associated with the personnel security clearance process between 2011 and 2018 of which 27 of those recommendations are considered key to addressing the high-risk designation. Eight recommendations key to the high-risk designation have been implemented, including three since January 2018.

Increasing cyber security threats challenge our safety, prosperity, and well-being.³¹

Our Government and our nation's critical infrastructures—such as energy, transportation systems, communications, and financial services—are dependent on computerized (cyber) information systems and electronic data to carry out operations and to process, maintain, and report essential information. Ineffectively protecting cyber assets can facilitate security incidents and cyberattacks that disrupt critical operations; lead to inappropriate access to and disclosure, modification, or destruction of sensitive information; and threaten national security, economic well-being, and public health and safety. We are seeing steady advances in the sophistication of cyber-attack technology and the emergence of new and more destructive attacks. Since 2010, the US Government Accountability Office (GAO) has made over 3,000 recommendations to agencies aimed at addressing cybersecurity challenges facing the government. Nevertheless, many agencies face challenges in safeguarding their information systems and information, in part because many of these recommendations have not been fully implemented, and as of December 2018, nearly 700 of the GAO's information security-related recommendations had not been fully implemented.

Our Government's revenue and spending are significantly affected by economic conditions.

Our Government's ability to deliver services to citizens is influenced by the state of the economy. Indeed, maintaining economic growth, full employment, and low and stable inflation are among its top priorities, at least in part because these conditions both foster the prosperity and well-being of its citizens and provide tax revenue that funds Government services.

An economic downturn could result in business failures and job losses, with a resulting decline in corporate and personal income-tax revenue. At the same time, spending would rise as government increases outlays for services such as unemployment insurance, Temporary Assistance to Needy Families, and the Supplemental Nutrition Assistance Program.

On the federal level, the combination of lower revenue and higher spending would widen the budget deficit, which would have to be financed either by raising taxes, selling government assets, or issuing debt. The increase of our national debt raises interest costs and constrains our Government's ability to provide services in the future.

An economic downturn could be caused by policy errors, the vagaries of the business cycle, and exogenous factors. In the longer term, the economy could succumb to a slowing pace of growth as an aging society reduces the size of the labor force as a proportion of the total population.

Policy errors

- Keeping interest rates low for too long could stoke inflation, which may then need to be curbed by a sudden, sharp increase in interest rates. Too-low rates also raise the risk of unsustainable asset valuations, or "bubbles."

- Keeping interest rates higher than necessary, which could slow the pace of economic growth by increasing the cost of doing business, as an example, and thereby raise unemployment.
- Excessive government spending with borrowed funds, which could drive inflation higher, eroding citizens' standard of living, creating an uncertain business environment, and discouraging investment.
- Insufficient government spending on services such as policing, health, defense, and education could reduce the effectiveness of key government functions and adversely affect the safety and well-being of the population.
- Raising personal and/or corporate income taxes excessively, thus possibly reducing incentives for certain individuals to work, invest, and innovate.
- Reducing personal and/or corporate income taxes too much and not decreasing government spending accordingly, thereby increasing the budget deficit.

Other potential causes

The state of the economy also depends on factors beyond our Government's control, including:

- *External shocks* – economic downturns or crises in overseas markets could reduce demand for US exports of goods and services, potentially slowing domestic economic growth.
- *Health shocks* – large-scale pandemics could cause economic disruption and budgetary pressures on federal, state, and local governments, reducing government revenues and requiring greater government expenditures.
- *Energy shocks* – a sudden, sharp jump in the price of oil and/or natural gas could result in higher prices for products such as gasoline and heating fuel, curbing consumer spending for other goods and services and slowing the overall pace of growth. More expensive energy could also spur broader consumer-price inflation by pushing up prices companies pay for electricity, fuel, and raw materials for the production of chemicals, plastics, and other goods.
- *Financial shocks* – a sharp drop in financial asset prices (e.g. common stocks) would reduce household wealth, potentially limiting consumer spending and driving companies into bankruptcy.
- *Housing bubble* – a steep increase in home prices, followed by a sharp decline, could push the economy into a recession by causing a drop in household balance sheets, consumer confidence, and spending.

Our Government's revenue and its ability to provide needed services in the long run may also be limited by failure to control budget deficits and the national debt.

Federal debt held by the public is now at its highest level since shortly after World War II. Without a change in current laws and policies, federal spending, especially for Social Security and Medicare, is forecast to outstrip revenue over the next decade, widening the national debt to 92% of GDP in 2029 from 78% in 2019, according to the Congressional Budget Office. In 30 years, the Congressional Budget Office projects the debt will rise to 144% of GDP. That amount would be the highest in the nation's history by far. As a result, there is a risk that interest payments on the debt could consume a growing portion of the budget, possibly limiting the federal government's ability to provide other services unless taxes are raised or revenue is otherwise increased. A rising debt also risks pushing up interest rates, reducing savings and investment, and increasing the chances of a fiscal crisis.

Recently enacted legislation and tax avoidance put downward pressure on tax revenues, reducing Government resources.

On December 22, 2017, H.R.1, also known as the Tax Cuts and Jobs Act, became law. Effective January 1, 2018, H.R. 1 reduces the top individual income tax rate from 39.6% to 37%, changes the income tax brackets associated with each tax rate, increases the child tax credit, and provides for a 20% deduction of qualified business income and certain dividends for individuals, among other provisions. The Joint Committee on Taxation, a nonpartisan committee of the US Congress, estimates that H.R.1 will reduce federal income tax revenue by \$1.5 trillion between 2018 and 2027, including \$1.1 trillion

between 2018 and 2022. The estimated impacts on annual tax revenues range from a gain of \$33 billion in 2027 to a loss of \$280 billion of revenue in 2019. This works out to an average estimated annual revenue loss of \$146 billion, or about 3% of our Government's annual revenue.

Enforcement of tax laws helps fund our Government. Internal Revenue Service (IRS) enforcement collects revenue from noncompliant taxpayers and, perhaps more importantly, promotes voluntary compliance by giving taxpayers confidence that others are paying their fair share. The IRS's capacity to implement new initiatives, carry out ongoing enforcement and taxpayer service programs, and combat identity theft (IDT) refund fraud under an uncertain budgetary environment remains a challenge. In 2016, the IRS estimated that the average annual gross tax gap—the difference between taxes owed and taxes paid on time—was \$441 billion for tax years 2011-2013, of which it estimates it may collect only \$60 billion (14%). In addition, the IRS estimates that at least \$12.2 billion in individual IDT tax refund fraud was attempted in 2016, of which it prevented at least \$10.5 billion (86%).

Failure to raise the debt limit could create operational and economic risk.

Gross federal debt, or the sum of the debt held by the public and debt held by government entities (such as the Social Security trust fund) is subject to a statutory ceiling set by Congress. The ceiling, known as the debt limit, has been suspended (there is no limit) through July 31, 2021. The Treasury must take extraordinary measures to continue funding government activities after August 1, 2020. Even then, it will be able to continue borrowing only for a limited time. Once the limit is reached, the Treasury may not issue new debt to pay bills already incurred by Congress. Since 1960, Congress has raised, extended, or altered the definition of the debt ceiling or suspended it numerous times, most recently effective August 2, 2019. Failure to raise the ceiling when needed could prompt an unprecedented default on Treasury securities, which are generally considered the world's safest government debt and form a foundation for the global financial system. A US default, in turn, could trigger a financial crisis and throw the nation into a recession.

Ongoing efforts to modernize the financial regulatory system and the federal role in housing finance also pose risks to the budget outlook and economic stability.³¹

Following massive bailouts of financial firms during the 2007-2008 crisis, in 2010, the federal government enacted the Dodd-Frank Act, which was intended to strengthen oversight of the financial system and reduce the risk of another crisis. In May 2018, the Financial CHOICE Act rolled back a number of provisions of the Dodd-Frank Act. This act, as amended, has not been tested, and it's unclear whether it is adequate to prevent future financial crises that would involve the use of government funds to rescue financial institutions.

As a reaction to the financial crisis, our Government also took over two housing-finance agencies, Fannie Mae and Freddie Mac, which guarantee about half of the new mortgages in the US and have combined assets of about \$5 trillion. Our Government's role in housing finance could require the use of significant government funds.

Our Government has significant fiscal exposure to risks associated with a changing environment.³¹

Changes in our environment may pose risk to agriculture, infrastructure, and the health of citizens. Possible effects include coastal flooding as a result of rising sea levels, changes to the productivity of farms, and more intense and frequent weather events, according to our Government Accountability Office. Drought and diminishing water supplies are also risks. Our Government is the owner and operator of infrastructure that is vulnerable to changes in our environment, insures crops that could be damaged, and provides disaster aid in emergencies.

The federal government is also financially liable for cleaning up areas where federal activities have contaminated the environment. Various federal laws, agreements with states, and court decisions require the federal government to clean up environmental hazards at federal sites and facilities—such as nuclear weapons production facilities and military installations. Such sites are contaminated by many types of waste. The GAO reports that the federal government's

environmental liability has been growing for the past 20 years and is likely to continue to increase. For fiscal year 2017, the federal government's estimated environmental liability was \$465 billion—up from \$212 billion for fiscal year 1997. However, this estimate does not reflect all of the future cleanup responsibilities federal agencies may face. The GAO has found that federal agencies cannot always address their environmental liabilities in ways that maximize the reduction of health and safety risks to the public and the environment in a cost-effective manner, and that some agencies do not take a holistic, risk-informed approach to environmental cleanup that aligns limited funds with the greatest risks to human health and the environment.

Our Government's revenue and spending and our Constitutional objectives may be significantly affected by social unrest.

Establishing justice and ensuring domestic tranquility have been top priorities since the adoption of the Constitution in 1787. If there is civil unrest, most inputs and outcomes of our Government are affected.

Domestic tranquility has periodically been disrupted by localized rebellions, criminal gangs, labor actions, riots, and mass protests. In 1794, President George Washington raised a militia to suppress the "Whisky Rebellion," an uprising by farmers in western Pennsylvania resisting the imposition of an excise tax on whiskey. In 1932, President Herbert Hoover ordered the army to disperse the so-called "bonus army," a group of more than 40,000 veterans, family members and supporters who gathered in Washington to demand cash redemption for bonus certificates awarded for service in World War I. In 1968, the assassination of civil rights leader Martin Luther King, Jr. sparked a wave of riots across American cities, including Washington D.C., Chicago, Baltimore, Detroit, and Kansas City, causing dozens of deaths, more than 10,000 arrests, and widespread property damage. President Lyndon B. Johnson mobilized more than 10,000 federal troops and national guardsmen to quell the disturbances in Washington. The 1960s also saw mass demonstrations to protest the war in Vietnam, including one in 1969 that drew an estimated half a million protesters to the capital. Most significantly, a dispute between southern and northern states over the institution of slavery resulted in the secession of 11 southern states from the union, followed by a civil war to restore the union that lasted from 1861 to 1865, costing the lives of 620,000 soldiers.

Today, cities, counties, and states operate police forces and court systems responsible for enforcing local laws and maintaining public order; prisons to accommodate those who have been convicted of breaking the law and sentenced to incarceration; and fire departments to prevent and fight fires. The federal government also operates a number of law-enforcement agencies, including the Federal Bureau of Investigation and the Drug Enforcement Administration. Our Government also seeks to ensure the safety of consumer products, food and pharmaceuticals, and transportation systems; protect the environment; and protect the population against natural disasters.

Our Government's ability to maintain order and protect the population from a variety of threats faces a number of risks and challenges, including:

- Natural disasters such as hurricanes, earthquakes, tornadoes, and forest fires;
- Riots and civil unrest, with potential causes including racial tensions and perceptions that inequality is rising and economic mobility declining;
- Nuclear disasters, caused by an accident or sabotage;
- Terrorist attacks, either homegrown or originating abroad;
- Individuals or groups that seek to harm others, including by committing homicides, and the inability of our Government to control all individuals despite incentives and laws; and
- War with a powerful adversary.

Our Government's ability to achieve its vision is affected by foreign relations.

Cultivating friendly relations with foreign powers that share our values as well as improving relations or avoiding conflicts with actual and potential adversaries are essential to providing for the common defense. When necessary, we go to war to protect our vital national interests. Threats to our national security include:

- *Russia*, a nuclear power and principal successor to the USSR, seeks veto authority over nations on its periphery in terms of their governmental, economic, and diplomatic decisions, to shatter NATO and change European and

Middle East security and economic structures to its favor. The use of emerging technologies to discredit and subvert democratic processes in Georgia, Crimea, and eastern Ukraine is concern enough, but when coupled with its expanding and modernizing nuclear arsenal the challenge is clear.

- *China*, which also possesses a nuclear arsenal, is leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage. As China continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will continue to pursue a military modernization program that seeks Indo-Pacific regional dominance in the near-term and displacement of the US to achieve global preeminence in the future.
- *Global terrorism* – Groups such as Islamic State have taken advantage of instability in the Middle East, including the collapse of Libya, civil war in Syria, and a weak, US-backed regime in Iraq, to extend control over territory and natural resources that can then be used to stage terrorist attacks across the globe. Such groups are difficult to counter because they usually deploy suicide attackers and their radical ideology, alien to our own values, makes it difficult if not impossible to negotiate with them.
- *Nuclear proliferation* – While the US has continued to reduce the number and salience of nuclear weapons, others, including Russia and China, have moved in the opposite direction. They have added new types of nuclear capabilities to their arsenals, increased the salience of nuclear forces in their strategies and plans, and engaged in increasingly aggressive behavior, including in outer space and cyber space. North Korea continues its illicit pursuit of nuclear weapons and missile capabilities in direct violation of United Nations (UN) Security Council resolutions. Iran has agreed to constraints on its nuclear program in the Joint Comprehensive Plan of Action (JCPOA). Nevertheless, it retains the technological capability and much of the capacity necessary to develop a nuclear weapon within one year of a decision to do so.
- *Alliances* – Our Government has concluded alliances and partnerships with a number of nations around the world, including Turkey, Pakistan, Israel, and Saudi Arabia. The goals and interests of these nations may not be identical to our own, and they may become embroiled in local conflicts that end up involving the US.
- *Cyberwarfare* could disrupt our military capabilities and command and control; adversaries could also create economic havoc through cyber-attacks on the financial system, the power grid, our water sources, and nuclear power plants.

Our Government’s ability to secure the financial future of retirees is threatened by the risk of insolvency facing Social Security trust funds and the Pension Benefit Guaranty Corporation.³¹

The cost of providing Social Security and disability benefits is rising faster than revenue generated by the payroll tax. Reserves of the DI Trust Fund may be depleted as early as 2025, and reserves of the OASI Trust Fund may be depleted as early as 2030, according to projections by the funds’ trustees. See Exhibit 99.06 for more information. The Pension Benefit Guaranty Corporation (PBGC), which backs the pension benefits of over 35 million Americans through insurance programs that guarantee pension benefits when plans fail, may not be able to meet its long-term obligations, due in part to a long-term decline in the number of traditional defined benefit plans and the collective financial risk of the many underfunded pension plans that PBGC insures. According to the PBGC’s 2019 Annual Report, the PBGC’s deficit was \$57 billion as of September 30, 2019. Its projections show that the multiemployer program continues to show a very high likelihood of insolvency during 2025, and that insolvency is a near certainty by the end of 2026. When the program becomes insolvent, PBGC will be unable to provide financial assistance to pay the current level of guaranteed benefits in insolvent plans. At that time, the only money available to provide financial assistance will be incoming multiemployer premiums and thus PBGC will be only able to pay financial assistance to the extent of PBGC’s multiemployer premium income.

Promoting good health, especially for the elderly, faces key challenges.³¹

First, the Medicare Hospital Insurance Trust Fund is forecast to be depleted as early as 2023, reflecting rising health-care costs and a relative decline in the number of workers paying payroll taxes. See Exhibit 99.07 for more information. Second, epidemics, such as those caused by the Ebola or Zika viruses, and pandemics, such as the one caused by COVID-19, could bring about widespread illness and loss of life. Third, every day, nearly 130 people in the US die after overdosing on

opioids. The misuse of and addiction to opioids—including prescription pain relievers, heroin, and synthetic opioids such as fentanyl—is a serious national crisis that affects public health as well as social and economic welfare. The Centers for Disease Control and Prevention estimates that the total "economic burden" of prescription opioid misuse alone in the United States is \$78.5 billion a year, including the costs of healthcare, lost productivity, addiction treatment, and criminal justice involvement.

Failure to maintain and upgrade the nation’s surface transportation system could curb economic growth and adversely affect the quality of life for citizens.³¹

The nation’s highways, mass transit, and rail systems are under growing strain, reflecting increasing congestion and freight demand, and traditional funding sources are eroding. For example, federal taxes on gasoline haven’t been raised since 1993. Inflation-adjusted revenue from motor fuel taxes that support the Highway Trust Fund, a major source of federal surface transportation funding, is declining, according to the Government Accountability Office, and our Government has been using general revenues to maintain spending levels. This trend is forecast to continue as consumers turn to vehicles that are more fuel efficient or that use alternative energy sources. The Congressional Budget Office estimates that \$159 billion in additional funding would be needed between 2022 and 2029 to maintain inflation adjusted spending on current levels.

Recruiting and retaining skilled Government workers is key to delivering essential, and in many cases life-saving, services to the American people.³¹

High levels of training and education are required to address complex challenges such as disaster response, national and homeland security, and rapidly evolving technology and privacy-security issues. However, current budget and long-term fiscal pressures, declining levels of federal employee satisfaction, and a potential wave of employee retirements could produce gaps in leadership and institutional knowledge.

Item 2. Properties

Domestic

Land

Federal government owned land

The federal government owns and manages more than a quarter of the roughly 2 billion acres of land in the US. These lands are managed for many purposes, primarily preservation, recreation, and development of natural resources. Five primary federal agencies manage about 95% of this federally-owned-and-managed land. The five agencies and the land they managed are:

(Acres in thousands)	1990	2000	2010	2018
Agency				
Bureau of Land Management	272,029	264,398	247,859	244,391
Forest Service	191,367	192,355	192,881	192,919
Fish and Wildlife Service	86,822	88,226	88,949	89,206
National Park Service	76,134	77,931	79,691	79,946
Department of Defense	20,501	24,052	19,422	8,850
Total federally-owned land	646,853	646,962	628,802	615,312
Total land in US	2,271,343	2,271,343	2,271,343	2,271,343
Percentage of land in US federally-owned	28%	28%	28%	27%

[†] Data source is the Congressional Research Service paper titled *Federal Land Ownership: Overview and Data*, dated February 21, 2020.

Federal government owned, otherwise managed, and leased land – non-public domain

Our Government sometimes refers to the land it owns and manages as public domain lands and acquired lands. According to the Congressional Research Service, public domain lands are those ceded by the original states or obtained from a foreign sovereign (via purchase, treaty, or other means). Acquired lands were obtained from a state or individual by exchange, purchase, or gift. About 90% of all federal lands are public domain lands, while the other 10% are acquired lands. Many laws were enacted that related only to public domain lands. Even though the distinction has lost most of its underlying significance today, different laws may still apply depending on the original nature of the lands involved. Owned, otherwise managed, and leased non-public domain land and related costs are as follows:

	2014	2015	2016
Land acres¹	39,784,271	49,601,819	42,343,516
Owned and otherwise managed acres	38,829,324	47,909,576	41,015,497
Total annual operating costs (in thousands) ^{2,3}	\$ 140,751	\$ 122,890	\$ 125,059
Leased acres	954,947	1,692,243	1,328,020
Total annual lease costs (in thousands) ^{2,4}	\$ 48,561	\$ 49,568	\$ 50,728

[†] Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 and 2018 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

¹ Includes federal government owned land and federal government managed museum trust, state government owned, and withdrawn land, and leased land. Does not include public domain land. Details may not add to total due to rounding.

² It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.

³ Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

⁴ Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

Owned, otherwise managed, and leased non-public domain land by agency as of 2016 was as follows:

(In thousands)	Acres		
Agency	Owned	Leased	Total
Army Department	11,986	965	12,951
Air Force Department	8,000	103	8,103
Navy Department	4,299	43	4,342
General Services Administration	4	—	4
Department of Veterans Affairs	38	—	38
Department of Energy	2,200	9	2,209
Department of Interior	6,275	2	6,277
Other department or agency	8,214	206	8,420
Total	41,016	1,328	42,344

[†] Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 and 2018 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

State and local government owned and leased land

We are not aware of a source of state and local government owned and leased land for each government.

Buildings and other structures

Below is detail of federal and state-owned buildings and structures.

	2014	2015	2016
Buildings⁴	275,195	273,125	267,127
Owned ¹	254,083	253,481	247,723
Total square feet (in thousands)	2,505,805	2,520,991	2,490,265
Total annual operating costs (in thousands) ^{3,6}	\$ 14,448,129	\$ 11,644,642	\$ 12,022,269
Leased	21,112	19,644	19,404
Total square feet (in thousands)	294,163	283,125	280,103
Total annual lease costs (in thousands) ^{3,7}	\$ 7,071,773	\$ 7,103,442	\$ 7,284,160
Structures⁷	481,398	496,022	496,174
Owned ¹	477,634	492,263	492,725
Total annual operating costs (in thousands) ^{3,6}	\$ 7,784,400	\$ 8,787,913	\$ 6,326,949
Leased	3,764	3,759	3,449
Total annual lease costs (in thousands) ^{3,7}	\$ 64,972	\$ 58,053	\$ 59,135
Buildings real property use⁸			
Utilized	103,902	96,718	89,359
Underutilized	1,611	3,598	7,859
Unutilized	3,360	3,414	3,120
Repair needs^{1,2}			
Owned building repair needs costs (in thousands)			\$ 115,672,218
Owned structure repair needs costs (in thousands) ⁵			\$ 92,098,256

[†] Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 and 2018 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

¹ Includes federal government owned, foreign government owned, museum trust, and state government owned.

² Repair needs are only a required data element for owned assets. Repair needs is the objective amount necessary to ensure that a constructed asset is restored to a condition substantially equivalent to the originally intended and designed capacity, efficiency, or capability. This should exclude any consideration of the likelihood that the repair will actually be performed at any time before the asset's disposition.

³ It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.

⁴ Buildings (examples): office, laboratories, hospital, warehouse

⁵ Structures (examples): airfield pavements, flood control and navigation, utility systems, navigation and traffic aids

⁶ Owned and otherwise managed annual operating and maintenance costs consist of the following: 1) recurring maintenance and repair costs; 2) utilities (includes plant operation and purchase of energy); 3) cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal including recycling operations); and 4) roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

⁷ Lease costs comprise: 1) annual net rent to the lessor – the fully serviced rental to the lessor minus the annual operating and maintenance costs and 2) annual operating and maintenance costs – reoccurring maintenance and repair costs including: utilities (includes plant operation and purchase of energy); cleaning and/or janitorial costs (includes pest control, refuse collection, and disposal, including recycling operations); roads/grounds expenses (includes grounds maintenance, landscaping, and snow and ice removal from roads, piers, and airfields).

⁸ The reporting of utilization is only required for offices, laboratories, hospitals, warehouses, family housing, dormitories, and barracks.

Buildings detail (2016)

As shown in the table above, our Government occupies 2.8 billion square feet of building space in the US and US territories, of which 2.5 billion square feet are owned and 280 million square feet are leased. Information by use and by government agency as of 2016 are shown in the tables below:

Buildings Real Property Use (in thousands, except per sq ft)	Owned			Leased		
	Owned sq/ft ¹	Owned Annual Operating Costs ^{1,4}	Annual Costs per sq/ft ^{1,4}	Leased sq/ft	Leased Annual Costs ^{2,4}	Annual Costs per sq/ft ^{2,4}
Total	2,490,265	\$ 12,022,269	\$ 4.83	280,103	\$ 7,284,160	\$ 26.00
Office	505,382	\$ 2,552,070	\$ 5.05	180,116	\$ 5,300,900	\$ 29.43
Service	386,874	\$ 1,463,963	\$ 3.78	7,000	\$ 95,941	\$ 13.71
School	249,416	\$ 1,239,604	\$ 4.97	4,610	\$ 35,593	\$ 7.72
Dormitories/Barracks	226,547	\$ 933,140	\$ 4.12	1,950	\$ 38,116	\$ 19.54
Laboratories	172,973	\$ 1,468,266	\$ 8.49	4,634	\$ 170,269	\$ 36.74
Other institutional uses	173,663	\$ 843,802	\$ 4.86	1,780	\$ 18,229	\$ 10.24
Warehouses	127,428	\$ 367,699	\$ 2.89	23,878	\$ 232,126	\$ 9.72
Hospital	126,892	\$ 699,584	\$ 5.51	363	\$ 10,932	\$ 30.10
Industrial	111,131	\$ 769,749	\$ 6.93	933	\$ 9,962	\$ 10.68
Family housing	52,132	\$ 189,875	\$ 3.64	2,565	\$ 18,306	\$ 7.14
Prisons and detention centers	43,900	\$ 353,236	\$ 8.05	—	\$ —	\$ —
Communications systems	18,089	\$ 84,555	\$ 4.67	313	\$ 5,480	\$ 17.53
Outpatient healthcare facility	14,490	\$ 89,686	\$ 6.19	12,154	\$ 331,373	\$ 27.26
Navigation and traffic aids	12,561	\$ 175,920	\$ 14.01	702	\$ 12,972	\$ 18.48
Facility security	10,972	\$ 54,246	\$ 4.94	141	\$ 646	\$ 4.58
Child care center	9,140	\$ 26,014	\$ 2.85	26	\$ 436	\$ 16.81
Museum	7,091	\$ 21,930	\$ 3.09	60	\$ 42	\$ 0.70
Data centers	4,835	\$ 67,039	\$ 13.87	593	\$ 13,815	\$ 23.29
Land port of entry	4,731	\$ 29,369	\$ 6.21	833	\$ 16,832	\$ 20.22
Comfort stations/Restrooms	3,984	\$ 31,135	\$ 7.82	4	\$ 7	\$ 1.71
Border/Inspection station	2,656	\$ 24,638	\$ 9.28	6,799	\$ 104,322	\$ 15.34
Public facing facility	1,518	\$ 5,468	\$ 3.60	19,027	\$ 555,837	\$ 29.21
Post office	996	\$ 4,006	\$ 4.02	—	\$ —	\$ —
Aviation security related	263	\$ 1,839	\$ 6.98	3,418	\$ 152,385	\$ 44.58
All other ³	222,601	\$ 525,436	\$ 2.36	8,204	\$ 159,639	\$ 19.46

^{*} Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 and 2018 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

¹ Includes federal government owned, foreign government owned, museum trust, and state government owned.

² Includes operations and maintenance costs and rent.

³ The All Other category is defined as "buildings that cannot be classified elsewhere."

⁴ It is difficult to compare owned and leased annual operating costs due to their make-up. Owned annual operating costs only includes operations and maintenance costs, whereas leased annual operating costs also includes rent to capture the full cost of the asset.

(In thousands)	Building Square Feet		
	Owned	Leased	Total
Agency			
Army Department	699,921	16,589	716,510
Air Force Department	444,482	5,614	450,096
Navy Department	432,822	2,848	435,670
General Services Administration	230,139	190,624	420,763
Department of Veterans Affairs	155,081	18,521	173,602
Department of Energy	115,581	596	116,177
Department of Interior	100,576	3,056	103,632
Other department or agency	311,663	42,255	353,918
Total	2,490,265	280,103	2,770,368

^{*} Data source is the General Services Administration FY 2016 Federal Real Property Profile (FRPP) Open Data Set. The General Services Administration reports that Department of Defense (DOD) data is under review and is therefore not included in 2017 and 2018 totals in the FRPP Open Data Set. It does not make sense for us to update this section to 2017 and 2018 without DOD data, as it comprises a large portion of the data set. As such, we have limited the most recent data in this section to 2016.

The US Government Accountability Office (GAO) reports that federal agencies continue to face long-standing challenges in several areas of real property management, including: (1) effectively disposing of excess and underutilized property, (2) relying too heavily on leasing, (3) collecting reliable real property data for decision making, and (4) protecting federal facilities.³¹

Federal Indian reservations³⁴

A federal Indian reservation is an area of land reserved for a tribe or tribes under treaty or other agreement with the US, executive order, or federal statute or administrative action as permanent tribal homelands, and where the federal government holds title to the land in trust on behalf of the tribe. Approximately 56.2 million acres (approximately 2% of total US land area) are held in trust by the US for various Indian tribes and individuals. There are approximately 326 Indian land areas in the US administered as federal Indian reservations (i.e. reservations, pueblos, rancherias, missions, villages, communities, etc.). The largest is the 16 million-acre Navajo Nation Reservation located in Arizona, New Mexico, and Utah. The smallest is a 1.32-acre parcel in California where the Pit River Tribe's cemetery is located. Many of the smaller reservations are less than 1,000 acres.

International³⁵

We are not aware of a current aggregated source for land held by our Government outside of the US. However, the Department of Defense (DOD) reports on its overseas holdings. As of 2018, the DOD managed a worldwide real property portfolio that spanned 45 foreign countries, including 514 overseas sites:

- *By country* – Germany (194 sites), Japan (121 sites), and South Korea (83 sites) had the most sites by country;
- *By service* – 202 were for the Army, 166 for the Air Force, 123 for the Navy, and 23 for the Marine Corps; and
- *By value* – 430 had a replacement value of less than \$1.102 billion each, 21 had a replacement value of equal to or more than \$1.102 billion and less than \$2.067 billion each, 24 had a replacement value of equal to or more than \$2.067 billion each, and 39 had a replacement value of zero.

Item 3. Legal Proceedings

Our Government is subject to a variety of claims and suits that arise from time to time in the ordinary course of its operations. See *Part II, Item 8. Financial Statements and Supplementary Data, Notes to financial statements, Note 18 – Contingencies* for a discussion of these items.