



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C.

SECRETARY OF THE TREASURY

**A Message from the Secretary of the Treasury**

The 2008 Financial Report of the United States Government, issued by the U.S. Department of the Treasury, is a comprehensive financial report that provides a backdrop for both the Government's current financial position and prospects for moving forward.

The Government's net operating cost for the fiscal year that ended September 30, 2008 was just over \$1 trillion, more than triple the net operating cost for the prior fiscal year. The growth in the net operating cost resulted from the economic slowdown, the Government's response to the slowdown and significant re-estimates of the Government's liabilities for veterans' disability compensation benefits. Government revenues stayed relatively flat, increasing only 1 percent, while net costs increased by 25 percent from fiscal year 2007 to fiscal year 2008. The cost increases resulted primarily from agencies' substantial re-estimates of liabilities for post-employment benefits. The Government's budget deficit for the fiscal year that ended September 30, 2008, was \$455 billion, which was more than double the deficit for the prior year.

The report discusses the Government's long-term fiscal challenge of funding the Social Security, Medicare and Medicaid programs. In both the near term and long term, these programs will account for a large and growing portion of total Government spending. The projected long-term costs are much greater than the resources that will be available to pay for them, particularly as health care costs continue to rise and the population continues to age. Changes are needed to bring these important programs into fiscal balance.

The report also discusses the steps the Federal Government has taken to restore stability in the U.S. financial system. The Treasury Department continues to work to achieve and maintain the stability of the financial system given our authority and capacity. I am confident that with all parties working cooperatively in this unprecedented situation, we will find solutions that restore and maintain our national economic well-being.

Henry M. Paulson, Jr.

**This page is intentionally blank.**