



Written by [Rebecca Terrell](#) on March 30, 2026

U.S. Government Financial Statements Reveal an Insolvent Federal Government

The U.S. Department of the Treasury released its consolidated financial statements for fiscal year 2025 (ending September 30, 2025) in mid-March. The report, part of the [annual Financial Report](#) of the United States Government, shows a balance sheet [under significant strain](#). Assets totaled \$6.055 trillion, while reported liabilities reached \$47.779 trillion, producing a negative net position of \$41.723 trillion — worsening by nearly \$2.074 trillion from the prior year.

Federal debt and interest payable rose by about \$2 trillion, to \$30.334 trillion. Federal employee and veteran benefits payable increased by \$438.8 billion, to \$15.472 trillion. These figures exclude many off-balance-sheet obligations. The Statement of Social Insurance lists \$88.4 trillion in unfunded 75-year obligations for programs such as Social Security and Medicare — an increase of \$10.1 trillion from FY 2024. Combined, total obligations exceed \$136 trillion, against a U.S. GDP of roughly \$31 trillion.

The U.S. Government Accountability Office (GAO) issued a [disclaimer of opinion](#) on the statements for the 29th consecutive year, citing material weaknesses in internal controls, particularly at the Department of Defense, and issues with interagency accounting. This is standard for the federal government's accrual-based reporting. It does not necessarily indicate fraud, but highlights long-standing financial management challenges.

Student Loan Debt

Of the \$6.055 trillion in reported assets, one of the largest single line items is — ironically — debt itself: that is to say, [student loan debt](#). In the “loans receivable” portfolio, which amounts to approximately \$2 trillion, \$1.7 trillion was student loan debt, held by roughly 42.8 million borrowers. Student loans have long ranked as the federal government's single largest (or one of the top) reported financial asset, often comprising 25-40 percent of total assets in recent years. These loans appear on the balance sheet at net present value after allowances for expected losses and defaults. The Department of Education originates most of them as “Direct Loans,” which remain on the government's books rather than being routinely sold to private investors — though the current administration has begun [shifting management](#)



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[responsibilities](#) to the Treasury Department.

Experts' Analysis

Economists Steve H. Hanke of Johns Hopkins University and David M. Walker, former U.S. comptroller general, analyzed the data in a [Fortune article published March 23](#). They described the position as insolvency, noting liabilities nearly eight times assets and total obligations roughly four to five times annual economic output. The authors argued Congress has lost control over fiscal policy, and called the situation a “fiscal catastrophe.” They scaled the numbers to household terms: a family earning about \$52,000 annually but owing more than \$1.3 million.

The 75-year fiscal gap widened to 4.7 percent of GDP. Unfunded liabilities reflect demographic pressures — aging populations and rising healthcare costs — rather than immediate cash shortfalls. Sovereign nations that issue their own currency face different constraints than private entities; markets continue to purchase U.S. Treasuries. Hanke and Walker note that the Treasury statements provide a comprehensive accrual view but are one lens among many. Cash-basis budgets and Congressional Budget Office projections offer additional context on near-term deficits and debt sustainability. Regardless, long-term fiscal pressures continue to mount with no relief in sight. The economists proposed two ill-conceived remedies: passage of H.R. 3289, the [Fiscal Commission Act](#), and an [Article V convention](#) for a fiscal responsibility amendment modeled on Switzerland’s debt brake.

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