

Truth in Accounting Makes Statement About Government Shutdown

CHICAGO, IL, UNITED STATES, October 15, 2025 /EINPresswire.com/ -- Truth in Accounting Urges Fiscal Reform Amid Government Shutdown Crisis

The federal government shutdown is a manufactured crisis that reflects a deeper, long-standing problem: decades of poor financial management and inadequate accounting practices across all levels of government. This

mismanagement is now compounded by states' growing dependence on pandemic-era federal aid, temporary funding that has already begun to evaporate.



Truth in Accounting

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Sheila Weinberg

Our research at Truth in Accounting reveals a perfect storm brewing, one that could leave states facing hundreds of billions in losses, forcing painful cuts, tax hikes, or more borrowing on the backs of taxpayers.

The shutdown exposes the hypocrisy at the heart of Washington's dysfunction. Federal employees deemed "essential" must report to work without pay, waiting weeks or even months for back wages. Meanwhile, the politicians who engineer this brinkmanship continue to draw their salaries uninterrupted, shielded by the perks of power. This isn't leadership; it's self-preservation masquerading as

governance.

Elected officials posture as guardians of the taxpayer's purse, yet while promising tens of trillions of dollars in Social Security and Medicare benefits there remains no clear plan to pay for these commitments over the long term. This is on top of more than \$2.5 trillion in underfunded federal pensions and \$1.3 trillion in underfunded state and local government retirement promises. These are not just accounting abstractions; they pose real risks to taxpayers and public workers alike, threatening financial stability and the sustainability of essential public services if reforms

aren't enacted.

The dysfunction extends far beyond D.C. Our latest Financial State of the States report reveals how states have become perilously dependent on the surge of federal grants and contributions that ballooned during the COVID-19 pandemic. Federal aid to these primary governments jumped from \$745 billion in 2019 to a staggering \$1.5 trillion in 2021 before tapering to about \$1.2 trillion in 2024, still well above pre-pandemic levels.

This support may have provided a temporary buffer, but as pandemic programs fade and national budget pressures mount amid the shutdown, states may face a rude awakening.



Sheila Weinberg, CPA, Founder & CEO of Truth in Accounting

Imagine federal aid snapping back to inflation-adjusted 2019 levels. Our analysis shows states' primary governments could collectively face a potential loss of more than \$300 billion in federal support, roughly 10 percent of their projected expenses. States like Nevada, with a potential revenue loss of 22 percent, Arizona at 18 percent, and Kentucky at 16 percent stand out, but they are not alone. Every state faces the risk of painful trade-offs if federal aid recedes: cutting essential services, raising taxes, or taking on more debt. This is not just a budgetary projection. It is a clear signal that classrooms, hospitals, and roads across the country could be at risk.

Short-sighted cash-basis budgeting and misleading accounting have allowed governments to claim balanced books while ignoring long-term obligations that will come due in the future. This sleight-of-hand has hidden the true state of affairs, but a reckoning is coming if nothing changes.

The good news? Solutions exist, and they're gaining traction. A strong first step would be revisiting the 1974 Employee Retirement Income Security Act, known as [ERISA](#), which exempted governments from the strict pension funding and reporting rules imposed on corporations. This exemption has contributed to today's underfunding crisis that puts workers and taxpayers at risk. Updating this law to include state and local governments would bring consistency, accountability, and greater financial security to the public sector.

Equally vital is our proposed [Financial Transparency and Accountability Act](#), which would

mandate accrual-based reporting to expose the full scope of liabilities upfront. No more hiding billions in unfunded retiree obligations behind rosy projections.

Rebuilding trust and fiscal resilience starts with transparency. The path forward demands responsible stewardship, clear-eyed assessments, and reforms that ensure promises made to public workers can be kept without unfairly passing the burden to future taxpayers.

This is not about placing blame. It's about setting higher standards and having the political will to meet them. The American people deserve budgeting that reflects long-term thinking, honest accounting, and a sustainable path forward. Let's seize this moment as an opportunity to get our fiscal house in order before the next crisis forces our hand.

About Truth in Accounting

Truth in Accounting is a nonpartisan, nonprofit organization dedicated to promoting transparent and accurate financial reporting in government. Through research, analysis, and advocacy, TIA empowers taxpayers with the truth about public finances.

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