



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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US GOVERNMENT RELEASES FY06 FINANCIAL REPORT

Washington, DC- The Treasury Department and the Office of Management and Budget today released the fiscal year 2006 *Financial Report of the United States Government*. The Financial Report, which complements the President's Budget to be released in February, details the U.S. government's financial position and condition. The report also provides information about significant future obligations by looking at prospective Social Security and Medicare costs.

The revenue results were \$2.4 trillion, nearly a 12 percent increase over 2005 revenues. These Financial Report revenues are approximately the same as the 2006 year-end budget receipts because the accounting basis for tax revenues is generally the same for financial reporting as it is for budgeting.

"The President's economic agenda has produced a strong economy, creating millions of jobs, spurring revenues and meeting the President's deficit reduction goal well ahead of schedule," said Secretary Henry M. Paulson. "This report also demonstrates the urgency of addressing Americans' retirement security. The health of today's economy provides a strong foundation for addressing the long-term fiscal challenges highlighted in the Financial Report."

As reported in the fiscal year-end budget results this fall, record level tax receipts led to a narrowing gap between costs and revenues for the federal government. Consistent with the improved budget results, the Financial Report's 2006 \$450 billion net operating costs are approximately \$310 billion lower than the 2005 figure.

Despite this short-term progress, funding for current Social Security and Medicare participants will come up \$44 trillion short in the next 75 years at net present value, according to the report. Without fundamental reform, the cost of these programs is projected to triple as a percentage of the U.S. economy by the year 2080.

"This report shows we are making progress getting our fiscal house in order in the near-term. But it also puts in stark terms the necessity of addressing the rapid increase in entitlement spending over time," said OMB Director Rob Portman. "The burden on future generations will be overwhelming if we don't face the unsustainable growth in important programs like Medicare, Medicaid and Social Security. This is our biggest budgetary challenge and one that will require a bipartisan solution."

The report states that gross operating costs of the federal government were \$3.1 trillion, down \$47 billion from 2005. The decrease was partly due to a change in interest rate assumptions used in actuarial accounting methods for post-employment benefits in certain agencies.

As required by law, Treasury first issued the Financial Report subject to audit for fiscal year 1997 to increase public awareness of the government's finances. For the past three years, Treasury has issued the report on December 15, ahead of the statutory deadline of March 31.

The Department has delivered the report to all members of the Congressional leadership, as required by law. OMB and the Department are also taking the additional step this year of sending the report to all members of the U.S. House of Representatives and the U.S. Senate. As it moves to electronic distribution, Treasury has delivered the report to tens of thousands e-mail subscribers and posted the report on several government websites including <http://www.fms.treas.gov/fr/index.html>.