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Rules 'hiding' trillions in debt

Liability \$516,348 per U.S. household

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By **Dennis Cauchon**
USA TODAY

The federal government recorded a \$1.3 trillion loss last year — far more than the official \$248 billion deficit — when corporate-style accounting standards are used, a USA TODAY analysis shows.

The loss reflects a continued deterioration in the finances of Social Security and government retirement programs for civil servants and military personnel. The loss — equal to \$11,434 per household — is more than Americans paid in income taxes in 2006.

"We're on an unsustainable path and doing a great disservice to future generations," says Chris Chocola, a former Republican member of Congress from Indiana and corporate chief executive who is pushing for more accurate federal accounting.

Modern accounting requires that corporations, state governments and local governments count expenses immediately when a transaction occurs, even if the payment will be made later.

The federal government does not follow the rule, so promises for Social Security and Medicare don't show up when the government reports its financial condition.

Yes No

Bottom line: Taxpayers are now on the hook for a record \$59.1 trillion in liabilities, a 2.3% increase from 2006. That amount is equal to \$516,348 for every U.S. household. By comparison, U.S. households owe an average of \$112,043 for mortgages, car loans, credit cards and all other debt combined.

Yes No

Unfunded promises made for Medicare, Social Security and federal retirement programs account for 85% of taxpayer liabilities. State and local government retirement plans account for much of the rest.

This hidden debt is the amount taxpayers would have to pay immediately to cover government's financial obligations. Like a mortgage, it will cost more to repay the debt over time. Every U.S. household would have to pay about \$31,000 a year to do so in 75 years.

Yes No

The Financial Accounting Standards Advisory Board, which sets federal accounting standards, is considering requiring the government to adopt accounting rules similar to those for corporations. The change would move Social Security and Medicare onto the government's income statement and balance sheet, instead of keeping them separate.



The White House and the Congressional Budget Office oppose the change, arguing that the programs are not true liabilities because government can cancel or cut them.

Chad Stone, chief economist at the liberal Center on Budget and Policy Priorities, says it can be misleading to focus on the government's unfunded liabilities because Medicare's financial problems overwhelm the analysis.

"There is a shortfall in Medicare and Medicaid that is potentially explosive, but that is related to overall trends in health care spending," he says.

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